



寶成工業股份有限公司

POU CHEN CORPORATION

## 2019 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.*



1. Name, title, telephone number and e-mail address of spokesperson and acting spokesperson:

Name of spokesperson: Ho, Ming-Kun

Title of spokesperson: Executive Senior Manager

Telephone number of spokesperson: (04) 24615678

E-mail address: [ir@pouchen.com](mailto:ir@pouchen.com)

Name of acting spokesperson: Chang, Yea-Fen

Title of acting spokesperson: Senior Manager

Telephone number: (04) 24615678

E-mail address: [ir@pouchen.com](mailto:ir@pouchen.com)

Name of acting spokesperson: Chou, Yin-Fen

Title of acting spokesperson: Deputy Senior Manager

Telephone number: (04) 24615678

E-mail address: [ir@pouchen.com](mailto:ir@pouchen.com)

2. Address and telephone number of the head office, branch and factory:

Head office: No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

Telephone number: (04) 7695147

Fax: (04) 7680577

Head office: No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City, Taiwan

Telephone number: (04) 24615678

Fax: (04) 24606668

Global Supply Chain Management: No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

Telephone number: (04) 7695101

PCN Business Unit: No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

Telephone number: (04) 7695171

PCaG Business Unit: No. 245, Sec.7 Zhanglu Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

Telephone number: (04) 7771630

PCMS Business Unit: No. 245, Sec.7 Zhanglu Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

Telephone number: (04) 7771630

3. Name, address, e-mail address and website of the stock agency:

Name: Grand Fortune Securities Co., Limited

Address: 6F. No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City, Taiwan

Website: <http://www.gfortune.com.tw>

Telephone number: (02) 23711658

4. Name of certified public accountant ("CPA") who audited the most recent annual financial report and name, address, website and telephone number of the CPA Firm:

Name of CPA: Wu, Ker-Chang and Hong, Kuo-Tyan

Name of CPA Firm: Deloitte & Touche

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City, Taiwan

Website: <http://www.deloitte.com.tw>

Telephone number: (02) 27259988

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 2019 was NT\$11.4 billion, the consolidated revenue was NT\$313.2 billion, representing an increase of 6.76% compared to NT\$293.3 billion in the previous year, and the net income attributed to owners of the Company was NT\$11.8 billion, an increase of 10.46% compared to NT\$10.7 billion in the previous year. (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 59% and 41% of consolidated revenue for 2019 respectively. (Schedule 2)

The Company's consolidated revenue in 2019 increased by NT\$19.9 billion compared with the previous year, primarily due to the steady development of the Company's footwear manufacturing business, resulting from the increase in average selling price per pair of footwear products, while retailing of sporting goods and brand licensing business benefited from the expansion of its sales network and growth of same-store sales, leading to relatively strong business growth.

#### (2) Income from operations

Attributed to the continuous improvement in the performance of sporting goods retailing and brand licensing business, the Company's consolidated gross profit for 2019 was NT\$79.5 billion, up 5.36% from the NT\$75.5 billion in the previous year. The consolidated gross profit margin in 2019 dropped slightly from 25.7% in the previous year to 25.4%, primarily due to a combination of increased product complexity of footwear manufacturing business, customers' growing demand for flexible production set up such as reallocate and shift production facilities. It's also related to the Company's investments in manufacturing optimization for its sustainable growth including higher level of automation and SAP ERP system implementation, which resulted in temporary low efficiencies. Time and resources are required to make further adjustments and achieve greater production efficiency.

Because the Company continued to strengthen its expense control, the consolidated operating expenses ratio roughly remained stable as that in 2018. The Company's consolidated net operating income was NT\$14 billion, an increase of 1.02% from NT\$13.8 billion in the previous year. Consolidated net operating income margin in 2019 decreased from 4.7% in the previous year to 4.5%.

#### (3) Net income and Earnings per share

The net income attributable to owners of the Company in 2019 was NT\$11.8 billion, which was slightly increased by NT\$11 billion compared to the previous year, resulting in EPS of NT\$4.01 which was an increase of NT\$0.38 compared to NT\$3.63 in the previous year.



# POU CHEN CORPORATION

Schedule 1: Consolidated Financial Statements

(In NT\$ thousands, except earnings per share)

| Year<br>Item               |                           | 2019        |       | 2018        |       | +(-)%  |
|----------------------------|---------------------------|-------------|-------|-------------|-------|--------|
|                            |                           | Amount      | Ratio | Amount      | Ratio |        |
| Operating revenue          |                           | 313,156,585 | 100%  | 293,316,089 | 100%  | 6.76%  |
| Gross profit               |                           | 79,515,354  | 26%   | 75,471,295  | 26%   | 5.36%  |
| Income from operations     |                           | 13,950,460  | 5%    | 13,809,464  | 5%    | 1.02%  |
| Income before income tax   |                           | 21,521,978  | 7%    | 20,260,383  | 7%    | 6.23%  |
| Net income for the year    |                           | 18,002,774  | 6%    | 16,371,866  | 6%    | 9.96%  |
| Net income attributable to | Owners of the Company     | 11,828,609  | 4%    | 10,708,646  | 4%    | 10.46% |
|                            | Non-controlling interests | 6,174,165   | 2%    | 5,663,220   | 2%    | 9.02%  |
| Earnings per share (Basic) |                           | 4.01        |       | 3.63        |       |        |

Schedule 1-1: Separate Financial Statements

(In NT\$ thousands, except earnings per share)

| Year<br>Item               |  | 2019       |       | 2018       |       | +(-)%   |
|----------------------------|--|------------|-------|------------|-------|---------|
|                            |  | Amount     | Ratio | Amount     | Ratio |         |
| Operating revenue          |  | 11,399,477 | 100%  | 12,062,778 | 100%  | (5.50%) |
| Gross profit               |  | 4,743,554  | 42%   | 4,610,127  | 38%   | 2.89%   |
| Income from operations     |  | 540,529    | 5%    | 477,899    | 4%    | 13.11%  |
| Income before income tax   |  | 12,395,196 | 109%  | 11,609,847 | 96%   | 6.76%   |
| Net income for the year    |  | 11,828,609 | 104%  | 10,708,646 | 89%   | 10.46%  |
| Earnings per share (Basic) |  | 4.01       |       | 3.63       |       |         |

Schedule 2: Consolidated Revenue

(In NT\$ thousands)

| Year<br>Primary Business                                 |  | 2019        |       | 2018        |       |
|--|--|-------------|-------|-------------|-------|
|  |  | Amount      | Ratio | Amount      | Ratio |
| Manufacturing of shoes                                   |  | 185,444,582 | 59%   | 177,557,453 | 61%   |
| Retailing of sporting goods and brand licensing business |  | 126,866,572 | 41%   | 114,950,866 | 39%   |
| Other  |  | 845,431     | -     | 807,770     | -     |
| Total  |  | 313,156,585 | 100%  | 293,316,089 | 100%  |

## 1.2 Research and Development

In 2019, the Company invested 2.1% of its consolidated revenue in research & development (R&D). R&D items include promoting an optimized system with automated production process connected to the IoT, incorporating and refining innovative production models and innovative manufacturing technologies, and constantly improving operational efficiency and flexible productivity. The Company has established an R&D team and an independent R&D Center for its major customers. The Company maintains close cooperation with its customers during product and prototype development, using its technical capabilities and abundant practical experience to combine innovative elements and environment-friendly materials, so as to provide the most valuable comprehensive solutions from which to produce high quality footwear products.

## 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. The Company's overall energy conservation target is that energy intensity in 2020 will be 8% lower than that in 2016. To date, the Company has successively introduced a number of energy conservation and carbon reduction measures. In addition to continuously increasing the energy efficiency of production equipment, the Company actively reduces leakage of vapor gas and compressed air in hopes of achieving its target by 2020. The Company will continue to assess the feasibility of renewable energy applications to conform to international trends and customer expectation.

### (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. In 2020, the Company will continue to expand the promotion of monthly labor safety events in overseas plants; organize various promotional activities to raise employees' safety awareness and strengthen the Company's safety culture; continue to reinforce occupational hazard prevention works; improve occupational health and safety management mechanism; implement equipment safety and health improvement efforts; and increase employees' safety awareness. Through these actions, the Company hopes to reduce occupational injuries and realize the goal of safety self-management.

### (3) Compliance Management

The Company conducts internal evaluation of environmental safety, health, and human rights labor affairs, controls deficiency improvements and reporting of abnormal events, and tracks the progress of customer inspection, in order to examine the compliance of its production divisions with the Group's code of conduct, local laws and regulations, and customers' requirements. Through these, the Company aims to mitigate risks within the workplace and fulfill the requirements of responsible production. In 2020, the Company will continue to adopt and improve its internal risk management system, strengthen compliance with customer requirements, keep abreast of industrial requirements and issues of concern, comply with the "Universal Declaration of Human Rights" and the ILO "Declaration on Fundamental Principles and Rights at Work", and endeavor to implement principles of fairness and human rights policies.



#### (4) Friendly Workplace

The Company enhances interactive and trust-building relationships with its employees by establishing and maintaining a consistent complaint and reporting system, quickly addressing employees' issues, regularly performing follow-up and data analysis, developing a variety of employee care channels, hosting scheduled employee meetings, and arranging employee home interviews. In 2020, the Company will continue to organize employee activities, engage in friendly workplace campaigns, elucidate its core values and the Group's code of conduct, continue to foster internal lecturers, educate employees on interactive management practices, improve internal solidarity and organizational identity, promote harmonious employee-employer relations, and build a friendly workplace.

### 1.4 2020 Business Plan

#### (1) Operating Guidelines

##### ■ Footwear Manufacturing

##### A. To upgrade production and continue to strengthen business capabilities

The Company continues to invest in and improve its automation level, advanced technologies, process improvement, and SAP ERP system to strengthen its flexible production and quick response mechanisms. The Company builds a team with expertise in key technologies, enhances product development and innovation capabilities, and continuously accumulates core competitive energy. Meanwhile, the Company continuously implements measures for production optimization, enforces stringent cost control, and endeavor to improve production management efficiency.

##### B. To leverage local advantages to flexible capacity allocation

In terms of production allocation in 2019, Vietnam, Indonesia, and China accounted for 44%, 39%, and 13% of the Company's total output, respectively, whereas that of Cambodia, Bangladesh, and Myanmar accounted for 4%. In 2020, Vietnam, Indonesia, and China will continue to be the main production bases. In response to the rapidly changing consumer market, the Company will adopt more flexible procurement strategies for its customers and continue to focus on strengthening the manufacturing capability and lean production practices of its plants and maintain maximum flexibility in production planning.

##### C. To provide value-added service for solidifying relationship with brand customer

The Company focuses on serving customers who show growth potential, leverages its core competencies and competitive advantages, provides total support through added value and one-stop services, offers more extensive services, deepens long-term cooperation with customers, and actively expands opportunities for business development.

##### D. To engage in vertical integration for extending the business market

To achieve excellent quality, fast response, and environmental sustainability, the Company continues to effectively integrate resources, constructs a market-oriented supply chain management system, works together with strategic suppliers to develop new materials, new processes, new technologies, and new applications, and constantly seeks innovation and breakthroughs in industry value chains to maximize additional value.

##### ■ Retailing of Sporting Goods and Brand Licensing

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

The Company continues to upgrade its brick-and-mortar businesses, focusing particularly on customer experience to offer diverse products and premium services and increase business benefits. Additionally, the Company establishes a standardized model for business optimization, defines key performance indicators, and integrates digital technologies for real-time data collection and analysis, the results of which will serve as the basis for making business decisions to quickly respond to



consumer market demands, thereby increasing management effectiveness and improving operational efficiency.

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

The Company continues to reinforce its ability to manage e-business platforms, actively integrates online and offline resources with consumers at the core, and builds a distinguished comprehensive sales channel that enables the sustainability of consumer experience. By establishing a cross-channel product sharing platform, the Company hopes to increase in-season sell-through and overall sales performance, keep inventory at a relatively healthy level, and boost continuous business growth.

**C. To innovate the business market and create a retailing ecosystem**

Because consumers are favoring personalized and more diverse products, the Company is committed to exploring more flexible business models. In addition to continuously investing in the upgrading and integration of sales channel for better shopping experiences, the Company plans to establish new concept stores combined with sports experience elements, introduce a brand new app program to create and guide consumer needs, and build a brand new retail ecosystem that fulfills the diverse shopping habits and experiences of consumers.

**D. To value consumer's experience and promote sports services**

The Company continues to host sports events such as marathons, trail runs, basketball games, and baseball games, to attract sports enthusiasts who can be potential customers of the Company. A number of the Company's sports events are aimed at forging stronger customer relations. By linking sports events, products and services, the Company provides distinguished and complete shopping experiences to increase consumer adhesion and loyalty and capture opportunities for product sales growth.

**(2) Prospects**

Looking forward to 2020, initially, a soft recovery of the global economy was anticipated, given the slowing of U.S.-China trade dispute and continuous easing of monetary policies by major countries. However, the outbreak of the novel coronavirus (COVID-19) epidemic in the beginning of 2020. In response, China adopted a series of strict traffic and crowd control measures such as suspending industrial operations and locking down its cities, to prevent the spread of the epidemic. These measures not only impacted China's domestic demands and exports, but also spilled over to the operation of the manufacturing supply chains, bringing uncertainties to the performance of the global economy as the COVID-19 spread around the world. Issues concerning the progress of U.S.-China trade agreements, the U.S. Presidential election, and climate change also influence the development of the international situation. Fierce industrial competition, rapid changes in consumption patterns, and rising labor costs, among other factors have introduced a number of variables in the business environments.

Despite the challenges arising from the major public health crises that garnered international attention in early 2020, the Company remains confident in the long-term development of its industry, believing that people will be more aware of the importance of health, safety and sports life. Because challenges and opportunities will always exist in parallel of each other, Pou Chen will adhere to its core values, utilize its competitive advantages, carefully respond to uncertainties and challenges, continue to strengthen corporate governance and sustainable development, recruit and foster diverse talents, continue to focus on its two core businesses, manufacturing of shoes and retailing of sporting goods and brand licensing, foster its management capabilities, strive to create the value of corporate sustainability, and actively achieve stable revenue growth.



Regarding footwear manufacturing, the Company will continue to invest in automation, supply chain integration, and production optimization measures, improve the flexibility and diversity of production capabilities, expand production capacity in a timely manner, and maintain production planning at maximum flexibility, thereby improving production efficiency and business performance. The Company will apply innovative production models and improve product development capabilities, provide excellent products and innovative services in response to market demands, constantly deepen its strategic cooperation with customers, and secure the Company's leading position in the shoe manufacturing industry.

Regarding retailing of sporting goods and brand licensing businesses, the Company will continue to invest in new concept stores and stores upgrades, enhance the operating capability of its omni-channels, integrate online platforms with offline channels, host various sports events, and provide consumers with a complete and diverse range of unique shopping experiences and services, thereby promoting the effective sale of products and services. At the same time, the Company will strengthen its data management and inventory integration and product sharing management practices, keep abreast of key business indicators, sustain its core competitive advantages, and continue to improve its sales and business performances.

Chairman of the Board: Chan, Lu-Min



President: Lu, Chin-Chu



## II COMPANY PROFILE

### 2.1 Date of Establishment:

September 4, 1969.

### 2.2 Company History

- (1) The Company was founded on September 4, 1969. The Company's registered share capital was NT\$ 500,000 and had dozens of ten employees. Its primary business was manufacturing and export marketing of rubber shoes.
- (2) In June 1973, the Company increased its capital by cash to NT\$ 12,000,000, and started manufacturing rubber sandals. The turnover was NT\$ 105,530,000.
- (3) In 1975, the Company purchased approximately 53,000 square meters of land located in the Fu Hsin industrial park in Fu Hsin Hsian, Chang Hwa. The Company's turnover was NT\$ 240,770,000.
- (4) In June 1976, the Company increased its capital by cash to NT\$ 30,000,000, and started manufacturing rubber slip-on shoes. The turnover was NT\$ 424,200,000, a 76% increase compared to the previous fiscal year.
- (5) In May 1977, the Company increased its capital by cash to NT\$ 52,000,000, and began construction of a modern factory occupying approximately 15,000 square meters in the Fu Hsin industrial park in Fu Hsin Hsian. The Company started manufacturing riding boots, plastic foam boards, and rubber foam sponge boards. The turnover was NT\$ 498,660,000, an 18% increase compared to the previous fiscal year.
- (6) In February 1978, the Company increased its capital by cash to NT\$ 80,000,000, and started manufacturing sports shoes. The Company's turnover was NT\$ 677,260,000, a 36% increase compared to the previous fiscal year.
- (7) In 1979, the Company started to undertake the manufacturing of "adidas" sports shoes. The Company's turnover was NT\$ 815,430,000, a 20% increase compared to the previous fiscal year.
- (8) In February 1982, the Company increased its capital by NT\$ 68,100,000 based on the appreciation of assets after reappraisal, and increased its capital by NT\$ 11,900,000 with unappropriated retained earnings. The Company's capital was increased to NT\$ 160,000,000, and the turnover was NT\$ 1,214,110,000.
- (9) In October 1983, the Company adopted HP computer equipment in production management, inventories management, accounts payable management, and calculation of salaries. The Company's turnover was NT\$ 2,026,140,000, a 67% increase compared to the previous fiscal year.
- (10) On January 1, 1984, the Ministry of Economic Affairs approved the Company's merger with Pou Yun Industrial Co., 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.

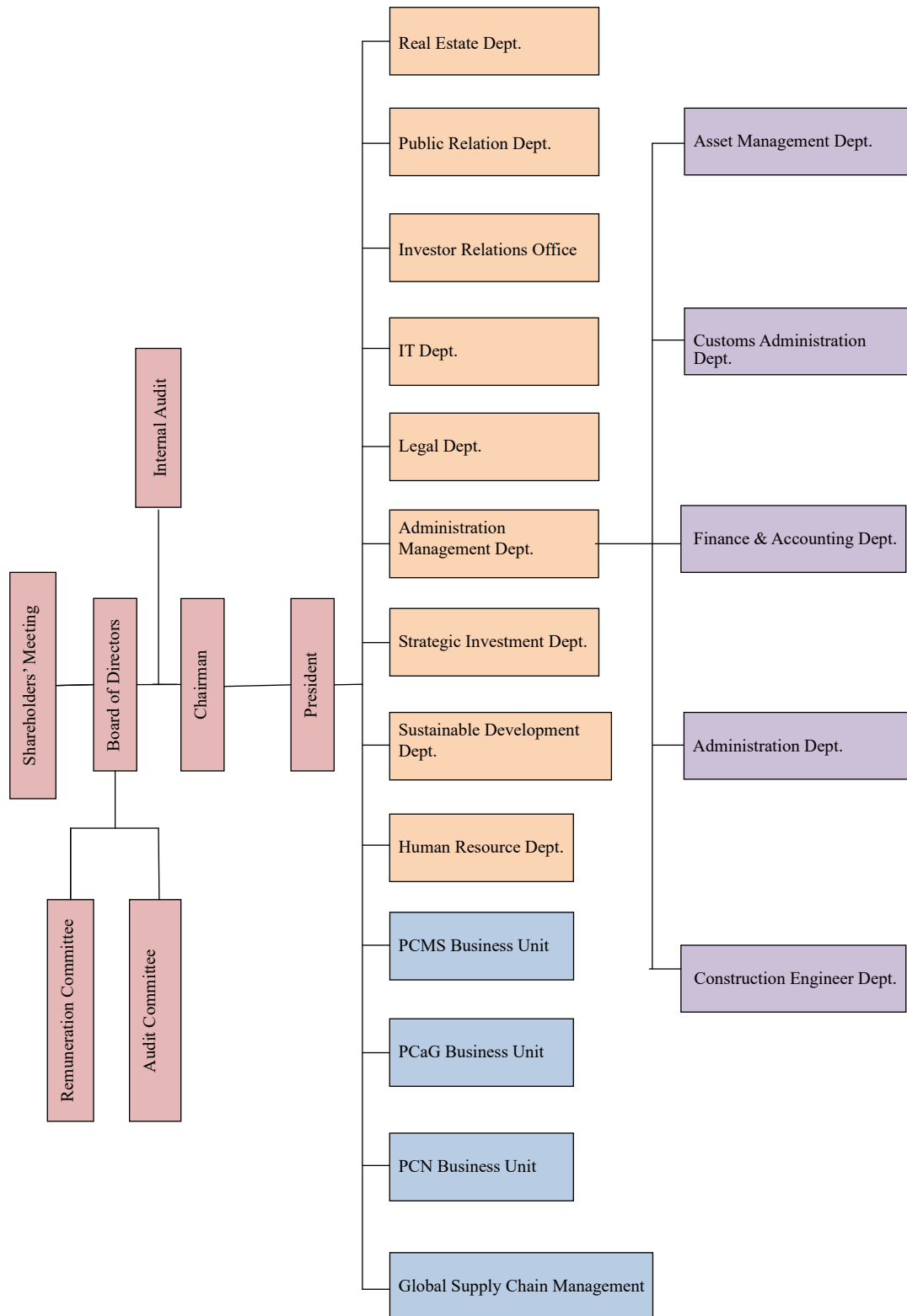


III. CORPORATE GOVERNANCE REPORT

3.1 Organization

(1) Organization structure

Date: May 15, 2020





## (2) Business conducted by each major department

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



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

(1) Directors

A. Information of the Directors

| 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 |                 |          | Where the company's Chairman and the President or person of an equivalent post (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship (Note1) |
|----------|----------------------------------|-------------------------------------|--------|---------------------|--------------|---------------------------|-------------------------------|-------|----------------------|-------|-------------------------------|-------|-------------------------------------|-------|--|--|--|-----------------|----------|--|
|          |                                  |                                     |        |                     |              |                           | Number of shares              | Ratio | Number of shares     | Ratio | Number of shares              | Ratio | Number of shares                    | Ratio |  |  | Title  | Name            | Relation |  |
| Chairman | Panama                           | PC Brothers Corporation             | -      | 2019.06.13          | 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      | None   |
|          | R.O.C.                           | Representative: Chan, Lu-Min        | Male   | 2019.06.13          | 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 2   | N/A  | N/A             | N/A      | None   |
| Director | R.O.C.                           | Tsai, Pei-Chun                      | Female | 2019.06.13          | 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 3   | Director   | Tsai, Min-Chieh | Sisters  | None   |
| Director | R.O.C.                           | Tzong Ming Investments Co., Limited | -      | 2019.06.13          | 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      | None   |
| Director | R.O.C.                           | Representative: Tsai, Min-Chieh     | Female | 2019.06.13          | 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 4   | Director   | Tsai, Pei-Chun  | Sisters  | None   |
| Director | R.O.C.                           | Ever Green Investments Corporation  | -      | 2019.06.13          | 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      | None   |
| Director | R.O.C.                           | Representative: Lu, Chin-Chu        | Male   | 2019.06.13          | 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 5   | N/A  | N/A             | N/A      | None   |
| Director | R.O.C.                           | Shechang Enterprise Corporation     | -      | 2019.06.13          | 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      | None   |
| Director | R.O.C.                           | Lar Chia Investments Co., Limited   | -      | 2019.06.13          | 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      | None   |
| Director | R.O.C.                           | Representative: Ho, Yue-Ming        | Male   | 2019.06.13          | 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      | None   |

| 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 |      |          | Where the company's Chairman and the President or person of an equivalent post (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship (Note1) |
|----------------------|----------------------------------|------------------|--------|---------------------|--------------|---------------------------|-------------------------------|-------|----------------------|-------|-------------------------------|-------|-------------------------------------|-------|--|--|--|------|----------|--|
|                      |                                  |                  |        |                     |              |                           | 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   | 2019.06.13          | 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      | None   |
| Independent Director | R.O.C.                           | Chiu, Tien-I     | Male   | 2019.06.13          | 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      | None   |
| Independent Director | R.O.C.                           | Chen, Huan-Chung | Male   | 2019.06.13          | 3            | 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      | None   |



- Note 1: Where the company's Chairman and the President or person of an equivalent post (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of applicable information on the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., number of independent director seats added, and more than half of directors are not employees or managers of a company): None.
- Note 2: President of the Administration Management Department of the Company; Chairman of Yu Hong Development Co., Limited, Pou Shine Investments Co., Limited, 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, Barits Development Corporation, 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, 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 3: 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 4: Director of Chih-Chun Co., Limited and Nan Shan Life Insurance Co., Limited.
- Note 5: President of the Company; Chairman of Windsor Entertainment Co., Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Win Fortune Investments Limited, San Fang Chemical Industry Co., Limited, Zhong Ao Multiplex Management Group Co., Limited, Best Focus Holdings Limited; Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited.
- Note 6: Vice president of the Company; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus 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 21, 2020

| 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-Chien                                      | 15.32     |
|                                     | Tsai, Chi-Hu   | 7.83      |
|                                     | Tsai, Nai-Fung                                       | 3.50      |
|                                     | Lin, Li-Mei  | 0.89      |
|                                     | Hsieh, Shu-Chuan                                     | 0.17      |
| Lai Chia Investments Co., Limited   | Wu, Chin-Tiao  | 11.29     |
|                                     | Liao, Shu-Ying                                       | 11.29     |
|                                     | Wu, Hui-Chi  | 7.90      |
|                                     | Hsiao, Hsiu-Chen                                     | 7.90      |
|                                     | Hu, Chia-Ho  | 7.90      |
|                                     | Yang, Ching-Ju                                       | 7.90      |
|                                     | Liu, Shu Shuan                                       | 4.51      |
|                                     | 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 21, 2020

| Name of institutional shareholder  | Major shareholders of the institutional shareholder |           |
|------------------------------------|---|-----------|
|                                    | Shareholder   | Ratio (%) |
| Plantegenet Group Limited          | World Future Investments Limited                    | 56.07     |
|                                    | Queenstown Opportunities Fund                       | 43.93     |
| 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 Investments Limited                     | 100.00    |

## D. Information of Directors

## a. Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience

| Name  | Requirements | 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 | Number of public companies in which the person holds a concurrent position as an independent director |
|---|--------------|---|---|---|---|
|   |              |   |   |   |   |
| PC Brothers Corporation<br>Representative:<br>Chan, Lu-Min                |              |   |   | V   | 0   |
| Tsai, Pei-Chun  |              |   |   | V   | 0   |
| Tzong Ming Investments Co., Limited<br>Representative:<br>Tsai, Min-Chieh |              |   |   | V   | 0   |
| Ever Green Investments Corporation<br>Representative:<br>Lu, Chin-Chu     |              |   |   | V   | 0   |
| Lai Chia Investments Co., Limited<br>Representative:<br>Ho, Yue-Ming      |              |   |   | V   | 0   |
| Chen, Bor-Liang   | V            |   |   |   | 0   |
| Chia, Tien-I  | V            |   | V   | V   | 0   |
| Chen, Huan-Chung  |              |   | V   | V   | 1   |



| b. Independence requirements  |   |  |  |  |   |  |  |   |   |   |  |  |   |
|---|---|--|--|--|---|--|--|---|---|---|--|--|---|
| Requirements  | Not an employee of the company or any of its affiliates | Not a director or supervisor of the company or any of its affiliates (however, if the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | 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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders | Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding paragraph, or of any of the above persons in the preceding subparagraphs 2 and 3 | Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law (however, if the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (however, if the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) spouse also serve as the company's chairman or CEO (or equivalent) (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations) | Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (however, if the specified company or institution hold 20% or more but less than 50% of the company's shares and the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | Other than serving as a compensation committee member of the company, not a professional individual who, or 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, and the service provided is an "audit service" or a "non-audit service" which total compensation within the recent two years exceeds NT\$500,000" | Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company | Not been a person of any conditions defined in Article 30 of the Company Law | Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law |   |
| Name  |   |  |  |  |   |  |  |   |   |   |  |  |   |
| PC Brothers Corporation Representative: Chan, Lu-Min                |   |  | V  |  | V   | V  | V  |   | V   | V   |  | V  |   |
| Tsai, Pei-Chun  |   |  | V  |  | V   | V  | V  |   | V   |   |  | V  | V |
| Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh | V   | V  | V  |  | V   | V  | V  | V   | V   |   |  | V  |   |
| Ever Green Investments Corporation Representative: Lu, Chin-Chu     |   |  | V  |  | V   | V  | V  |   | V   | V   |  |  |   |
| Lai Chia Investments Co., Limited Representative: Ho, Yue-Ming      |   |  | V  |  | V   | V  | V  |   | V   | V   |  | V  |   |
| Chen, Bor-Liang   | V   | V  | V  | V  | V   | V  | V  | V   | V   | V   | V  | V  | V |
| Chiu, Tien-I  | V   | V  | V  | V  | V   | V  | V  | V   | V   | V   | V  | V  | V |
| Chen, Huan-Chung  | V   | V  | V  | V  | V   | V  | V  | V   | V   | V   | V  | V  | V |



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

| 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 |      |          | Where the company's Chairman and spouse or relative post (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship Note 1 |
|--|-------------|----------------|--------|---------------------|----------------------|-----------|-------------------------------|-----------|-------------------------------------|-----------|---|--|--|------|----------|---|
|  |             |                |        |                     | 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 2   | N/A  | N/A  | N/A      | N/A   |
| President  | R.O.C.      | Lu, Chin-Chu   | Male   | 2006.07.27          | 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 3   | N/A  | 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, University of Pennsylvania, USA Executive Director of Yue Yuen Industrial (Holdings) Limited                                    | Note 4   | N/A  | 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 5   | N/A  | 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 Senior High School Vice President of the Company  | Note 6   | N/A  | N/A  | N/A      | N/A   |
| Vice President   | R.O.C.      | Chang, Chin-Li | Male   | 2018.05.15          | 48                   | 0.00      | 0                             | 0.00      | 0                                   | 0.00      | South Fields College, England Vice President of the Company   | Note 7   | N/A  | 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 8   | N/A  | 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 9   | N/A  | 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      | 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 of Deloitte Executive Senior Manager of the Company                                   | Note 10  | N/A  | 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 11  | N/A  | 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 12  | N/A  | N/A  | N/A      | N/A   |



- Note 1: Where the company's Chairman and the President or person of an equivalent post (the highest level manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of applicable information on the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g., number of independent director seats added, and more than half of directors are not employees or managers of a company): None.
- Note 2: Chairman of Yu Hong Development Co., Limited, Pou Shine Investments Co., Limited, 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, Barits Development Corporation, 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, 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 3: Chairman of Windsor Entertainment Co., Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Win Fortune Investments Limited, San Fang Chemical Industry Co., Limited, Zhong Ao Multiplex Management Group Co., Limited, Best Focus Holdings Limited; Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited.
- Note 4: 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, Ka Yuen Rubber Factory Limited, Mostwell Limited, Go Eastern Limited, Ka Yuen Trading Limited, Caltree Company Limited.
- Note 5: Dismissed as officer of the Company on April 30, 2020. Mr. Tsai resigned as an Executive Director of Yue Yuen Industrial (Holdings) Limited and Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited on April 1, 2020.
- Note 6: 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, Evermore Chemical Industry Co., Limited, Nan Pao Resins Chemical 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, 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, Max Chance Industrial Limited, Prosper Day Limited, Perpetual Prosperity Printing Technology Co., Ltd, Ever Brave Developments Limited, Prime Glorious Limited, Prime Excellent Limited, Poushun Paper Products Manufacturing Co., Limited, Dongguan Yuancheng Shoes Material Co., Limited,

- Zhongshan Hwa Ching Foam Co., Ltd., 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.
- Note 7: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, San Fang Chemical Industry Co., Limited, Yuen Foong Yu Paper Enterprise (Vietnam) Co., Limited, PT. Ever Tech Plastic Co., Limited.
- Note 8: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited, Elitegroup Computer Systems Co., Limited and Hua Jian Industrial Holding Co., Limited.
- Note 9: Executive Director of Yue Yuen Industrial (Holdings) Limited. Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Prime Glorious Limited, Prime Excellent Limited.
- Note 10: Chairman of Pou Yuen Technology Co., Limited, Pro Arch International Development Enterprise Inc., Lai Chia Investments Co., Limited, Pou Chien Enterprise Co., Limited, Barits Development Corporation, Techview International Technology Inc., Song Ming Investments Co., Limited ; Director of Wealthplus Holdings Limited and its subsidiaries, the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Windsor Entertainment Co., Limited, Pou Hui Investments Co., Limited, Global Biotech Inc., Pou Huang Investments Co., Limited, Win Fortune Investments Limited, Venture Well Holdings Limited, Silver Island Trading Limited, Vantage Capital Investments Limited, Pearl Dove International Limited, Golden Brands Developments Limited, Kunshan Yuanying Electronics Technology Co., Limited; Supervisor of Pou Chien Technology Co., Limited, Pou Yii Development Co., Limited, Pou Zhi Investments Co., Limited and I-Tech.
- Sporting Enterprise Limited ; Member of the consolidation committee for conducting land consolidation in Taichung An-Ho land consolidation area.
- Note 11: Chairman of Pou Hui Investments Co., Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Pou Yi Investments Co., Limited.
- Note 12: Chairman of Yue Dean Technology Corporation, Pou Chien Technology Co., Limited, Pou Chin Development Co., Limited; Director of the subsidiaries of Wealthplus Holdings Limited.



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 NTS thousands)   |                                     |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
|--|-------------------------------------|-------------------------|----------------------|---------------------------|--|---|---|--|------------------------------------|--|---|---|--------|--|-------|---|------|------|------|
| Title  | Name                                | Directors' Remuneration |                      |                           |  | Ratio of Total Remuneration (A+B+C+D) to Net Income %(Note 3) |   | Relevant Remuneration Received by Directors Who are Also Employees |                                    |  |   | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income %(Note 3) |        | Compensation on Paid to Directors from an Invested Company Other than the Company's Subsidiary |       |   |      |      |      |
|  |                                     | Salary (A)              | Pension (B) (Note 1) | Remuneration (C) (Note 2) |  | Allowance (D)   | Salary, bonus and special fees etc. (E) | Pension (F) (Note 1)   | Employee compensation (G) (Note 2) |  | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income %(Note 3) |   |        |  |       |   |      |      |      |
|  |                                     |                         |                      | The Company               | Companies in the consolidated financial statements |   |   |  | The Company                        | Companies in the consolidated financial statements | The Company   | Companies in the consolidated financial statements                  |        |  |       |   |      |      |      |
| Chairman   | PC Brothers Corporation             |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
|  | 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        | 0                       | 10,748               | 0                         | 0  | 101,600   | 101,600                                 | 900  | 900                                | 0.87   | 0.96  | 18,893  | 59,306 | 0  | 7,113 | 0 | 1.09 | 1.52 | None |
| Director   | Sheachang Enterprise Corporation    |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| Director   | Representative: Tsai, Ming-Lun      |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
|  | (Note 4)                            |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| Director   | Lai Chia Investments Co., Limited   |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
|  | Representative: Ho, Yue-Ming        |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| Independent Director   | Chan, Bor-Liang                     |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| Independent Director   | Chiu, Tien-I                        | 3,840                   | 5,023                | 0                         | 0  | 0   | 0                                       | 105  | 105                                | 0.03   | 0.04  | 0   | 0      | 0  | 0     | 0 | 0.03 | 0.04 | None |
| Independent Director   | Chen, Huan-Chung                    |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| 1. Please describe the policy, system, standard and structures of remuneration payment for independent directors, and their association with the amount of remuneration payment according to their responsibilities, risks, and the time spent by independent directors, among other factors:  |                                     |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| The remuneration structure for independent directors of the Company involves monthly fixed remuneration payment and attendance and transportation allowances. The amount is determined by not only referring to board performance evaluation results, but also by following Article 16-1 of the Company's Articles of Incorporation, which states that the Remuneration Committee shall review each director's level of participation in and value of contribution to the Company's operations, take into account the general standards adopted by the industry, and propose suggestions to the Board of Directors for resolution. |                                     |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| 2. Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as an non-employee consultant) rendered to the Company: None.   |                                     |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |
| (Next page follows)  |                                     |                         |                      |                           |  |   |   |  |                                    |  |   |   |        |  |       |   |      |      |      |

(Next page follows)

(Following the preceding page)

| Range of Remuneration                                    | Name of Directors  |  |  |  |
|--|--|--|--|--|
|  | Aggregate amount of the preceding four remuneration items (A+B+C+D)  |  | Aggregate amount of the preceding seven remuneration items (A+B+C+D+E+F+G)   |  |
|  | The Company  | Companies in the consolidated financial statements   | The Company  | Companies in the consolidated financial statements   |
| Less than NT\$1,000,000                                  | Chan, Lu-Min, Lu, Chin-Chu, Tsai, Min-Chieh, Tsai, Ming-Lun, Ho, Yue-Ming  | Chan, Lu-Min, Lu, Chin-Chu, Tsai, Min-Chieh, Tsai, Ming-Lun, Ho, Yue-Ming                          | Tsai, Min-Chieh  | Tsai, Min-Chieh  |
| NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (excluded)    | Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Tsai, Pei-Chun, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung | Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Chen, Bor-Liang, Chiu, Tien-I | Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Tsai, Pei-Chun, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung | Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Chen, Bor-Liang, Chiu, Tien-I |
| NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (excluded)    | Tzong Ming Investments Co., Limited  | Tzong Ming Investments Co., Limited, Chen, Huan-Chung  | Tzong Ming Investments Co., Limited,   | Tzong Ming Investments Co., Limited, Chen, Huan-Chung  |
| NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (excluded)    |  |  | Ho, Yue-Ming   | Ho, Yue-Ming   |
| NT\$ 5,000,000 (included) ~ NT\$ 10,000,000 (excluded)   | Ever Green Investments Corporation   | Ever Green Investments Corporation   | Ever Green Investments Corporation, Chan, Lu-Min, Lu, Chin-Chu, Tsai, Ming-Lun   | Ever Green Investments Corporation   |
| NT\$ 10,000,000 (included) ~ NT\$ 15,000,000 (excluded)  |  | Tsai, Pei-Chun   |  | Tsai, Pei-Chun, Tsai, Ming-Lun   |
| NT\$ 15,000,000 (included) ~ NT\$ 30,000,000 (excluded)  |  |  |  | Chan, Lu-Min   |
| NT\$ 30,000,000 (included) ~ NT\$ 50,000,000 (excluded)  |  |  |  | Lu, Chin-Chu   |
| NT\$ 50,000,000 (included) ~ NT\$ 100,000,000 (excluded) | PC Brothers Corporation  | PC Brothers Corporation  | PC Brothers Corporation  | PC Brothers Corporation  |
| NT\$ 100,000,000 and above                               |  |  |  |  |
| Total  | 14 persons   | 14 persons   | 14 persons   | 14 persons   |

Note 1: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in 2019.

Note 2: Approved by the Board of Directors on March 31, 2020.

Note 3: The calculation is based on the net income of the Company's 2019 separate financial statement. (NT\$ 11,828,609 thousand).

Note 4: Mr. Tsai resigned as the representative of its juristic-person director on April 1, 2020.



(2) Remuneration paid to President and Vice President

| Title  | Name                    | Salary (A)  |  | Pension (B)<br>(Note 4) |  | Bonuses and Allowances (C) |  | Employee Compensation (D)<br>(Note 5) |                 |             |  | Ratio of total compensation<br>(A+B+C+D) to net income (%)<br>(Note 6) |  | 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 | Amount of cash                        | Amount of stock | The Company | Companies in the consolidated financial statements | The Company  | Companies in the consolidated financial statements |  |
| Chairman and President of the Administration Management Department | Chan, Lu-Min            |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |
| President  | Lu, Chin-Chu            |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |
| Vice President   | Liu, Hong-Chih          |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |
| Vice President   | Tsai, Ming-Lun (Note 1) |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |
| Vice President   | Tsai, Nai-Yung          | 23,036      | 41,888   | 0                       | 0  | 17,629                     | 59,320   | 13,505                                | 0               | 13,505      | 0  | 0.46   | 0.97   | None   |
| Vice President   | Chang, Chia-Li          |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |
| Vice President   | Ho, Yue-Ming (Note 2)   |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |
| Vice President   | Hu, Chia-Ho (Note 3)    |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |
| Vice President   | Chiu, Hui-Yao (Note 3)  |             |  |                         |  |                            |  |                                       |                 |             |  |  |  |  |

(Next page follows)

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| Range of Remuneration   | Name of President and Vice President  |  |
|---|---|--|
|   | The Company   | Companies in the consolidated financial statements           |
| Less than NT\$1,000,000                                       |   |  |
| NT\$ 1,000,000 (included)~<br>NT\$ 2,000,000 (excluded)       |   |  |
| NT\$ 2,000,000 (included)~<br>NT\$ 3,500,000 (excluded)       |   | Ho, Yue-Ming   |
| NT\$ 3,500,000 (included)~<br>NT\$ 5,000,000 (excluded)       | Liu, Hong-Chih, Ho, Yue-Ming<br>Hu, Chia-Ho   | Tsai, Nai-Yung, Chang, Chia-Li<br>Hu, Chia-Ho, Chiu, Hui-Yao |
| NT\$ 5,000,000 (included) ~<br>NT\$ 10,000,000 (excluded)     | Lu, Chin-Chu, Chan, Lu-Min,<br>Tsai, Ming-Lun, Tsai, Nai-Yung,<br>Chang, Chia-Li, Chiu, Hui-Yao | Tsai, Ming-Lun   |
| NT\$ 10,000,000 (included) ~<br>NT\$ 15,000,000 (excluded)    |   | Chan, Lu-Min, Liu, Hong-Chih                                 |
| NT\$ 15,000,000 (included) ~<br>NT\$ 30,000,000 (excluded)    |   | Lu, Chin-Chu   |
| NT\$ 30,000,000 (included) ~<br>NT\$ 50,000,000 (excluded)    |   |  |
| NT\$ 50,000,000<br>(included)~<br>NT\$ 100,000,000 (excluded) |   |  |
| NT\$ 100,000,000 and above                                    |   |  |
| Total   | 9 persons   | 9 persons  |

Note 1: Resigned as officer on April 30, 2020.

Note 2: Been promoted as vice president on March 1, 2019.

Note 3: Appointed as officer on March 25, 2019.

Note 4: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in 2019.

Note 5: Approved by the Board of Directors on March 31, 2020.

Note 6: The calculation is based on the net income of the Company's 2019 separate financial statement. (NT\$ 11,828,609 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               | 15,556                 | 15,556 | 0.13   |
|         | President  | Lu, Chin-Chu            |                 |                        |        |  |
|         | Vice President   | Liu, Hong-Chih          |                 |                        |        |  |
|         | Vice President   | Tsai, Ming-Lun (Note 1) |                 |                        |        |  |
|         | Vice President   | Tsai, Nai-Yung          |                 |                        |        |  |
|         | Vice President   | Chang, Chia-Li          |                 |                        |        |  |
|         | Vice President   | Ho, Yue-Ming (Note 2)   |                 |                        |        |  |
|         | Vice President   | Hu, Chia-Ho (Note 3)    |                 |                        |        |  |
|         | Vice President   | Chiu, Hui-Yao (Note 3)  |                 |                        |        |  |
|         | Executive Senior Manager                                       | Ho, Ming-Kun            |                 |                        |        |  |
|         | Senior Manager   | Chang, Yea-Fen          |                 |                        |        |  |
|         | Senior Manager   | Wu, Hui-Chi             |                 |                        |        |  |

Note 1: Resigned as officer on April 30, 2020.

Note 2: Been promoted as vice president on March 1, 2019.

Note 3: Appointed as officer on March 25, 2019.

Note 4: Approved by the Board of Directors on March 31, 2020.

Note 5: The calculation is based on the net income of the Company's 2019 separate financial statement. (NT\$ 11,828,609 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<br>Title               | Ratio of Total Amount to Net Income (%) |  |             |  |
|------------------------------|---|--|-------------|--|
|                              | 2019                                    |  | 2018        |  |
|                              | The Company                             | Companies in the consolidated financial statements | The Company | Companies in the consolidated financial statements |
| Directors                    | 1.12%                                   | 1.56%  | 1.30%       | 1.78%  |
| President and Vice President | 0.46%                                   | 0.97%  | 0.60%       | 1.13%  |

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

Seven meetings of the Board of Directors were held in 2019. The attendance status of the Directors is as follows:

| Title                | Name  | Attendance in person | Attendance by proxy | Attendance Rate (%) | Notes |
|----------------------|---|----------------------|---------------------|---------------------|-------|
| Chairman             | PC Brothers Corporation<br>Representative:<br>Chan, Lu-Min                      | 7                    | 0                   | 100.00              |       |
| Director             | Tsai, Pei-Chun  | 7                    | 0                   | 100.00              |       |
| Director             | Tzong Ming Investments<br>Co., Limited<br>Representative:<br>Tsai, Min-Chieh    | 7                    | 0                   | 100.00              |       |
| Director             | Ever Green Investments<br>Corporation<br>Representative:<br>Lu, Chin-Chu        | 7                    | 0                   | 100.00              |       |
| Director             | Sheachang Enterprise<br>Corporation<br>Representative:<br>Tsai, Ming-Lun (Note) | 6                    | 1                   | 85.71               |       |
| Director             | Lai Chia Investments<br>Co., Limited<br>Representative:<br>Ho, Yue-Ming         | 7                    | 0                   | 100.00              |       |
| Independent Director | Chen, Bor-Liang   | 7                    | 0                   | 100.00              |       |
| Independent Director | Chiu, Tien-I  | 7                    | 0                   | 100.00              |       |
| Independent Director | Chen, Huan-Chung  | 7                    | 0                   | 100.00              |       |

Note: Mr. Tsai resigned as the representative of its juristic-person director on April 1, 2020.

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 |
|---------------|---|--|---------------------------------------|---|
| 2019.03.25    | 20th meeting of the 22nd board of directors | <ol style="list-style-type: none"> <li>1. Discussed the amendment of the Company's "Procedures for Acquisition and Disposal of Assets".</li> <li>2. Discussed the amendment of the Company's "Operational Procedures for Loaning of Company Funds".</li> <li>3. Discussed the amendment of the Company's "Operational Procedures for Making Endorsements and Guarantees".</li> <li>4. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol> | No objections or qualified opinions.  | None. Approved as proposed by Directors.                                      |
| 2019.04.30    | 21st meeting of the 22nd board of directors | Discussed 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 | Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.  |                                       |   |
| 2019.08.14    | 2nd meeting of the 23rd board of directors  | <ol style="list-style-type: none"> <li>1. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>2. Discussed to provide loans for the Company's subsidiaries.</li> </ol>  |                                       |   |
| 2019.11.14    | 3rd meeting of the 23rd board of directors  | <ol style="list-style-type: none"> <li>1. Discussed independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration.</li> <li>2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>  |                                       |   |
| 2019.12.24    | 4th meeting of the 23rd board of directors  | <ol style="list-style-type: none"> <li>1. Discussed independence assessment and appointment of the Company's CPA.</li> <li>2. Discussed the amendment of the Company's "Internal Control System" and "Internal Auditing Implementation Regulations."</li> <li>3. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>  |                                       |   |



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. 20th meeting of the 22nd Board of Directors on March 25, 2019:

- (1) Discussed the 2018 annual bonus for the officers of the Company. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, 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.
- (2) Discussed matters pertaining to remunerations for officers of the Company. Director, Mr. Ho, Yue-Ming is officer of the Company, making him as stakeholders of this proposal and is therefore recused from discussion and voting of this resolution.
- (3) 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 and Director, Ms. Tsai, Min-Chieh are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.

2. 21st meeting of the 22nd Board of Directors on April 30, 2019:

- (1) Discussed the proposal for release the Directors of the Company from non-competition restrictions. 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, Director, Mr. Ho, Yue-Ming and Independent director, Mr. Chen, Huan-Chung are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
- (2) 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 and Director, Mr. Tsai, Ming-Lun are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.

3. 22nd meeting of the 22nd Board of Directors on May 15, 2019:

- (1) Discussed to acquire common shares of Ruen Chen Investment Holding Co., Ltd. Chairman, Mr. Chan, Lu-Min is stakeholders of this proposal and is therefore recused from discussion and voting of this resolution.
- (2) Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries. Chairman, Mr. Chan, Lu-Min and Director, Mr. Lu, Chin-Chu are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.

4. 2nd meeting of the 23rd Board of Directors on August 14, 2019:

- (1) Discussed remunerations and transportation allowance for the newly elected independent directors. Independent director, Mr. Chen, Bor-Liang, Independent director, Mr. Chiu, Tien-I and Independent director, Chen, Huan-Chung are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
- (2) Discussed transportation allowance for the Director. 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 are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
- (3) Discussed matters pertaining to the 2018 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) Reviewed and discussed matters pertaining to rewards for officers of the Company. Director, Mr. Ho, Yue-Ming is officer of the Company, making him as stakeholders of this proposal and is therefore recused from discussion and voting of this resolution.
- (5) Discussed matters pertaining to the amount of the Company's 2018 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.

- (6) 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 and Director, Mr. Tsai, Ming-Lun are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.

5. 3rd meeting of the 23rd Board of Directors on November 14, 2019:

- (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 and Director, Mr. Tsai, Ming-Lun are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.

6. 4th meeting of the 23rd Board of Directors on December 24, 2019:

- (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 and Director, Mr. Tsai, Ming-Lun are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.

III. Listed and over-the-counter companies shall disclose the evaluation cycle and periods, scope, method, and content of evaluation and other information relevant to the self (peer) evaluation of board of directors:

| Evaluation Cycle            | Evaluation Period                     | Scope of Evaluation                       | Evaluation Method   | Content of Evaluation  |
|-----------------------------|---------------------------------------|---|---|--|
| Implemented once every year | January 01, 2019 to December 31, 2019 | Board as a whole and individual directors | Board internal self-assessment and director self-assessment | Board Performance Evaluation: Including participation in the operation of the company; improvement of the quality of the board of directors' decision making; composition and structure of the board of directors; election and continuing education of the directors; and internal control.<br>Director Performance Evaluation: Alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; director's professionalism and continuing education; and internal control. |

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

1. Continue to reinforce the structure of the board of directors:

- (1) To reinforce corporate governance and strengthen the functionality of the board of directors, the Company nominates and elects directors with the goal of achieving board diversity. Two of the board members are female directors. All members of the board have professional knowledge, skills, and background in industry, finance, technology, management, and law, and possess the knowledge, skills, and competency necessary to perform their responsibilities.
- (2) The Company has established the Remuneration Committee in September 2011 to assist the board of directors in evaluating the performance of directors and managers and the compensation policies, systems, standards and structures, and provide suggestions on individual remunerations. We continue to strengthen the independence of the



Remuneration Committee. In June 2019, members of the Remuneration Committee were appointed, more than half of which are independent directors.

- (3) As of June 2016, the Company's Audit Committee is composed entirely of independent directors to assist the board of directors. The Committee assists the board with supervising the operation and quality of the company's accounting, auditing, and financial reporting processes and with reviewing the risks and reasonableness of loans of funds, provision of endorsements/guarantees or disposal of assets of a material nature.

2. Maximize the effectiveness of board functions:

- (1) The Company purchases liability insurance for all of our directors so that directors are fully committed to performing their board duties to create maximum profit for the company and shareholders.
- (2) As of December 31, 2019, the Company's three independent directors have not served three terms in a row. To implement supervision, the independent directors attended all board meetings in 2019 for an attendance rate of 100%.
- (3) The Company obtained approval from the Board of Directors in April 2019 to appoint a supervisor to be in charge of corporate governance and established the Standard Operating Procedures for Handling Director Requests to assist director performance and improve board functionality.
- (4) The Company has established the Regulations Governing Evaluation of Board Performance and evaluates board performance at least once a year. In 2019, performance evaluation of the Remuneration Committee and Audit Committee was incorporated.

## (2) Operational status of the Audit Committee

Six meetings of the Audit Committee were held in 2019. The attendance status is as follows:

| Title    | Name             | Attendance in person | Attendance Rate (%) | Notes |
|----------|------------------|----------------------|---------------------|-------|
| Convener | Chen, Huan-Chung | 6                    | 100.00              |       |
| Member   | Chiu, Tien-I     | 6                    | 100.00              |       |
| Member   | Chen, Bor-Liang  | 6                    | 100.00              |       |

Other matters to be specified:

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

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

| Meeting Dates | Sessions  | Contents of resolutions   | Resolutions adopted by the Audit Committee | Actions taken by the Company in response to the opinion of the Audit Committee |
|---------------|---|---|--|--|
| 2019.03.25    | 20 <sup>th</sup> meeting of the 22 <sup>nd</sup> board of directors | 1. Discussed the Company's 2018 Business Report and Financial Statements.<br>2. Discussed the amendment of the Company's 2018 "Internal Control System" and "Internal Control System and Implementation Rules".<br>3. Discussed the amendment of the Company's "Procedures for Acquisition and Disposal of Assets".<br>4. Discussed the amendment of the Company's "Operational Procedures for Loaning of Company Funds".<br>5. Discussed the amendment of the Company's "Operational Procedures for Making Endorsements and Guarantees".<br>6. 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.                           |
| 2019.04.30    | 21 <sup>st</sup> meeting of the 22 <sup>nd</sup> board of directors | 1. Discussed the Company's 2018 profit distribution.<br>2. Release the Director of the Company from non-competition restrictions.<br>3. 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.                           |



| 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 |
|---------------|---|--|--|--|
| 2019.05.15    | 22 <sup>nd</sup> meeting of the 22 <sup>nd</sup> board of directors | 1. Discussed the Company acquire common shares of Ruen Chen Investment Holding Co., Limited.<br>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.                           |
| 2019.08.14    | 2 <sup>nd</sup> meeting of the 23 <sup>rd</sup> board of directors  | 1. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.<br>2. Discussed to provide loans for the Company's subsidiaries.  | Approved as proposed.                      | None. Submit to the Board of Directors for approval.                           |
| 2019.11.14    | 3 <sup>rd</sup> meeting of the 23 <sup>rd</sup> board of directors  | 1. Discussed independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration.<br>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.                           |
| 2019.12.24    | 4 <sup>th</sup> meeting of the 23 <sup>rd</sup> board of directors  | 1. Discussed independence assessment and appointment of the Company's CPA.<br>2. Formulated the Company's internal audit plan for 2019.<br>3. Discussed the amendment to the Company's "Internal Control System" and "Internal Auditing Implementation Regulations."<br>4. Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.<br>5. Discuss to mandate others to construct a factory/office building on its own land located on Zhanglu Rd., Fu Hsin Hsian, Chang Hwa. | Approved as proposed.                      | None. Submit to the Board of Directors for approval.                           |

(2) Except for the matters in the preceding paragraph, matters not approved by the Audit Committee but approved by at least two thirds of all directors: None.

2. For any recusal of independent directors due to conflict of interests in certain proposals, names of independent directors, contents of resolutions, reasons for the recusal and participation in the voting shall be noted: None.
3. Descriptions of the communications between the independent directors, the head of internal auditors, and certified public accountants (CPAs) (including significant matters, methods, and results of communication on the Company's finance and operations, etc.):
  - a. The Company's Audit Committee which is entirely composed of independent directors shall convene a meeting at least once a quarter, and may call a meeting 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 2019 are listed below:

| Date       | Communication Method    | Party Communicated            | Matters Communicated  | Results  |
|------------|-------------------------|-------------------------------|---|--|
| 2019.03.25 | Audit Committee Meeting | CPAs                          | The impact of the initial adoption of IFRS 16 "Leases" on the Company.  | After thorough communication and discussion, submitted to the Board.   |
|            |                         | The head of internal auditors | Assessment of the effectiveness of the Internal control system.   | After thorough communication and discussion, the Audit Committee approved the effectiveness assessment of 2018 internal control system.                                    |
| 2019.11.14 | Audit Committee Meeting | CPAs                          | Explained the independence of the Company's CPAs and audit team members.  | After thorough communication and discussion, the Audit Committee approved the independence assessment and appointment of CPAs, and submitted to the board for approval.    |
| 2019.12.24 | Seminars                | The head of internal auditors | Introduce the new auditor and report on auditors' education, continuing education status, and audit resources, and provide a summary and audit improvements of the audits conducted for the year. | After thorough communication, auditors' education and working experience, continuing education status, audit resources, and annual audit procedures are well acknowledged. |



| Date       | Communication Method    | Party Communicated            | Matters Communicated  | Results  |
|------------|-------------------------|-------------------------------|---|--|
| 2019.12.24 | Audit Committee Meeting | CPAs                          | Explained the independence of new engaged CPA.  | After thorough communication and discussion, the Audit Committee approved the independence assessment and appointment of new engaged CPA, and submitted to the board for approval. |
|            |                         | The head of internal auditors | Submitted the internal audit plan for 2020  | After thorough communication and discussion, the Audit Committee approved the plan, and submitted to the Board for approval.   |
|            |                         |                               | Discussed the amendments to the Company's "Internal Control System" and "Internal Auditing Implementation Regulations". | After thorough communication and discussion, the Audit Committee approved the amendments, and submitted 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<br>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  |   |
|   |                    |    | <p>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.</p> |   |
| iv. Does the Company establish internal rules against insider trading on undisclosed information? | V                  |    | <p>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.</p>   | 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<br>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. Implementation of diversity policy of the Company’s Board please refer to page 47.                         | 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. Has the company established and implemented methods for assessing the performance of the Board of Directors, conducted performance evaluation annually, presented the performance evaluation results to the Board of Directors, and used the results as reference for individual director remuneration and re-election nomination? | V                  |    | iii. The Company has enacted the “Procedures for Evaluating the Board of Directors’ Performance”. Each Director shall evaluate himself/herself, and the Board of Directors shall evaluate itself or by others at least once every year. The results of such evaluation shall be submitted to the first Board of Directors’ meeting after the year ends.<br>The items for evaluating the Board of Directors’ performance include the following five aspects:<br>(1) Participation in the Company’s operations.<br>(2) Improvement the quality of the Board of | No Discrepancy.   |

| Evaluation Item | Operational status |   | Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons |
|-----------------|--------------------|---|---|
|                 | Yes                | No  |   |
|                 |                    | <p>Directors' decision making.</p> <p>(3) Composition and structure of the Board of Directors.</p> <p>(4) Election and continuing education of the Directors.</p> <p>(5) Internal control.</p> <p>The items for evaluating the board members' performance include the following six aspects:</p> <p>(1) Familiarity with the Company's goals and missions.</p> <p>(2) Awareness of a director's duties.</p> <p>(3) Participation in the Company's operations.</p> <p>(4) Management and communications with respect to internal relationship.</p> <p>(5) Professionalism and continuing education of a director.</p> <p>(6) Internal control.</p> <p>The items for evaluating the Remuneration Committee and Audit Committee performance include the following five aspects:</p> <p>(1) Participation in the Company's operations.</p> <p>(2) Awareness of the Committee duties.</p> <p>(3) Improvement the quality of the Committee's decision making.</p> <p>(4) Composition of the Committee and election of the members.</p> <p>(5) Internal control.</p> <p>The performance evaluation of the Board of directors</p> |   |

| Evaluation Item  | Operational status |    | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons   |
|--|--------------------|----|---|
|  | Yes                | No |   |
|  |                    |    | and the Committee, including the internal evaluation of the Board and the Committee, self-evaluation by individual board members were completed in December 2019. The results of such evaluation were all "Excellent" and submitted to the Board of Directors' meeting on March 31, 2020.   |
| 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 2019, 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. |
| IV. Does the Company appoint a suitable number of designated personnel and supervisor to be in charge of corporate governance related affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, processing company registration and change of registration, and producing minutes of board meetings and shareholders' meeting minutes)? | V                  |    | No Discrepancy.   |
|  |                    |    | No Discrepancy.   |



| Evaluation Item | Operational status |    | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons  |
|-----------------|--------------------|----|--|
|                 | Yes                | No |  |
| meetings)?      |                    |    | <p>legal compliance.</p> <p>2. Handling matters relating to shareholders' meetings, board meetings and meetings of associated committees according to laws.</p> <p>3. Assisting with the promotion and strengthening of corporate governance.</p> <p>iii. Business execution status in 2019:</p> <p>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 3 Remuneration Committee meetings, 6 Audit Committee meetings, and 7 board meetings in 2019.</p> <p>2. Assisted with the convening of Shareholders' Meetings and elected all Directors (including three independent Directors) at the Shareholders' Meetings in 2019.</p> <p>3. Assisted the Audit Committee in a communication meeting with accountants and head of auditors.</p> <p>4. Assisted with the arrangement of continuing education courses for directors.</p> <p>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 equivalent weight.</p> |



| Evaluation Item   | Operational status |    |   | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|--------------------|----|---|---|
|   | Yes                | No | Summaries   |   |
| 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<br>i. Does the Company have a corporate website to disclose financial information and the status of corporate governance?   | V                  |    | i. The Company has set up its website ( <a href="http://www.pouchen.com">http://www.pouchen.com</a> ) to disclose its financial, business and corporate governance information. There are specified personnel responsible for updating the information thereon, and relevant information can also be found on the M.O.P.S. website.   | No Discrepancy.   |
| ii. Does the Company have other information disclosure channels (e.g. building an English version website, appointing designated people to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences)?  | V                  |    | ii. 1. The Company has set up an English version website.<br>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.<br>3. The Company had participated five investor conferences in 2019. 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  |
|---|--------------------|----|--|
|   | Yes                | No |  |
| iii. Does the company publicly disclose its annual financial report at the end of the accounting year within the prescribed time limit, and publicly disclose its Q1, Q2, and Q3 financial reports and monthly operation status ahead of the prescribed time limit? |                    | V  | In accordance with the time limit specified in Article 36 of the Securities and Exchange Act and the time needed by the subsidiary's accountant to conduct audits, the Company's annual financial report cannot be disclosed and filed in February |

| Evaluation Item   | Operational status | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons |
|---|--------------------|---|
| <p>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):</p> <p>Other important information to facilitate a better understanding of the company's implementation of ethical corporate management:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>vi. Implementation of diversity policy of the Company's Board:</p> <p>Our diversity goal is to have at least one female director on the board, and the expertise of our board as a whole must include corporate strategy, accounting and tax financing, law, administration, and production management. In June 2019, the Company has elected nine directors (including three independent directors) as members of the 23rd board of directors, two of which are female directors. All members of the board have professional knowledge, skills, and competency in multiple disciplines including industry, accounting, technology, management, and law. Our directors' practical experience and professionalism are diverse and complementary. Relevant implementation status is as follows:</p> |                    |   |



| 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                                       |
|                        |        | 30~49 | Over 50            |  |   |                     |  |
| Chan, Lu-Min           | Male   |       | V                  | Statistics Department, National Chung Hsing University                                 | V   |                     | Finance and accounting, business management            |
| Tsai, Pei-Chun         | Female | V     |                    | Economic and Finance Department, Wharton School of the University of Pennsylvania, USA | V   |                     | Finance, strategic planning and enterprise development |
| Tsai, Min-Chieh        | Female | V     |                    | Economic and Finance Department, Wharton School of the University of Pennsylvania, USA | V   |                     | Finance  |
| Lu, Chin-Chu           | Male   |       | V                  | Master Degree in Business Administration, National Chung Hsing University              | V   |                     | Production management and business management          |
| Tsai, Ming-Lun(Note 1) | Male   | V     |                    | Master Degree in Design Studies, Harvard University, USA                               | V   |                     | Factory management and business development            |
| Ho, Yue-Ming           | Male   | V     |                    | Master Degree in Laws, National Taiwan University                                      | V   |                     | Legal and administrative management                    |
| Chen, Bor-Liang        | Male   |       | V                  | Ph.D. in Applied Mathematics, National Chiao Tung University                           | V   | V                   | Business management                                    |
| Chiu, Tien-I           | Male   |       | V                  | S.J.D., Tunghai University   | V   | V                   | Legal  |
| Chen, Huan-Chung       | Male   |       | V                  | Industrial Management Department, National Taiwan University of Science and Technology | V   |                     | Accounting, auditing, and Investment analysis.         |

Note 1: Mr. Tsai resigned as the representative of its juristic-person director on April 1, 2020.

| 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       | 2019.09.09  | 2019.09.09 | Taiwan Insurance Institute            | Anti-Money Laundering and Counter Terrorism Financing Laws  | 2.5      |
|   |                    | 2019.09.20  | 2019.09.20 | Corporate Operation Association       | Economic Substance Laws from Director and Supervisor Perspectives and the Effect of Global Anti-Tax Avoidance on Corporate Governance | 3        |
|   |                    | 2019.10.23  | 2019.10.23 | Corporate Operation Association       | Lectures on Designs to Succeed Corporate Governance   | 3        |
|   |                    | 2019.11.12  | 2019.11.12 | Taiwan Insurance Institute            | Analysis of Financial Consumer Protection Act and Principles of Fair Customer Treatment   | 2        |
| Director  | Tsai, Pei-Chun     | 2019.04.10  | 2019.04.10 | Corporate Operation Association       | Analysis of the Latest Company Act and Shareholders' Response   | 3        |
|   |                    | 2019.05.13  | 2019.05.13 | Corporate Operation Association       | Excellence in Corporate Governance: Operating Model and Self-Discipline   | 3        |
| Representative of corporate director  | Tsai, Min-Chieh    | 2019.04.22  | 2019.04.22 | Corporate Operation Association       | New Layout of Shareholders' Meetings and Board Meetings as a Result of Amendments to the Company Act                                  | 3        |
|   |                    | 2019.05.13  | 2019.05.13 | Corporate Operation Association       | Excellence in Corporate Governance: Operating Model and Self-Discipline   | 3        |
|   |                    | 2019.06.05  | 2019.06.05 | Taiwan Academy of Banking and Finance | E-Course on Derivative Laws and Risks   | 1        |
|   |                    | 2019.10.22  | 2019.10.22 | Taiwan Insurance Institute            | Anti-Money Laundering and Counter Terrorism Financing Laws  | 2.5      |



| Evaluation Item                                       | Operational status |                 |                             | Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons |          |
|---|--------------------|-----------------|-----------------------------|---|----------|
|   | Title              | Name            | Date of training<br>From To |   | Duration |
| Representative of corporate director                  |                    | Tsai, Min-Chieh | 2019.11.12                  | 2019.11.12  | 2        |
|   |                    |                 | 2019.12.24                  | 2019.12.24  | 3        |
| Representative of corporate director (President)      |                    | Lu, Chin-Chu    | 2019.04.08                  | 2019.04.08  | 3        |
|   |                    |                 | 2019.06.26                  | 2019.06.26  | 3        |
| Representative of corporate director (Vice President) |                    | Tsai, Ming-Lun  | 2019.09.27                  | 2019.09.27  | 3        |
|   |                    |                 | 2019.11.08                  | 2019.11.08  | 3        |
| Representative Director (Vice President)              |                    | Ho, Yue-Ming    | 2019.02.25                  | 2019.02.25  | 3        |
|   |                    |                 | 2019.09.20                  | 2019.09.20  | 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 |   | Duration |
|                          |                    |      | From             | To  |          |
| Independent Director     | Chen, Bor-Liang    |      | 2019.06.03       | 2019.06.03  | 3        |
|                          |                    |      | 2019.09.24       | 2019.09.24  | 3        |
| Independent Director     | Chiu, Tien-I       |      | 2019.07.17       | 2019.07.17  | 3        |
|                          |                    |      | 2019.11.06       | 2019.11.06  | 3        |
| Independent Director     | Chen, Huan-Chung   |      | 2019.05.17       | 2019.05.17  | 3        |
|                          |                    |      | 2019.09.24       | 2019.09.24  | 3        |
| Executive Senior Manager | Ho, Ming-Kun       |      | 2019.10.21       | 2019.10.22  | 12       |
| Senior Manager           | Wu, Hui-Chi        |      | 2019.09.19       | 2019.09.20  | 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.



| Evaluation Item  | Operational status | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons |
|--|--------------------|---|
| <p>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.</p> <p>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.</p> <p>x. Liability insurance provided for directors: The Company has purchased liability insurance for all directors.</p> <p>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 refusal 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.</p> <p>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 6th Corporate Governance Evaluation announced by Taiwan Stock Exchange at the end of April 2020, the Company was ranked within top 5% of the 6th 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.</p> |                    |   |



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

A. Information of the members of the Remuneration Committee

(a) Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience

| Title    | Requirements    |   | Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member | Note |
|----------|-----------------|---|---|--|------|
|          | Name            |   |   |  |      |
| Convener | Chen, Bor-Liang | V |   | 0  |      |
| Member   | Chiu, Tien-I    | V | V   | 0  |      |
| Member   | Shen, Wan-Fa    | V | V   | 0  |      |

(b) Independence Criteria

| Title    | Requirements  |  | (7) Independence Criteria   |   |   |   |   |  |   | Not been a person of any conditions defined in Article 30 of the Company Law |
|----------|---|--|---|---|---|---|---|--|---|--|
|          | Not an employee of the company or any of its affiliates | Not a director or supervisor of the company or any of its affiliates (however, if the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | 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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders | Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3 | Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law (however, if the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent) (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (however, if the specified company or institution hold 20% or more but less than 50% of the company's shares and the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to Securities and Exchange Act or local regulations does not apply) | Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides financial, legal, commercial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service" which total compensation within the recent two years exceeds NTD500,000" |   |  |
| Name     |   |  |   |   |   |   |   |  |   |  |
| Convener | Chen, Bor-Liang   | V  | V   | V   | V   | V   | V   | V  | V | V  |
| Member   | Chiu, Tien-I  | V  | V   | V   | V   | V   | V   | V  | V | V  |
| Member   | Shen, Wan-Fa  | V  | V   | V   | V   | V   | V   | V  | V | V  |



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 members consist of the 4<sup>th</sup> Remuneration Committee after elected 23<sup>rd</sup> Board of Directors on June 13, 2019. The term of office is from June 13, 2019 to June 12, 2022. Three meetings of the Remuneration Committee were held in 2019. The attendance status is as follows:

| Title    | Name            | Attendance in person | Attendance by proxy | Attendance Rate (%) | Notes |
|----------|-----------------|----------------------|---------------------|---------------------|-------|
| Convener | Chen, Bor-Liang | 3                    | 0                   | 100.00              |       |
| Member   | Chiu, Tien-I    | 3                    | 0                   | 100.00              |       |
| Member   | Shen, Wan-Fa    | 3                    | 0                   | 100.00              |       |

1. The Company's Remuneration Committee assessed the performance of the Board of Directors and officers, conducted performance evaluation annually. The Company's Remuneration Committee reviewed the procedures for evaluating the Board of Directors and officers at August 14, 2019.

2. Discussion and resolutions adopted by the Remuneration Committee in 2019:

| 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 |
|---------------|---|--|---|---|
| 2019.03.25    | 8 <sup>th</sup> meeting of the 3 <sup>rd</sup> Remuneration Committee | 1. Proposed the amount of the Company's 2018 distribution for director remuneration and employee compensation.<br>2. Reviewed the 2018 annual bonus for the officers of the Company.<br>3. Reviewed the remuneration for the Company's officers. | Approved as proposed.                             | None. Submit to the Board of Directors for approval.                                  |

| 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 |
|---------------|---|--|---|---|
| 2019.08.14    | 1 <sup>st</sup> meeting of the 4 <sup>th</sup> Remuneration Committee | 1. Reviewed the Company's regulations governing remunerations of directors and managers.<br>2. Reviewed remunerations and transportation allowance for the newly elected independent directors.<br>3. Reviewed transportation allowance for the Directors.<br>4. Reviewed the 2018 Employees' Compensation for the Company's officers.<br>5. Reviewed matters pertaining to rewards for officers of the Company.<br>6. Reviewed the amount of the Company's 2018 distribution for directors' remuneration. | Approved as proposed.                             | None. Submit to the Board of Directors for approval.                                  |
| 2019.11.14    | 2 <sup>nd</sup> meeting of the 4 <sup>th</sup> Remuneration Committee | Reviewed the 2019 adjustments to remunerations for the Company's officers.   | Approved as proposed.                             | None. Submit to the Board of Directors for approval.                                  |

3. 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, discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons.

| 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. Does the Company conduct risk assessment of environment, society, and corporate governance issues related to company operations, and establish applicable risk management policy or strategy in accordance with principles of materiality?                                      | V                  |    | I. The Company conducts risk assessment of environment, society, and corporate governance issues in accordance with principles of materiality. While facing the internationalization of business operations, the impact of global economic changes, and the complicated challenges that arise with it, we identify the risks that may influence corporate sustainable development from our daily operations and develop applicable management strategies and response measures to reduce the possibility of business disruption. Our risk management comprises three levels (mechanisms). The First Mechanism involves the organizing unit or organizer who oversees the identification, assessment, and reporting of risks in initial operations. The Second Mechanism is composed of the president and various department heads who are responsible for comprehensively assessing all types of risks and making management decisions accordingly. The Third Mechanism involves auditing by the audit unit and the control and supervision of Board of Directors. | No Discrepancy.  |
| II. 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                  |    | II. The Company's headquarter set up Sustainable Development Department responsible for managing employee relations, legal compliance affairs, environmental protection, energy conservation, and safety and health. Sustainable Development Department is 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.<br><br>The Sustainable Development Department must periodically report to executive management about the planning, progress, effectiveness of corporate social responsibility every six months and report to Board of Directors every year.  | No Discrepancy.  |

| Evaluation Item  | Operational status |    |  | Discrepancy with the<br>“Corporate<br>Social Responsibility Best<br>Practice Principles for<br>TWSE/TPEX Listed<br>Companies” and the reasons |
|--|--------------------|----|--|---|
|  | Yes                | No | Summaries  |   |
| III. Environmental Issues<br>i. Does the Company establish proper environmental management systems based on the characteristics of its operations?                           | V                  |    | i. 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.   |
| ii. Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?                                | V                  |    | ii. 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 environmentally friendly materials, production process optimization, reduction of waste generation, and waste recycling and reuse.  | No Discrepancy.   |
| iii. Does the company assess the current and future potential risks and opportunities of climate change for the company and take measures to address climate-related issues? | V                  |    | iii. In response to one of the 17 UN sustainable development goals (SDGs)—climate action, the Company adopts relevant measures to ensure a sustainable production model and prepare for the operational risks and impacts caused by climate change. Footwear products manufactured in our production base in Southeast Asia account over 85% of our total production. Southeast Asia is increasingly more likely to be affected by climate-induced disasters in recent years. These disasters are expected to disrupt the company's production operations. We continue to not only pay attention to international responses to climate change and policy requirements, but also improve our energy management practices in the areas of energy conservation and carbon reduction to improve our plants' energy efficiency. We hope to effectively reduce greenhouse gas emissions caused by energy consumption and in turn mitigate the risks of climate change. | No Discrepancy.   |



| Evaluation Item   | Operational status |    | Discrepancy with the<br>“Corporate<br>Social Responsibility Best<br>Practice Principles for<br>TWSE/TPEX Listed<br>Companies” and the reasons |
|---|--------------------|----|---|
|   | Yes                | No |   |
| iv. Does the company calculate the greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and establish energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management policies? | V                  |    | No Discrepancy.   |
| IV. Social Issues<br>i. Does the Company formulate appropriate management policies and procedures according to relevant labor laws, and internationally recognized human rights principal?  | V                  |    | No Discrepancy.   |

| Evaluation Item  | Operational status |    |   | Discrepancy with the<br>“Corporate<br>Social Responsibility Best<br>Practice Principles for<br>TWSE/TPEX Listed<br>Companies” and the reasons |
|--|--------------------|----|---|---|
|  | Yes                | No | Summaries   |   |
|  |                    |    | <p>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\$22,925 in scholarship to 781 students in Indonesia. In 2019, we funded the building of boarding school dormitories to the value of US\$11,312. 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 2019, we have provided US\$403,098 to 9,385 students. Given China's focus on children retention, we have endlessly organized summer camps for the children of employees since 2010, benefiting 4,310 children in total.</p> <p>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.</p> |   |
| ii. Does the company formulate and implement reasonable employee benefits measures (including compensation, leave, and other benefits) and appropriately reflect its business performance or achievement in employee compensation? | V                  |    | <p>ii. 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.</p>  | No Discrepancy.   |
| iii. Does the Company provide a healthy and safe working environment and conduct training  | V                  |    | <p>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</p>   | No Discrepancy.   |





| Evaluation Item   | Operational status |    |  | Discrepancy with the<br>“Corporate<br>Social Responsibility Best<br>Practice Principles for<br>TWSE/TPEx Listed<br>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 provide its employees with career development and training sessions? | V                  |    | <p>iv. 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.</p> <p>(1) Training Programs</p> <p>To motivate employees to improve their work skills and realize a vision of lifelong learning, the Company plans different training courses according to its core value and employees' competency. The Company constantly provides training programs for employees, beginning from the day they start working for the Company to their retirement, to help them acquire the skills they need for work and strengthening their employability. By arranging training courses for employees, the Company expects to establish a consensus among employees so that they can identify with organizational value and commit toward creating the best business performance for the Company.</p> <p>a. Course for New Employees: The Company provides training courses for new recruits, and arranges a Review Camp for new employees once every quarter.</p> <p>b. Core Competency Course: A systematic training course focusing on group's core</p> | No Discrepancy.   |



| Evaluation Item   | Operational status |    |   | Discrepancy with the<br>“Corporate<br>Social Responsibility Best<br>Practice Principles for<br>TWSE/TPEX Listed<br>Companies” and the reasons |
|---|--------------------|----|---|---|
|   | Yes                | No | Summaries   |   |
|   |                    |    | <p>thinking and core competencies is provided, such as system thinking lesson.</p> <p>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.</p> <p>d. Professional Course: Based on work content and professional requirements, this course covers a wide range of professional skills.</p> <p>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.</p> <p>(2) Personal development plans:</p> <p>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.</p> |   |
| v. Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection | V                  |    | <p>v. The Company strictly complies with local government laws, customer demands, and company regulations. We practice supplier management by</p> <p>(1) Requiring our partnering suppliers to comply with the standards adopted by the customers we serve (e.g., the restricted substances list [RSL])</p> <p>(2) Pou Chen's basic requirements (environmental management, fire safety, and safety and health). The Company continues to invest in encouraging suppliers to practice circular economy management. Several of our suppliers have passed various management system</p>   | No Discrepancy.   |



| Evaluation Item  | Operational status |    |   | Discrepancy with the<br>“Corporate<br>Social Responsibility Best<br>Practice Principles for<br>TWSE/TPEX Listed<br>Companies” and the reasons |
|--|--------------------|----|---|---|
|  | Yes                | No | Summaries   |   |
| policies and grievance procedures?   |                    |    | certifications, including LWG, Oeko-Tex, Bluesign, ISO 50001, ISO 14064, PAS 2050, ISO 14001, OHSAS 18000, and ISO 9001.<br>Effective communication with stakeholders is maintained through the Stakeholder section and mailbox for suppliers, which are provided on the Company's website.   |   |
| vi. Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.                                    | V                  |    | vi. In our supply chain management policy, we regard integrity and compliance as the cornerstone of cooperation between two parties. All suppliers must abide by local regulations and contractual commitments, and give priority over compliance with human rights, health and safety, and environmental protection. By using a supplier audit and selection mechanism, we select potential suppliers to partner with, regularly evaluate the overall performance of our suppliers to provide guidance based on their performance, and track suppliers' improvement progress in order to improve the efficiency of our supply chain. | No Discrepancy.   |
| V. Does the company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports and reports disclosing the company's non-financial information? Does the company obtain a third-party assurance or verification for such reports? | V                  |    | Our corporate social responsibility report is compiled every year using the GRI standard and AA1000 standards and is assured or verified by a third party. The 2019 Corporate Social Responsibility Report will be published in June 2020 on the company's website.   | No Discrepancy.   |

| Evaluation Item  | Operational status |    | Discrepancy with the<br>“Corporate<br>Social Responsibility Best<br>Practice Principles for<br>TWSE/TPEX Listed<br>Companies” and the reasons |
|--|--------------------|----|---|
|  | Yes                | No |   |
| <p>VI. 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:</p> <p>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.</p> <p>VII. Other important information to facilitate better understanding of the Company’s implementation of CSR:</p> <p>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.</p> |                    |    |   |



(6) Implementation of ethical corporate management, discrepancy with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons.

| Evaluation Item  | Operational status |    | Discrepancy with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons |
|--|--------------------|----|---|
|  | Yes                | No |   |
| <p>I. Enacting ethical corporate management policies and plans</p> <p>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?</p>   | V                  |    | <p>No Discrepancy.</p>  |
| <p>ii. Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of operation? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?</p> | V                  |    | <p>No Discrepancy.</p>  |

| 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 unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies and also review regularly to revise the policies? | V                  |    | <p>iii. 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.</p> <p>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”.</p> | No Discrepancy.   |
| III. Implementing ethical corporate management<br>i. Does the company evaluate business partners’ ethical records and include ethics related clauses in business contracts?   | V                  |    | <p>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.</p>   | No Discrepancy.   |
| ii. Does the Company establish a dedicated unit supervised by the Board, to be in charge of corporate integrity, report its integrity policy and unethical conduct prevention solutions as well as supervision implementation status to the Board of Directors on a regular basis?          | V                  |    | <p>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 2019 are as follows:</p> <p>1. Overseas subsidiaries continue to promote the signing of the Employee Commitment to Ethical Conduct and Confidentiality Agreement.</p> <p>2. We dispatched seed lecturers to our plants in China, Indonesia, and Vietnam, thereby continuously expanding our efforts to raise awareness and provide training on ethical corporate management</p>         | 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 implemented effective accounting and internal control systems for the purpose of maintaining business integrity?<br>Does the internal audit unit establish applicable audit plans based on the results of unethical conduct risk assessment, and use the plans to audit unethical conduct prevention solutions or engage a CPA to carry out the audit? | 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<br>i. Does the company establish specific complaint and reward procedures, set up conveniently  | 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   | 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 |   |
| accessible complaint channels, and designate responsible personnel to handle the complaint received?   |                    |    | websites, which serve as the complaint and reporting channel for internal and external personnel of the Company, and such complaint and reporting will be handled by specified personnel.   |
| ii. Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?   | V                  |    | ii. The Company has enacted standard operating procedures for investigating the complaints received and relevant confidentiality mechanism. The receipt, investigation process and investigation results of the reported case will be recorded and preserved. Where a violation stands, the specified personnel will immediately, report to the management and make disciplinary decisions according to the situations. |
| 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.   |
| IV. Enhancing information disclosure<br>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 ( <a href="http://www.pouchen.com">http://www.pouchen.com</a> ).  |
| <p>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:</p> <p>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.</p> <p>VI. Other important information to facilitate the understanding of the Company's implementation of ethical corporate management:</p> <p>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.</p> |                    |    |   |





| 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 2019, the results are as follows:  |   |  |   |
| Item  | Type of training  | Content  | Attendance  |
| Group motivational camp for new employees   | Physical training   | Awareness on core values and workplace conduct   | 8 times, a total of 300 people  |
| Group orientation   | Online training   | Awareness on ethical management practice, code of ethical conduct, honest trading, and protection of group interest                        | 61 times, a total of 780 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 | 12 times, a total of 2,658 people   |
| Group personnel training  | Online training   | Awareness on the group code of conduct and core values   | 11 times, a total of 2,369 people   |
| Group personnel training  | Online training<br>(Training is provided by seed lecturers) | Awareness on ethical management, code of ethical conduct, honest trading, protection of group interest, and prohibition of insider trading | 147 times, a total of 35,933 people   |
| GSCM personnel training   | Online training   | Awareness on ethical management, code of ethical conduct, honest trading, protection of group interest, and prohibition of insider trading | 150 times, a total of 5,625 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

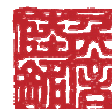
Date: March 31, 2020

Based on the findings of its self-assessment, the Company states the following with regard to its internal control system during the year 2019:

- 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, 2019, 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 2019 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 31, 2020, 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 2019 annual general shareholders' meeting and the implementation status thereof :

| Date       | The type of meeting                  | Material resolutions  | Implementation status   |
|------------|--------------------------------------|---|---|
| 2019.06.13 | Annual general shareholders' meeting | <p>Ratification:</p> <p>i. Ratification of the Company's 2018 Business Report and Financial Statements.</p> <p>ii. Ratification of the Company's 2018 Profit Distribution.</p>  | <p>The resolution has been implemented accordingly.</p> <p>Adopted to distribute cash dividends at NT\$1.5 for per share.</p> <p>The ex-dividend record date is July 14, 2019, and the cash dividends have been distributed on August 7, 2019.</p>  |
|            |                                      | <p>Discussion</p> <p>i. Discussion on the amendments to the Company's "Articles of Incorporation".</p> <p>ii. Discussion on the amendments to the Company's "Procedures for Acquisition and Disposal of Assets".</p> <p>iii. Discussion on the amendments to the Company's "Operational Procedures for Loaning of Company Funds".</p> <p>iv. Discussion on the amendments to the Company's "Operational Procedures for Making Endorsements and Guarantees".</p> | <p>Approved for registration by the Ministry of Economic Affairs on July 16, 2019 and announced on the Company's website.</p> <p>It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Procedures for Acquisition and Disposal of Assets".</p> <p>It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Operational Procedures for Loaning of Company Funds".</p> <p>It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Operational Procedures for Making Endorsements and Guarantees".</p> |
|            |                                      | <p>Election:</p> <p>Election of all Directors, including three independent Directors, of the Company.</p>   | <p>Approved for registration by the Ministry of Economic Affairs on July 16, 2019 and announced on the Company's website.</p>   |
|            |                                      | <p>Others:</p> <p>Proposal to release Director of the Company from non-competition restrictions.</p>  | <p>All Directors and representative are in compliance with relevant laws.</p>   |
|            |                                      |   |   |



B. Material Resolutions during the Board of Directors' Meetings in 2019 and to the date of publication of this Annual Report:

| Date       | Term  | Material resolutions  |
|------------|---|---|
| 2019.03.25 | 20 <sup>th</sup> meeting of the 22 <sup>nd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Adopted the amount of the Company's 2018 distribution for director remuneration and employee compensation.</li> <li>2. Adopted the remuneration of 2018 for the Company's officers.</li> <li>3. Adopted the proposal to appoint new officers.</li> <li>4. Adopted the remuneration for the Company's new officers.</li> <li>5. Release the officer of the Company from non-competition restrictions.</li> <li>6. Adopted the Company's 2018 Business Report and Financial Statements.</li> <li>7. Adopted the amendment of the Company's 2018 "Internal Control System" and "Internal Control System and Implementation Rules".</li> <li>8. Adopted the amendment of the Company's "Articles of Incorporation".</li> <li>9. Adopted the amendment of the Company's "Procedures for Acquisition and Disposal of Assets".</li> <li>10. Adopted the amendment of the Company's "Operational Procedures for Loaning of Company Funds".</li> <li>11. Adopted the amendment of the Company's "Operational Procedures for Making Endorsements and Guarantees".</li> <li>12. Adopted the Election of all Directors, including three independent Directors, of the Company.</li> <li>13. Adopted and verified the list of director's candidates.</li> <li>14. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions.</li> <li>15. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>16. Relevant matters regarding convening the Company's 2019 annual general shareholders' meeting.</li> </ol> |
| 2019.04.30 | 21 <sup>st</sup> meeting of the 22 <sup>nd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Adopted the Company's 2018 profit distribution.</li> <li>2. Release the Director of the Company from non-competition restrictions.</li> <li>3. Adopted the proposal to appoint the Company Secretary.</li> <li>4. Adopted the "Standard Operating Procedures for Handling Director Requests."</li> <li>5. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions.</li> <li>6. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>  |
| 2019.05.15 | 22 <sup>nd</sup> meeting of the 22 <sup>nd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Adopted the amendment of the Company's "Corporate Governance Best Practice Principles".</li> <li>2. Adopted the amendment of the Company's "Audit Committee Charter".</li> <li>3. Adopted the Company acquire common shares of Ruen Chen Investment Holding Co., Limited.</li> <li>4. Adopted the application for adjusting and renewing the line of credit for the Company to lend funds from financial institutions.</li> <li>5. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>   |

| Date       | Term   | Material resolutions  |
|------------|--|---|
| 2019.06.13 | 1 <sup>st</sup> meeting of the 23 <sup>rd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Completed the Chairman election of the 22nd Board of Directors.</li> <li>2. Approved the appointment of the 4th Remuneration Committee members.</li> </ol>  |
| 2019.08.14 | 2 <sup>nd</sup> meeting of the 23 <sup>rd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Adopted remunerations and transportation allowance for independent directors.</li> <li>2. Adopted the transportation allowance for the Directors.</li> <li>3. Adopted the 2018 Employees' Compensation for the Company's officers.</li> <li>4. Adopted matters pertaining to rewards for officers of the Company.</li> <li>5. Adopted the amount of the Company's 2018 distribution for directors' remuneration.</li> <li>6. Adopted the application for applying, renewing, adjusting and canceling the line of credit for the Company to lend funds from financial institutions.</li> <li>7. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>8. Adopted to provide loans for the Company's subsidiaries.</li> </ol>  |
| 2019.11.14 | 3 <sup>rd</sup> meeting of the 23 <sup>rd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Adopted the 2019 adjustments to remunerations for the Company's officers.</li> <li>2. Adopted independence assessment and appointment of the Company's CPA and adopted the CPA's remuneration.</li> <li>3. Adopted the application for applying, adjusting and renewing the line of credit for the Company to lend funds from financial institutions.</li> <li>4. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>  |
| 2019.12.24 | 4 <sup>th</sup> meeting of the 23 <sup>rd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Adopted independence assessment and appointment of the Company's CPA.</li> <li>2. Adopted the Company's 2020 Business Plan.</li> <li>3. Adopted the Company's Internal Audit Plan for 2020.</li> <li>4. Adopted the amendment of the Company's "Internal Control System" and "Internal Auditing Implementation Regulations".</li> <li>5. Adopted the amendment of the Company's "Procedures for Evaluating the Board of Directors' Performance".</li> <li>6. Adopted the application for applying, adjusting and renewing the line of credit for the Company to lend funds from financial institutions.</li> <li>7. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>8. Adopted to mandate others to construct a factory/office building on its own land located on Zhanglu Rd., Fu Hsin Hsian, Chang Hwa.</li> </ol> |
| 2020.03.31 | 5 <sup>th</sup> meeting of the 23 <sup>rd</sup> Board of Directors | <ol style="list-style-type: none"> <li>1. Adopted the amount of the Company's 2019 distribution for director remuneration and employee compensation.</li> <li>2. Adopted the remuneration of 2019 for the Company's officers.</li> <li>3. Adopted the employee compensation of 2019 for the Company's officers.</li> <li>4. Adopted the transportation allowance for the Directors.</li> <li>5. Adopted the Company's 2019 Business Report and Financial Statements.</li> <li>6. Adopted the amendment of the Company's 2019 "Internal Control System" and "Internal Control System and Implementation Rules".</li> <li>7. Adopted the amendments to the Company's "Rules and Procedures of Shareholders' Meetings".</li> <li>8. Adopted the application for applying and renewing the line of credit for the Company to lend funds from financial institutions.</li> </ol>   |



| Date       | Term   | Material resolutions  |
|------------|--|---|
|            |  | 9. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.<br>10. Relevant matters regarding convening the Company's 2020 annual general shareholders' meeting.   |
| 2020.04.28 | 6 <sup>th</sup> meeting of the 23 <sup>rd</sup> Board of Directors | 1. Adopted the adjustments to remunerations for the Company's officers.<br>2. Adopted the Company's 2019 profit distribution plan.<br>3. Adopted the 2019 profit distribution of cash dividends.<br>4. Adopted the application for renewing the line of credit for the Company to lend funds from financial institutions.<br>5. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries. |
| 2020.05.15 | 7 <sup>th</sup> meeting of the 23 <sup>rd</sup> Board of Directors | 1. Release the officer of the Company from non-competition restrictions.<br>2. Adopted the application for renewing the line of credit for the Company to lend funds from financial institutions.<br>3. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.   |

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

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

### 3.5 Information Regarding the Company's Professional Fees

#### A. Information regarding the Company's professional fees

(In NT\$ thousands)

| Accounting firm   | Name of the CPA | Audit fees | Non-Audit Fees       |   |                 |        |     | CPA's audit time period   | Notes |
|-------------------|-----------------|------------|----------------------|---|-----------------|--------|-----|---|-------|
|                   |                 |            | Design of the system | Registration with the competent authority | Human resources | Others | Sum |   |       |
| Deloitte & Touche | Wu, Ker-Chang   | 11,759     | 0                    | 0   | 0               | 0      | 0   | 2019 Q1~Q3 quarterly financial reports and 2019 annual financial report | None  |
|                   | Hong, Kuo-Tyan  |            |                      |   |                 |        |     |   |       |

## B. Intervals of the fees for the CPA

Unit: in NT\$

| Items of fees           |                                 | Audit fees | Non-audit fees | Total |
|-------------------------|---------------------------------|------------|----------------|-------|
| Intervals of the amount |                                 |            |                |       |
| 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 10% compared with that in the preceding year: N/A.

## 3.6 Information Regarding the change of Certified Public Accountant Firm:

## A. Regarding previous CPA

|   |  |                                  |        |
|---|--|----------------------------------|--------|
| Date of change  | January 2020   |                                  |        |
| Reasons for change and remark   | Wu, Ker-Chang, CPA at Deloitte Taiwan, was replaced by Shyu, Wen-Yea due to internal adjustments of the accounting firm. |                                  |        |
| Termination initiated by client or accountant declined to accept the appointment  | Parties  |                                  | CPAs   |
|   | Scenario   |                                  | Client |
|   | Termination initiated  |                                  | V      |
| Audit opinions other than unqualified opinions issued in the past two years and reasons   | CPA declined to accept (continue) the appointment  |                                  |        |
|   | None   |                                  |        |
| Opinions different from those of issuer   | Yes  | Accounting principle or practice |        |
|   |  | Disclosure of financial report   |        |
|   |  | Audit scope or steps             |        |
|   |  | Others                           |        |
|   | None   |                                  | V      |
| Other disclosures (Matters that should be disclosed in accordance with Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies) | Explanation  |                                  |        |
|   | None   |                                  |        |



B. Regarding succeeding CPA

|  |   |
|--|---|
| Name of accounting firm  | Deloitte Taiwan                                     |
| Name of accountant   | CPA Shyu, Wen-Yea, CPA Hung Kuo-Tyan                |
| Date of appointment  | Approved by the Board of Directors in December 2019 |
| Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results | N/A   |
| Written opinions of succeeding CPA different from those of previous CPA  | N/A   |

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

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



3.8 Transfer of Equity Interests and/or Pledge of or Changes in Equity Interests by Directors, Officers or Major Shareholders with a Stake of More than 10 Percent for the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report

Unit: shares

| Title                 | Name  | Year 2019                             |   | Until April 21 of the year            |   |
|-----------------------|---|---------------------------------------|---|---------------------------------------|---|
|                       |   | Increase/Decrease of the shareholding | Increase/Decrease of the share under pledge | Increase/Decrease of the shareholding | Increase/Decrease of the share under pledge |
| Chairman of the Board | PC Brothers Corporation   | 0                                     | 0   | 0                                     | 0   |
|                       | Representative: Chan, Lu-Min<br>(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<br>(President)   | 0                                     | 0   | 0                                     | 0   |
| Director              | Sheachang Enterprise Corporation  | 0                                     | 0   | 0                                     | 0   |
|                       | Representative: Tsai, Ming-Lun<br>(Vice President)(Note 1)                              | 0                                     | 0   | 0                                     | 0   |
| Director              | Lai Chia Investments Co., Limited   | 0                                     | 0   | 0                                     | 0   |
|                       | Representative: Ho, Yue-Ming<br>(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, Huan-Chung  | 0                                     | 0   | 0                                     | 0   |
| Vice President        | Liu, Hong-Chih  | 0                                     | 0   | 0                                     | 0   |
| Vice President        | Tsai, Nai-Yung  | 0                                     | 0   | 0                                     | 0   |



| Title                    | Name                   | Year 2019                             |  | Until April 21 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           | Chang, Chia-Li         | 0                                     | 0  | 0                                     | 0  |
| Vice President           | Hu, Chia-Ho (Note 2)   | 0                                     | 0  | 0                                     | 0  |
| Vice President           | Chiu, Hui-Yao (Note 2) | 0                                     | 0  | 0                                     | 0  |
| Executive Senior Manager | Ho, Ming-Kun           | 0                                     | 0  | 0                                     | 0  |
| Senior Manager           | Chang, Yea-Fen         | 0                                     | 0  | 0                                     | 0  |
| Senior Manager           | Wu, Hui-Chi            | 0                                     | 0  | 0                                     | 0  |

Note 1: Mr. Tsai resigned as the representative of its juristic-person director on April 1, 2020.

Note 2: 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 21, 2020 (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                             | 0.00      | 0  | -         | 0                                   | -         | N/A  | -         | -     |
| Tsai, Chi Jui  | 101,951,385                   | 3.46      | 0  | -         | 0                                   | -         | N/A  | -         | -     |
| Kai Tai Investments Co., Limited                                     | 66,372,557                    | 2.25      | 0  | -         | 0                                   | -         | N/A  | -         | -     |
| Chairman: Huang, Zhi Tai   | 0                             | 0.00      | 0  | -         | 0                                   | -         | N/A  | -         | -     |
| Fubon Life Insurance Co., Limited                                    | 62,002,000                    | 2.10      | 0  | -         | 0                                   | -         | N/A  | -         | -     |
| Representative: Tsai, Richard M.                                     | 0                             | 0.00      | 0  | -         | 0                                   | -         | N/A  | -         | -     |
| Chinatrust 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  | -         | -     |
| Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited       | 50,335,000                    | 1.71      | 0  | -         | 0                                   | -         | N/A  | -         | -     |
| Citibank in custody for Norges Bank                                  | 49,118,616                    | 1.67      | 0  | -         | 0                                   | -         | N/A  | -         | -     |



# POU CHEN CORPORATION

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

March 31, 2020 (Unit: Shares)

| Affiliated Company                                 | Ownership by the Company |           | Ownership by Directors, Officers or the enterprises controlled by the Company directly or indirectly |           | 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                 | 5,000,000                | 100.00    | 0  | -         | 5,000,000        | 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          | 3,531,800,000            | 20.00     | 0  | -         | 3,531,800,000    | 20.00     |
| Nan Shan Life Insurance Co., Ltd.                  | 0                        | -         | 23,740,000   | 0.19      | 23,740,000       | 0.19      |

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/<br>Month | Issued<br>Price           | Authorized Capital   |   | Paid-in Capital |               | Remarks               |  |       |
|----------------|---------------------------|--|---|-----------------|---------------|-----------------------|--|-------|
|                |                           | Shares   | Amount  | Shares          | Amount        | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>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<br>(including<br>convertible<br>corporate bonds of<br>50 million shares)       | 4,965,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$ 500 million) | 357,640,556     | 3,576,405,560 | Note 5                | —  | —     |
| 1998.02        | 10                        | 496,500,000<br>(including<br>convertible<br>corporate bonds of<br>50 million shares)       | 4,965,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$ 500 million) | 378,972,570     | 3,789,725,700 | Note 6                | —  | —     |
| 1998.05.07     | 10                        | 1,133,500,000<br>(including<br>convertible<br>corporate bonds of<br>200 million<br>shares) | 11,335,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$2 billion)   | 568,458,855     | 5,684,588,550 | Note 7                | —  | —     |
| 1998.06.02     | 80                        | 1,133,500,000<br>(including<br>convertible<br>corporate bonds of<br>200 million<br>shares) | 11,335,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$2 billion)   | 607,930,915     | 6,079,309,150 | Note 8                | —  | —     |
| 1999.07.05     | 10                        | 1,133,500,000<br>(including<br>convertible<br>corporate bonds of<br>200 million<br>shares) | 11,335,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$2 billion)   | 851,103,280     | 8,511,032,800 | Note 9                | —  | —     |
| 2000.01.19     | conversion<br>price 67.05 | 1,133,500,000<br>(including<br>convertible   | 11,335,000,000<br>(including<br>convertible   | 856,421,995     | 8,564,219,950 | Note 10               | —  | —     |



| Year/<br>Month | Issued<br>Price           | Authorized Capital  |  | Paid-in Capital |                | Remarks               |  |       |
|----------------|---------------------------|---|--|-----------------|----------------|-----------------------|--|-------|
|                |                           | Shares  | Amount   | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
|                |                           | corporate bonds of<br>200 million<br>shares)  | corporate bonds of<br>NT\$2 billion)   |                 |                |                       |  |       |
| 2000.05.12     | conversion<br>price 67.05 | 1,133,500,000<br>(including<br>convertible<br>corporate bonds of<br>200 million<br>shares)  | 11,335,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$2 billion)  | 875,762,784     | 8,757,627,840  | Note 11               | —  | —     |
| 2000.07.15     | 10                        | 2,303,500,000<br>(including<br>convertible<br>corporate bonds of<br>200 million<br>shares)  | 23,035,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$ 2 billion)   | 1,229,174,619   | 12,291,746,190 | Note 12               | —  | —     |
| 2001.07.20     | 10                        | 2,303,500,000<br>(including<br>convertible<br>corporate bonds of<br>200 million<br>shares)  | 23,035,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$ 2 billion)   | 1,352,092,080   | 13,520,920,800 | Note 13               | —  | —     |
| 2002.07.05     | 10                        | 2,303,500,000<br>(including<br>convertible<br>corporate bonds of<br>200 million<br>shares, employee<br>share options,<br>preferred share<br>options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 23,035,000,000<br>(including<br>convertible<br>corporate bonds of<br>NT\$ 2 billion,<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$2.5<br>billion) | 1,632,582,229   | 16,325,822,290 | Note 14               | —  | —     |
| 2003.07.04     | 10                        | 3,028,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds  | 30,280,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds  | 1,884,799,453   | 18,847,994,530 | Note 15               | —  | —     |

| Year/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
|                |                 | with options<br>available for<br>subscription in the<br>amount of 250<br>million shares)   | with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion)  |                 |                |                       |  |       |
| 2004.07.22     | 10              | 3,475,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 34,750,000,000<br>(including<br>employee share<br>options, preferred<br>share option or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion)  | 2,089,733,386   | 20,897,333,860 | Note 16               | —  | —     |
| 2004.10.20     | 10              | 3,475,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 34,750,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,093,362,386   | 20,933,623,860 | Note 17               | —  | —     |
| 2005.01.24     | 10              | 3,475,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 34,750,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,093,673,386   | 20,936,733,860 | Note 18               | —  | —     |
| 2005.04.19     | 10              | 3,475,000,000<br>(including<br>employee share<br>options, preferred  | 34,750,000,000<br>(including<br>employee share<br>options, preferred  | 2,094,816,386   | 20,948,163,860 | Note 19               | —  | —     |



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



| Year/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>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/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
| 2006.10.20     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,438,056,336   | 24,380,563,360 | Note 27               | —  | —     |
| 2007.01.23     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,442,685,746   | 24,426,857,460 | Note 28               | —  | —     |
| 2007.05.10     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,445,245,915   | 24,452,459,150 | Note 29               | —  | —     |
| 2007.07.25     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the                                     | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the                                   | 2,447,329,695   | 24,473,296,950 | Note 30               | —  | —     |

| Year/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
|                |                 | amount of 250<br>million shares)   | amount of NT\$ 2.5<br>billion)  |                 |                |                       |  |       |
| 2007.08.06     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,511,101,130   | 25,111,011,300 | Note 31               | —  | —     |
| 2007.10.19     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,511,559,987   | 25,115,599,870 | Note 32               | —  | —     |
| 2008.01.17     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 250<br>million shares) | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 2.5<br>billion) | 2,511,853,987   | 25,118,539,870 | Note 33               | —  | —     |
| 2008.04.17     | 10              | 3,800,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options   | 38,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options   | 2,513,606,987   | 25,136,069,870 | Note 34               | —  | —     |



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

| Year/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
|                |                 | corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares)  | corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion)   |                 |                |                       |  |       |
| 2009.04.14     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,712,567,495   | 27,125,674,950 | Note 39               | —  | —     |
| 2009.05.19     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,705,567,495   | 27,055,674,950 | Note 40               | —  | —     |
| 2009.08.19     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,842,785,728   | 28,427,857,280 | Note 41               | —  | —     |
| 2010.01.22     | 10              | 4,500,000,000<br>(including<br>employee share  | 45,000,000,000<br>(including<br>employee share  | 2,843,084,728   | 28,430,847,280 | Note 42               | —  | —     |



| Year/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
|                |                 | options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares)  | options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion)   |                 |                |                       |  |       |
| 2010.04.20     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,843,109,728   | 28,431,097,280 | Note 43               | —  | —     |
| 2010.08.11     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,899,105,922   | 28,991,059,220 | Note 44               | —  | —     |
| 2010.10.21     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,899,755,922   | 28,997,559,220 | Note 45               | —  | —     |

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



| Year/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
|                |                 | amount of 300<br>million shares)   | amount of NT\$ 3<br>billion)  |                 |                |                       |  |       |
| 2012.05.01     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,940,283,922   | 29,402,839,220 | Note 50               | —  | —     |
| 2012.07.17     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,941,665,922   | 29,416,659,220 | Note 51               | —  | —     |
| 2012.10.26     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,943,184,922   | 29,431,849,220 | Note 52               | —  | —     |
| 2013.04.22     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options   | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options   | 2,943,780,104   | 29,437,801,040 | Note 53               | —  | —     |



| Year/<br>Month | Issued<br>Price | Authorized Capital   |   | Paid-in Capital |                | Remarks               |  |       |
|----------------|-----------------|--|---|-----------------|----------------|-----------------------|--|-------|
|                |                 | Shares   | Amount  | Shares          | Amount         | Sources<br>of Capital | Capital<br>injection by<br>assets other<br>than cash | Other |
|                |                 | available for<br>subscription in the<br>amount of 300<br>million shares)   | available for<br>subscription in the<br>amount of NT\$ 3<br>billion)  |                 |                |                       |  |       |
| 2013.07.29     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>billion) | 2,944,137,213   | 29,441,372,130 | Note 54               | —  | —     |
| 2015.10.21     | 10              | 4,500,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of 300<br>million shares) | 45,000,000,000<br>(including<br>employee share<br>options, preferred<br>share options or<br>corporate bonds<br>with options<br>available for<br>subscription in the<br>amount of NT\$ 3<br>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 21, 2020; 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 21, 2020; Unit: persons; shares

| Shareholder's structure<br>Number | Governmental Agencies | Financial Institutions | Other Juridical Persons | Individuals | Foreign Institutions and Foreigners | Total         |
|-----------------------------------|-----------------------|------------------------|-------------------------|-------------|-------------------------------------|---------------|
| Number of shareholders            | 7                     | 50                     | 223                     | 88,610      | 882                                 | 89,772        |
| Number of shares held             | 65,152,754            | 242,527,972            | 371,976,755             | 624,870,982 | 1,642,258,750                       | 2,946,787,213 |
| Ratio (%)                         | 2.21%                 | 8.23%                  | 12.62%                  | 21.21%      | 55.73%                              | 100.00%       |

## (3) Distribution profile of shareholding

April 21, 2020

| Interval of number of shares (shares) | Number of Shareholders (persons) | Number of shares held (shares) | Ratio (%) |
|---------------------------------------|----------------------------------|--------------------------------|-----------|
| 1 to 999                              | 28,815                           | 6,747,010                      | 0.23%     |
| 1,000 to 5,000                        | 42,809                           | 95,096,727                     | 3.23%     |
| 5,001 to 10,000                       | 9,021                            | 69,297,579                     | 2.35%     |
| 10,001 to 15,000                      | 2,885                            | 36,169,912                     | 1.23%     |
| 15,001 to 20,000                      | 1,773                            | 31,950,242                     | 1.08%     |
| 20,001 to 30,000                      | 1,531                            | 38,235,373                     | 1.30%     |
| 30,001 to 40,000                      | 711                              | 25,145,706                     | 0.85%     |
| 40,001 to 50,000                      | 428                              | 19,771,840                     | 0.67%     |
| 50,001 to 100,000                     | 741                              | 53,121,949                     | 1.80%     |
| 100,001 to 200,000                    | 365                              | 51,225,167                     | 1.74%     |
| 200,001 to 400,000                    | 251                              | 70,872,312                     | 2.41%     |
| 400,001 to 600,000                    | 106                              | 51,629,334                     | 1.75%     |
| 600,001 to 800,000                    | 46                               | 32,236,660                     | 1.09%     |
| 800,001 to 1,000,000                  | 40                               | 35,860,234                     | 1.22%     |
| More than 1,000,001                   | 250                              | 2,329,427,168                  | 79.05%    |
| Total                                 | 89,772                           | 2,946,787,213                  | 100.00%   |



(4) List of major shareholders

April 21, 2020

| Shares   | Number of shares held<br>(shares) | Ratio (%) |
|--|-----------------------------------|-----------|
| Name of major shareholders   |                                   |           |
| 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      |
| Kai Tai Investments Co., Limited                                     | 66,372,557                        | 2.25      |
| Fubon Life Insurance Co., Limited                                    | 62,002,000                        | 2.10      |
| Chinatrust 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      |
| Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited       | 50,335,000                        | 1.71      |
| Citibank in custody for Norges Bank                                  | 49,118,616                        | 1.67      |

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

| <div>Year</div> <div>Item</div>                    |  |                                     | 2018      | 2019      | 2020<br>(as of March 31) |
|--|--|-------------------------------------|-----------|-----------|--------------------------|
| Market price<br>per share<br>(dollars)<br>(Note 1) | Highest price                                |                                     | 39.75     | 42.50     | 39.80                    |
|  | Lowest price                                 |                                     | 28.95     | 32.00     | 22.25                    |
|  | Average price                                |                                     | 35.10     | 38.29     | 31.18                    |
| Net value per<br>share(dollars)                    | Before distribution                          |                                     | 26.42     | 39.84     | 34.32(Note 5)            |
|  | After distribution                           |                                     | 24.92     | 38.59     | 33.07(Note 5)            |
| Earnings per<br>share                              | Weighted average shares<br>(thousand shares) |                                     | 2,946,787 | 2,946,787 | 2,946,787 (Note 5)       |
|  | Earnings per share (dollars)                 |                                     | 3.63      | 4.01      | 0.40 (Note 5)            |
| Dividends<br>per share<br>(dollars)                | Cash dividends                               |                                     | 1.5       | 1.25      | N/A                      |
|  | Share dividends                              | Dividends from<br>retained earnings | 0         | 0         | N/A                      |
|  |  | Dividends from<br>capital earnings  | 0         | 0         | N/A                      |
|  | Accumulated undistributed dividend           |                                     | 0         | 0         | N/A                      |
| ROI analysis                                       | Price-earnings ratio (Note 2)                |                                     | 9.67      | 9.50      | N/A                      |
|  | Price-dividend ratio (Note 3)                |                                     | 23.40     | 30.63     | N/A                      |
|  | Cash dividend yield (Note 4)                 |                                     | 4.27%     | 3.26%     | 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 financial statement for the first quarter of 2020 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 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. Distribution of dividends to be resolved at the Board of Directors' meeting:

The Board of Directors is authorized to decide the distribution of partial or full dividends in cash, and report the decision at the shareholders' meeting in accordance with Article 23-1 of the "Company's Articles of Incorporation".

The board of directors has resolved to distribute 2019 cash dividends of NT\$1.25 per share on April 28, 2020.

(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 stock, 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 31, 2020 to allocate 1.6% and 0.8% of the profit in 2019 (the profit refers to the amount of pre-tax profit before distribution of Employees' compensation, and Directors' remuneration) as employee compensation and director remuneration respectively; 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) | 203,200               | 101,600                    | No discrepancy                       |
| Amount resolved at the Board of Directors' Meeting (B)                      | 203,200               | 101,600                    |                                      |
| 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 2018 (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) | 214,776               | 107,388                    | No discrepancy                       |
| Amount actually distributed (B)   | 214,776               | 107,388                    |                                      |
| 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 on an original equipment manufacturer (OEM) basis for international brands including Nike, adidas, Asics, New Balance, Timberland, Salomon and Puma as well as an original design manufacturer (ODM). 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. Revenue by Product Category :

(In NT\$ thousands)

| Year   | 2018        |       | 2019        |       |
|--|-------------|-------|-------------|-------|
|  | Revenue     | Ratio | Revenue     | Ratio |
| Primary business   |             |       |             |       |
| Manufacturing of shoes                                   | 177,557,453 | 61%   | 185,444,582 | 59%   |
| Retailing of sporting goods and brand licensing business | 114,950,866 | 39%   | 126,866,572 | 41%   |
| Other  | 807,770     | -     | 845,431     | -     |
| Total  | 293,316,089 | 100%  | 313,156,585 | 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

The Company is continuing to develop 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) Improving modularized equipment and standardized interface for the development of automated equipment and processes enables integrated production solutions to be provided based on different requirements.
- (B) Continuing to cooperate with academic communities in the research and development of 3D printers, create innovative designs, and introduce simulation systems for virtual analysis to more closely meet customers' demands for customization.
- (C) Continuing to use digital factory data to strive toward the goal of smart manufacturing for Industry 4.0.

## (2) Industry Overview

### A. Current Industry Status and Developments

Footwear manufacturing and retail business are two core businesses of the Company, the following is current industry status of the two core businesses:

#### (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 primary 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 2018 reached 24.2 billion pairs, up 2.7% from the previous year, 86.2% of which were manufactured in Asia. China has remained the biggest country in the production of footwear (55.8%) in the world, followed by India, Vietnam, and Indonesia. In terms of consumption, Asia was not only the main production base for the global footwear industry, it also housed the largest consumer market, accounting 53.8% of world footwear consumption in 2018. China, India, and the United States are the three leading countries with the largest consumer market for footwear, primarily because China and India have large populations, whereas the United States has a comparatively higher income per capita, which in a way makes up for its relatively smaller 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 2018, leading to a market scale of nearly US\$66.7 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 industry in the past; however, as the industry relocate to other countries, Taiwan became the central hub for managing raw materials required for overseas production, a development center equipped with a pool of R&D resources for promoting industrial innovation, and an integrated platform for providing total solutions for industry value chain.



(C) China's Sporting Goods Market

China is the primary target of our retailing and brand licensing business in sporting goods. Amidst economic growth, rise in awareness on the need to exercise and stay healthy, and support for sport-friendly policies, the sports industry in China has maintained a high growth rate, 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 2018 (overall scale) increased by 20.9% compared with the previous year, reaching RMB2.7 trillion. The added value of the industry was RMB1 trillion, an increase of 29.0% compared with the previous year, accounting for 1.1% of the gross domestic product (GDP) of China, indicating a strong growth and abundant potential. While the scale continues to expand, industry structure has been further optimized. The sports service industry continues to grow positively. The added value of the industry rose to 64.8% of the sports industry among which, the sales, rental and trade agency categories of sports goods and related products contributed most significantly. The added value of sports goods and related products dropped to 33.7%, and the added value of sports venues and facilities increased slightly to 1.5%..

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 most of the cost of footwear production is raw materials, 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 from an original equipment manufacturer 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 expand 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.

With the rapid changes in consumer demand and the advancement and diversification of technology applications, sporting goods retailers and brand licensing agents are actively exploring new business models to determine more accurate consumer behaviors and habits. In addition to 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 and agents can also collect and analyze big data to leverage flexible procurement strategies in combination with complete 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) Digital intergration and 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 the process of helping customers to initiate R&D, supply chain, and production processes, brand merchants, footwear manufacturers, and footwear machine/material suppliers are all constantly exploring ways to achieve value chain transformation and breakthroughs. With the support of equipment and high-quality materials, product designs are integrated with artificial intelligence (AI) technologies to facilitate the optimization of production resources, create human-machine friendly environments, and improve manufacturing flexibility and operating efficiency.

In an environment characterized by global economic competitions, smart manufacturing is a new direction introduced for the footwear industry. It reconstructs business operation models, accelerates the development process of supply chains and products, promotes competition for innovative technologies and industry upgrade optimization, integrates digital information on production to retail processes, and improves the ability to make business decisions quickly, in order to respond to market changes quickly and closely meet consumers' needs for personalized services.



(B) Product diversification

Athletic footwear mainly serves to improve sports performance while minimizing sports injuries and facilitate the continuous advancement of material diversification, footwear manufacturing techniques, and sports technologies. Consumers will pay more attention to the functional attributes of footwear products. As their sports participation increase in width and depth, they will choose professional sports equipment in greater detail for different sports settings so as to help them to push the limits during sports competitions.

In addition to performance enhancement, environmental concepts have also been incorporated in athletic footwear designs. Nike released the FlyLeather Earth Day Pack collection made of innovative environmental materials. Adidas developed a recyclable performance running shoe, FUTURECRAFT.LOOP, taking actions to demonstrate its recognition of sustainable development. As the trend of sporting lifestyle continues, athletic shoes have gradually shifted from being worn during sports to a way of expressing one's personality and taste. Incorporating cross-industry cooperation with fashion circles in athletic shoe development also sparks new ideas, introduces popular topics, and creates a buzz.

The fusion and impact of technical, functional, sustainable, recreational, trendy, 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

In response to sales of customized and personalized products, retailers facing different consumer settings and behaviors must also keep in pace with time. To ascertain the expectations of different consumer groups accurately, retailers are more focused on technological application, numerical figures and systematic management to acquire clear pictures of our product users, consumer habits, and other basic data, combine innovative models on diverse array of platforms, and recreate the transactional structures and economic value of services and products.

Online platforms allow for convenient purchases. Offline channels provide warm consumer experiences and infuse products, services, technologies, and social media. The boundaries of virtual and physical channels no longer clearly defined and are developing toward an cross-channel all-context network that circumvents the constraints of space and time to provide continuous shopping experiences for consumers.

Data value, channel integration, and innovative technologies prompt retail industries to transform their business and shift from targeting product sales to a focus on service sales. Retailers continue to emphasize placing consumers at the core to improve quality, creativity, and services in terms of content, form, and experience and to forge deeper emotional ties with consumers. Differentiated product and service experience will more easily garner consumers' attention and recognition.

D. Competition

The Company is a professional manufacturer of athletic footwear serving internationally renowned customers. To fulfill the stringent requirements of international customers regarding quality, cost, delivery, and service, we continue to invest resources in the R&D of key technologies and refinement of production processes while endeavoring to provide efficient and flexible manufacturing services. The Company places value on corporate sustainable development. With diversified customer

portfolio and production bases, we have accumulated rich managerial experiences and established a comprehensive supply chain. Because of our relative advantages in business management and technical aspects, we are 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, most of the participation from market 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 2019 and for the three months ended March 31, 2020 were NT\$6,444,297 thousand and NT\$ 1,454,750 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 production capacities of its factories. In 2019, the Company achieved the following accomplishments:

- (A) Refined to modularize development of automated equipment and processes, and adjustment of production models based on different requirements.
- (B) Developed 3D printing technologies and introduced new materials, and developed customized production abilities for large variety in small quantities.
- (C) Implemented to combine intelligent scheduling applications with factory data collection and integration to achieve a smart manufacturing factory, continuing to use digital factory data to strive toward the goal of smart manufacturing for Industry 4.0.

#### 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) Improving modularized equipment and standardized interface for the development of automated equipment and processes enables integrated production solutions to be provided based on different requirements.
- (B) Continuing to cooperate with academic communities in the research and development of 3D printers, create innovative designs, and introduce simulation systems for virtual analysis to more closely meet customers' demands for customization.
- (C) Continuing to use digital factory data to strive toward the goal of smart manufacturing for Industry 4.0.

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) Continue to promote manufacturing upgrade to solidify competitive niches.
- (B) Leverage local advantages to flexibly adjust allocation of production capacity.
- (C) Provide value-added service for deeper brand cooperative relationship.
- (D) Construct a sustainable supply system to create maximum added value.

■ Retailing of Sporting Goods and Brand Licensing

- (A) Constantly strengthen operating capability as a means of increasing sales operation efficiency.
- (B) Cross the virtual and physical boundary to develop signature multi-channels.
- (C) Explore innovation business model for fulfill consumer experience.
- (D) Organize sports events to attract potential target customers.

B. Long-term Business Development Plans

■ Footwear Manufacturing

- (A) Continue to provide excellent products, innovation services, and total 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 and competition to make 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 | 2018        |       | 2019        |       |
|-------------------|-------------|-------|-------------|-------|
|                   | Amount      | Ratio | Amount      | Ratio |
| Asia              | 157,758,024 | 54%   | 181,064,185 | 58%   |
| America           | 77,037,598  | 26%   | 62,514,668  | 20%   |
| Europe            | 53,485,999  | 18%   | 52,930,246  | 17%   |
| Other             | 5,034,468   | 2%    | 16,647,486  | 5%    |
| Total             | 293,316,089 | 100%  | 313,156,585 | 100%  |

B. Market Share

The Company is the worldwide leader of branded athletic and casual footwear manufacturer and also the only professional manufacturer can service for a number of well-known international brands by producing over 300 million pairs of shoes per year. The Company is also one of the leading sportswear retailers and distributors in the Greater China region. As of December 31, 2019, the Company had 9,833 stores in the Greater China region, including 5,883 directly operated retail stores and 3,950 stores operated by sub-distributors in China.



## C. Market Forecast and Growth

## (A) Global Footwear and Athletic Footwear Market

Footwear is a daily necessity. Increases in the global population, disposable income and changing the lifestyles will be conducive to increasing the market size of the footwear industry. According to a survey report by Transparency Market Research, sales of 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 another 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 for enhancing sports intensity and endurance, but also constantly engaging in product innovation and diversification so that sporting lifestyle can be mixed and matched to various occasions, thereby including non-athletes in the target market of athletic footwear. In doing so, the athletic footwear market can expect to maintain steady growth trends.

## (B) China's Sportswear Market

According to the National Bureau of Statistics of the People's Republic of China, the retailing of consumer products in Chinese society measured RMB41.2 trillion in 2019 with an 8.0% nominal increase from the previous year; and the final consumption expenditure in 2019 contributed 57.8% of the growth of the economy. Consumption has been the main contributor to the momentum of economic growth for six consecutive years. The effects of consumption on Chinese economic development will be more prominent, and sports-related consumption can also expect to enjoy the ensuing market dividends. Frost & Sullivan reported that the retail sale of athletic footwear and apparel products in China has exceeded RMB235.7 billion in 2018, which is only second to the United States, the second largest athletic footwear and apparel market in the world. The athletic footwear and apparel market is expected to continuously growth at 10.7% CAGR in 2018–2023, reaching RMB392.3 billion by 2023. In addition, China has 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 “Opinions on Promoting the National Fitness and Sports Consumption to Promote the High-Quality Development of the Sports Industry” published by the General Office of the State Council in 2019. These policies emphasize the importance of sports industry to the national economy, 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, speed, flexibility, innovation, quality, and sustainability, so as to face the challenges of the constantly changing external environment, and provide customers with the most competitive products.



- i. Speed: The Company utilized managerial strengths gained through vertical and horizontal integration and smart factories to shorten the delivery time, help brands customer rapidly react to market demand on products and increase the market competitiveness of customers' products.
  - ii. Flexibility: The Company will continue to develop advanced technologies and modularized current production lines with the goal of providing customers with more flexible production models to satisfy different demand.
  - iii. Innovation: 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.
  - iv. Quality: The Company continues to provide customers with stable and consistently high quality through its comprehensive control strategy.
  - v. Sustainability: 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 end-to-end services and provide customers with comprehensive solutions

The Company is a global leader in the manufacturer of athletic and casual/outdoor 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 retailing 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, identify comprehensive and customized solutions for our brand customers, and 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

(a) The Impact of an Accelerated Industry Change

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

Countermeasures: The Company will continue to collaborate with brands, industry, government, academia, and research institutes on the basis of our five core competitive advantages. We will continue to invest R&D resources in four directions: design, equipment, material, and process. Our goal is to eventually achieve the most valuable diverse platform that orients toward smart manufacturing and innovative services.

(b) Fierce competition in China's sporting goods market

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

Countermeasures: Focusing on consumer needs, the Company will leverage data management to analyze useful market information, formulate better procurement strategies, strengthen inventory and logistics management, and continue to integrate online and offline resources to provide high-quality products and diversified sports services and create a new retail system.

(2) Purposes of Main Products and Production Process

A. Product Purpose

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

B. Production Process

Purchasing → Inspection → Storage → Requisition → Cutting → Sole Finishing → Preparation → 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, some are supplied by the Company's subsidiaries or purchased from other domestic suppliers, or otherwise imported from overseas suppliers due to customer request or other considerations, such as price and quality.



(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 purchase for the last two fiscal years

(In NT\$ thousands)

| Item No. | 2018            |             |   |                               | 2019            |             |   |                               | First Quarter of 2020 |            |  |                               |
|----------|-----------------|-------------|---|-------------------------------|-----------------|-------------|---|-------------------------------|-----------------------|------------|--|-------------------------------|
|          | 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 for the first quarter of 2020 | Relationship with the Company |
| 1        | Supplier A      | 40,047,039  | 22                                      | None                          | Supplier A      | 40,090,725  | 21                                      | None                          | Supplier A            | 6,180,606  | 22   | None                          |
| 2        | Supplier B      | 24,165,165  | 14                                      | None                          | Supplier B      | 30,322,671  | 16                                      | None                          | Supplier B            | 5,351,790  | 19   | None                          |
|          | Other suppliers | 114,844,678 | 64                                      |                               | Other suppliers | 120,683,892 | 63                                      |                               | Other suppliers       | 16,810,417 | 59   |                               |
|          | Net purchase    | 179,056,882 | 100                                     |                               | Net purchase    | 191,097,288 | 100                                     |                               | Net purchase          | 28,342,813 | 100  |                               |

There are only two suppliers accounted for 10% or more of the purchasing of the Company in 2018, 2019 and the first quarter of 2020 and the percentage of net purchase accounted for by these suppliers remained moderate during the period. Other suppliers attributed to approximately 50%~60% 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 sales for the last two fiscal years

(In NT\$ thousands)

| Item No. | 2018            |             |                                      |                               | 2019            |             |                                      |                               | First Quarter of 2020 |            |  |                               |
|----------|-----------------|-------------|--------------------------------------|-------------------------------|-----------------|-------------|--------------------------------------|-------------------------------|-----------------------|------------|--|-------------------------------|
|          | 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 purchase for the first quarter of 2020 | Relationship with the Company |
| 1        | Customer A      | 53,570,643  | 18                                   | None                          | Customer A      | 59,641,551  | 19                                   | None                          | Customer A            | 13,449,821 | 23   | None                          |
| 2        | Customer B      | 48,301,291  | 16                                   | None                          | Customer B      | 53,153,895  | 17                                   | None                          | Customer B            | 11,499,399 | 19   | None                          |
|          | Other customers | 191,444,155 | 66                                   |                               | Other customers | 200,361,139 | 64                                   |                               | Other customers       | 34,499,200 | 58   |                               |
|          | Net sales       | 293,316,089 | 100                                  |                               | Net sales       | 313,156,585 | 100                                  |                               | Net sales             | 59,448,420 | 100  |                               |

There are two customers who account for 10% or more of the sales of the Company in 2018, 2019 and the first quarter of 2020. The percentage of net sales accounted for by these two customers remains steady during the period. Other customer attributed to approximately 50%~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 2018 and 2019

(In NT\$ thousands; pairs)

| Main Products          | Year | 2018     |             |             | 2019     |             |             |
|------------------------|------|----------|-------------|-------------|----------|-------------|-------------|
|                        |      | Capacity | Production  | Value       | Capacity | Production  | Value       |
| Manufacturing of shoes |      | -        | 326,015,000 | 142,683,850 | -        | 322,421,000 | 151,308,226 |

Note: Production refers to footwear production in pairs

(6) Sales Volume in 2018 and 2019

(In NT\$ thousands; pairs)

| Primary Business   | Year | 2018           |           |                     |             | 2019           |           |                     |             |
|--|------|----------------|-----------|---------------------|-------------|----------------|-----------|---------------------|-------------|
|  |      | Domestic sales |           | International sales |             | Domestic sales |           | International sales |             |
|  |      | Volume         | Amount    | Volume              | Amount      | Volume         | Amount    | Volume              | Amount      |
| Manufacturing of shoes                                   |      | 2,632,000      | 1,895,319 | 323,383,000         | 175,662,134 | 2,527,000      | 1,847,218 | 319,894,000         | 183,597,364 |
| Retailing of sporting goods and brand licensing business |      |                | 462,803   |                     | 114,488,064 |                | 488,194   |                     | 126,378,378 |
| Other businesses   |      |                | -         |                     | 807,770     |                | -         |                     | 845,431     |
| Total  |      |                | 2,358,122 |                     | 290,957,967 |                | 2,335,412 |                     | 310,821,173 |

## 5.3 Human Resource

|                                      |                       | 2018    | 2019    | As of April 30, 2020 |
|--------------------------------------|-----------------------|---------|---------|----------------------|
| Number of Employees                  | Direct labor          | 239,867 | 221,749 | 219,051              |
|                                      | Indirect labor        | 82,691  | 97,780  | 95,543               |
|                                      | Sales and Marketing   | 29,698  | 32,062  | 30,639               |
|                                      | Total                 | 352,256 | 351,591 | 345,233              |
| Average age of employees (in years)  |                       | 32.72   | 33.60   | 33.80                |
| Average length of service (in years) |                       | 6.56    | 7.00    | 7.20                 |
| Education (%)                        | Ph.D.                 | 0.01    | 0.01    | 0.01                 |
|                                      | Master's degree       | 0.33    | 0.35    | 0.36                 |
|                                      | Bachelor's degree     | 6.61    | 7.35    | 7.32                 |
|                                      | High school diploma   | 36.35   | 39.08   | 39.38                |
|                                      | Less than high school | 56.70   | 53.21   | 52.93                |

## 5.4 Environmental Costs

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

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 2019, we were reprimanded for two environmental incidents: One incident involved leakage of plant equipment coolant causing a small amount of outflow. Total fine of RMB 25,000 was imposed. The second incident involved failure to place bags of dust collected from factory furnace in a room. Total fine of VND 40 million was imposed. These deficiencies have been fixed. There were no other potential expenditures.

## 5.5 Employee Relations

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

## (1) Employee Benefits Measures

## A. Employee Benefits Committee

The Company monthly appropriates 0.06% from its revenue and 0.5% from employee salary, as well as 40% from scrap sales as employee benefits funds. 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

The Company offers cafeterias that provide 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 58 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 2019, the Company set aside accrued pension liabilities for 1.89% 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 calculated the pension fund deposited into the Company's designated account at Taiwan Bank to confirm the amount is fulfill to pay the retirement pension for employee who is qualified to retire.
  - 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 persons at the Accounting Department.
- B. US Certified Public Accountants: 2 persons at the Accounting Department.
- C. Taiwan Certified Internal Auditors: 4 persons at the Accounting Department and 1 at the Internal Audit Department.
- D. Project Management Professional (PMP): 2 persons at the Accounting Department.

- E. Certified Information Systems Auditor: 1 person at the Accounting Department.
  - F. General Competency Exam for Internal Control held by the Securities and Futures Institute: 1 person at the Accounting Department and 1 at 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 International Labor Organization (ILO), 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 2019:
- 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 15 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

## 6.1 Financial Summary for the Past Five Fiscal Years

## (1) Condensed balance sheet and statement of comprehensive income

## A. Condensed consolidated balance sheet

(In NT\$ thousands)

| Year   |                     | Financial summary within five years |                |                |                |                | Financial summary as of March 31, 2020<br>【Note】 |
|--|---------------------|-------------------------------------|----------------|----------------|----------------|----------------|--|
|  |                     | 2015<br>【Note】                      | 2016<br>【Note】 | 2017<br>【Note】 | 2018<br>【Note】 | 2019<br>【Note】 |  |
| Item   |                     |                                     |                |                |                |                |  |
| Current assets                               |                     | 145,663,287                         | 151,320,571    | 154,667,365    | 164,383,958    | 165,637,689    | 157,517,573                                      |
| Property, plant and equipment                |                     | 69,778,999                          | 71,464,806     | 71,517,038     | 79,162,641     | 77,861,266     | 77,469,726                                       |
| Intangible assets                            |                     | 12,817,838                          | 11,954,099     | 12,394,627     | 12,054,213     | 10,429,135     | 10,391,782                                       |
| Other assets                                 |                     | 52,363,795                          | 59,150,385     | 63,325,400     | 48,661,601     | 109,128,240    | 93,271,605                                       |
| Total assets                                 |                     | 280,623,919                         | 293,889,861    | 301,904,430    | 304,262,413    | 363,056,330    | 338,650,686                                      |
| Current liabilities                          | Before distribution | 90,656,392                          | 74,732,364     | 84,461,024     | 93,303,080     | 98,233,680     | 93,922,702                                       |
|  | After distribution  | 95,076,573                          | 79,152,545     | 90,354,598     | 97,723,261     | 101,917,164    | 97,606,186                                       |
| Non-current liabilities                      |                     | 35,163,860                          | 56,146,793     | 59,063,460     | 58,761,627     | 74,953,623     | 74,710,781                                       |
| Total liabilities                            | Before distribution | 125,820,252                         | 130,879,157    | 143,524,484    | 152,064,707    | 173,187,303    | 168,633,483                                      |
|  | After distribution  | 130,240,433                         | 135,299,338    | 149,418,058    | 156,484,888    | 176,870,787    | 172,316,967                                      |
| Equity attributable to owners of the Company | Before distribution | 69,270,113                          | 75,705,144     | 83,615,378     | 77,863,392     | 117,408,939    | 101,119,900                                      |
|  | After distribution  | 64,849,932                          | 71,284,963     | 77,721,804     | 73,443,211     | 113,725,455    | 97,436,416                                       |
| Share Capital                                |                     | 29,467,872                          | 29,467,872     | 29,467,872     | 29,467,872     | 29,467,872     | 29,467,872                                       |
| Capital surplus                              |                     | 4,631,708                           | 4,540,163      | 4,615,341      | 4,600,092      | 4,592,397      | 4,445,786  |
| Retained earnings                            | Before distribution | 47,076,127                          | 55,333,477     | 63,449,395     | 66,088,797     | 71,664,103     | 72,848,757                                       |
|  | After distribution  | 42,655,946                          | 50,913,296     | 57,555,821     | 61,668,616     | 67,980,619     | 69,165,273                                       |
| Other equity                                 |                     | (11,905,594)                        | (13,636,368)   | (13,917,230)   | (22,293,369)   | 11,684,567     | (5,642,515)                                      |
| Treasury shares                              |                     | -                                   | -              | -              | -              | -              | -  |
| Non-controlling interests                    |                     | 85,533,554                          | 87,305,560     | 74,764,568     | 74,334,314     | 72,460,088     | 68,897,303                                       |
| Total equity                                 | Before distribution | 154,803,667                         | 163,010,704    | 158,379,946    | 152,197,706    | 189,869,027    | 170,017,203                                      |
|  | After distribution  | 150,383,486                         | 158,590,523    | 152,486,372    | 147,777,525    | 186,185,543    | 166,333,719                                      |

Note: The financial statements for 2015 to 2019 have been audited by independent auditors and the financial statement for first quarter of 2020 has been reviewed by independent auditors.



B. Condensed consolidated statement of comprehensive income

(In NT\$ thousands, except earnings per share)

| Item  | Year | Financial summary within five years |                |                |                |                | Financial summary as of March 31, 2020<br>【Note】 |
|---|------|-------------------------------------|----------------|----------------|----------------|----------------|--|
|   |      | 2015<br>【Note】                      | 2016<br>【Note】 | 2017<br>【Note】 | 2018<br>【Note】 | 2019<br>【Note】 |  |
| Operating revenue   |      | 269,081,173                         | 274,895,346    | 278,631,872    | 293,316,089    | 313,156,585    | 59,448,420                                       |
| Gross profit  |      | 64,505,418                          | 70,382,794     | 73,068,324     | 75,471,295     | 79,515,354     | 12,714,039                                       |
| Income (loss) from operations   |      | 12,353,394                          | 17,785,183     | 17,068,098     | 13,809,464     | 13,950,460     | (1,413,275)                                      |
| Non-operating income and expenses   |      | 7,886,880                           | 8,494,619      | 7,749,406      | 6,450,919      | 7,571,518      | 1,854,937  |
| Income before income tax  |      | 20,240,274                          | 26,279,802     | 24,817,504     | 20,260,383     | 21,521,978     | 441,662  |
| Net income for the year   |      | 16,601,466                          | 23,001,919     | 21,730,590     | 16,371,866     | 18,002,774     | 82,208   |
| Other comprehensive income (loss) for the year                            |      | (7,816,031)                         | (3,312,203)    | 719,523        | (23,332,866)   | 29,821,437     | (17,435,687)                                     |
| Total comprehensive income (loss) for the year                            |      | 8,785,435                           | 19,689,716     | 22,450,113     | (6,961,000)    | 47,824,211     | (17,353,479)                                     |
| Net income attribute to owners of the Company                             |      | 9,531,358                           | 13,057,050     | 12,921,606     | 10,708,646     | 11,828,609     | 1,185,679  |
| Net income attribute to non-controlling interests                         |      | 7,070,108                           | 9,944,869      | 8,808,984      | 5,663,220      | 6,174,165      | (1,103,471)                                      |
| Total comprehensive income (loss) attribute to owners of the Company      |      | 2,941,441                           | 10,946,757     | 12,255,237     | (13,545,977)   | 43,908,682     | (16,141,269)                                     |
| Total comprehensive income (loss) attribute to non- controlling interests |      | 5,843,994                           | 8,742,959      | 10,194,876     | 6,584,977      | 3,915,529      | (1,212,210)                                      |
| Earnings per share  |      | 3.24                                | 4.43           | 4.38           | 3.63           | 4.01           | 0.40   |

Note : The financial statements for 2015 to 2019 have been audited by independent auditors and the financial statement for first quarter of 2020 has been reviewed by independent auditors.

## C. Condensed separate balance sheet

(In NT\$ thousands)

| Item \ Year                   |                     | Financial summary within five years |                |                |                |                |
|-------------------------------|---------------------|-------------------------------------|----------------|----------------|----------------|----------------|
|                               |                     | 2015<br>【Note】                      | 2016<br>【Note】 | 2017<br>【Note】 | 2018<br>【Note】 | 2019<br>【Note】 |
| Current assets                |                     | 7,036,621                           | 7,541,527      | 7,863,357      | 8,327,151      | 8,248,705      |
| Property, plant and equipment |                     | 4,187,849                           | 4,503,791      | 4,859,896      | 5,341,147      | 5,220,137      |
| Other assets                  |                     | 86,649,577                          | 93,482,043     | 102,945,217    | 101,152,947    | 148,192,278    |
| Total assets                  |                     | 97,874,047                          | 105,527,361    | 115,668,470    | 114,821,245    | 161,661,120    |
| Current liabilities           | Before distribution | 13,771,920                          | 10,210,516     | 14,887,657     | 23,043,635     | 23,446,622     |
|                               | After distribution  | 18,192,101                          | 14,630,697     | 20,781,231     | 27,463,816     | 27,130,106     |
| Non-current liabilities       |                     | 14,832,014                          | 19,611,701     | 17,165,435     | 13,914,218     | 20,805,559     |
| Total Liabilities             | Before distribution | 28,603,934                          | 29,822,217     | 32,053,092     | 36,957,853     | 44,252,181     |
|                               | After distribution  | 33,024,115                          | 34,242,398     | 37,946,666     | 41,378,034     | 47,935,665     |
| Share capital                 |                     | 29,467,872                          | 29,467,872     | 29,467,872     | 29,467,872     | 29,467,872     |
| Capital surplus               |                     | 4,631,708                           | 4,540,163      | 4,615,341      | 4,600,092      | 4,592,397      |
| Retained earnings             | Before distribution | 47,076,127                          | 55,333,477     | 63,449,395     | 66,088,797     | 71,664,103     |
|                               | After distribution  | 42,655,946                          | 50,913,296     | 57,555,821     | 61,668,616     | 67,980,619     |
| Other equity                  |                     | (11,905,594)                        | (13,636,368)   | (13,917,230)   | (22,293,369)   | 11,684,567     |
| Treasury shares               |                     | -                                   | -              | -              | -              | -              |
| Total equity                  | Before distribution | 69,270,113                          | 75,705,144     | 83,615,378     | 77,863,392     | 117,408,939    |
|                               | After distribution  | 64,849,932                          | 71,284,963     | 77,721,804     | 73,443,211     | 113,725,455    |

Note: The financial statements for 2015 to 2019 have been audited by independent auditors.



D. Condensed separate statement of comprehensive income

(In NT\$ thousands, except earnings per share)

| Item \ Year                           | Financial summary within five years |                |                |                |                |
|---------------------------------------|-------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2015<br>【Note】                      | 2016<br>【Note】 | 2017<br>【Note】 | 2018<br>【Note】 | 2019<br>【Note】 |
| Operating revenue                     | 12,748,522                          | 12,294,428     | 11,704,905     | 12,062,778     | 11,399,477     |
| Gross profit                          | 3,744,314                           | 3,834,602      | 3,982,222      | 4,610,127      | 4,743,554      |
| Income from operations                | 448,660                             | 244,462        | 478,923        | 477,899        | 540,529        |
| Non-operating income and expenses     | 10,550,154                          | 13,545,565     | 12,865,035     | 11,131,948     | 11,854,667     |
| Income before income tax              | 10,998,814                          | 13,790,027     | 13,343,958     | 11,609,847     | 12,395,196     |
| Net income                            | 9,531,358                           | 13,057,050     | 12,921,606     | 10,708,646     | 11,828,609     |
| Other comprehensive net income (loss) | (6,589,917)                         | (2,110,293)    | (666,369)      | (24,254,623)   | 32,080,073     |
| Total comprehensive income (loss)     | 2,941,441                           | 10,946,757     | 12,255,237     | (13,545,977)   | 43,908,682     |
| Earnings per share                    | 3.24                                | 4.43           | 4.38           | 3.63           | 4.01           |

Note : The financial statements for 2015 to 2019 have been audited by independent auditors.

(2) Auditors' Opinions from 2015 to 2019

| Year \ Opinion | Accounting Firm   | CPA                             | Audit Opinion                |
|----------------|-------------------|---------------------------------|------------------------------|
| 2015           | Deloitte & Touche | WU, KER-CHANG<br>YU, HUNG-BIN   | Modified Unqualified Opinion |
| 2016           | Deloitte & Touche | WU, KER-CHANG<br>YU, HUNG-BIN   | Unqualified Opinion          |
| 2017           | Deloitte & Touche | HONG, KUO-TYAN<br>WU, KER-CHANG | Unqualified Opinion          |
| 2018           | Deloitte & Touche | WU, KER-CHANG<br>HONG, KUO-TYAN | Unqualified Opinion          |
| 2019           | Deloitte & Touche | WU, KER-CHANG<br>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 31,2020 (Note 1) |
|-------------------------|---|---|--------|--------|--------|--------|------------------------------|
|                         |   | 2015  | 2016   | 2017   | 2018   | 2019   |                              |
| Financial structure (%) | Debt Ratio  | 44.83                                       | 44.53  | 47.53  | 49.97  | 47.70  | 49.79                        |
|                         | Ratio of long-term funds to property, plant and equipment | 270.07                                      | 306.66 | 304.04 | 266.48 | 340.12 | 315.90                       |
| Liquidity (%)           | Current ratio   | 160.67                                      | 202.48 | 183.12 | 176.18 | 168.61 | 167.70                       |
|                         | Quick ratio   | 104.38                                      | 134.23 | 114.90 | 107.21 | 103.35 | 105.11                       |
|                         | Time interest earned                                      | 19.05                                       | 20.96  | 13.49  | 8.28   | 7.63   | 1.61                         |
| Operating performance   | Average collection turnover (times)                       | 8.00  | 7.45   | 7.30   | 7.61   | 8.44   | 7.32                         |
|                         | Average collection period                                 | 46  | 49     | 50     | 48     | 43     | 49                           |
|                         | Average inventory turnover (times)                        | 4.24  | 4.29   | 4.05   | 3.78   | 3.87   | 3.24                         |
|                         | Average payment turnover (times)                          | 12.58                                       | 12.77  | 14.37  | 15.01  | 15.58  | 13.16                        |
|                         | Average inventory turnover period                         | 86  | 85     | 90     | 97     | 94     | 112                          |
|                         | Property, plant and equipment turnover (times)            | 4.03  | 3.89   | 3.89   | 3.89   | 3.98   | 3.06                         |
|                         | Total assets turnover (times)                             | 0.97  | 0.95   | 0.93   | 0.96   | 0.93   | 0.67                         |
| Profitability (%)       | Return on total assets                                    | 6.33  | 8.38   | 7.84   | 6.13   | 6.17   | 0.74                         |
|                         | Return on shareholders' equity                            | 10.81                                       | 14.47  | 13.52  | 10.54  | 10.52  | 0.18                         |
|                         | Profit before income tax to paid-in capital               | 68.68                                       | 89.18  | 84.21  | 68.75  | 73.03  | 5.99                         |
|                         | Profit ratio  | 6.16  | 8.36   | 7.79   | 5.58   | 5.74   | 0.13                         |
|                         | Earnings per share (NT\$)                                 | 3.24  | 4.43   | 4.38   | 3.63   | 4.01   | 0.40                         |
| Cash flow (%)           | Cash flow ratio   | 24.31                                       | 21.01  | 19.90  | 11.29  | 24.95  | 25.06                        |
|                         | Cash flow adequacy ratio                                  | (Note 2)                                    | 86.70  | 73.70  | 61.30  | 63.36  | 66.76                        |
|                         | Cash flow reinvestment ratio                              | 6.96  | 3.99   | 4.43   | 1.67   | 5.96   | 7.37                         |
| Leverage                | Operating leverage  | 1.67  | 1.49   | 1.56   | 1.76   | 2.12   | (1.94)                       |
|                         | Financial leverage  | 1.09  | 1.07   | 1.13   | 1.25   | 1.30   | 0.66                         |

Note 1: The financial statements for 2015 to 2019 have been audited by independent auditors and the financial statement for first quarter of 2020 has been reviewed by independent auditors.

Note 2: The 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 2015.



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

A. Financial structure:

The ratio of long-term funds to property, plant and equipment increased mainly due to NT\$37.67 billion increase in total equity and NT\$16.19 billion increase in non-current liabilities. Explanations are as follows:

- (a) NT\$37.67 billion increase in total equity: Mainly due to NT\$33.98 billion increase in other equity, NT\$5.58 billion increase in retained earnings, and NT\$1.87 billion decrease in non-controlling interests.
- (b) NT\$16.19 billion increase in non-current liabilities: Mainly due to the initial application of IFRS16 in 2019, NT\$8.26 billion increase in lease liability recognized, and NT\$6.59 billion increase in long-term borrowings for the year.

B. Cash flow:

(a) Increase in cash flow ratio:

Mainly due to the NT\$13.97 billion increase in net cash generated from operating activities. Explanations are as follows:

Net profit before tax for this year increased by NT\$1.26 billion compared with previous year, adjusted by NT\$3.27 billion increase in items that do not affect cash flow compared with previous year; for example, these items include adding NT\$5.38 billion depreciation expenses and deducting the NT\$1.65 billion share of the profit of associates and joint ventures accounted for using the equity method. Cash inflow from account receivables increased by NT\$4.26 billion and cash outflow from other account payables decreased by NT\$3.77 billion.

(b) Increase in cash reinvestments ratio:

Mainly due to the NT\$13.97 billion increase in net cash generated from the year's operating activities and NT\$1.47 billion decrease in cash dividend distributed this year.

C. Leverage:

Leverage increased mainly due to the NT\$19.84 billion increase in net operating revenue for the year, and NT\$14.52 billion increase in operating variable cost and expense. Explanations are as follows:

- (a) Net operating revenue increased by NT\$19.84 billion was mainly due to product portfolio optimization, increase in average selling price of footwear products, which increased the revenue of the footwear manufacturing business by NT\$7.89 billion compared with previous year, and the retailing of sporting goods and brand licensing business generated NT\$11.92 billion increase in revenue, thanks to the continuous expansion of our sales network and growth of same-store sales.
- (b) The NT\$14.52 billion increase in operating variable cost and expense was mainly due to the increasingly complex product types of footwear manufacturing business, which necessitated more time and cost input to more quickly allocate and adjust our production capacities and optimize our manufacturing business, including increasing automation and introducing SAP enterprise resource planning systems. Consequently, the operating variable cost and expense for the year increased from the previous year.

## (1)B. Separate financial analysis

| Item \ Year             |   | Financial summary within five years (Note 1) |         |         |         |          |
|-------------------------|---|--|---------|---------|---------|----------|
|                         |   | 2015   | 2016    | 2017    | 2018    | 2019     |
| Financial structure (%) | Debt ratio  | 29.22  | 28.26   | 27.71   | 32.18   | 27.37    |
|                         | Ratio of long-term funds to property, plant and equipment | 2008.24                                      | 2116.36 | 2073.72 | 1718.31 | 2,647.71 |
| Liquidity (%)           | Current ratio   | 51.09  | 73.86   | 52.81   | 36.13   | 35.18    |
|                         | Quick ratio   | 50.27  | 72.69   | 51.92   | 35.72   | 34.81    |
|                         | Times interest earned                                     | 31.71  | 41.75   | 43.56   | 37.28   | 34.16    |
| Operating performance   | Average collection turnover (times)                       | 7.67   | 7.13    | 6.88    | 6.93    | 6.28     |
|                         | Average collection period                                 | 48   | 52      | 53      | 52      | 58       |
|                         | Average inventory turnover (times)                        | 78.37  | 113.89  | 130.24  | 161.16  | 110.51   |
|                         | Average payment turnover (times)                          | 5.65   | 5.64    | 5.75    | 5.88    | 5.57     |
|                         | Average inventory turnover period                         | 5  | 3       | 2       | 2       | 3        |
|                         | Property, plant and equipment turnover (times)            | 3.07   | 2.82    | 2.50    | 2.36    | 2.15     |
|                         | Total assets turnover (times)                             | 0.12   | 0.12    | 0.10    | 0.10    | 0.08     |
| Profitability (%)       | Return on total assets                                    | 9.91   | 13.11   | 11.91   | 9.51    | 8.77     |
|                         | Return on shareholders' equity                            | 13.61  | 18.01   | 16.22   | 13.26   | 12.11    |
|                         | Pre-tax income to paid-in capital                         | 37.32  | 46.79   | 45.28   | 39.39   | 42.06    |
|                         | Profit ratio  | 74.76  | 106.20  | 110.39  | 88.77   | 103.76   |
|                         | Earnings per share (NT\$)                                 | 3.24   | 4.43    | 4.38    | 3.63    | 4.01     |
| Cash flow (%)           | Cash flow ratio   | 1.33   | (17.72) | (9.46)  | (0.16)  | 1.17     |
|                         | Cash flow adequacy ratio                                  | (Note 2)                                     | (7.54)  | (12.27) | (12.56) | (8.47)   |
|                         | Cash flow reinvestment ratio                              | -  | -       | -       | -       | -        |
| Leverage                | Operating leverage  | 1.50   | 1.99    | 1.51    | 1.62    | 1.71     |
|                         | Financial leverage  | 4.95   | (2.60)  | 2.89    | 3.02    | 3.24     |

Note 1: The financial statements for 2015 to 2019 have been audited by independent auditors.

Note 2: The 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 2015.



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

A. Financial structure:

The ratio of long-term funds to property, plant and equipment increased mainly due to NT\$39.55 billion increase in total equity and NT\$6.89 billion increase in non-current liabilities. Explanations are as follows:

- (a) NT\$39.55 billion increase in total equity: Mainly due to NT\$33.98 billion increase in other equity and NT\$5.58 billion increase in retained earnings.
- (b) NT\$6.89 billion increase in non-current liabilities: Mainly due to the NT\$420 million increase in deferred income tax liability and the NT\$6.41 billion increase in long-term borrowings for the year.

B. Operating performance:

(a) Decrease in inventory turnover:

Mainly due to the NT\$800 million decrease in cost of sales and NT\$10 million increase in average inventory, causing decrease in inventory turnover this year compared to previous year.

(b) Increase in average inventory turnover days (days):

The increase in average inventory turnover days is mainly due to the 31.43% decrease in inventory turnover.

(c) Decrease in total asset turnover:

Mainly due to the NT\$660 million decrease in net sales and the NT\$23 billion increase in average total asset. Explanations are as follows:

- i. NT\$660 million decrease in net sales: Mainly due to the NT\$960 million decrease in footwear materials revenue for the year and the NT\$280 million increase in income from management service fee.
- ii. NT\$23 billion increase in average total asset: Mainly due to the NT\$46.42 billion increase in equity-accounted investments for the year.

C. Cash flow:

(a) Increase in cash flow ratio:

Mainly due to the NT\$280 million net cash inflow from operating activities for the year, whereas the net cash outflow from operating activities for the previous year was NT\$40 million, causing an increase in cash flow ratio this year compared to previous year. Explanations are as follows:

Net cash inflow from operating activities for the year increased by NT\$320 million mainly due to the NT\$790 million increase in net profit before tax this year and adjusted by items that do not affect cash flow, which include deducting the NT\$1.87 billion share of the profit of associates and joint ventures accounted for using the equity method, and cash inflow from account receivables increased by NT\$830 million and cash outflow from other account payables decreased by NT\$650 million.

(b) Increase in cash flow adequacy ratio:

Mainly due to the NT\$520 million decrease in net cash outflow from operating activities in the past 5 years.

## 1. Financial Structure

- (1) Debt ratio =  $\text{total liabilities} / \text{total assets}$
- (2) Ratio of long-term funds to property, plant and equipment =  $(\text{net shareholder's equity} + \text{non-current liabilities}) / \text{net property, plant and equipment}$

## 2. Liquidity

- (1) Current ratio =  $\text{current assets} / \text{current liabilities}$
- (2) Quick ratio =  $(\text{current assets} - \text{inventory} - \text{prepaid expense}) / \text{current liabilities}$
- (3) Times interest earned =  $\text{net income before tax and interest expense} / \text{interest expense}$

## 3. Operating performance

- (1) Average collection turnover (including accounts receivable and notes receivable resulted from business operation) =  $\text{net sales} / \text{average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)}$
- (2) Average collection period =  $365 / \text{average collection turnover}$
- (3) Average inventory turnover =  $\text{cost of goods sold} / \text{average inventory}$
- (4) Average payment turnover (including accounts payable and notes payable resulted from business operation) =  $\text{operating costs} / \text{average balance of account payable (including accounts payable and notes payable resulted from business operation)}$
- (5) Average inventory turnover period =  $365 / \text{average inventory turnover}$
- (6) Property, plant and equipment turnover =  $\text{net sales} / \text{average net property, plant and equipment}$
- (7) Total assets turnover =  $\text{net sales} / \text{average total assets}$

## 4. Profitability

- (1) Return on total assets =  $[\text{net income} + \text{interest expense} * (1 - \text{tax rate})] / \text{average total assets}$
- (2) Return on shareholder's equity =  $\text{net income} / \text{average net shareholder's equity}$
- (3) Profit ratio =  $\text{net income} / \text{net sales}$
- (4) Earnings per share =  $(\text{equity attributable to owners of the Company} - \text{preferred share dividend}) / \text{weighted average shares issued}$

## 5. Cash flow

- (1) Cash flow ratio =  $\text{net cash flow from operating activity} / \text{current liabilities}$
- (2) Cash flow adequacy ratio =  $(\text{net cash flow from operating activities within five year} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five year})$
- (3) Cash flow reinvestment ratio =  $(\text{net cash flow from operating activity} - \text{cash dividend}) / (\text{total property, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$

## 6. Leverage

- (1) Operating leverage =  $(\text{net operating income} - \text{operating variable cost and expense}) / \text{operating income}$
- (2) Financial leverage =  $\text{operating income} / (\text{operating income} - \text{interest expense})$



## 6.3 The Audit Committee's Review Report on the 2019 Financial Statements

### **Audit Committee's Review Report**

The Board of Directors has prepared and submitted the Company's 2019 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:

2020 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

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Chen, Huan-Chung

Date: March 31, 2020

## **Audit Committee's Review Report on Profit Distribution Plan**

The Board of Directors has prepared and submitted the 2019 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:

2020 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:



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Chen, Huan-Chung

Date: April 28, 2020



## 6.4 Financial Statements for the Most Recent Fiscal Year

### 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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, 2019.



Write-down of Inventory

As of December 31, 2019, the carrying amount of finished goods for retail included in the inventories was \$34,533,482 thousand. For the related disclosures, refer to Notes 4, 5 and 11 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 2019 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, 2019, goodwill allocated to the manufacture and sale of footwear of the Group amounted to \$5,498,182 thousand and \$2,332,954 thousand, respectively. For related disclosures, refer to Notes 4, 5 and 19 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 of the 2019 consolidated financial statements.

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

**Other Matter**

The Group's investments in Ruen Chen Investment Holding Co., Ltd. and Nan Shan Life Insurance Co., Ltd were accounted for by using 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., and Nan Shan Life Insurance Co., Ltd. are based solely on the report of other auditors. As of December 31, 2019 and 2018, the carrying amounts of the investment in Ruen Chen Investment Holding Co., Ltd. were \$49,612,043 thousand and \$8,403,275 thousand which constituted 13.67% and 2.76% of the Group's consolidated total assets, respectively. For the years ended December 31, 2019 and 2018, the profit of the associate were \$5,766,591 thousand and \$4,491,495 thousand which constituted 26.79% and 22.17% of the income which the Group recognized before income tax, respectively. As of December 31, 2019, the carrying amount of the investment in Nan Shan Life Insurance Co., Ltd. was \$548,783 thousand which constituted 0.15% of the Group's consolidated total assets. For the years ended December 31, 2019, the profit of the associate was \$22,406 thousand which constituted 0.10% of the income which the Group recognized before income tax.

We have also audited the parent company only financial statements of Pou Chen Corporation as of and for the years ended December 31, 2019 and 2018 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, 2019 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 31, 2020

#### Notice to Readers

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

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



# POU CHEN CORPORATION

## POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

| ASSETS  | 2019                  |            | 2018                  |            |
|---|-----------------------|------------|-----------------------|------------|
|   | Amount                | %          | Amount                | %          |
| <b>CURRENT ASSETS</b>   |                       |            |                       |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 37,049,955         | 10         | \$ 32,252,001         | 11         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)                 | 692,874               | -          | 845,690               | -          |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)     | 17,736,334            | 5          | 15,065,002            | 5          |
| Financial assets measured at cost - current (Notes 4 and 9)                                     | 1,656,038             | 1          | 2,660,995             | 1          |
| Notes receivable (Notes 4 and 10)   | 509                   | -          | 1,295                 | -          |
| Accounts receivable (Notes 4 and 10)  | 34,261,246            | 10         | 38,994,770            | 13         |
| Other receivables (Notes 4 and 10)  | 5,115,656             | 1          | 5,133,235             | 2          |
| Inventories - manufacturing and retailing (Notes 4 and 11)                                      | 54,713,419            | 15         | 54,571,450            | 18         |
| Inventories - construction (Notes 4 and 11)   | 3,909,013             | 1          | 4,780,007             | 1          |
| Prepayments for leases (Note 4)   | -                     | -          | 151,206               | -          |
| Non-current assets held for sale (Note 4 and 12)  | 1,342,804             | -          | -                     | -          |
| Other current assets (Notes 4 and 13)   | 9,159,841             | 3          | 9,928,307             | 3          |
| Total current assets  | 165,637,689           | 46         | 164,383,958           | 54         |
| <b>NON-CURRENT ASSETS</b>   |                       |            |                       |            |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)             | 1,353,545             | -          | 776,688               | -          |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 1,222,245             | -          | 768,212               | -          |
| Financial assets at amortized cost - non-current (Notes 4, 9 and 36)                            | 5,918,089             | 2          | 343,595               | -          |
| Investments accounted for using equity method (Notes 4 and 15)                                  | 72,310,784            | 20         | 31,228,219            | 10         |
| Property, plant and equipment (Notes 4 and 16)  | 77,861,266            | 21         | 79,162,641            | 26         |
| Right-of-use assets (Notes 4 and 17)  | 18,983,090            | 5          | -                     | -          |
| Investment properties (Notes 4 and 18)  | 2,841,851             | 1          | 2,312,021             | 1          |
| Goodwill (Notes 4 and 19)   | 8,279,832             | 2          | 8,866,746             | 3          |
| Other intangible assets (Notes 4 and 20)  | 2,149,303             | 1          | 3,187,467             | 1          |
| Deferred tax assets (Notes 4 and 28)  | 2,167,426             | 1          | 1,951,026             | 1          |
| Long-term prepayments for leases (Note 4)   | -                     | -          | 6,455,195             | 2          |
| Other non-current assets (Notes 4 and 13)   | 4,331,210             | 1          | 4,826,645             | 2          |
| Total non-current assets  | 197,418,641           | 54         | 139,878,455           | 46         |
| <b>TOTAL</b>  | <b>\$ 363,056,330</b> | <b>100</b> | <b>\$ 304,262,413</b> | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>   |                       |            |                       |            |
| <b>CURRENT LIABILITIES</b>  |                       |            |                       |            |
| Short-term borrowings (Note 21)   | \$ 42,247,828         | 12         | \$ 37,560,974         | 12         |
| Short-term bills payable (Note 21)  | 2,547,678             | 1          | 2,869,225             | 1          |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)            | 47,741                | -          | 719,322               | -          |
| Notes payable (Notes 4 and 22 and 35)   | 11,199                | -          | 9,406                 | -          |
| Accounts payable (Notes 4 and 22 and 35)  | 14,866,337            | 4          | 15,101,841            | 5          |
| Other payables (Note 23)  | 25,295,496            | 7          | 25,243,368            | 8          |
| Current tax liabilities (Notes 4 and 28)  | 2,093,845             | -          | 2,478,784             | 1          |
| Lease liabilities (Notes 4 and 17)  | 3,908,023             | 1          | -                     | -          |
| Current portion of long-term borrowings (Note 21)   | 263,796               | -          | 4,194,398             | 2          |
| Other current liabilities   | 6,951,737             | 2          | 5,125,762             | 2          |
| Total current liabilities   | 98,233,680            | 27         | 93,303,080            | 31         |
| <b>NON-CURRENT LIABILITIES</b>  |                       |            |                       |            |
| Financial liabilities at fair value through profit or loss - non-current (Note 4 and 7)         | 308,366               | -          | -                     | -          |
| Long-term borrowings (Note 21)  | 60,290,054            | 17         | 53,695,306            | 18         |
| Deferred tax liabilities (Notes 4 and 28)   | 1,627,302             | 1          | 1,353,400             | -          |
| Lease liabilities - non-current (Notes 4 and 17)  | 8,255,154             | 2          | -                     | -          |
| Long-term payables (Note 23)  | 152,831               | -          | 151,483               | -          |
| Net defined benefit liabilities (Notes 4 and 24)  | 4,251,602             | 1          | 3,493,669             | 1          |
| Other non-current liabilities   | 68,314                | -          | 67,769                | -          |
| Total non-current liabilities   | 74,953,623            | 21         | 58,761,627            | 19         |
| Total liabilities   | 173,187,303           | 48         | 152,064,707           | 50         |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 25)</b>                            |                       |            |                       |            |
| Share capital   |                       |            |                       |            |
| Ordinary shares   | 29,467,872            | 8          | 29,467,872            | 10         |
| Capital surplus   | 4,592,397             | 1          | 4,600,092             | 1          |
| Retained earnings   |                       |            |                       |            |
| Legal reserve   | 14,881,914            | 4          | 13,811,050            | 4          |
| Special reserve   | 22,293,369            | 6          | 13,917,230            | 5          |
| Unappropriated earnings   | 34,488,820            | 10         | 38,360,517            | 13         |
| Total retained earnings   | 71,664,103            | 20         | 66,088,797            | 22         |
| Other equity  | 11,684,567            | 3          | (22,293,369)          | (7)        |
| Total equity attributable to owners of the Company  | 117,408,939           | 32         | 77,863,392            | 26         |
| <b>NON-CONTROLLING INTERESTS</b>  | <b>72,460,088</b>     | <b>20</b>  | <b>74,334,314</b>     | <b>24</b>  |
| Total equity  | 189,869,027           | 52         | 152,197,706           | 50         |
| <b>TOTAL</b>  | <b>\$ 363,056,330</b> | <b>100</b> | <b>\$ 304,262,413</b> | <b>100</b> |

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

(With Deloitte & Touche audit report dated March 31, 2020)

## POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2019               |            | 2018               |            |
|--|--------------------|------------|--------------------|------------|
|  | Amount             | %          | Amount             | %          |
| OPERATING REVENUE (Notes 4, 26 and 35)   | \$ 313,156,585     | 100        | \$ 293,316,089     | 100        |
| OPERATING COSTS (Notes 24, 27 and 35)  | <u>233,641,231</u> | <u>74</u>  | <u>217,844,794</u> | <u>74</u>  |
| GROSS PROFIT   | <u>79,515,354</u>  | <u>26</u>  | <u>75,471,295</u>  | <u>26</u>  |
| OPERATING EXPENSES (Notes 24 and 27)   |                    |            |                    |            |
| Selling and marketing expenses   | 37,835,986         | 12         | 35,045,995         | 12         |
| General and administrative expenses  | 21,284,611         | 7          | 20,385,218         | 7          |
| Research and development expenses  | <u>6,444,297</u>   | <u>2</u>   | <u>6,230,618</u>   | <u>2</u>   |
| Total operating expenses   | <u>65,564,894</u>  | <u>21</u>  | <u>61,661,831</u>  | <u>21</u>  |
| INCOME FROM OPERATIONS   | <u>13,950,460</u>  | <u>5</u>   | <u>13,809,464</u>  | <u>5</u>   |
| NON-OPERATING INCOME AND EXPENSES  |                    |            |                    |            |
| Other income (Note 27)   | 4,073,415          | 1          | 3,637,248          | 1          |
| Other gains and losses (Note 27)   | (671,207)          | -          | (170,459)          | -          |
| Net (loss) gain on derecognition of financial assets at<br>amortized cost  | (3,260)            | -          | 5,477              | -          |
| Finance costs (Note 27)  | (3,241,955)        | (1)        | (2,781,382)        | (1)        |
| Share of the profit of associates and joint ventures<br>(Notes 4 and 15)   | <u>7,414,525</u>   | <u>2</u>   | <u>5,760,035</u>   | <u>2</u>   |
| Total non-operating income and expenses  | <u>7,571,518</u>   | <u>2</u>   | <u>6,450,919</u>   | <u>2</u>   |
| INCOME BEFORE INCOME TAX   | 21,521,978         | 7          | 20,260,383         | 7          |
| INCOME TAX EXPENSE (Notes 4 and 28)  | <u>(3,519,204)</u> | <u>(1)</u> | <u>(3,888,517)</u> | <u>(1)</u> |
| NET INCOME FOR THE YEAR  | <u>18,002,774</u>  | <u>6</u>   | <u>16,371,866</u>  | <u>6</u>   |
| OTHER COMPREHENSIVE INCOME (LOSS)  |                    |            |                    |            |
| Items that will not be reclassified subsequently to<br>profit or loss:   |                    |            |                    |            |
| Remeasurement of defined benefit plan (Note 24)  | (132,669)          | -          | 38,359             | -          |
| Unrealized gain on investments in equity<br>instruments designed at fair value through other<br>comprehensive income | 3,129,649          | 1          | 199,697            | -          |
| Share of the other comprehensive income (loss) of<br>associates and joint ventures                                   | 173,895            | -          | (504,544)          | -          |

(Continued)



## POU CHEN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | <b>2019</b>          |           | <b>2018</b>           |            |
|---|----------------------|-----------|-----------------------|------------|
|   | <b>Amount</b>        | <b>%</b>  | <b>Amount</b>         | <b>%</b>   |
| Items that may be reclassified subsequently to profit or loss:                  |                      |           |                       |            |
| Exchange differences on translating foreign operations                          | \$ (4,440,733)       | (2)       | \$ 2,581,218          | 1          |
| Share of the other comprehensive income (loss) of associates and joint ventures | <u>31,091,295</u>    | <u>10</u> | <u>(25,647,596)</u>   | <u>(9)</u> |
| Other comprehensive income (loss) for the year, net of income tax               | <u>29,821,437</u>    | <u>9</u>  | <u>(23,332,866)</u>   | <u>(8)</u> |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>                           | <u>\$ 47,824,211</u> | <u>15</u> | <u>\$ (6,961,000)</u> | <u>(2)</u> |
| <b>NET INCOME ATTRIBUTABLE TO:</b>  |                      |           |                       |            |
| Owners of the Company   | \$ 11,828,609        | 4         | \$ 10,708,646         | 4          |
| Non-controlling interests   | <u>6,174,165</u>     | <u>2</u>  | <u>5,663,220</u>      | <u>2</u>   |
|   | <u>\$ 18,002,774</u> | <u>6</u>  | <u>\$ 16,371,866</u>  | <u>6</u>   |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>                       |                      |           |                       |            |
| Owners of the Company   | \$ 43,908,682        | 14        | \$ (13,545,977)       | (4)        |
| Non-controlling interests   | <u>3,915,529</u>     | <u>1</u>  | <u>6,584,977</u>      | <u>2</u>   |
|   | <u>\$ 47,824,211</u> | <u>15</u> | <u>\$ (6,961,000)</u> | <u>(2)</u> |
| <b>EARNINGS PER SHARE (Note 29)</b>   |                      |           |                       |            |
| Basic   | <u>\$ 4.01</u>       |           | <u>\$ 3.63</u>        |            |
| Diluted   | <u>\$ 4.01</u>       |           | <u>\$ 3.62</u>        |            |

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

(With Deloitte & Touche audit report dated March 31, 2020)

(Concluded)

## POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

|  | Equity Attributable to Owners of the Company |                 |               |                 |                         |  |   |   |              |                |
|--|--|-----------------|---------------|-----------------|-------------------------|--|---|---|--------------|----------------|
|  | Retained Earnings                            |                 |               | Other Equity    |                         |  | Total   |   |              |                |
|  | Share Capital                                | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gain Available-for-sale Financial Assets | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Others       | Total          |
| BALANCE AT JANUARY 1, 2018   | \$ 29,467,872                                | \$ 4,615,341    | \$ 12,518,889 | \$ 13,636,368   | \$ 37,294,138           | \$ (1,790,529)   | \$ (12,127,139)                                     | \$ -  | \$ 438       | \$ 83,615,378  |
| Effect of retrospective application  | -  | -               | -             | -               | 292,111                 | -  | -   | 1,860,011   | (506,875)    | 13,772,386     |
| BALANCE AT JANUARY 1, 2019 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 25)   | -  | -               | 1,292,161     | -               | (1,292,161)             | -  | -   | -   | -            | -              |
| Legal reserve  | -  | -               | 1,292,161     | -               | (1,292,161)             | -  | -   | -   | -            | -              |
| Special reserve  | -  | -               | -             | 280,862         | (280,862)               | -  | -   | -   | -            | -              |
| Share of changes in equity of subsidiaries   | -  | -               | -             | -               | (5,893,574)             | -  | -   | -   | -            | (5,893,574)    |
| Cash dividends   | -  | -               | -             | -               | -                       | -  | -   | -   | -            | -              |
| BALANCE AT JANUARY 1, 2019 AS RESTATED   | -  | -               | 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   | -  | -               | -             | -               | (64,529)                | 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)   |
| Share of changes in equities of subsidiaries (Notes 4 and 25)  | -  | (15,653)        | -             | -               | (69,572)                | -  | -   | -   | -            | (85,225)       |
| Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 25)                   | -  | 404             | -             | -               | (2,333,670)             | -  | -   | 2,333,670   | -            | 404            |
| Change in non-controlling interests  | -  | -               | -             | -               | -                       | -  | -   | -   | -            | -              |
| 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     |
| Appropriation of 2018 earnings (Note 25)   | -  | -               | 1,070,864     | -               | (1,070,864)             | -  | -   | -   | -            | -              |
| Legal reserve  | -  | -               | 1,070,864     | -               | (1,070,864)             | -  | -   | -   | -            | -              |
| Special reserve  | -  | -               | -             | 8,376,139       | (8,376,139)             | -  | -   | -   | -            | -              |
| Share of changes in equity of subsidiaries   | -  | -               | -             | -               | (4,420,181)             | -  | -   | -   | -            | (4,420,181)    |
| Cash dividends   | -  | -               | -             | -               | -                       | -  | -   | -   | -            | -              |
| BALANCE AT JANUARY 1, 2019   | -  | -               | 1,070,864     | 8,376,139       | (13,867,184)            | -  | -   | -   | -            | (4,420,181)    |
| Net income for the year ended December 31, 2019  | -  | -               | -             | -               | 11,828,609              | -  | -   | -   | -            | 11,828,609     |
| Other comprehensive (loss) income for the year ended December 31, 2019   | -  | -               | -             | -               | (90,292)                | (2,186,025)  | -   | 20,396,280  | 13,920,557   | 32,080,073     |
| Total comprehensive income (loss) for the year ended December 31, 2019   | -  | -               | -             | -               | 11,738,307              | (2,186,025)  | -   | 20,396,280  | 13,920,557   | 43,908,682     |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 25) | -  | -               | -             | -               | -                       | -  | -   | -   | -            | -              |
| Share of changes in equities of subsidiaries (Notes 4 and 25)  | -  | (3,539)         | -             | -               | -                       | -  | -   | -   | -            | (3,539)        |
| Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 25)                   | -  | (4,156)         | -             | -               | (1,706,234)             | -  | -   | 1,847,124   | -            | (76,149)       |
| Change in non-controlling interests  | -  | -               | -             | -               | -                       | -  | -   | -   | -            | -              |
| Change in equity for the year ended December 31, 2019  | -  | (7,695)         | 1,070,864     | 8,376,139       | (3,871,697)             | (2,186,025)  | -   | 22,243,404  | 13,920,557   | 39,545,547     |
| BALANCE AT DECEMBER 31, 2019   | 29,467,872                                   | 4,592,397       | 14,881,914    | 22,293,369      | 34,488,820              | (4,498,149)  | -   | 13,759,473  | 473,943      | 117,408,999    |
|  |  |                 |               |                 |                         |  |   |   |              | \$ 189,869,092 |

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 31, 2020)



**POU CHEN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Income before income tax for the year  | \$ 21,521,978     | \$ 20,260,383     |
| Adjustments for:   |                   |                   |
| Depreciation expenses  | 15,226,379        | 9,849,129         |
| Amortization expenses  | 502,692           | 700,342           |
| Expected credit loss on accounts receivable/impairment reversed on accounts receivable               | 121,027           | 66,060            |
| Net (gain) loss on fair value change of financial instruments at fair value through profit or loss   | (478,172)         | 3,425             |
| Finance costs  | 3,241,955         | 2,781,382         |
| Net loss (gain) on derecognition of financial assets at amortized cost                               | 3,260             | (5,477)           |
| Interest income  | (784,118)         | (615,620)         |
| Dividends income   | (988,097)         | (898,686)         |
| Compensation cost of employee share options  | 154,948           | 130,489           |
| Share of profit of associates and joint ventures   | (7,414,525)       | (5,760,035)       |
| Net loss on disposal of property, plant and equipment  | 562,142           | 524,208           |
| Net gain on disposal of subsidiaries, associates and joint ventures                                  | (579,794)         | (153,872)         |
| Impairment loss/reversal of impairment loss  | 308,296           | (116)             |
| Gain from bargain purchase - acquisition of subsidiaries   | -                 | (13,280)          |
| Changes in operating assets and liabilities  |                   |                   |
| Financial assets mandatorily at fair value through profit or loss                                    | 45,280            | 1,435,134         |
| Notes receivable   | 456               | 53,722            |
| Accounts receivable  | 2,065,311         | (2,194,090)       |
| Other receivables  | (48,756)          | (1,565,090)       |
| Inventories  | (4,257,541)       | (6,796,982)       |
| Other current assets   | (754,160)         | (93,703)          |
| Other operating assets   | (8,860)           | (178,814)         |
| Notes payable  | 1,793             | (53,391)          |
| Accounts payable   | 87,304            | 1,244,528         |
| Other payables   | 1,674,763         | (2,096,272)       |
| Other current liabilities  | 138,821           | 506,719           |
| Net defined benefit liabilities  | 625,264           | 247,824           |
| Other operating liabilities  | 1,348             | 119               |
| Cash generated from operations   | 30,968,994        | 17,378,036        |
| Interest paid  | (3,123,008)       | (2,627,719)       |
| Income tax paid  | (3,336,520)       | (4,207,115)       |
| Net cash generated from operating activities   | <u>24,509,466</u> | <u>10,543,202</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Proceeds from return of capital of financial assets at fair value through other comprehensive income | -                 | 48,408            |
| Purchases of financial assets at amortized cost  | (10,489,138)      | (5,040,644)       |
| Proceeds from sale of financial assets at amortized cost   | 5,618,887         | 8,044,692         |
| Acquisition of associates and joint ventures   | (4,459,840)       | (70,000)          |
|  |                   | (Continued)       |



## POU CHEN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| Proceeds from disposal of associates and joint ventures                                   | \$ 91,908            | \$ 819,904           |
| Net cash outflow on acquisition of subsidiaries   | -                    | (74,380)             |
| Net cash outflow (inflow) on disposal of subsidiaries                                     | 3,020,293            | 417,829              |
| Proceeds from return of capital of associates under equity method                         | 94,602               | -                    |
| Proceeds from disposal of non-current assets held for sale                                | 1,134,653            | -                    |
| Acquisition of property, plant and equipment  | (12,414,288)         | (14,389,558)         |
| Proceeds from disposal of property, plant and equipment                                   | 499,593              | 1,001,490            |
| Increase in refundable deposits   | (162,939)            | (86,196)             |
| Acquisition of intangible assets  | (490,078)            | (43,314)             |
| Acquisition of right-of-use   | (97,866)             | -                    |
| Acquisition of investment properties  | (1,079)              | (2,192)              |
| Increase in other non-current assets  | -                    | (236,267)            |
| Acquisition of long-term prepayments for leases   | -                    | (566,128)            |
| Proceeds from disposal of long-term prepayments for leases                                | -                    | 77,836               |
| Interest received   | 691,998              | 722,961              |
| Dividends received  | 2,013,687            | 2,559,368            |
| Cash dividends from reduction of capital surplus from associates                          | -                    | 108,705              |
| Proceeds from disposal of right-of-use  | 1,835                | -                    |
| Net cash used in investing activities   | <u>(14,947,772)</u>  | <u>(6,707,486)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                      |                      |
| Proceeds from short-term borrowings   | 5,752,895            | 4,112,775            |
| Repayments of short-term bills payable  | (321,500)            | (98,000)             |
| Proceeds from long-term borrowings  | 4,897,632            | 2,642,419            |
| Increase in guarantee deposits  | 545                  | 22,538               |
| Repayment of principal portion of lease liabilities                                       | (3,980,391)          | -                    |
| Cash dividend   | (4,420,181)          | (5,893,574)          |
| Change in non-controlling interests   | <u>(4,897,130)</u>   | <u>(7,015,231)</u>   |
| Net cash used in financing activities   | <u>(2,968,130)</u>   | <u>(6,229,073)</u>   |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b> | <u>(1,795,610)</u>   | <u>537,005</u>       |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                               | 4,797,954            | (1,856,352)          |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                             | <u>32,252,001</u>    | <u>34,108,353</u>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                   | <u>\$ 37,049,955</u> | <u>\$ 32,252,001</u> |

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

(With Deloitte & Touche audit report dated March 31, 2020)

(Concluded)



## POU CHEN CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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#### 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 31, 2020.

#### 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 material impact on the Group’s accounting policies:

- 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

##### Definition of a lease

The Group reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. The contracts, which were previously identified as containing a lease under IAS 17 and IFRIC 4, do not meet the definition of a lease under IFRS 16 and are accounted for in accordance with other standards because the customers do not have the right to direct the use of the identified assets. Contracts that are reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses. On the statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 4.44%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

|   |                      |
|---|----------------------|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | \$ 11,716,580        |
| Less: Recognition exemption for short-term leases   | (878,552)            |
| Less: Recognition exemption for leases of low-value assets  | (5,191)              |
| Less  | <u>(86,814)</u>      |
| Undiscounted amounts on January 1, 2019   | <u>\$ 10,746,023</u> |
| Discounted amounts using the incremental borrowing rate on January 1, 2019                            | \$ 10,127,878        |
| Less: Prepaid rents on January 1, 2019  | <u>(589,430)</u>     |
| Lease liabilities recognized on January 1, 2019   | <u>\$ 9,538,448</u>  |



The Group as lessor

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

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

|                                      | <b>As Originally<br/>Stated on<br/>January 1, 2019</b> | <b>Adjustments<br/>Arising from<br/>Initial<br/>Application</b> | <b>Restated on<br/>January 1, 2019</b> |
|--------------------------------------|--|---|--|
| Prepaid lease payments - current     | \$ 151,206   | \$ (151,206)  | \$ -                                   |
| Prepaid lease payments - 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             | <u>4,826,645</u>                                       | <u>(148,169)</u>  | <u>4,678,476</u>                       |
| Total effect on assets               | <u>\$ 21,361,353</u>                                   | <u>\$ 9,538,448</u>   | <u>\$ 30,899,801</u>                   |
| Lease liabilities - current          | \$ -   | \$ 3,099,447  | \$ 3,099,447                           |
| Lease liabilities - non-current      | <u>-</u>   | <u>6,439,001</u>  | <u>6,439,001</u>                       |
| Total effect on liabilities          | <u>\$ -</u>  | <u>\$ 9,538,448</u>   | <u>\$ 9,538,448</u>                    |

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 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” 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 Group applied the above amendments 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.

## b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

| New IFRSs  | Effective Date<br>Announced by IASB |
|--|-------------------------------------|
| Amendments to IFRS 3 “Definition of a Business”                          | January 1, 2020 (Note 1)            |
| Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform” | January 1, 2020 (Note 2)            |
| Amendments to IAS 1 and IAS 8 “Definition of Material”                   | January 1, 2020 (Note 3)            |

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

## 1) 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 outputs. The amendments narrow the definitions of outputs 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 outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.



2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

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

| New IFRSs  | Effective Date<br>Announced by IASB (Note) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB                   |
| IFRS 17 “Insurance Contracts”  | January 1, 2021                            |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”  | January 1, 2022                            |

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

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 IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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 14 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 Group'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 included in the calculation of equity transactions but 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. 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, with the resulting impairment loss recognized in profit or loss.

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



When an impairment loss is subsequently reversed, the carrying amount of the 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

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

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

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

## 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, investments in debt instruments, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using 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 such 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 are not credit impaired on purchase or origination but 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 in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or





- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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:

- i. 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
- 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.

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.

2) Impairment of financial assets

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.

For internal credit risk management purposes, the Group determines the situations that internal or external information show that the debtor is unlikely to pay its creditors indicate that a financial asset is in default (without taking into account any collateral held by the Group):

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.

### 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 at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. The cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

### Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The 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 34.

##### b) Financial guarantee contracts

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.



## 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.

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

### 1) Sale of goods

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.

### 2) 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.

s. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.



Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. The Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

#### 2018

Leases are classified as finance leases whenever the terms of a 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 expenses on a straight-line basis over the lease term.

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis.

t. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized when the Group can no longer withdraw the offer of the termination benefit.

u. Share-based payment arrangements

The fair value at the grant date of the employee share options the Group granted to employee is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

v. Taxation

Income tax expense represents the sum of the current tax liabilities and deferred tax liabilities.

1) Current tax

According to the Income Tax Law in the Republic of China (ROC), an additional tax 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          |                      |
|--|----------------------|----------------------|
|  | 2019                 | 2018                 |
| Cash on hand   | \$ 20,011            | \$ 38,782            |
| Checking accounts and demand deposits  | 24,675,936           | 25,647,371           |
| Cash equivalent (investments with original maturities of less than three months) |                      |                      |
| Time deposits  | 12,354,008           | 6,083,301            |
| Repurchase agreements collateralized by bonds                                    | -                    | 482,547              |
|  | <u>\$ 37,049,955</u> | <u>\$ 32,252,001</u> |

## 7. FINANCIAL INSTRUMENTS AT FVTPL

|   | December 31         |                     |
|---|---------------------|---------------------|
|   | 2019                | 2018                |
| <u>Financial assets at FVTPL</u>                              |                     |                     |
| Financial assets mandatorily at FVTPL                         |                     |                     |
| Hybrid financial assets                                       |                     |                     |
| Structured deposits (a)                                       | \$ 598,281          | \$ 593,107          |
| Derivative financial assets (not under hedge accounting)      |                     |                     |
| Interest rate swap contracts (b)                              | 11,350              | 20,838              |
| Foreign exchange forward contracts (c)                        | 169,394             | 249,528             |
| Exchange rate option contracts (d)                            | 6,191               | 5,451               |
| Exchange rate swap contracts (e)                              | 1,636               | -                   |
| Non-derivative financial assets                               |                     |                     |
| Mutual funds  | 890,362             | 753,454             |
| Contingent consideration(Note 32)                             | <u>369,205</u>      | <u>-</u>            |
|   | <u>\$ 2,046,419</u> | <u>1,622,378</u>    |
| Current   | \$ 692,874          | \$ 845,690          |
| Non-current   | <u>1,353,545</u>    | <u>776,688</u>      |
|   | <u>\$ 2,046,419</u> | <u>\$ 1,622,378</u> |
| <u>Financial liabilities at FVTPL</u>                         |                     |                     |
| Financial liabilities held for trading                        |                     |                     |
| Derivative financial liabilities (not under hedge accounting) |                     |                     |
| Interest rate swap contracts (b)                              | \$ 308,366          | \$ -                |
| Forward exchange contracts (c)                                | -                   | 37,018              |
| Exchange rate option contracts (d)                            | 2,383               | 636,778             |
| Exchange rate swap contracts (e)                              | 19,692              | 30,751              |
| Cross-currency swap contracts (f)                             | <u>25,666</u>       | <u>14,775</u>       |
|   | <u>\$ 356,107</u>   | <u>\$ 719,322</u>   |
| Current   | \$ 47,741           | \$ 719,322          |
| Non-current   | <u>308,366</u>      | <u>-</u>            |
|   | <u>\$ 356,107</u>   | <u>\$ 719,322</u>   |

## a. Structured deposits

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, 2019 and 2018, 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, 2019

| Notional Amount<br>(In Thousands) | Maturity Date | Pay Rate<br>(Fixed Rate %) | Received Rate<br>(Floating Rate %) |
|-----------------------------------|---------------|----------------------------|------------------------------------|
| US\$ 50,000                       | 2021.03       | Note                       | Note                               |
| US\$ 100,000                      | 2023.07       | 3.335                      | 2.60425                            |
| US\$ 150,000                      | 2023.07       | 3.340                      | 2.62713                            |
| US\$ 100,000                      | 2022.08       | 2.600                      | 2.65250                            |
| US\$ 50,000                       | 2022.08       | 1.930                      | 1.90250                            |
| US\$ 50,000                       | 2022.08       | 1.930                      | 1.90250                            |

December 31, 2018

| Notional Amount<br>(In Thousands) | Maturity Date | Pay Rate<br>(Fixed Rate %) | Received Rate<br>(Floating Rate %) |
|-----------------------------------|---------------|----------------------------|------------------------------------|
| 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, 2019

| Notional Amount<br>(In Thousands) | Forward Exchange Rates                |
|-----------------------------------|---------------------------------------|
| US\$ 132,700                      | Sell US\$/buy IDR at 14,610 to 14,700 |

December 31, 2018

| Notional Amount<br>(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  |

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, 2019

| Notional Amount<br>(In Thousands) | Type | Buy/Sell | Maturity Date   | Exchange Rate   |
|-----------------------------------|------|----------|-----------------|-----------------|
| US\$ 12,000                       | Put  | Sell     | 2020.01-2020.06 | US\$:RMB7.0800  |
| US\$ 15,000                       | Call | Sell     | 2020.04         | US\$:HK\$7.7475 |
| US\$ 15,000                       | Call | Sell     | 2020.04         | US\$:HK\$7.7475 |
| US\$ 15,000                       | Call | Sell     | 2020.04         | US\$:HK\$7.7475 |
| US\$ 60,000                       | Put  | Sell     | 2020.06-2021.05 | US\$:RMB8.0000  |
| US\$ 48,000                       | Call | Sell     | 2020.06-2021.12 | US\$:HK\$7.7490 |

December 31, 2018

| Notional Amount<br>(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   |

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, 2019

| Notional Amount<br>(In Thousands) | Maturity Date | Exchange Rate    |
|-----------------------------------|---------------|------------------|
| US\$ 14,000                       | 2020.01       | US\$:NT\$ 30.097 |
| US\$ 55,000                       | 2020.02       | US\$:NT\$ 30.061 |
| US\$ 19,000                       | 2020.02       | US\$:NT\$ 30.061 |
| US\$ 60,000                       | 2020.02       | US\$:NT\$ 30.073 |

(Continued)



| Notional Amount<br>(In Thousands) | Maturity Date | Exchange Rate    |
|-----------------------------------|---------------|------------------|
| US\$ 36,000                       | 2020.02       | US\$:NT\$ 30.007 |
| US\$ 21,000                       | 2020.02       | US\$:NT\$ 30.007 |
| US\$ 5,900                        | 2020.02       | US\$:NT\$ 30.007 |
| US\$ 36,000                       | 2020.02       | US\$:NT\$ 30.006 |
| US\$ 43,000                       | 2020.03       | US\$:NT\$ 29.966 |
| US\$ 22,300                       | 2020.03       | US\$:NT\$ 29.964 |

(Concluded)

December 31, 2018

| Notional Amount<br>(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 |

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, 2019

| Notional Amount<br>(In Thousands) | Maturity Date | Exchange Rate    | Interest % |
|-----------------------------------|---------------|------------------|------------|
| US\$ 28,157                       | 2020.09       | US\$:RMB 7.103   | 0.885      |
| US\$ 15,000                       | 2020.12       | US\$:NT\$ 30.475 | 0.635      |

December 31, 2018

| Notional Amount<br>(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       |

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**

|                      | <b>December 31</b>   |                      |
|----------------------|----------------------|----------------------|
|                      | <b>2019</b>          | <b>2018</b>          |
| Domestic investments |                      |                      |
| Listed shares        | \$ 18,682,365        | \$ 15,536,802        |
| Unlisted shares      | 70,805               | 78,912               |
| Foreign investments  |                      |                      |
| Unlisted shares      | <u>205,409</u>       | <u>217,500</u>       |
|                      | <u>\$ 18,958,579</u> | <u>\$ 15,833,214</u> |
| Current              | \$ 17,736,334        | \$ 15,065,002        |
| Non-current          | <u>1,222,245</u>     | <u>768,212</u>       |
|                      | <u>\$ 18,958,579</u> | <u>\$ 15,833,214</u> |

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

**9. FINANCIAL ASSETS AT AMORTIZED COST**

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2019</b>         | <b>2018</b>         |
| Domestic investments   |                     |                     |
| Bonds  | \$ -                | \$ 318,201          |
| Time deposits with original maturities of more than three months | 663,276             | 804,673             |
| Structure product  | 696,110             | -                   |
| Foreign investments  |                     |                     |
| Bonds  | 4,367,841           | 1,725,192           |
| Structured products  | <u>1,846,900</u>    | <u>156,524</u>      |
|  | <u>\$ 7,574,127</u> | <u>\$ 3,004,590</u> |
| Current  | \$ 1,656,038        | \$ 2,660,995        |
| Non-current  | <u>5,918,089</u>    | <u>343,595</u>      |
|  | <u>\$ 7,574,127</u> | <u>\$ 3,004,590</u> |

Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.



10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

|  | December 31          |                      |
|--|----------------------|----------------------|
|  | 2019                 | 2018                 |
| <u>Notes receivable (including related parties)</u>    |                      |                      |
| Notes receivable - operating                           | \$ 509               | \$ 756               |
| Notes receivable - non-operating                       | <u>-</u>             | <u>539</u>           |
|  | <u>\$ 509</u>        | <u>\$ 1,295</u>      |
| <u>Accounts receivable (including related parties)</u> |                      |                      |
| At amortized cost                                      |                      |                      |
| Gross carrying amount                                  | \$ 34,569,042        | \$ 39,569,289        |
| Less: Allowance for impairment loss                    | <u>(307,796)</u>     | <u>(574,519)</u>     |
|  | <u>\$ 34,261,246</u> | <u>\$ 38,994,770</u> |
| <u>Other receivables</u>                               |                      |                      |
| Tax refund receivables                                 | \$ 1,618,777         | \$ 1,820,099         |
| Others   | 3,528,918            | 3,313,995            |
| Less: Allowance for impairment loss                    | <u>(32,039)</u>      | <u>(859)</u>         |
|  | <u>\$ 5,115,656</u>  | <u>\$ 5,133,235</u>  |

a. Notes receivable

The notes receivable balances at December 31, 2019 and 2018 were not past due.

b. Accounts receivable

The Group use simplified practice of IFRS 9 to measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Group's different customer base.

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

- 1) The following table details the loss allowance of trade receivables:

December 31, 2019

|                                | <b>Less than 30<br/>Days</b> | <b>31 to 90 Days</b> | <b>Over 91 Days</b> | <b>Total</b>         |
|--------------------------------|------------------------------|----------------------|---------------------|----------------------|
| Gross carrying amount          | \$ 22,064,260                | \$ 12,188,018        | \$ 316,764          | \$ 34,569,042        |
| Loss allowance (lifetime ECLs) | <u>-</u>                     | <u>(1,559)</u>       | <u>(306,237)</u>    | <u>(307,796)</u>     |
| Amortized cost                 | <u>\$ 22,064,260</u>         | <u>\$ 12,186,459</u> | <u>\$ 10,527</u>    | <u>\$ 34,261,246</u> |

December 31, 2018

|                                | <b>Less than 30<br/>Days</b> | <b>31 to 90 Days</b> | <b>Over 91 Days</b> | <b>Total</b>         |
|--------------------------------|------------------------------|----------------------|---------------------|----------------------|
| Gross carrying amount          | \$ 24,499,833                | \$ 14,037,125        | \$ 1,032,331        | \$ 39,569,289        |
| Loss allowance (lifetime ECLs) | <u>-</u>                     | <u>-</u>             | <u>(574,519)</u>    | <u>(574,519)</u>     |
| Amortized cost                 | <u>\$ 24,499,833</u>         | <u>\$ 14,037,125</u> | <u>\$ 457,812</u>   | <u>\$ 38,994,770</u> |

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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2019</b>                           | <b>2018</b>       |
| Balance at January 1                             | \$ 574,519                            | \$ 552,133        |
| Add: Impairment losses recognized on receivables | 68,062                                | 66,060            |
| Less: Amount written off                         | (224,550)                             | (39,438)          |
| Less: Subsidiary disposed                        | (97,777)                              | -                 |
| Foreign exchange gains and losses                | <u>(12,458)</u>                       | <u>(4,236)</u>    |
| Balance at December 31                           | <u>\$ 307,796</u>                     | <u>\$ 574,519</u> |

## 11. INVENTORIES

|   | <b>December 31</b>   |                      |
|---|----------------------|----------------------|
|   | <b>2019</b>          | <b>2018</b>          |
| Inventories - manufacturing and retailing | \$ 54,713,419        | \$ 54,571,450        |
| Inventories - construction                | <u>3,909,013</u>     | <u>4,780,007</u>     |
|   | <u>\$ 58,622,432</u> | <u>\$ 59,351,457</u> |



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

|                                | <b>December 31</b>   |                      |
|--------------------------------|----------------------|----------------------|
|                                | <b>2019</b>          | <b>2018</b>          |
| Raw materials                  | \$ 7,301,125         | \$ 8,563,302         |
| Work in progress               | 5,369,483            | 5,726,047            |
| Finished goods and merchandise | <u>42,042,811</u>    | <u>40,282,101</u>    |
|                                | <u>\$ 54,713,419</u> | <u>\$ 54,571,450</u> |

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$233,641,231 thousand and \$217,844,794 thousand, respectively.

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

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2019</b>         | <b>2018</b>         |
| Land and buildings held for development | \$ 3,742,807        | \$ 4,613,808        |
| Land and buildings held for sale        | 55,314              | 55,307              |
| Land held for construction site         | <u>110,892</u>      | <u>110,892</u>      |
|   | <u>\$ 3,909,013</u> | <u>\$ 4,780,007</u> |

## 12. NON-CURRENT ASSETS HELD FOR SALE

|  | <b>December 31</b>  |             |
|--|---------------------|-------------|
|  | <b>2019</b>         | <b>2018</b> |
| <u>Assets associated with non-current assets held for sale</u> |                     |             |
| Investments accounted for using equity method                  | <u>\$ 1,342,804</u> | <u>\$ -</u> |

- a. Yue Yuen resolved to dispose of its joint ventures during in 2019 and reclassified the assets as “non-current assets held for sale”. The carrying amount of the assets was \$1,217,278 thousand (US\$40,603 thousand) as of December 31, 2019.
- b. Pou Sheng resolved to dispose of its joint ventures in 2019 and reclassified the assets as “non-current assets held for sale”. The carrying amount of the assets was \$125,526 thousand (US\$4,187 thousand).

## 13. OTHER ASSETS

|                                  | <b>December 31</b>   |                      |
|----------------------------------|----------------------|----------------------|
|                                  | <b>2019</b>          | <b>2018</b>          |
| Prepayments                      | \$ 7,298,459         | \$ 8,805,134         |
| Refundable deposits              | 780,464              | 617,525              |
| Defined benefit assets (Note 24) | 43,754               | 43,754               |
| Prepayments for equipment        | 3,187,694            | 3,463,271            |
| Others                           | <u>2,180,680</u>     | <u>1,825,268</u>     |
|                                  | <u>\$ 13,491,051</u> | <u>\$ 14,754,952</u> |

(Continued)

|             | <b>December 31</b>   |                                     |
|-------------|----------------------|-------------------------------------|
|             | <b>2019</b>          | <b>2018</b>                         |
| Current     | \$ 9,159,841         | \$ 9,928,307                        |
| Non-current | <u>4,331,210</u>     | <u>4,826,645</u>                    |
|             | <u>\$ 13,491,051</u> | <u>\$ 14,754,952</u><br>(Concluded) |

#### 14. SUBSIDIARIES

##### a. Subsidiaries included in the consolidated financial statements

| Name of Subsidiary                                 | Location of Incorporation | Main Business  | <b>Proportion of Ownership</b> |             |
|--|---------------------------|--|--------------------------------|-------------|
|  |                           |  | <b>December 31</b>             |             |
|  |                           |  | <b>2019</b>                    | <b>2018</b> |
| 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   | <b>Proportion of Ownership</b> |             |
|--|---------------------------|---|--------------------------------|-------------|
|  |                           |   | <b>December 31</b>             |             |
|  |                           |   | <b>2019</b>                    | <b>2018</b> |
| Yue Yuen Industrial (Holdings) Limited     | Bermuda                   | Manufacturing and sale of athletic and casual footwear and sports apparel | 50.04%                         | 49.90%      |
| Pou Sheng International (Holdings) Limited | Bermuda                   | Retailing of sporting goods and brand licensing business                  | 31.12%                         | 31.11%      |
| 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%     |
| Allied Charm Holdings Limited              | British Virgin Islands    | Investment holding  | 100.00%                        | 100.00%     |

Win Fortune Investments Limited ("Win Fortune") invested in Yue Yuen (as at December 31, 2019 and 2018 the ownership percentage both were 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       | <b>Proportion of Ownership</b> |             |
|----------------------------------|---------------------------|---------------------|--------------------------------|-------------|
|                                  |                           |                     | <b>December 31</b>             |             |
|                                  |                           |                     | <b>2019</b>                    | <b>2018</b> |
| 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<br>December 31 |         |
|---------------------------------|---------------------------|--------------------------------|--|---------|
|                                 |                           |                                | 2019                                   | 2018    |
| 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<br>Voting Rights Held by<br>Non-controlling Interests |        |
|--|---|--------|
|  | 2019  | 2018   |
| Yue Yuen Industrial (Holdings) Limited     | 48.89%  | 49.03% |
| Pou Sheng International (Holdings) Limited | 37.80%  | 37.67% |

Refer to Table 9 "Information on Investees" of Note 40 for business location and business item of the material associates.

| Name of Subsidiary                         | Profit Allocated to<br>Non-controlling Interests<br>For the Year Ended<br>December 31 |              | Accumulated Non-controlling<br>Interests<br>December 31 |               |
|--|---|--------------|---|---------------|
|  | 2019  | 2018         | 2019  | 2018          |
| Yue Yuen Industrial (Holdings) Limited     | \$ 4,544,881  | \$ 4,633,943 | \$ 59,284,190   | \$ 61,418,948 |
| Pou Sheng International (Holdings) Limited | 1,407,876   | 927,030      | 12,167,173  | 11,618,440    |

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           |                       |
|--|-----------------------|-----------------------|
|  | 2019                  | 2018                  |
| Current assets                                       | \$ 134,660,339        | \$ 135,430,505        |
| Non-current assets                                   | 127,150,345           | 118,358,281           |
| Current liabilities                                  | (73,624,773)          | (70,731,816)          |
| Non-current liabilities                              | (53,680,531)          | (44,772,518)          |
| Equity   | <u>\$ 134,505,380</u> | <u>\$ 138,284,452</u> |
| Equity attributable to:                              |                       |                       |
| Owners of the Company                                | \$ 62,334,857         | \$ 64,218,019         |
| Non-controlling interests of Yue Yuen                | 59,284,190            | 61,418,948            |
| Non-controlling interests of Yue Yuen's subsidiaries | <u>12,886,333</u>     | <u>12,647,485</u>     |
|  | <u>\$ 134,505,380</u> | <u>\$ 138,284,452</u> |



|  | <b>For the Year Ended December 31</b> |                       |
|--|---------------------------------------|-----------------------|
|  | <b>2019</b>                           | <b>2018</b>           |
| Operating revenue                                    | <u>\$ 312,346,215</u>                 | <u>\$ 292,461,856</u> |
| Net income   | \$ 10,878,199                         | \$ 10,266,203         |
| Other comprehensive loss                             | <u>(456,667)</u>                      | <u>(2,617,916)</u>    |
| Total comprehensive income                           | <u>\$ 10,421,532</u>                  | <u>\$ 7,648,287</u>   |
| Net income attributable to:                          |                                       |                       |
| Owners of the Company                                | \$ 4,711,498                          | \$ 4,609,984          |
| Non-controlling interests of Yue Yuen                | 4,544,881                             | 4,633,943             |
| Non-controlling interests of Yue Yuen's subsidiaries | <u>1,621,820</u>                      | <u>1,022,276</u>      |
|  | <u>\$ 10,878,199</u>                  | <u>\$ 10,266,203</u>  |
| Total comprehensive income attributable to:          |                                       |                       |
| Owners of the Company                                | \$ 4,578,978                          | \$ 3,573,116          |
| Non-controlling interests of Yue Yuen                | 4,417,837                             | 3,613,041             |
| Non-controlling interests of Yue Yuen's subsidiaries | <u>1,424,717</u>                      | <u>462,140</u>        |
|  | <u>\$ 10,421,532</u>                  | <u>\$ 7,648,287</u>   |
| Net cash inflow (outflow) from:                      |                                       |                       |
| Operating activities                                 | \$ 21,088,068                         | \$ 16,252,251         |
| Investing activities                                 | (6,547,304)                           | (9,519,664)           |
| Financing activities                                 | <u>(10,151,867)</u>                   | <u>(11,038,742)</u>   |
| Net cash inflow (outflow)                            | <u>\$ 4,388,897</u>                   | <u>\$ (4,306,155)</u> |
| Dividends paid to:                                   |                                       |                       |
| Non-controlling interests of Yue Yuen                | \$ 4,692,974                          | \$ 4,637,959          |
| Non-controlling interests of Yue Yuen's subsidiaries | <u>\$ 275,298</u>                     | <u>\$ 163,896</u>     |

## 15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                               | <b>December 31</b>   |                      |
|-------------------------------|----------------------|----------------------|
|                               | <b>2019</b>          | <b>2018</b>          |
| Investments in associates     | \$ 64,849,487        | \$ 23,580,599        |
| Investments in joint ventures | <u>7,461,297</u>     | <u>7,647,620</u>     |
|                               | <u>\$ 72,310,784</u> | <u>\$ 31,228,219</u> |

### a. Investments in associates

|   | <b>December 31</b>   |                      |
|---|----------------------|----------------------|
|   | <b>2019</b>          | <b>2018</b>          |
| Material associate                            |                      |                      |
| Ruen Chen Investment Holding Co., Ltd.        | \$ 49,612,043        | \$ 8,403,275         |
| Associates that are not individually material | <u>15,237,444</u>    | <u>15,177,324</u>    |
|   | <u>\$ 64,849,487</u> | <u>\$ 23,580,599</u> |



1) Material associate

| Name of Associate                      | Proportion of Ownership and<br>Voting Rights (%) |      |
|--|--|------|
|  | December 31                                      |      |
|  | 2019   | 2018 |
| Ruen Chen Investment Holding Co., Ltd. | 20   | 20   |

- a) As of May 15, 2019, the Company's board of directors resolved to subscribe the issuance of ordinary shares for cash of Ruen Chen Investment Holding Co., Ltd., and purchasing 408,000 thousand share issued ordinary shares with \$10 per share (with the amount of \$4,080,000 thousand) as of June 6, 2019 and July 25, 2019.
- b) Refer to Table 9 "Information on Investees" of Note 40 for business location and business item of the material associates.
- c) 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                    |                         |
|--|--------------------------------|-------------------------|
|  | 2019                           | 2018                    |
| Assets   | \$ 4,846,936,411               | \$ 4,362,687,326        |
| Liabilities                                      | (4,562,716,753)                | (4,309,426,713)         |
| Non-controlling interests                        | <u>(35,862,882)</u>            | <u>(10,947,677)</u>     |
| Owners of Ruen Chen Investment Holding Co., Ltd. | <u>\$ 248,356,776</u>          | <u>\$ 42,312,936</u>    |
| Proportion of the Group                          | 20.00%                         | 20.00%                  |
| Equity attributable to the Group                 | 49,671,355                     | 8,462,587               |
| Other adjustments                                | <u>(59,312)</u>                | <u>(59,312)</u>         |
| Carrying amount                                  | <u>\$ 49,612,043</u>           | <u>\$ 8,403,275</u>     |
|  | For the Year Ended December 31 |                         |
|  | 2019                           | 2018                    |
| Operating revenue                                | <u>\$ 622,318,319</u>          | <u>\$ 636,836,934</u>   |
| Net income                                       | \$ 32,004,407                  | \$ 24,301,356           |
| Other comprehensive income (loss)                | <u>173,096,475</u>             | <u>(150,286,690)</u>    |
| Total comprehensive income (loss)                | <u>\$ 205,100,882</u>          | <u>\$ (125,985,334)</u> |

## 2) Associates that are not individually material

| Name of Associate                               | Proportion of Ownership and Voting Rights (%) |       |
|---|---|-------|
|   | December 31                                   |       |
|   | 2019  | 2018  |
| Eagle Nice (International) Holdings Limited     | 36.09   | 38.42 |
| San Fang Chemical Industry Co., Ltd.            | 44.72   | 44.72 |
| Elitegroup Computer Systems Co., Ltd.           | 19.50   | 19.50 |
| Bigfoot Limited                                 | -   | 48.76 |
| Enthroned Group Limited                         | -   | 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 |
| Pine Wood Industries Limited                    | 37.00   | 37.00 |
| Pou Ming Paper Products Manufacturing Co., Ltd. | 20.00   | 20.00 |
| Prosperlink Limited                             | 38.00   | 38.00 |
| Prosperous Industrial (Holdings) Ltd.           | 22.50   | 22.50 |
| Rise Bloom International Limited                | 38.00   | 38.00 |
| Silver Island Trading Ltd.                      | 50.00   | 50.00 |
| Supplyline Logistics Ltd.                       | 49.00   | 49.00 |
| Tien Pou International Ltd.                     | -   | 40.00 |
| Venture Well Holdings Ltd.                      | 31.55   | 31.55 |
| Nan Pao Resins Chemical Co., Ltd.               | 17.59   | 17.59 |
| Nan Shan Life Insurance Co., Ltd.               | 0.18  | -     |
| Techview International Technology Inc.          | 50.00   | 50.00 |

- a) Refer to Table 9 “Information on Investees” of Note 40 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 issuance of ordinary shares for cash of Nan Shan Life Insurance Company, Ltd., and purchasing 23,740 thousand shares with \$16 per share, with the amount of \$379,840 thousand. The proportion of ownership and voting rights of the Group is 0.18%, but the Group exercises significant influence over Ruen Chen Investment Holding Co., Ltd., which is the parent company of Nan Shan Life Insurance Company, Ltd., therefore, Nan Shan Life Insurance Company, Ltd. is classified to associate of the Group.
- e) 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  | <u>(3,006)</u>    |
| Gain recognized  | <u>\$ 126,049</u> |

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.

|                                   | <b>For the Year Ended December 31</b> |                   |
|-----------------------------------|---------------------------------------|-------------------|
|                                   | <b>2019</b>                           | <b>2018</b>       |
| The Group's share of:             |                                       |                   |
| Net income                        | \$ 875,282                            | \$ 455,631        |
| Other comprehensive income (loss) | <u>17,991</u>                         | <u>(207,395)</u>  |
| Total comprehensive income        | <u>\$ 893,273</u>                     | <u>\$ 248,236</u> |

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

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
| <b>Name of Associate</b>                    | <b>2019</b>         | <b>2018</b>         |
| Eagle Nice (International) Holdings Limited | <u>\$ 2,245,787</u> | <u>\$ 2,108,301</u> |
| Prosperous Industrial (Holdings) Ltd.       | <u>\$ 353,905</u>   | <u>\$ 1,106,858</u> |
| San Fang Chemical Industry Co., Ltd.        | <u>\$ 4,211,869</u> | <u>\$ 4,252,760</u> |
| Elitegroup Computer Systems Co., Ltd.       | <u>\$ 1,489,262</u> | <u>\$ 1,342,510</u> |
| Nan Pao Resins Chemical Co., Ltd.           | <u>\$ 3,194,684</u> | <u>\$ 2,385,590</u> |

- b. Investments in joint ventures

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2019</b>         | <b>2018</b>         |
| Joint ventures that are not individually material | \$ 7,461,297        | \$ 7,634,204        |
| Long-term receivable                              |                     |                     |
| Joint ventures that are not individually material | <u>-</u>            | <u>13,416</u>       |
|   | <u>\$ 7,461,297</u> | <u>\$ 7,647,620</u> |

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

| Name of Joint Ventures                           | Proportion of Ownership and<br>Voting Rights (%) |       |
|--|--|-------|
|  | December 31                                      |       |
|  | 2019   | 2018  |
| Beijing Baojing Kangtai Trading Co., Ltd.        | -  | 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 |
| Jilin Xinfangwei Sports Goods Company Limited    | 50.00  | 50.00 |
| Jumbo Power Enterprises Limited                  | 50.00  | 50.00 |
| Ka Yuen Rubber Factory Limited                   | 50.00  | 50.00 |
| Kounshan Baowei Information Technology Co., Ltd. | 55.00  | -     |
| 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 |

- 1) Refer to Table 9 “Information on Investees” of Note 40 for business location and business item of the joint ventures that are not individually material.
- 2) The summarized financial information below represents amounts shown in the financial statements of joint ventures that are not individually material which were prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes:

|                            | For the Year Ended December 31 |                   |
|----------------------------|--------------------------------|-------------------|
|                            | 2019                           | 2018              |
| The Group’s share of:      |                                |                   |
| Net income                 | \$ 772,652                     | \$ 812,909        |
| Other comprehensive loss   | <u>(62,125)</u>                | <u>(188,036)</u>  |
| Total comprehensive income | <u>\$ 710,527</u>              | <u>\$ 624,873</u> |



## 16. PROPERTY, PLANT AND EQUIPMENT

|  | Land                | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Office Equipment      | Other Equipment     | Construction in Progress | Total                  |
|--|---------------------|----------------------------|-------------------------|--------------------------|-----------------------|---------------------|--------------------------|------------------------|
| <b>Cost</b>                                    |                     |                            |                         |                          |                       |                     |                          |                        |
| 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                   | <u>\$ 2,241,872</u> | <u>\$ 83,585,164</u>       | <u>\$ 48,688,551</u>    | <u>\$ 1,313,491</u>      | <u>\$ 7,831,991</u>   | <u>\$ 238,491</u>   | <u>\$ 2,576,802</u>      | <u>\$ 146,476,362</u>  |
| <b>Accumulated depreciation and impairment</b> |                     |                            |                         |                          |                       |                     |                          |                        |
| 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                   | <u>\$ (5,241)</u>   | <u>\$ (33,313,198)</u>     | <u>\$ (27,944,301)</u>  | <u>\$ (877,720)</u>      | <u>\$ (5,006,144)</u> | <u>\$ (167,067)</u> | <u>\$ -</u>              | <u>\$ (67,313,721)</u> |
| Carrying amounts at December 31, 2018          | <u>\$ 2,236,631</u> | <u>\$ 50,271,966</u>       | <u>\$ 20,744,250</u>    | <u>\$ 435,771</u>        | <u>\$ 2,825,847</u>   | <u>\$ 71,424</u>    | <u>\$ 2,576,802</u>      | <u>\$ 79,162,641</u>   |
| <b>Cost</b>                                    |                     |                            |                         |                          |                       |                     |                          |                        |
| Balance at January 1, 2019                     | \$ 2,241,872        | \$ 83,585,164              | \$ 48,688,551           | \$ 1,313,491             | \$ 7,831,991          | \$ 238,491          | \$ 2,576,802             | \$ 146,476,362         |
| Additions                                      | -                   | 4,361,634                  | 4,541,889               | 102,923                  | 1,231,959             | 17,113              | 2,017,362                | 12,272,880             |
| Disposal                                       | -                   | (2,092,932)                | (2,077,623)             | (111,306)                | (460,496)             | (10,176)            | -                        | (4,752,533)            |
| Disposal of subsidiaries                       | -                   | (313,519)                  | -                       | -                        | (443,972)             | -                   | (21,028)                 | (778,519)              |
| Reclassification - other                       | 309,113             | 1,414,117                  | 12,877                  | 1,590                    | 16,051                | 17,092              | (1,507,373)              | 263,467                |
| Effects of exchange rate changes               | -                   | (1,959,708)                | (1,143,740)             | (28,544)                 | (179,126)             | (8)                 | (58,615)                 | (3,369,741)            |
| Urban renewal                                  | (5,943)             | -                          | -                       | -                        | -                     | -                   | -                        | (5,943)                |
| Balance at December 31, 2019                   | <u>\$ 2,545,042</u> | <u>\$ 84,994,756</u>       | <u>\$ 50,021,954</u>    | <u>\$ 1,278,154</u>      | <u>\$ 7,996,407</u>   | <u>\$ 262,512</u>   | <u>\$ 3,007,148</u>      | <u>\$ 150,105,973</u>  |
| <b>Accumulated depreciation and impairment</b> |                     |                            |                         |                          |                       |                     |                          |                        |
| Balance at January 1, 2019                     | \$ (5,241)          | \$ (33,313,198)            | \$ (27,944,301)         | \$ (877,720)             | \$ (5,006,144)        | \$ (167,067)        | \$ -                     | \$ (67,313,721)        |
| Depreciation expenses                          | -                   | (5,061,591)                | (4,780,721)             | (113,301)                | (909,933)             | (22,612)            | -                        | (10,888,158)           |
| Disposal                                       | -                   | 1,509,732                  | 1,674,504               | 92,113                   | 410,624               | 9,768               | -                        | 3,696,741              |
| Disposal of subsidiaries                       | -                   | 154,058                    | -                       | -                        | 188,099               | -                   | -                        | 342,157                |
| Reclassification - other                       | -                   | 17,324                     | (13)                    | -                        | (248)                 | (163)               | -                        | 16,900                 |
| Effects of exchange rate changes               | -                   | 937,503                    | 800,112                 | 21,807                   | 141,942               | 10                  | -                        | 1,901,374              |
| Balance at December 31, 2019                   | <u>\$ (5,241)</u>   | <u>\$ (35,756,172)</u>     | <u>\$ (30,250,419)</u>  | <u>\$ (877,151)</u>      | <u>\$ (5,175,660)</u> | <u>\$ (180,064)</u> | <u>\$ -</u>              | <u>\$ (72,244,707)</u> |
| Carrying amounts at December 31, 2019          | <u>\$ 2,539,801</u> | <u>\$ 49,238,584</u>       | <u>\$ 19,771,535</u>    | <u>\$ 401,003</u>        | <u>\$ 2,820,747</u>   | <u>\$ 82,448</u>    | <u>\$ 3,007,148</u>      | <u>\$ 77,861,266</u>   |

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

- The Group has a land 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.

**17. LEASE ARRANGEMENTS**

## a. Right-of-use assets - 2019

|   | <b>December 31,<br/>2019</b>                            |
|---|---|
| <u>Carrying amounts</u>                     |   |
| Land  | \$ 6,667,555  |
| Buildings                                   | 12,298,223  |
| Machinery                                   | 5,182   |
| Transportation equipment                    | 6,554   |
| Other equipment                             | <u>5,576</u>  |
|   | <u>\$ 18,983,090</u>                                    |
|   | <b>For the Year<br/>Ended<br/>December 31,<br/>2019</b> |
| Additions to right-of-use assets            | <u>\$ 7,678,670</u>                                     |
| Depreciation charge for right-of-use assets |   |
| Land  | \$ 151,654  |
| Buildings                                   | 4,149,894   |
| Machinery                                   | 5,387   |
| Transportation equipment                    | 4,341   |
| Other equipment                             | <u>438</u>  |
|   | <u>\$ 4,311,714</u>                                     |

## b. Lease liabilities - 2019

|                         | <b>December 31,<br/>2019</b> |
|-------------------------|------------------------------|
| <u>Carrying amounts</u> |                              |
| Current                 | \$ 3,908,023                 |
| Non-current             | <u>8,255,154</u>             |
|                         | <u>\$ 12,163,177</u>         |

Range of discount rate for lease liabilities was as follows:

|                          | <b>December 31,<br/>2019</b> |
|--------------------------|------------------------------|
| Land                     | 1.34%-5.00%                  |
| Buildings                | 1.34%-5.50%                  |
| Machinery                | 3.07%                        |
| Transportation equipment | 1.34%-4.50%                  |
| Other equipment          | 1.34%                        |



c. Other lease information

2019

**For the Year  
Ended  
December 31,  
2019**

|   |               |
|---|---------------|
| Expenses relating to short-term leases  | \$ 1,409,800  |
| Expenses relating to low-value asset leases   | \$ 2,533      |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ 8,409,159  |
| Total cash outflow for leases   | \$ 14,281,468 |

The Group leases which qualify as short-term leases and qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

**December 31,  
2018**

|  |               |
|--|---------------|
| Not later than 1 year                        | \$ 4,385,309  |
| Later than 1 year and not later than 5 years | 5,950,601     |
| Later than 5 years                           | 1,380,670     |
|  | \$ 11,716,580 |

**18. INVESTMENT PROPERTIES**

|  | <b>2019</b>  | <b>2018</b>  |
|--|--------------|--------------|
| <u>Cost</u>                                    |              |              |
| Balance at January 1                           | \$ 3,123,486 | \$ 2,792,801 |
| Additions                                      | 1,079        | 2,192        |
| Acquisitions through business combinations     | -            | 249,966      |
| Reclassification                               | 579,051      | 35,588       |
| Effects of exchange rate changes               | (38,339)     | 42,939       |
| Balance at December 31                         | \$ 3,665,277 | \$ 3,123,486 |
| <u>Accumulated depreciation and impairment</u> |              |              |
| Balance at January 1                           | \$ (811,465) | \$ (545,370) |
| Depreciation expenses                          | (26,507)     | (25,288)     |
| Acquisitions through business combinations     | -            | (221,983)    |
| Reclassification                               | (4,072)      | (1,490)      |
| Effects of exchange rate changes               | 18,618       | (17,334)     |
| Balance at December 31                         | \$ (823,426) | \$ (811,465) |
| Carrying amounts at December 31                | \$ 2,841,851 | \$ 2,312,021 |



- 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, 2019 and 2018 were \$5,198,009 thousand and \$3,690,038 thousand, respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 was as follows:

|                | <b>December 31,<br/>2019</b> |
|----------------|------------------------------|
| Year 1         | \$ 779,076                   |
| Year 2         | 539,687                      |
| Year 3         | 469,378                      |
| Year 4         | 337,465                      |
| Year 5         | 267,834                      |
| Year 6 onwards | <u>692,323</u>               |
|                | <u>\$ 3,085,763</u>          |

## 19. GOODWILL

|  | <b>2019</b>         | <b>2018</b>         |
|--|---------------------|---------------------|
| <u>Cost</u>                                |                     |                     |
| Balance at January 1                       | \$ 9,096,924        | \$ 8,914,622        |
| Acquisitions through business combinations | (347,127)           | -                   |
| Effects of exchange rate changes           | <u>(242,388)</u>    | <u>182,302</u>      |
| Balance at December 31                     | <u>\$ 8,507,409</u> | <u>\$ 9,096,924</u> |
| <u>Accumulated impairment</u>              |                     |                     |
| Balance at January 1                       | \$ (230,178)        | \$ (223,022)        |
| Recognized impairment losses               | (3,020)             | -                   |
| Effects of exchange rate changes           | <u>5,621</u>        | <u>(7,156)</u>      |
| Balance at December 31                     | <u>\$ (227,577)</u> | <u>\$ (230,178)</u> |
| Carrying amounts at December 31            | <u>\$ 8,279,832</u> | <u>\$ 8,866,746</u> |

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

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2019</b>         | <b>2018</b>         |
| <u>Goodwill</u>   |                     |                     |
| Manufacturing and marking of footwear materials                     | \$ 5,498,182        | \$ 5,635,957        |
| Manufacturing and marking of sports apparel                         | 10,373              | 10,627              |
| Retailing business - retail and distribution of sportswear products | 2,332,954           | 2,420,956           |
| Retailing business - retail and distribution of apparel             | -                   | 343,271             |
| Others  | <u>438,323</u>      | <u>455,935</u>      |
|   | <u>\$ 8,279,832</u> | <u>\$ 8,866,746</u> |



The Group has evaluated the recoverable amount of these cash-generating units for the years ended December 31, 2019 and 2018, 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   |             |               |             |
|---|---------------|-------------|---------------|-------------|
|   | 2019          |             | 2018          |             |
|   | Discount Rate | Growth Rate | Discount Rate | Growth Rate |
| Manufacturing and marking of footwear materials                     | 13%-17%       | 2%          | 13%-22%       | 2%          |
| Manufacturing and marking of sports apparel                         | 13%-17%       | 1%          | 13%-22%       | 1%          |
| Retailing business - retail and distribution of sportswear products | 13%-17%       | 3%          | 13%-22%       | 3%          |
| Retailing business - retail and distribution of apparel             | -             | -           | 13%-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.

## 20. OTHER INTANGIBLE ASSETS

|  | Patents     | Trademarks          | Computer Software | Customer Relationships | Brand Names         | Licensing Agreements | Non-compete Agreements | Total                 |
|--|-------------|---------------------|-------------------|------------------------|---------------------|----------------------|------------------------|-----------------------|
| <u>Cost</u>                                    |             |                     |                   |                        |                     |                      |                        |                       |
| 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                   | <u>\$ -</u> | <u>\$ 1,414,632</u> | <u>\$ -</u>       | <u>\$ 338,510</u>      | <u>\$ 2,090,002</u> | <u>\$ 448,623</u>    | <u>\$ 666,792</u>      | <u>\$ 4,958,559</u>   |
| <u>Accumulated amortization and impairment</u> |             |                     |                   |                        |                     |                      |                        |                       |
| 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                   | <u>\$ -</u> | <u>\$ (4)</u>       | <u>\$ -</u>       | <u>\$ (247,532)</u>    | <u>\$ (958,093)</u> | <u>\$ (281,042)</u>  | <u>\$ (284,421)</u>    | <u>\$ (1,771,092)</u> |
| Carrying amounts at December 31, 2018          | <u>\$ -</u> | <u>\$ 1,414,628</u> | <u>\$ -</u>       | <u>\$ 90,978</u>       | <u>\$ 1,131,909</u> | <u>\$ 167,581</u>    | <u>\$ 382,371</u>      | <u>\$ 3,187,467</u>   |

(Continued)

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| Cost                                    | Patents     | Trademarks     | Computer Software  | Customer Relationships | Brand Names           | Licensing Agreements | Non-compete Agreements | Total                 |
|---|-------------|----------------|--------------------|------------------------|-----------------------|----------------------|------------------------|-----------------------|
| Balance at January 1, 2019              | \$ -        | \$ 1,414,632   | \$ -               | \$ 338,510             | \$ 2,090,002          | \$ 448,623           | \$ 666,792             | \$ 4,958,559          |
| Additions                               | -           | -              | 448,436            | -                      | -                     | -                    | 41,642                 | 490,078               |
| Disposal                                | -           | (1,430,996)    | -                  | (328,911)              | -                     | -                    | -                      | (1,759,907)           |
| Reclassification                        | -           | -              | 508,423            | -                      | -                     | -                    | -                      | 508,423               |
| Effects of exchange rate changes        | -           | 16,386         | -                  | (9,599)                | (78,044)              | (15,652)             | (25,909)               | (112,818)             |
| Balance at December 31, 2019            | <u>\$ -</u> | <u>\$ 22</u>   | <u>\$ 956,859</u>  | <u>\$ -</u>            | <u>\$ 2,011,958</u>   | <u>\$ 432,971</u>    | <u>\$ 682,525</u>      | <u>\$ 4,084,335</u>   |
| Accumulated amortization and impairment |             |                |                    |                        |                       |                      |                        |                       |
| Balance at January 1, 2019              | \$ -        | \$ (4)         | \$ -               | \$ (247,532)           | \$ (958,093)          | \$ (281,042)         | \$ (284,421)           | \$ (1,771,092)        |
| Disposal                                | -           | -              | -                  | 260,523                | -                     | -                    | -                      | 260,523               |
| Amortization expenses                   | -           | (18)           | (27,233)           | (16,080)               | (377,260)             | (45,318)             | (34,932)               | (500,841)             |
| Effects of exchange rate changes        | -           | -              | -                  | 3,089                  | 49,841                | 11,540               | 11,908                 | 76,378                |
| Balance at December 31, 2019            | <u>\$ -</u> | <u>\$ (22)</u> | <u>\$ (27,233)</u> | <u>\$ -</u>            | <u>\$ (1,285,512)</u> | <u>\$ (314,820)</u>  | <u>\$ (307,445)</u>    | <u>\$ (1,935,032)</u> |
| Carrying amounts at December 31, 2019   | <u>\$ -</u> | <u>\$ -</u>    | <u>\$ 929,626</u>  | <u>\$ -</u>            | <u>\$ 726,446</u>     | <u>\$ 118,151</u>    | <u>\$ 375,080</u>      | <u>\$ 2,149,303</u>   |

(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              |
| Computer software      | 10-20 years           |
| Customer relationships | 8 years               |
| Brand names            | 5 years               |
| Licensing agreements   | 10 years              |
| Non-compete agreements | 5-20 years            |

## 21. BORROWINGS

### a. Short-term borrowings

|                             | December 31          |                      |
|-----------------------------|----------------------|----------------------|
|                             | 2019                 | 2018                 |
| <u>Unsecured borrowings</u> |                      |                      |
| Credit borrowings           | <u>\$ 42,247,828</u> | <u>\$ 37,560,974</u> |

The range of effective interest rate on bank borrowings was 0.66%-5.00% and 0.60%-6.70% per annum as of December 31, 2019 and 2018, respectively.

### b. Short-term bills payable

| December 31, 2019                           | Annual Interest Rate (%) | Amount              |
|---|--------------------------|---------------------|
| Commercial papers                           | 0.64-0.89                | \$ 2,548,500        |
| Less: Unamortized discount on bills payable |                          | <u>(822)</u>        |
|   |                          | <u>\$ 2,547,678</u> |



December 31, 2018

|   | <b>Annual<br/>Interest Rate<br/>(%)</b> | <b>Amount</b>       |
|---|---|---------------------|
| Commercial papers                           | 0.58-0.82                               | \$ 2,870,000        |
| Less: Unamortized discount on bills payable |   | <u>(775)</u>        |
|   |   | <u>\$ 2,869,225</u> |

c. Long-term borrowings

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2019</b>          | <b>2018</b>          |
| <u>Unsecured borrowings</u>                  |                      |                      |
| Bank loans                                   | \$ 60,758,044        | \$ 58,181,619        |
| Less: Long-term expenses for syndicated loan | (204,194)            | (291,915)            |
| Less: Current portion                        | <u>(263,796)</u>     | <u>(4,194,398)</u>   |
|  | <u>\$ 60,290,054</u> | <u>\$ 53,695,306</u> |

Maturity date and range of annual interest rate:

|   | <b>December 31</b>        |                           |
|---|---------------------------|---------------------------|
|   | <b>2019</b>               | <b>2018</b>               |
| <u>Maturity date</u>                    |                           |                           |
| Long-term borrowings                    | 2021.01.15-<br>2026.07.15 | 2020.01.15-<br>2026.07.15 |
| Current portion of long-term borrowings | 2020.01.15-<br>2020.10.15 | 2019.03.27-<br>2019.12.03 |
| <u>Range of interest rate</u>           | 0.91%-2.65%               | 1.01%-3.75%               |

**22. NOTES PAYABLE AND ACCOUNTS PAYABLE**

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2019</b>          | <b>2018</b>          |
| <u>Notes payable (including related parties)</u> |                      |                      |
| Operating  | \$ 4,236             | \$ 5,986             |
| Non-operating                                    | <u>6,963</u>         | <u>3,420</u>         |
|  | <u>\$ 11,199</u>     | <u>\$ 9,406</u>      |
| Accounts payable (including related parties)     | <u>\$ 14,866,337</u> | <u>\$ 15,101,841</u> |

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

**23. OTHER PAYABLES**

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2019</b>          | <b>2018</b>          |
| Payables for salaries                                  | \$ 12,205,156        | \$ 11,946,991        |
| Payables for purchase of property, plant and equipment | 2,726,377            | 3,143,362            |
| Compensation due to directors and supervisors          | 168,575              | 174,347              |
| Employee compensation payables                         | 777,250              | 756,902              |
| Interest payables                                      | 239,973              | 259,573              |
| Payables for acquisition of subsidiary and business    | -                    | 8,293                |
| Payables for annual leave                              | 1,165,164            | 1,000,389            |
| Others   | 8,165,832            | 8,104,994            |
|  | <u>\$ 25,448,327</u> | <u>\$ 25,394,851</u> |
| Current  | \$ 25,295,496        | \$ 25,243,368        |
| Non-current  | <u>152,831</u>       | <u>151,483</u>       |
|  | <u>\$ 25,448,327</u> | <u>\$ 25,394,851</u> |

**24. 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 \$3,220,931 thousand and \$2,547,595 thousand as of December 31, 2019 and 2018, respectively. Movements in the net defined benefit liability were as follows:

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
| <b>Present Value of Defined Benefit Obligation</b>                  | <b>2019</b>         | <b>2018</b>         |
| Balance at January 1  | <u>\$ 2,547,595</u> | <u>\$ 2,531,624</u> |
| Current service cost  | 227,807             | 256,689             |
| Past service loss (gain)  | 14,846              | (57,826)            |
| Net interest expense  | 232,044             | 185,537             |
| Others  | 11,661              | 7,213               |
| Recognized in profit or loss  | <u>486,358</u>      | <u>391,613</u>      |
| Remeasurement   |                     |                     |
| Actuarial loss arising from changes in demographic assumptions      | 7,975               | -                   |
| Actuarial loss (gain) arising from changes in financial assumptions | 198,048             | (417,816)           |
| Actuarial loss arising from experience adjustments                  | 60,650              | 265,101             |
| Effect of exchange rate changes of remeasurement                    | <u>23,804</u>       | <u>(5,590)</u>      |

(Continued)



| Present Value of Defined Benefit Obligation      | December 31         |                                    |
|--|---------------------|------------------------------------|
|  | 2019                | 2018                               |
| Recognized in other comprehensive gain (loss)    | \$ 290,477          | \$ (158,305)                       |
| Benefits paid                                    | (175,070)           | (131,480)                          |
| Effect of exchange rate changes on foreign plans | 71,571              | (85,857)                           |
| Balance at December 31                           | <u>\$ 3,220,931</u> | <u>\$ 2,547,595</u><br>(Concluded) |

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 |             |
|----------------------------------|-------------|-------------|
|                                  | 2019        | 2018        |
| Discount rate                    | 8.00%-8.25% | 8.50%-9.25% |
| Expected rate of salary increase | 6.00%-8.00% | 5.00%-8.00% |

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 |             |
|----------------------------------|-------------|-------------|
|                                  | 2019        | 2018        |
| Discount rate                    |             |             |
| 0.25% increase                   | \$ (90,484) | \$ (61,257) |
| 0.25% decrease                   | \$ 107,525  | \$ 68,981   |
| Expected rate of salary increase |             |             |
| 0.25% increase                   | \$ 113,621  | \$ 74,528   |
| 0.25% decrease                   | \$ (97,000) | \$ (66,961) |

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:

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2019</b>        | <b>2018</b>       |
| Present value of defined benefit obligation | \$ 787,994         | \$ 732,737        |
| Fair value of plan assets                   | <u>(483,488)</u>   | <u>(457,439)</u>  |
| Net defined benefit liability               | <u>\$ 304,506</u>  | <u>\$ 275,298</u> |

Movements in net defined benefit liability (asset) were as follows:

|  | <b>Present Value<br/>of Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|--|--|--------------------------------------|--|
| Balance at January 1, 2018   | <u>\$ 785,872</u>  | <u>\$ (137,253)</u>                  | <u>\$ 648,619</u>                            |
| Current service cost   | 4,552  | -                                    | 4,552  |
| Past service cost  | 9,949  | -                                    | 9,949  |
| Net interest expense (income)                                      | <u>8,924</u>   | <u>(1,628)</u>                       | <u>7,296</u>                                 |
| Recognized in profit or loss                                       | <u>23,425</u>  | <u>(1,628)</u>                       | <u>21,797</u>                                |
| 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                 | <u>(8,846)</u>   | <u>-</u>                             | <u>(8,846)</u>                               |
| Recognized in other comprehensive income (loss)                    | <u>44,506</u>  | <u>(891)</u>                         | <u>43,615</u>                                |
| Contributions from the employer                                    | -  | (401,464)                            | (401,464)                                    |
| Benefits paid  | (85,412)   | 77,362                               | (8,050)                                      |
| Others   | <u>(35,654)</u>  | <u>6,435</u>                         | <u>(29,219)</u>                              |
| Balance at December 31, 2018                                       | <u>\$ 732,737</u>  | <u>\$ (457,439)</u>                  | <u>\$ 275,298</u>                            |
| Balance at January 1, 2019   | <u>\$ 732,737</u>  | <u>\$ (457,439)</u>                  | <u>\$ 275,298</u>                            |
| Current service cost   | 11,096   | -                                    | 11,096                                       |
| Past service cost  | -  | -                                    | -  |
| Net interest expense (income)                                      | 8,353  | (5,060)                              | 3,293  |
| Others   | <u>(29,051)</u>  | <u>-</u>                             | <u>(29,051)</u>                              |
| Recognized in profit or loss                                       | <u>(9,602)</u>   | <u>(5,060)</u>                       | <u>(14,662)</u>                              |

(Continued)



|  | Present Value<br>of Defined<br>Benefit<br>Obligation | Fair Value of<br>Plan Assets | Net Defined<br>Benefit<br>Liability |
|--|--|------------------------------|-------------------------------------|
| Remeasurement  |  |                              |                                     |
| Return on plan assets (excluding amounts included in net interest) | \$ -   | \$ (14,870)                  | \$ (14,870)                         |
| Actuarial loss arising from changes in demographic assumptions     | 600  | -                            | 600                                 |
| Actuarial loss arising from changes in financial assumptions       | 34,927   | -                            | 34,927                              |
| Actuarial loss arising from experience adjustments                 | <u>5,756</u>   | <u>-</u>                     | <u>5,756</u>                        |
| Recognized in other comprehensive income (loss)                    | <u>41,283</u>  | <u>(14,870)</u>              | <u>26,413</u>                       |
| Contributions from the employer                                    | -  | (8,048)                      | (8,048)                             |
| Benefits paid  | (54,993)   | 54,993                       | -                                   |
| Others   | <u>78,569</u>  | <u>(53,064)</u>              | <u>25,505</u>                       |
| Balance at December 31, 2019                                       | <u>\$ 787,994</u>                                    | <u>\$ (483,488)</u>          | <u>\$ 304,506</u><br>(Concluded)    |

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 |       |
|----------------------------------|-------------|-------|
|                                  | 2019        | 2018  |
| Discount rate                    | 0.75%       | 1.00% |
| Expected rate of salary increase | 2.00%-3.25% | 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:

|                                  | <b>December 31</b> |                    |
|----------------------------------|--------------------|--------------------|
|                                  | <b>2019</b>        | <b>2018</b>        |
| Discount rate                    |                    |                    |
| 0.25% increase                   | <u>\$ (21,369)</u> | <u>\$ (18,602)</u> |
| 0.25% decrease                   | <u>\$ 22,195</u>   | <u>\$ 19,326</u>   |
| Expected rate of salary increase |                    |                    |
| 0.25% increase                   | <u>\$ 21,522</u>   | <u>\$ 18,783</u>   |
| 0.25% decrease                   | <u>\$ (20,851)</u> | <u>\$ (18,180)</u> |

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.

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2019</b>        | <b>2018</b>      |
| The expected contributions to the plan for the next year | <u>\$ 23,235</u>   | <u>\$ 11,150</u> |
| The average duration of the defined benefit obligation   | 10.3-12.3 years    | 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:

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2019</b>        | <b>2018</b>       |
| Defined benefit liability              | \$ 726,165         | \$ 670,776        |
| Less: Defined benefit assets (Note 13) | <u>(43,754)</u>    | <u>(43,754)</u>   |
|  | <u>\$ 682,411</u>  | <u>\$ 627,022</u> |



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:

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2019</b>        | <b>2018</b>       |
| Present value of defined benefit obligation | \$ 1,549,362       | \$ 1,501,789      |
| Fair value of plan assets                   | <u>(866,951)</u>   | <u>(874,767)</u>  |
| Net defined benefit liability               | <u>\$ 682,411</u>  | <u>\$ 627,022</u> |

Movements in net defined benefit liability (asset) were as follows:

|  | <b>Present Value<br/>of Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|--|--|--------------------------------------|--|
| Balance at January 1, 2018   | <u>\$ 1,517,664</u>  | <u>\$ (808,838)</u>                  | <u>\$ 708,826</u>                            |
| Current service cost   | 13,522   | -                                    | 13,522                                       |
| Past service cost  | 39,247   | -                                    | 39,247                                       |
| Net interest expense (income)                                      | <u>18,246</u>  | <u>(9,900)</u>                       | <u>8,346</u>                                 |
| Recognized in profit or loss                                       | <u>71,015</u>  | <u>(9,900)</u>                       | <u>61,115</u>                                |
| 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                 | <u>9,422</u>   | <u>-</u>                             | <u>9,422</u>                                 |
| Recognized in other comprehensive income (loss)                    | <u>55,612</u>  | <u>(18,460)</u>                      | <u>37,152</u>                                |
| Contributions from the employer                                    | -  | (169,644)                            | (169,644)                                    |
| Benefits paid  | (132,075)  | 132,075                              | -  |
| Others   | <u>(10,427)</u>  | <u>-</u>                             | <u>(10,427)</u>                              |
| Balance at December 31, 2018                                       | <u>\$ 1,501,789</u>  | <u>\$ (874,767)</u>                  | <u>\$ 627,022</u>                            |
| Balance at January 1, 2019   | <u>\$ 1,501,789</u>  | <u>\$ (874,767)</u>                  | <u>\$ 627,022</u>                            |
| Current service cost   | 10,808   | -                                    | 10,808                                       |
| Past service cost  | 25,571   | -                                    | 25,571                                       |
| Net interest expense (income)                                      | <u>16,268</u>  | <u>(9,644)</u>                       | <u>6,624</u>                                 |
| Recognized in profit or loss                                       | <u>52,647</u>  | <u>(9,644)</u>                       | <u>43,003</u>                                |

(Continued)

|  | Present Value<br>of Defined<br>Benefit<br>Obligation | Fair Value of<br>Plan Assets | Net Defined<br>Benefit<br>Liability |
|--|--|------------------------------|-------------------------------------|
| Remeasurement  |  |                              |                                     |
| Return on plan assets (excluding amounts included in net interest) | \$ -   | \$ (29,309)                  | \$ (29,309)                         |
| Actuarial loss arising from changes in demographic assumptions     | 3,878  | -                            | 3,878                               |
| Actuarial loss arising from changes in financial assumptions       | 65,174   | -                            | 65,174                              |
| Actuarial loss arising from experience adjustments                 | <u>(10,084)</u>                                      | <u>-</u>                     | <u>(10,084)</u>                     |
| Recognized in other comprehensive income (loss)                    | <u>58,968</u>  | <u>(29,309)</u>              | <u>29,659</u>                       |
| Contributions from the employer                                    | -  | (17,746)                     | (17,746)                            |
| Benefits paid  | (64,515)   | 64,515                       | -                                   |
| Others   | <u>473</u>   | <u>-</u>                     | <u>473</u>                          |
| Balance at December 31, 2019                                       | <u>\$ 1,549,362</u>                                  | <u>\$ (866,951)</u>          | <u>\$ 682,411</u><br>(Concluded)    |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

|                                     | <b>For the Year Ended December 31</b> |                  |
|-------------------------------------|---------------------------------------|------------------|
|                                     | <b>2019</b>                           | <b>2018</b>      |
| Operating costs                     | \$ 63                                 | \$ 77            |
| Selling and marketing expenses      | 13                                    | 34               |
| General and administrative expenses | 32,989                                | 35,170           |
| Research and development expenses   | <u>9,938</u>                          | <u>25,834</u>    |
|                                     | <u>\$ 43,003</u>                      | <u>\$ 61,115</u> |

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 |        |
|----------------------------------|-------------|--------|
|                                  | 2019        | 2018   |
| Discount rate                    | 0.750%      | 1.125% |
| Expected rate of salary increase | 2.00%       | 2.00%  |

If possible reasonable changes will occur in each of the significant actuarial assumptions, and other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

|                                  | December 31        |                    |
|----------------------------------|--------------------|--------------------|
|                                  | 2019               | 2018               |
| Discount rate                    |                    |                    |
| 0.25% increase                   | <u>\$ (44,212)</u> | <u>\$ (43,852)</u> |
| 0.25% decrease                   | <u>\$ 46,072</u>   | <u>\$ 45,747</u>   |
| Expected rate of salary increase |                    |                    |
| 0.25% increase                   | <u>\$ 44,712</u>   | <u>\$ 44,549</u>   |
| 0.25% decrease                   | <u>\$ (43,139)</u> | <u>\$ (42,928)</u> |

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      |                   |
|--|------------------|-------------------|
|  | 2019             | 2018              |
| The expected contributions to the plan for the next year | <u>\$ 17,774</u> | <u>\$ 169,580</u> |
| The average duration of the defined benefit obligation   | 8.9-11.7 years   | 11.9 years        |

## 25. EQUITY

### a. Share capital

|   | December 31          |                      |
|---|----------------------|----------------------|
|   | 2019                 | 2018                 |
| Number of shares authorized (in thousands)            | <u>4,500,000</u>     | <u>4,500,000</u>     |
| Shares authorized                                     | <u>\$ 45,000,000</u> | <u>\$ 45,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>2,946,787</u>     | <u>2,946,787</u>     |
| Shares issued   | <u>\$ 29,467,872</u> | <u>\$ 29,467,872</u> |

b. Capital surplus

|   | December 31         |                     |
|---|---------------------|---------------------|
|   | 2019                | 2018                |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>   |                     |                     |
| 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 | 339,730             | 343,269             |
| <u>May not be used for any purpose</u>  |                     |                     |
| Recognized from share of changes in net assets of associates and joint ventures   | 131,964             | 136,120             |
|   | <u>\$ 4,592,397</u> | <u>\$ 4,600,092</u> |

\* 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).

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.

The board of Directors proposes an earnings distribution in the form of new shares shall be approved following the resolution of the shareholders' meetings. Distribution of dividends and bonuses or distribution of the legal reserve and capital surplus in whole or in part by cash shall be resolved by a majority vote at a meeting attended by more than two thirds of the total number of directors, and such distribution shall be reported at the shareholders' meeting.

For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 27 (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 2018 and 2017 had been approved in the shareholders' meetings on June 13, 2019 and June 15, 2018, respectively, were as follows:

|                 | <b>Appropriation of Earnings</b> |                          | <b>Dividends Per Share<br/>(NT\$)</b> |                          |
|-----------------|----------------------------------|--------------------------|---------------------------------------|--------------------------|
|                 | <b>For<br/>Year 2018</b>         | <b>For<br/>Year 2017</b> | <b>For<br/>Year 2018</b>              | <b>For<br/>Year 2017</b> |
| Legal reserve   | \$ 1,070,865                     | \$ 1,292,161             | \$ -                                  | \$ -                     |
| Special reserve | 8,376,139                        | 280,862                  | -                                     | -                        |
| Cash dividends  | 4,420,181                        | 5,893,574                | 1.50                                  | 2.00                     |

d. Other equity item

1) Exchange differences on translation foreign operations

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2019</b>                           | <b>2018</b>         |
| Balance at January 1   | \$ (312,124)                          | \$ (1,790,529)      |
| Exchange differences arising on translation of foreign operations                                | (2,157,188)                           | 1,491,478           |
| Share of exchange differences of associates and joint ventures accounted for using equity method | <u>(28,837)</u>                       | <u>(13,073)</u>     |
| Balance at December 31   | <u>\$ (2,498,149)</u>                 | <u>\$ (312,124)</u> |

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

|   | <b>For the Year<br/>Ended<br/>December 30,<br/>2018</b> |
|---|---|
| Balance at January 1                        | \$ (12,127,139)   |
| Adjustment on initial application of IFRS 9 | <u>12,127,139</u>                                       |
| Balance at December 31                      | <u>\$ -</u>   |

## 3) Unrealized gain or loss on financial assets at FVTOCI

|   | <b>For the Year Ended December 31</b> |                       |
|---|---------------------------------------|-----------------------|
|   | <b>2019</b>                           | <b>2018</b>           |
| Balance at January 1  | \$ (8,483,931)                        | \$ -                  |
| Adjustment on initial application of IFRS 9   | -                                     | 1,860,011             |
| Balance at January 1 per IFRS 9   | (8,483,931)                           | 1,860,011             |
| Unrealized gain from equity instruments   | 2,947,208                             | 546,188               |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | 1,847,124                             | 2,333,670             |
| Share of loss from associates and joint ventures accounted for using equity method                | 17,449,072                            | (13,223,800)          |
| Balance at December 31  | <u>\$ 13,759,473</u>                  | <u>\$ (8,483,931)</u> |

## 4) Others

|  | <b>For the Year Ended December 31</b> |                        |
|--|---------------------------------------|------------------------|
|  | <b>2019</b>                           | <b>2018</b>            |
| Balance at January 1   | \$ (13,497,314)                       | \$ 438                 |
| Adjustment on initial application of IFRS 9  | -                                     | (506,875)              |
| Balance at January 1 per IFRS 9  | (13,497,314)                          | (506,437)              |
| Share of loss from associates and joint ventures accounted for using equity method | 13,920,557                            | (12,990,877)           |
| Balance at December 31   | <u>\$ 423,243</u>                     | <u>\$ (13,497,314)</u> |

## e. Non-controlling interests

|   | <b>For the Year Ended December 31</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>2019</b>                           | <b>2018</b>          |
| Balance at January 1  | \$ 74,334,314                         | \$ 74,764,568        |
| Share of non-controlling interests                                |                                       |                      |
| Net income  | 6,174,165                             | 5,663,220            |
| Exchange differences arising on translation of foreign operations | (2,283,545)                           | 1,089,740            |
| Unrealized loss on financial assets at FVTOCI                     | 140,500                               | (206,221)            |
| Others  | 99                                    | -                    |
| Actuarial loss arising from defined benefit plans                 | (115,690)                             | 38,238               |
| Change in non-controlling interests                               | <u>(5,789,755)</u>                    | <u>(7,015,231)</u>   |
| Balance at December 31  | <u>\$ 72,460,088</u>                  | <u>\$ 74,334,314</u> |



## 26. REVENUE

|                                       | <b>For the Year Ended December 31</b> |                       |
|---------------------------------------|---------------------------------------|-----------------------|
|                                       | <b>2019</b>                           | <b>2018</b>           |
| Sales revenue                         | \$ 312,418,165                        | \$ 292,645,966        |
| Revenue from entertainment and resort | 527,994                               | 530,752               |
| Others                                | <u>210,426</u>                        | <u>139,371</u>        |
|                                       | <u>\$ 313,156,585</u>                 | <u>\$ 293,316,089</u> |

## 27. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

### a. Other income

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2019</b>                           | <b>2018</b>         |
| Rental income                                 |                                       |                     |
| Rental income from operating lease            |                                       |                     |
| Investment properties                         | \$ 17,064                             | \$ 69,057           |
| Others  | <u>553,946</u>                        | <u>486,302</u>      |
|   | <u>571,010</u>                        | <u>555,359</u>      |
| Interest income                               |                                       |                     |
| Cash in bank                                  | 477,064                               | 404,418             |
| Repurchase agreements collateralized by bonds | 16,984                                | 16,415              |
| Financial assets at FVTPL                     | 14,439                                | -                   |
| Financial assets at amortized cost            | 249,711                               | 174,171             |
| Others  | <u>25,920</u>                         | <u>20,616</u>       |
|   | <u>784,118</u>                        | <u>615,620</u>      |
| Dividend income                               | 988,097                               | 898,686             |
| Others  | <u>1,730,190</u>                      | <u>1,567,583</u>    |
|   | <u>\$ 4,073,415</u>                   | <u>\$ 3,637,248</u> |

### b. Other gains and losses

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2019</b>                           | <b>2018</b>         |
| Net loss on disposal of property, plant and equipment               | \$ (562,142)                          | \$ (524,208)        |
| Net foreign exchange (loss) gain                                    | (702,081)                             | 442,678             |
| Net gain on disposal of subsidiaries, associates and joint ventures | 579,794                               | 153,872             |
| Net gain arising on financial assets at FVTPL                       | 872,204                               | 1,030,962           |
| Net loss arising on financial liabilities at FVTPL                  | (394,032)                             | (1,034,387)         |
| Recognized (reversal) of impairment loss                            | (308,296)                             | 116                 |
| Others  | <u>(156,654)</u>                      | <u>(239,492)</u>    |
|   | <u>\$ (671,207)</u>                   | <u>\$ (170,459)</u> |



c. Finance costs

|                                      | <b>For the Year Ended December 31</b> |                     |
|--------------------------------------|---------------------------------------|---------------------|
|                                      | <b>2019</b>                           | <b>2018</b>         |
| Interest on bank borrowings          | \$ 2,685,982                          | \$ 2,707,054        |
| Interest on short-term bills payable | 18,857                                | 23,621              |
| Lease liability                      | 479,585                               | -                   |
| Other interest expense               | <u>57,531</u>                         | <u>50,707</u>       |
|                                      | <u>\$ 3,241,955</u>                   | <u>\$ 2,781,382</u> |

d. Depreciation and amortization

|   | <b>For the Year Ended December 31</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>2019</b>                           | <b>2018</b>          |
| Property, plant and equipment           | \$ 10,888,158                         | \$ 9,823,841         |
| Investment properties                   | 4,311,714                             | -                    |
| Other intangible assets                 | 26,507                                | 25,288               |
| Right for use assets                    | 500,841                               | 574,294              |
| Prepayments for lease                   | -                                     | 124,028              |
| Other prepaid expense                   | <u>1,851</u>                          | <u>2,020</u>         |
|   | <u>\$ 15,729,071</u>                  | <u>\$ 10,549,471</u> |
| An analysis of depreciation by function |                                       |                      |
| Operating costs                         | \$ 6,452,752                          | \$ 5,754,014         |
| Operating expenses                      | 8,769,178                             | 4,084,043            |
| Non-operating expenses                  | <u>4,449</u>                          | <u>11,072</u>        |
|   | <u>\$ 15,226,379</u>                  | <u>\$ 9,849,129</u>  |
| An analysis of amortization by function |                                       |                      |
| Operating costs                         | \$ -                                  | \$ 1,552             |
| Operating expenses                      | <u>502,692</u>                        | <u>698,790</u>       |
|   | <u>\$ 502,692</u>                     | <u>\$ 700,342</u>    |

e. Direct operating expenses from investment properties

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2019</b>                           | <b>2018</b>      |
| Direct operating expenses from investment properties that generated rental income | <u>\$ 46,394</u>                      | <u>\$ 43,505</u> |



f. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                      |
|--|---------------------------------------|----------------------|
|  | <b>2019</b>                           | <b>2018</b>          |
| Short-term benefits                                  | \$ 69,330,299                         | \$ 65,737,075        |
| Post-employment benefits                             |                                       |                      |
| Defined contribution plans                           | 7,774,972                             | 6,670,906            |
| Defined benefit plans                                | <u>514,699</u>                        | <u>474,525</u>       |
|  | 8,289,671                             | 7,145,431            |
| Share-based payments                                 |                                       |                      |
| Equity-settled                                       | 154,948                               | 130,489              |
| Termination benefits                                 | <u>8,115</u>                          | <u>25,368</u>        |
|  | <u>\$ 77,783,033</u>                  | <u>\$ 73,038,363</u> |
| An analysis of employee benefits expense by function |                                       |                      |
| Operating costs                                      | \$ 51,288,221                         | \$ 47,832,339        |
| Operating expenses                                   | <u>26,494,812</u>                     | <u>25,206,024</u>    |
|  | <u>\$ 77,783,033</u>                  | <u>\$ 73,038,363</u> |

As of December 31, 2019 and 2018, there were 351,591 and 352,256 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, 2019 and 2018 which were approved by the Company's board of directors on March 31, 2020 and March 25, 2019, respectively, were as follows:

Accrual rate

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2019</b>                           | <b>2018</b> |
| Employees' compensation                   | 1.6%                                  | 1.8%        |
| Remuneration of directors and supervisors | 0.8%                                  | 0.9%        |

Amount

|   | <b>For the Year Ended December 31</b> |               |             |               |
|---|---------------------------------------|---------------|-------------|---------------|
|   | <b>2019</b>                           |               | <b>2018</b> |               |
|   | <b>Cash</b>                           | <b>Shares</b> | <b>Cash</b> | <b>Shares</b> |
| Employees' compensation                   | \$ 203,200                            | \$ -          | \$ 214,776  | \$ -          |
| Remuneration of directors and supervisors | 101,600                               | -             | 107,388     | -             |

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, 2018 and 2017.

Information on the employees' compensation and remuneration to of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 28. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2019</b>                           | <b>2018</b>         |
| Current tax                                     |                                       |                     |
| In respect of the current period                | \$ 3,344,868                          | \$ 3,593,851        |
| Income tax expense of unappropriated earnings   | <u>-</u>                              | <u>506,950</u>      |
|   | <u>3,344,868</u>                      | <u>4,188,595</u>    |
| Deferred tax                                    |                                       |                     |
| In respect of the current period                | 169,211                               | (299,986)           |
| Change of tax rate                              | <u>-</u>                              | <u>(92)</u>         |
|   | <u>169,211</u>                        | <u>(300,078)</u>    |
| Adjustments for prior periods                   | <u>5,125</u>                          | <u>87,794</u>       |
| Income tax expense recognized in profit or loss | <u>\$ 3,519,204</u>                   | <u>\$ 3,888,517</u> |

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

|   | <b>For the Year Ended December 31</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>2019</b>                           | <b>2018</b>          |
| Income before income tax                            | <u>\$ 21,521,978</u>                  | <u>\$ 20,260,383</u> |
| Income tax expense calculated at the statutory rate | \$ 4,304,395                          | \$ 4,052,077         |
| Tax effect of adjusting items                       |                                       |                      |
| Tax-exempt income                                   | (193,395)                             | (155,741)            |
| Investment income recognized under equity method    | (1,482,905)                           | (979,206)            |
| Others  | 885,984                               | 376,735              |
| Income tax on unappropriated earnings               | -                                     | 506,950              |
| Change of tax rate                                  | <u>-</u>                              | <u>(92)</u>          |
| Current tax   | <u>3,514,079</u>                      | <u>3,800,723</u>     |
| Adjustments for prior years' income tax             | <u>5,125</u>                          | <u>87,794</u>        |
| Income tax expense recognized in profit or loss     | <u>\$ 3,519,204</u>                   | <u>\$ 3,888,517</u>  |

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. 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 2020 appropriations of earnings is uncertain, the potential income tax consequences of 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2019</b>                           | <b>2018</b> |
| <u>Deferred tax</u>                                       |                                       |             |
| In respect of the current year                            |                                       |             |
| Others (please specify)                                   | \$ (132,935)                          | \$ -        |
| Total income tax recognized in other comprehensive income | <u>\$ (132,935)</u>                   | <u>\$ -</u> |

c. Deferred tax assets and liabilities

The details of deferred tax assets and liabilities were as follows:

|                                 | <b>December 31</b>  |                     |
|---------------------------------|---------------------|---------------------|
|                                 | <b>2019</b>         | <b>2018</b>         |
| <u>Deferred tax assets</u>      |                     |                     |
| Temporary differences           |                     |                     |
| Others                          | <u>\$ 2,167,426</u> | <u>\$ 1,951,026</u> |
| <u>Deferred tax liabilities</u> |                     |                     |
| Temporary differences           |                     |                     |
| Land value increment tax        | \$ 86,547           | \$ 86,547           |
| Others                          | <u>1,540,755</u>    | <u>1,266,853</u>    |
|                                 | <u>\$ 1,627,302</u> | <u>\$ 1,353,400</u> |

d. Income tax assessments

The tax returns of the Company through 2017, have been assessed by the tax authorities.

## 29. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2019 and 2018 were as follows:

|  | <b>For the Year Ended December 31</b> |                      |
|--|---------------------------------------|----------------------|
|  | <b>2019</b>                           | <b>2018</b>          |
| <u>Net income (in thousand dollars)</u>                |                                       |                      |
| Earnings used in the computation of earnings per share | <u>\$ 11,828,609</u>                  | <u>\$ 10,708,646</u> |
|  |                                       | (Continued)          |

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2019</b>                           | <b>2018</b>      |
| <u>Weighted average number of shares outstanding (in thousand shares)</u>                        |                                       |                  |
| 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  | <u>6,430</u>                          | <u>8,085</u>     |
| Weighted average number of Ordinary shares used in the computation of diluted earnings per share | <u>2,953,217</u>                      | <u>2,954,872</u> |
| <u>Earnings per share (in dollars)</u>   |                                       |                  |
| Basic earnings per share   | <u>\$4.01</u>                         | <u>\$3.63</u>    |
| Diluted earnings per share   | <u>\$4.01</u>                         | <u>\$3.62</u>    |
|  |                                       | (Concluded)      |

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 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.

### 30. SHARE-BASED PAYMENT ARRANGEMENTS

#### a. 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, 2019 and 2018 was as follows:

|                        | <b>Number of Shares (In Thousands)</b> |              |
|------------------------|--|--------------|
|                        | <b>2019</b>                            | <b>2018</b>  |
| Balance at January 1   | 1,387                                  | 1,053        |
| Options granted        | 60                                     | 1,417        |
| Options cancelled      | (60)                                   | (99)         |
| Options exercised      | <u>(75)</u>                            | <u>(984)</u> |
| Balance at December 31 | <u>1,312</u>                           | <u>1,387</u> |



Information about the employee share options on the grant date during the years ended December 31, 2019 and 2018, was as follows:

|  | <b>Granted on<br/>November 21,<br/>2019</b> | <b>Granted on<br/>June 1, 2018</b> | <b>Granted on<br/>October 2, 2018</b> | <b>Granted on<br/>November 21,<br/>2018</b> |
|--|---|------------------------------------|---------------------------------------|---|
| Grant date share price                   | HK\$ 23.10                                  | HK\$ 24.25                         | HK\$ 21.75                            | HK\$ 23.25                                  |
| Number of shares (in<br>thousand shares) | 60  | 35                                 | 1,300                                 | 82  |

Yue Yuen recognized \$38,657 thousand and \$42,764 thousand compensation cost for the years ended December 31, 2019 and 2018, respectively.

b. 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:

| <u>Exercise Period</u> | <u>Proportion of Exercise Quantity</u> |
|------------------------|--|
| 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, 2019 and 2018 was as follows:

|                                       | <u>For the Year Ended December 31</u>                              |  |  |  |
|---------------------------------------|--|--|--|--|
|                                       | <u>2019</u>  |  | <u>2018</u>  |  |
| <b>Employee Share Options</b>         | <b>Number of<br/>Shares<br/>Purchasable<br/>(In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(HK\$)</b> | <b>Number of<br/>Shares<br/>Purchasable<br/>(In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(HK\$)</b> |
| Balance at January 1                  | 28,244   | \$ 1.75  | 53,749   | \$ 1.64  |
| Options cancelled                     | (6,206)  | 1.47   | (18,747)   | 1.62   |
| Options exercised                     | <u>(11,166)</u>  | 1.23   | <u>(6,758)</u>   | 1.23   |
| Balance at December 31                | <u>10,872</u>  | 2.44   | <u>28,244</u>  | 1.75   |
| Exercisable options at<br>December 31 | <u>2,708</u>   | 2.29   | <u>18,914</u>  | 1.38   |

Information about outstanding employee share options as of December 31, 2019 and 2018, was as follows:

|   | <u>December 31</u> |                |
|---|--------------------|----------------|
|   | <u>2019</u>        | <u>2018</u>    |
| Range of exercise price (HK\$)                      | \$1.05-\$2.494     | \$1.05-\$2.494 |
| Weighted-average remaining contractual life (years) | 2.80               | 1.52           |

Pou Sheng recognized \$8,103 thousand and \$9,635 thousand in compensation costs for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 was as follows:

|                        | <b>Number of Shares (In Thousands)</b> |                 |
|------------------------|--|-----------------|
|                        | <b>2019</b>                            | <b>2018</b>     |
| Balance at January 1   | 43,843                                 | 41,079          |
| Options granted        | 14,576                                 | 20,179          |
| Options cancelled      | (2,389)                                | (3,876)         |
| Options exercised      | <u>(13,287)</u>                        | <u>(13,539)</u> |
| Balance at December 31 | <u>42,743</u>                          | <u>43,843</u>   |

Information about the employee share options on the grant date during the years ended December 31, 2019 and 2018, was as follows:

|                                       | <b>Granted on<br/>November 15,<br/>2019</b> | <b>Granted on<br/>March 23, 2019</b> | <b>Granted on<br/>August 11, 2018</b> |
|---------------------------------------|---|--------------------------------------|---------------------------------------|
| Grant date share price                | HK\$2.82                                    | HK\$1.67                             | HK\$1.50                              |
| Number of shares (in thousand shares) | 750   | 13,826                               | 20,179                                |

Pou Sheng recognized \$80,569 thousand and \$56,186 thousand compensation cost for the years ended December 31, 2019 and 2018, respectively.

c. 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:

| <b>Exercise Period</b> | <b>Proportion of Exercise Quantity</b> |
|------------------------|--|
| 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 Texas Clothing Holding Corporation's ("TCHC") employee share options.

The Group has disposed of TCHC at May 31, 2019. After the transaction, TCHC is no longer the subsidiary of the Group.



Granted employee share options of TCHC have been cancelled entirely at May 31, 2019. Information about outstanding share options for the years end December 31, 2019 and 2018 were as follows:

|                                    | For the Year Ended December 31              |  |   |  |
|------------------------------------|---|--|---|--|
|                                    | 2019  |  | 2018  |  |
| 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                               | 817   | \$ 20.01                               |
| Options cancelled                  | (817)                                       | -                                      | -   | -                                      |
| Balance at December 31             | -   | -                                      | 817   | 20.01                                  |
| Exercisable options at December 31 | -   | -                                      | 733   | 19.63                                  |

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

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

TCHC recognized compensation costs of \$27,619 thousand and \$21,904 thousand for the years ended December 31, 2019 and 2018, respectively.

## 31. BUSINESS COMBINATIONS

The Group acquired sports marketing and agency businesses from independent third parties during the year ended December 31, 2018 which were as follows:

### a. Considerations transferred

|                           |           |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 84,549 |
|---------------------------|-----------|

### b. 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      |
|                                   | (Continued) |

Liabilities

|                             |                  |
|-----------------------------|------------------|
| Payables and other payables | (230)            |
| Other current liabilities   | (482)            |
| Guarantee deposits          | <u>(1,998)</u>   |
|                             | <u>\$ 97,765</u> |
|                             | (Concluded)      |

## c. 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                  | <u>64</u>        |
|  | <u>\$ 13,280</u> |

## d. Net cash outflow on acquisition of subsidiaries

|  |                    |
|--|--------------------|
| Consideration paid in cash                       | \$ (84,549)        |
| Less: Cash and cash equivalent balances acquired | <u>10,169</u>      |
|  | <u>\$ (74,380)</u> |

**32. DISPOSAL OF SUBSIDIARIES**

- a. The Group disposed of subsidiaries during the year ended December 31, 2019, the assets and liabilities on the date of disposal were as follows:

Assets

|                                   |            |
|-----------------------------------|------------|
| Cash and cash equivalents         | \$ 273,608 |
| Receivables and other receivables | 1,907,177  |
| Income tax refund receivable      | 96,628     |
| Inventories                       | 4,127,408  |
| Property, plant and equipment     | 436,362    |
| Right-of-use assets               | 733,482    |
| Goodwill                          | 347,127    |
| Intangible assets                 | 1,506,783  |
| Deferred tax assets               | 408,315    |

Liabilities

|                             |                     |
|-----------------------------|---------------------|
| Short-term borrowing        | (1,066,041)         |
| Payables and other payables | (1,328,498)         |
| Tax payable                 | (34,663)            |
| Lease liability             | (740,098)           |
| Long-term borrowing         | (2,321,207)         |
| Deferred tax liability      | <u>(393,934)</u>    |
|                             | <u>\$ 3,952,449</u> |

1) Consideration received

|   |                |
|---|----------------|
| Cash and cash equivalents                                 | \$ 3,603,376   |
| Proceeds of disposal receivable                           | 496,960        |
| Restricted deposit (classified as “other current assets”) | 66,779         |
| Contingent consideration                                  | <u>354,364</u> |

Total consideration received \$ 4,521,479

2) Gain on disposal of subsidiaries

|   |               |
|---|---------------|
| Consideration received in cash and cash equivalents                             | \$ 4,521,479  |
| Net value of net assets disposed of   | (3,952,449)   |
| The reclassification of other comprehensive income in respect of the subsidiary | <u>11,803</u> |

Gain on disposal \$ 580,833

3) Net cash outflow on disposal of subsidiaries

|   |                  |
|---|------------------|
| Consideration received in cash and cash equivalents | \$ 3,293,901     |
| Less: Cash and cash equivalents balance disposed of | <u>(273,608)</u> |

\$ 3,020,293

- b. 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                 | <u>(13,280)</u> |

\$ 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 | <u>7,525</u> |

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 | <u>(220,745)</u> |

\$ 417,829

**33. 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.

**34. 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, 2019

|                                   | Level 1              | Level 2           | Level 3           | Total                |
|-----------------------------------|----------------------|-------------------|-------------------|----------------------|
| Financial assets at FVTPL         |                      |                   |                   |                      |
| Derivative financial assets       | \$ -                 | \$ 188,571        | \$ -              | \$ 188,571           |
| Structured deposits               | -                    | 598,281           | -                 | 598,281              |
| Mutual funds                      | 652,036              | -                 | 238,326           | 890,362              |
| Contingent consolidation          | -                    | -                 | 369,205           | 369,205              |
|                                   | <u>\$ 652,036</u>    | <u>\$ 786,852</u> | <u>\$ 607,531</u> | <u>\$ 2,046,419</u>  |
| Financial assets at FVTOCI        |                      |                   |                   |                      |
| Investments in equity instruments |                      |                   |                   |                      |
| Domestic listed shares            | \$ 18,682,365        | \$ -              | \$ -              | \$ 18,682,365        |
| Domestic unlisted shares          | -                    | -                 | 70,805            | 70,805               |
| Foreign unlisted shares           | -                    | -                 | 205,409           | 205,409              |
|                                   | <u>\$ 18,682,365</u> | <u>\$ -</u>       | <u>\$ 276,214</u> | <u>\$ 18,958,579</u> |
| Financial liabilities at FVTPL    |                      |                   |                   |                      |
| Derivative financial liabilities  | <u>\$ -</u>          | <u>\$ 356,107</u> | <u>\$ -</u>       | <u>\$ 356,107</u>    |

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                      | <u>753,454</u>       | <u>-</u>          | <u>-</u>          | <u>753,454</u>       |
|                                   | <u>\$ 753,454</u>    | <u>\$ 868,924</u> | <u>\$ -</u>       | <u>\$ 1,622,378</u>  |
| 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           | <u>-</u>             | <u>-</u>          | <u>217,500</u>    | <u>217,500</u>       |
|                                   | <u>\$ 15,536,802</u> | <u>\$ -</u>       | <u>\$ 296,412</u> | <u>\$ 15,833,214</u> |
| Financial liabilities at FVTPL    |                      |                   |                   |                      |
| Derivative financial liabilities  | <u>\$ -</u>          | <u>\$ 719,322</u> | <u>\$ -</u>       | <u>\$ 719,322</u>    |

- 2) There were no transfers between Levels 1 and 2 in the current and prior periods.
- 3) There was no reconciliation of Level 3 fair value measurements of financial assets except for changes in fair value recognized in other comprehensive income.
- 4) The fair value of Level 2 financial assets and financial liabilities is determined as follows:
  - a) The fair value of financial instruments with standard terms and conditions and traded in active liquid markets is determined with reference to 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

|  | <u>December 31</u> |              |
|--|--------------------|--------------|
|  | 2019               | 2018         |
| <u>Financial assets</u>                          |                    |              |
| Financial assets at FVTPL                        |                    |              |
| Mandatorily at FVTPL                             | \$ 2,046,419       | \$ 1,622,378 |
| Financial assets at amortized cost (Note 1)      | 84,781,957         | 80,003,416   |
| Financial assets at FVTOCI                       | 18,958,579         | 15,833,214   |
| <u>Financial liabilities</u>                     |                    |              |
| Financial liabilities at FVTPL                   |                    |              |
| Held for trading                                 | 356,107            | 719,322      |
| Financial liabilities at amortized cost (Note 2) | 145,732,121        | 138,882,358  |



Note 1: 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 2: 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 derivative instruments.

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

Sensitivity analysis

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

The following table details the Group's sensitivity to 1% increase (decrease) in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit with New Taiwan dollars strengthened 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

|     | <b>For the Year Ended December 31</b> |             |
|-----|---------------------------------------|-------------|
|     | <b>2019</b>                           | <b>2018</b> |
| USD | \$ (14,967)                           | \$ (7,443)  |
| RMB | (103,447)                             | (90,580)    |
| HKD | (2,182)                               | (1,557)     |
| VND | 9,497                                 | 17,878      |
| IDR | (283)                                 | 766         |

## 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.

|                              | <b>December 31</b> |               |
|------------------------------|--------------------|---------------|
|                              | <b>2019</b>        | <b>2018</b>   |
| Cash flow interest rate risk |                    |               |
| Financial liabilities        | \$ 97,853,535      | \$ 91,761,856 |

### 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 \$978,535 thousand and \$917,619 thousand during the years ended December 31, 2019 and 2018, 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, 2019 and 2018 would have decreased by \$8,904 thousand and \$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, 2019 and 2018 would have decreased by \$187,013 thousand and \$155,368 thousand as a result of the changes in fair value of financial assets at FVTOCI.

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, 2019 and 2018, 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, 2019

|   | On Demand or<br>Less than<br>1 Month | 1-3 Months           | 3 Months to<br>1 Year | 1-5 Years            | 5+ Years          |
|---|--------------------------------------|----------------------|-----------------------|----------------------|-------------------|
| <u>Non-derivative financial liabilities</u> |                                      |                      |                       |                      |                   |
| Non-interest bearing                        | \$ 19,358,328                        | \$ 10,015,585        | \$ 10,832,018         | \$ 114,233           | \$ 62,601         |
| Lease liability                             | 154,496                              | 889,905              | 3,294,083             | 9,092,206            | 36,913            |
| Floating interest rate liabilities          | 23,978,227                           | 12,484,457           | 6,053,969             | 55,312,759           | 24,122            |
| Fixed interest rate liabilities             | -                                    | 255,217              | 15,620                | 10,488,201           | -                 |
| Financial guarantee contracts               | 64,041,893                           | -                    | -                     | -                    | -                 |
|   | <u>\$ 107,532,944</u>                | <u>\$ 23,645,164</u> | <u>\$ 20,195,690</u>  | <u>\$ 75,007,399</u> | <u>\$ 123,636</u> |

December 31, 2018

|   | On Demand or<br>Less than<br>1 Month | 1-3 Months           | 3 Months to<br>1 Year | 1-5 Years            | 5+ Years         |
|---|--------------------------------------|----------------------|-----------------------|----------------------|------------------|
| <u>Non-derivative financial liabilities</u> |                                      |                      |                       |                      |                  |
| 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                           | -                    | -                     | -                    | -                |
|   | <u>\$ 104,927,670</u>                | <u>\$ 18,040,270</u> | <u>\$ 22,703,096</u>  | <u>\$ 57,895,599</u> | <u>\$ 61,062</u> |

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



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

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

December 31, 2019

|                                | On Demand or<br>Less than<br>1 Month | 1-3 Months       | 3 Months to<br>1 Year | 1-5 Years         | 5+ Years    |
|--------------------------------|--------------------------------------|------------------|-----------------------|-------------------|-------------|
| Forward exchange contracts     | \$ -                                 | \$ 13,431        | \$ 49,017             | \$ 245,918        | \$ -        |
| Cross-currency swap contracts  | -                                    | -                | 25,666                | -                 | -           |
| Exchange rate swap contracts   | 1,442                                | 18,250           | -                     | -                 | -           |
| Exchange rate option contracts | -                                    | -                | -                     | 2,383             | -           |
|                                | <u>\$ 1,442</u>                      | <u>\$ 31,681</u> | <u>\$ 74,683</u>      | <u>\$ 248,301</u> | <u>\$ -</u> |

December 31, 2018

|                                | On Demand or<br>Less than<br>1 Month | 1-3 Months        | 3 Months to<br>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           | -           |
|                                | <u>\$ 71,359</u>                     | <u>\$ 150,732</u> | <u>\$ 491,538</u>     | <u>\$ 5,693</u> | <u>\$ -</u> |

c) Financing facilities

|                          | <u>December 31</u>    |                       |
|--------------------------|-----------------------|-----------------------|
|                          | <u>2019</u>           | <u>2018</u>           |
| Unsecured bank facility: |                       |                       |
| Amount used              | \$ 105,657,355        | \$ 98,781,541         |
| Amount unused            | <u>35,754,260</u>     | <u>34,414,573</u>     |
|                          | <u>\$ 141,411,615</u> | <u>\$ 133,196,114</u> |



### 35. 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           |
| Vipshop Holdings Limited             | Other related parties    |

#### b. Operating revenue

| Account Items | Related Party Categories | For the Year Ended December 31 |                   |
|---------------|--------------------------|--------------------------------|-------------------|
|               |                          | 2019                           | 2018              |
| Sales         | Associates               | \$ 112,838                     | \$ 96,795         |
|               | Joint ventures           | 488,416                        | 534,024           |
|               | Other related parties    | <u>2,696,855</u>               | <u>-</u>          |
|               |                          | <u>\$ 3,298,109</u>            | <u>\$ 630,819</u> |

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 |                     |
|--------------------------|--------------------------------|---------------------|
|                          | 2019                           | 2018                |
| Associates               | \$ 3,086,632                   | \$ 2,016,751        |
| Joint ventures           | <u>4,746,539</u>               | <u>4,418,534</u>    |
|                          | <u>\$ 7,833,171</u>            | <u>\$ 6,435,285</u> |

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       |                  |
|---------------------------------------|--------------------------|-------------------|------------------|
|                                       |                          | 2019              | 2018             |
| Notes receivable, accounts receivable | Associates               | \$ 14,135         | \$ 19,298        |
|                                       | Joint ventures           | 32,065            | 37,107           |
|                                       | Other related parties    | <u>541,131</u>    | <u>-</u>         |
|                                       |                          | <u>\$ 587,331</u> | <u>\$ 56,405</u> |

No bad debt expense had been recognized for the years ended December 31, 2019 and 2018 for the amounts owed by related parties.

e. Payables to related parties

| Account Items                   | Related Party Categories | December 31         |                     |
|---------------------------------|--------------------------|---------------------|---------------------|
|                                 |                          | 2019                | 2018                |
| Notes payable, accounts payable | Associates               | \$ 732,041          | \$ 443,060          |
|                                 | Joint ventures           | <u>1,021,262</u>    | <u>1,077,099</u>    |
|                                 |                          | <u>\$ 1,753,303</u> | <u>\$ 1,520,159</u> |

f. Financing provided

Refer to Table 1 “financing provided to others” of Note 40 in the consolidated financial statements.

g. Endorsements/guarantees provided

Refer to Table 2 “endorsements/guarantees provided” of Note 40 in the consolidated financial statements.

h. Compensation of key management personnel

|                              | For the Year Ended December 31 |                   |
|------------------------------|--------------------------------|-------------------|
|                              | 2019                           | 2018              |
| Short-term employee benefits | <u>\$ 234,917</u>              | <u>\$ 227,406</u> |

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

## 36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

|                                    | December 31      |                  |
|------------------------------------|------------------|------------------|
|                                    | 2019             | 2018             |
| Financial assets at amortized cost | <u>\$ 52,085</u> | <u>\$ 42,252</u> |

## 37. 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 |            |
|------------|-------------|------------|
|            | 2019        | 2018       |
| USD        | \$ 1,381    | \$ 2,502   |
| EUR        | 117         | 53         |
| IDR        | 13,350,662  | 23,515,196 |
| VND        | 4,069,302   | -          |



- b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request made by the FSC, the Company provided 61,295 thousand ordinary shares of Yue Yuen in the custody of the trust department of Mega Bank for 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. The Company terminated the placement of shares in the custody of Mega Bank as mentioned above and retrieved the shares on October 22, 2019 because Ruen Chen Investment Holding Co., Ltd applied to FSC for the release of the shares from the custody of Mega Bank, and was authorized by the FSC on October 21, 2019.
- 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 guarantees to III as guarantees.

### 38. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Since the outbreak of the 2019 Novel Coronavirus epidemic ("Epidemic") in late January of 2020, the production bases of Yue Yuen and the majority of Pou Sheng's retail stores have temporarily suspended the operations. In addition, as part of the raw material supplies for Yue Yuen's production lines outside China are sourced from suppliers located in China and the status of resumption of production amongst those upstream shoe materials suppliers in China varies, there was shortage of certain raw materials that affected to a certain extent Yue Yuen's production capacity outside China.

As of the date the financial statements were authorized for issue, the factories of Yue Yuen and the retail stores of Pou Sheng have largely resumed operation. The management expects the Epidemic to have a negative impact on Yue Yuen's and Pou Sheng's revenue and results for the first half of 2020.

### 39. 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:

December 31, 2019

|                         | Foreign<br>Currencies<br>(In Thousand) | Exchange Rate | Carrying<br>Amount<br>(In Thousand) |
|-------------------------|--|---------------|-------------------------------------|
| <u>Financial assets</u> |  |               |                                     |
| Monetary items          |  |               |                                     |
| USD                     | \$ 65,391                              | 29.980        | \$ 1,960,416                        |
| NTD                     | 762,838                                | 1             | 762,838                             |
| RMB                     | 2,567,830                              | 4.289         | 11,013,427                          |
| HKD                     | 71,815                                 | 3.849         | 276,417                             |
| VND                     | 291,538,462                            | 0.00117       | 341,100                             |
| IDR                     | 118,682,569                            | 0.00218       | 258,728                             |

|                    | Foreign<br>Currencies<br>(In Thousand) | Exchange Rate | Carrying<br>Amount<br>(In Thousand) |
|--------------------|--|---------------|-------------------------------------|
| Non-monetary items |  |               |                                     |
| NTD                | \$ 956,032                             | 1             | \$ 956,032                          |
| RMB                | 689,212                                | 4.289         | 2,956,029                           |

## Financial liabilities

|                |               |         |           |
|----------------|---------------|---------|-----------|
| Monetary items |               |         |           |
| USD            | 15,594        | 29.980  | 467,470   |
| NTD            | 1,191,000     | 1       | 1,191,000 |
| RMB            | 162,092       | 4.289   | 695,216   |
| HKD            | 14,404        | 3.849   | 55,442    |
| VND            | 1,241,281,196 | 0.00117 | 1,452,299 |
| IDR            | 132,834,404   | 0.00218 | 289,579   |

## December 31, 2018

|                         | Foreign<br>Currencies | Exchange Rate | Carrying<br>Amount |
|-------------------------|-----------------------|---------------|--------------------|
| <u>Financial assets</u> |                       |               |                    |
| 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            |

## 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   |

For the years ended December 31, 2019 and 2018, net foreign exchange (losses) gains were \$(702,081) thousand and \$442,678 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.



#### 40. 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 34)
- 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).

#### 41. 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, 2019

|  | <b>Manufacturing<br/>of Shoes</b> | <b>Retailing of<br/>Sporting Goods<br/>and Brand<br/>Licensing<br/>Business</b> | <b>Others</b>     | <b>Total</b>          |
|--|-----------------------------------|---|-------------------|-----------------------|
| Revenues from external customers                                       | <u>\$ 185,444,582</u>             | <u>\$ 126,866,572</u>   | <u>\$ 845,431</u> | <u>\$ 313,156,585</u> |
| Segment income   | <u>\$ 23,812,316</u>              | <u>\$ 10,864,360</u>  | <u>\$ 558,395</u> | \$ 35,235,071         |
| Administrative cost, remuneration<br>of directors and supervisors      |                                   |   |                   | (21,284,611)          |
| Rental income  |                                   |   |                   | 571,010               |
| Interest income  |                                   |   |                   | 784,118               |
| Dividend income  |                                   |   |                   | 988,097               |
| Other income   |                                   |   |                   | 1,730,190             |
| Net loss on disposal of property,<br>plant and equipment               |                                   |   |                   | (562,142)             |
| Net foreign exchange loss  |                                   |   |                   | (702,081)             |
| Net gain on disposal of<br>subsidiaries and associates                 |                                   |   |                   | 579,794               |
| Net gain arising on financial assets<br>designated as at FVTPL         |                                   |   |                   | 872,204               |
| Net loss arising on financial<br>liabilities designated as at<br>FVTPL |                                   |   |                   | (394,032)             |
| Impairment loss  |                                   |   |                   | (308,296)             |
| Other loss   |                                   |   |                   | (156,654)             |
| Net loss on derecognition of<br>financial assets at amortized cost     |                                   |   |                   | (3,260)               |
| Finance costs  |                                   |   |                   | (3,241,955)           |
| Share of the profit of associates<br>and joint ventures                |                                   |   |                   | <u>7,414,525</u>      |
| Income before income tax   |                                   |   |                   | <u>\$ 21,521,978</u>  |



For the year ended December 31, 2018

|   | Manufacturing<br>of Shoes | Retailing of<br>Sporting Goods<br>and Brand<br>Licensing<br>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<br>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,<br>plant and equipment                  |                           |  |            | (524,208)      |
| Net foreign exchange loss   |                           |  |            | 442,678        |
| Net gain on disposal of<br>subsidiaries, associates and joint<br>ventures |                           |  |            | 153,872        |
| Net gain arising on financial assets<br>designated as at FVTPL            |                           |  |            | 1,030,962      |
| Net loss arising on financial<br>liabilities designated as at<br>FVTPL    |                           |  |            | (1,034,387)    |
| Reversal of impairment loss   |                           |  |            | 116            |
| Other loss  |                           |  |            | (239,492)      |
| Net gain on derecognition of<br>financial assets at amortized cost        |                           |  |            | 5,477          |
| Finance costs   |                           |  |            | (2,781,382)    |
| Share of the profit of associates<br>and joint ventures                   |                           |  |            | 5,760,035      |
| Income before income tax  |                           |  |            | \$ 20,260,383  |

- 1) Sales between segments were made at market price.
- 2) Segment profit represented the profit before income tax earned by each segment without allocation of administration costs, remuneration of directors, rental income, interest income, dividend income, other income, net loss on disposal of property, plant and equipment, net foreign exchange gain (loss), net gain on disposal of subsidiaries, associates and joint ventures, net gain (loss) on financial instruments, impairment loss or reversal of impairment loss, other loss, finance costs, net gain (loss) 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.

|        | <b>Revenues from<br/>External Customers</b> |                              |
|--------|---|------------------------------|
|        | <b>For the Year Ended December 31</b>       |                              |
|        | <b>2019</b>                                 | <b>2018</b>                  |
| Asia   | \$ 181,064,185                              | \$ 157,758,024               |
| USA    | 62,514,668                                  | 77,037,598                   |
| Europe | 52,930,246                                  | 53,485,999                   |
| Others | <u>16,647,486</u>                           | <u>5,034,468</u>             |
|        | <u><b>\$ 313,156,585</b></u>                | <u><b>\$ 293,316,089</b></u> |

d. Information about major customers

Revenue recognized from the manufacture of shoes in 2019 and 2018, amounted to \$185,444,582 thousand and \$177,557,453 thousand, respectively. Except as detailed in the following table, no other single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

|            | <b>For the Year Ended December 31</b> |                       |                              |                       |
|------------|---------------------------------------|-----------------------|------------------------------|-----------------------|
|            | <b>2019</b>                           |                       | <b>2018</b>                  |                       |
|            | <b>Amount</b>                         | <b>% of<br/>Total</b> | <b>Amount</b>                | <b>% of<br/>Total</b> |
| Customer A | \$ 59,641,551                         | 19                    | \$ 53,570,643                | 18                    |
| Customer B | <u>53,153,895</u>                     | <u>17</u>             | <u>48,301,291</u>            | <u>16</u>             |
|            | <u><b>\$ 112,795,446</b></u>          | <u><b>36</b></u>      | <u><b>\$ 101,871,934</b></u> | <u><b>34</b></u>      |



TABLE 1

## POU CHEN CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(in Thousands of New Taiwan Dollars, unless stated otherwise)

| No.<br>(Note 1) | Financing Company   | Borrowing Company  | Financial Statement<br>Account              | Related<br>Party | Maximum Balance for<br>the Period | Ending Balance     | Actual Borrowing<br>Amount | Interest Rate | Nature of Financing<br>(Note 2) | Transaction<br>Amounts | Reasons for<br>Short-term<br>Financing | Allowance for<br>Impairment Loss | Collateral | Value | Financing Limit for<br>Each Borrower<br>(Notes 2 and 4) | Aggregate Financing<br>Limit<br>(Notes 3 and 4) | Note |
|-----------------|---|--|---|------------------|-----------------------------------|--------------------|----------------------------|---------------|---------------------------------|------------------------|--|----------------------------------|------------|-------|---|---|------|
| 0               | Pou Chen Corporation  | Pou Yi Development Co., Ltd.                                   | Loan receivable                             | Yes              | \$ 205,000                        | \$ 205,000         | \$ 175,000                 | 1.20          | 2                               | \$ -                   | - Operating capital                    | \$ -                             | -          | \$ -  | \$ 11,740,894   | \$ 46,963,576                                   |      |
| 1               | Dong Guan Baosuo Electronic<br>Technology Co., Ltd.           | Kaohsiung Yungang Electronics<br>Technology Co., Ltd.          | Accounts receivable from<br>related parties | Yes              | (RMB 17,709)                      | (RMB 13,346)       | (RMB 2,600,000)            | 11.193        | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 117,408,939   | 117,408,939                                     |      |
| 2               | Great Pacific Investments Limited                             | Ph. Gloster Indonesia  | Accounts receivable from<br>related parties | Yes              | (US\$ 3,806,370)                  | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Oriso Asia Limited Solar Link<br>Sure Life Investments Limited | Accounts receivable from<br>related parties | Yes              | (US\$ 122,000,000)                | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Sure Life Investments Limited                                  | Accounts receivable from<br>related parties | Yes              | (US\$ 11,350,000)                 | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Ph. Kigien Industrial Company                                  | Accounts receivable from<br>related parties | Yes              | (US\$ 201,026)                    | 80,946             | 80,946                     | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Solar Link International LLC.                                  | Accounts receivable from<br>related parties | Yes              | (US\$ 6,500,000)                  | (US\$ 2,700,000)   | (US\$ 3,064,930)           | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 21,744,904  | 21,744,904                                      |      |
|                 |   | PT. Pao Yuen Indonesia   | Accounts receivable from<br>related parties | Yes              | (US\$ 14,000,000)                 | (US\$ 104,930)     | 104,930                    | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | PT. Nibomus Gemilang   | Accounts receivable from<br>related parties | Yes              | (US\$ 552,774)                    | (US\$ 257,828)     | 257,828                    | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | PT. Pao Yuen Indonesia   | Accounts receivable from<br>related parties | Yes              | (US\$ 17,550,000)                 | (US\$ 8,600,000)   | (US\$ 899,400)             | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | PT. Nibomus Gemilang   | Accounts receivable from<br>related parties | Yes              | (US\$ 5,234,475)                  | (US\$ 899,400)     | (US\$ 30,000,000)          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 3               | Oriso Asia Limited  | Oriso Vietnam Co., Ltd   | Accounts receivable from<br>related parties | Yes              | (US\$ 15,800)                     | (US\$ 14,990)      | (US\$ 500,000)             | 2.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 4               | Precision Full Investment Limited                             | Pou Li Vietnam Company Limited                                 | Accounts receivable from<br>related parties | Yes              | (US\$ 1,346,815)                  | (US\$ 779,480)     | (US\$ 26,000,000)          | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Phong Vietnam Company                                      | Accounts receivable from<br>related parties | Yes              | (US\$ 45,000,000)                 | (US\$ 26,000,000)  | (US\$ 1,379,080)           | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Powervient Vietnam Company                                     | Accounts receivable from<br>related parties | Yes              | (US\$ 46,900,000)                 | (US\$ 46,000,000)  | (US\$ 1,379,080)           | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Li Vietnam Company Limited                                 | Accounts receivable from<br>related parties | Yes              | (US\$ 1,697,600)                  | (US\$ 1,379,080)   | (US\$ 46,000,000)          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Li Vietnam Company Limited                                 | Accounts receivable from<br>related parties | Yes              | (US\$ 54,000,000)                 | (US\$ 46,000,000)  | (US\$ 48,000,000)          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Hong Vietnam Company<br>Limited                            | Accounts receivable from<br>related parties | Yes              | (US\$ 2,612,720)                  | (US\$ 1,439,040)   | (US\$ 40,000,000)          | 2.00-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Li Vietnam Company   | Accounts receivable from<br>related parties | Yes              | (US\$ 4,138,770)                  | (US\$ 2,578,280)   | (US\$ 86,000,000)          | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 5               | Pou Yuen Industrial (Holdings) Ltd.                           | Ph. Nibomus Gemilang   | Accounts receivable from<br>related parties | Yes              | (US\$ 948,000)                    | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Ph. Pou Chen Indonesia   | Accounts receivable from<br>related parties | Yes              | (US\$ 30,000,000)                 | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 10,665,415  | 10,665,415                                      |      |
|                 |   | Pou Chen Vietnam Enterprises Ltd.                              | Accounts receivable from<br>related parties | Yes              | (US\$ 948,000)                    | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Yuen Vietnam Company Ltd.                                  | Accounts receivable from<br>related parties | Yes              | (US\$ 40,000,000)                 | (US\$ 20,000,000)  | (US\$ 599,600)             | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Yuen Vietnam Company Ltd.                                  | Accounts receivable from<br>related parties | Yes              | (US\$ 2,785,680)                  | 3,516,654          | 3,516,654                  | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Pou Sang Vietnam Company Ltd.                                  | Accounts receivable from<br>related parties | Yes              | (US\$ 1,750,000)                  | (US\$ 117,360,000) | (US\$ 117,360,000)         | 1.30-3.00     | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 6               | Key International Co., Ltd.                                   | Prime Asia (S.E. Asia) Leather<br>Corporation                  | Accounts receivable from<br>related parties | Yes              | (US\$ 170,640)                    | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Prime Asia Leather Corporation                                 | Accounts receivable from<br>related parties | Yes              | (US\$ 5,000,000)                  | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Prime Asia Leather Corporation                                 | Accounts receivable from<br>related parties | Yes              | (US\$ 35,000,000)                 | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 7               | Prime Asia (S.E. Asia) Leather<br>Corporation                 | Prime Asia (Vietnam) Co., Ltd                                  | Accounts receivable from<br>related parties | Yes              | (US\$ 589,320)                    | (US\$ 530,646)     | (US\$ 17,700,000)          | 1.50          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 8               | Top Galaxy Group Limited                                      | Yue Yuen (Artto) Footwear Co., Ltd                             | Accounts receivable from<br>related parties | Yes              | (US\$ 46,073)                     | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 9               | Bao Hong (Yangzhou) Shoes Co.,<br>Ltd.                        | Pou Sheng (China) Investment Co.,<br>Ltd.                      | Accounts receivable from<br>related parties | Yes              | (RMB 308,401)                     | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 10              | Shuangguo Yuen Industry Co., Ltd                              | Yue Yuen (Artto) Footwear Co., Ltd                             | Accounts receivable from<br>related parties | Yes              | (RMB 382,447)                     | (RMB 357,475)      | (RMB 83,130,000)           | 3.33          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 11              | Dong Guan Yue Yuen Footwear<br>Products Company Limited       | Yang Xin Pou Sheng Sporting Goods<br>Co., Ltd.                 | Accounts receivable from<br>related parties | Yes              | (US\$ 160,265)                    | (US\$ 150,675)     | (US\$ 35,000,000)          | 3.33          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Yue Yuen (Artto) Footwear Co., Ltd                             | Accounts receivable from<br>related parties | Yes              | (US\$ 35,000,000)                 | (US\$ 35,000,000)  | (US\$ 40,000,000)          | 3.33          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 12              | Yue Yuen Industrial (Holdings)<br>Limited                     | Yue Duan Technology Corporation                                | Accounts receivable from<br>related parties | Yes              | (US\$ 1,433,800)                  | -                  | -                          | -             | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 48,723,592  | 48,723,592                                      |      |
|                 |   | Prime Asia Leather Corporation                                 | Accounts receivable from<br>related parties | Yes              | (US\$ 959,560)                    | 959,560            | 959,560                    | 2.50          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | Ph. Pou Chen Indonesia   | Accounts receivable from<br>related parties | Yes              | (US\$ 32,000,000)                 | (US\$ 32,000,000)  | (US\$ 3,790,000)           | 2.70          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 48,723,592  | 48,723,592                                      |      |
|                 |   | PT. Gloster Indonesia  | Accounts receivable from<br>related parties | Yes              | (US\$ 1,379,680)                  | 1,379,680          | 1,379,680                  | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | PT. Pao Yuen Indonesia   | Accounts receivable from<br>related parties | Yes              | (US\$ 2,834,550)                  | 2,698,200          | 2,698,200                  | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | PT. Pao Yuen Indonesia   | Accounts receivable from<br>related parties | Yes              | (US\$ 90,000,000)                 | (US\$ 90,000,000)  | (US\$ 9,000,000)           | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | PT. Nibomus Gemilang   | Accounts receivable from<br>related parties | Yes              | (US\$ 2,809,180)                  | 2,728,180          | 2,728,180                  | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
|                 |   | PT. Nibomus Gemilang   | Accounts receivable from<br>related parties | Yes              | (US\$ 3,076,220)                  | 2,838,040          | 2,838,040                  | 3.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 121,808,980   | 121,808,980                                     |      |
| 13              | Pou Chen Technology Co., Ltd.                                 | Yue Duan Technology Corporation                                | Accounts receivable from<br>related parties | Yes              | (RMB 200,000)                     | (RMB 200,000)      | (RMB 105,856)              | 1.00          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 464,277   | 464,277   |      |
| 14              | Dong Guan Jia Yuen Shoe Materials<br>Products Company Limited | YangXin Pou Jia Yuen Shoes<br>Manufacturing Co., Ltd           | Accounts receivable from<br>related parties | Yes              | (RMB 30,366)                      | (RMB 30,135)       | (RMB 7,000,000)            | 3.05          | 2                               | -                      | - Operating capital                    | -                                | -          | -     | 39,325  | 39,325  |      |

(Continued)

| No.<br>(Note 1) | Financing Company                        | Borrowing Company  | Financial Statement<br>Account   | Related<br>Party | Maximum Balance for<br>the Period                | Ending Balance                                 | Actual Borrowing<br>Amount                     | Interest Rate     | Nature of Financing<br>(Note 2) | Transaction<br>Amounts | Reasons for<br>Short-term<br>Financing | Allowance for<br>Impairment Loss | Collateral | Financing Limit for<br>Each Borrower<br>(Notes 3 and 4) | Aggregate Financing<br>Limit<br>(Notes 3 and 4) | Note                      |  |
|-----------------|--|--|--|------------------|--|--|--|-------------------|---------------------------------|------------------------|--|----------------------------------|------------|---|---|---------------------------|--|
|                 |  |  |  |                  |  |  |  |                   |                                 |                        |  |                                  | Item       | Value   |   |                           |  |
| 15              | Daguanan Yueheng Shoe Industry Co., Ltd. | YueXin Pui Ja Shoes Manufacturing Co., Ltd.                          | Accounts receivable from related parties   | Yes              | \$ 130,140<br>(RMB 30,000,000)                   | \$ 129,150<br>(RMB 30,000,000)                 | \$ 129,150<br>(RMB 30,000,000)                 | 3.33              | 2                               | -                      | Operating capital                      | \$ -                             | -          | \$ -  | \$ 121,808,980                                  |                           |  |
| 16              | Wealthplus Holdings Limited              | Allied Cham Holdings Limited<br>Treasure Chain International Limited | Accounts receivable from related parties<br>Accounts receivable from related parties | Yes<br>Yes       | 4,365<br>(US\$ 6,401,817)<br>(RMB 1,419,000,000) | 4,197<br>(US\$ 2,389,275)<br>(RMB 555,000,000) | 4,197<br>(US\$ 2,389,275)<br>(RMB 555,000,000) | 3.00<br>3.00-4.35 | 2<br>2                          | -<br>-                 | Operating capital<br>Operating capital | -<br>-                           | -<br>-     | -<br>-  | 147,386,672<br>44,216,002                       | 147,386,672<br>44,216,002 |  |
| 17              | Pou Sheng (China) Investment Co., Ltd.   | Qingdao Pou Sheng International Sport Products Co., Ltd.             | Loan receivable  | Yes              | 1,568,020<br>(RMB 340,000,000)                   | 1,461,700<br>(RMB 340,000,000)                 | 1,124,648<br>(RMB 262,180,698)                 | 4.35              | 2                               | -                      | Operating capital                      | -                                | -          | -   | 1,480,129                                       | 1,480,129                 |  |

Note 1: The Company is coded as follows:

- The Company is coded "y".
- The investor is coded consecutively beginning from "1" in the order presented in the table above.

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

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

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

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

- 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.
- The need for short-term financing: Each of the financing amount shall not exceed 10% of the Company's net worth.

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

- Business relationship: Each of the financing amount shall not exceed 10% of the Company's net worth.
- The need for short-term financing: Each of the financing amount shall not exceed 40% of the Company's net worth.
- 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 borrower's 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.
- Foreign companies on which Yue Yuen Industrial (Holdings) Limited holds 100% voting rights directly and indirectly: The financing amount shall not exceed 40% of total equity of Yue Yuen's consolidated financial statement.
- Pou Sheng International (Holdings) Limited for subsidiaries held less than 100%: The financing amount shall not exceed 40% of total equity of Pou Sheng International (Holdings) Limited's financial statement.
- Wealthplus Holdings Limited for subsidiaries: Each of the financing amount shall not exceed 30% of total equity of Wealthplus Holdings Limited's financial statement.
- Dong Guan Haopiao Electronic Technology Co., Ltd. holds 100% voting rights directly and indirectly: The financing amount shall not exceed 100% of total equity of Pou Chen's consolidated financial statements

(Continued)

**POU CHEN CORPORATION AND SUBSIDIARIES**

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
In Thousands of New Taiwan Dollars, Unless Stated

[illegible]

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| No.<br>(Note 1) | Endorsement/<br>Guarantee Provider            | Endorsee/Guaranteee   |                          | Limit on<br>Endorsement/<br>Guarantee Given on<br>Behalf of Each<br>Party (Note 3) | Maximum Amount<br>Endorsed/<br>Guaranteed During<br>the Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period | Actual Borrowing<br>Amount     | Amount Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements (%) | Aggregate<br>Endorsement/<br>Guarantee Limit<br>(Note 3) | Endorsement/<br>Guarantee Given by<br>Parent/ Subsidiaries<br>(Note 4) | Endorsement/<br>Guarantee Given by<br>Subsidiaries on<br>Behalf of Parent<br>(Note 4) | Endorsement/<br>Guarantee Given on<br>Behalf of<br>Companies in<br>Mainland China<br>(Note 4) | Note |
|-----------------|---|---|--------------------------|--|--|--|--------------------------------|---|--|--|--|---|---|------|
|                 |   | Name  | Relationship<br>(Note 2) |  |  |  |                                |   |  |  |  |   |   |      |
| 1               | Yue Yuen Industrial (Holdings)<br>Limited     | Yue Dean Technology<br>Corporation                                | b                        | \$ 117,408,939   | \$ 1,700,000   | \$ 1,700,000   | \$ 1,381,000                   | \$ -  | 1  | \$ 234,817,878   | N  | N   | N   |      |
|                 |   | Pou Li Vietnam Company<br>Ltd.                                    | b                        | 117,408,939  | 89,940<br>(US\$ 3,000,000)                                     | 89,940<br>(US\$ 3,000,000)   | 89,494<br>(US\$ 2,983,131)     | -   | -  | 234,817,878  | N  | N   | N   |      |
|                 |   | Pou Hung Vietnam<br>Company Ltd.                                  | b                        | 117,408,939  | 179,880<br>(US\$ 6,000,000)                                    | 179,880<br>(US\$ 6,000,000)  | 5,259<br>(US\$ 175,408)        | -   | -  | 234,817,878  | N  | N   | N   |      |
|                 |   | Henan YYSports Sport<br>Products Co., Ltd.                        | b                        | 117,408,939  | 43,094<br>(RMB 9,362,235)                                      | 40,304<br>(RMB 9,362,235)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Guzhou Pou-Sheng Sport<br>Products Co., Ltd.                      | b                        | 117,408,939  | 45,987<br>(RMB 9,986,384)                                      | 42,991<br>(RMB 9,986,384)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Shanghai DZJ Sports<br>Industries Dev.<br>Co., Ltd.               | b                        | 117,408,939  | 57,459<br>(RMB 12,482,980)                                     | 57,459<br>(RMB 12,482,980)   | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Jiangxi Bao Yuan Trade<br>Co., Ltd.                               | b                        | 117,408,939  | 66,078<br>(RMB 14,353,427)                                     | 61,800<br>(RMB 14,353,427)   | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Hefei Pouxun Sporting<br>Goods Co., Ltd.                          | b                        | 117,408,939  | 137,902<br>(RMB 29,959,152)                                    | 128,974<br>(RMB 29,959,152)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Shanghai Pou-Yuen Sport<br>Products Business<br>Trading Co., Ltd. | b                        | 117,408,939  | 965,314<br>(RMB 209,714,064)                                   | 902,820<br>(RMB 209,714,064)   | -                              | -   | 1  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Shuaxi Pousheng<br>Trading Co., Ltd.                              | b                        | 117,408,939  | 1,261,229<br>(RMB 274,001,411)                                 | 1,179,576<br>(RMB 274,001,411)                                       | -                              | -   | 1  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Qingdao Pou-Sheng<br>International Sport<br>Products Co., Ltd.    | b                        | 117,408,939  | 140,660<br>(RMB 30,558,335)                                    | 131,554<br>(RMB 30,558,335)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Zhejiang Shengdao<br>Sporting-Goods<br>Co., Ltd.                  | b                        | 117,408,939  | 316,025<br>(RMB 68,656,390)                                    | 295,566<br>(RMB 68,656,390)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Bao Sheng Dao Ji<br>(Beijing) Trading<br>Company Ltd.             | b                        | 117,408,939  | 511,387<br>(RMB 111,098,522)                                   | 478,279<br>(RMB 111,098,522)   | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
| 2               | Pou Sheng International<br>(Holdings) Limited | Qingdao Pou-Sheng<br>International Sport<br>Products Co., Ltd.    | b                        | 117,408,939  | 1,175,354<br>(RMB 263,099,000)                                 | 599,320<br>(RMB 139,215,000)   | -                              | -   | 1  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Hefei Pouxun Sporting<br>Goods Co., Ltd.                          | b                        | 117,408,939  | 766,469<br>(RMB 172,294,000)                                   | 427,702<br>(RMB 99,350,000)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Henan YYSports Sport<br>Products Co., Ltd.                        | b                        | 117,408,939  | 486,911<br>(RMB 109,190,000)                                   | 261,895<br>(RMB 60,835,000)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Yue Cheng (Kun Shan)<br>Sports Co., Ltd.                          | b                        | 117,408,939  | 1,808,239<br>(RMB 413,723,077)                                 | 1,574,438<br>(RMB 365,723,077)                                       | -                              | -   | 1  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Shanghai Pou-Yuen Sport<br>Products Business<br>Trading Co., Ltd. | b                        | 117,408,939  | 20,867,062<br>(RMB3,251,340,750)                               | 15,021,087<br>(RMB2,542,115,000)                                     | 2,850,419<br>(RMB 356,478,146) | -   | 13   | 234,817,878  | N  | N   | Y   |      |
|                 |   | Shuaxi Pousheng<br>Trading Co., Ltd.                              | b                        | 117,408,939  | 10,231,426<br>(RMB1,908,497,000)                               | 7,120,036<br>(RMB 1,298,735,000)                                     | 322,875<br>(RMB 75,000,000)    | -   | 6  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Bao Sheng Dao Ji<br>(Beijing) Trading<br>Company Ltd.             | b                        | 117,408,939  | 8,955,087<br>(RMB 618,409,000)                                 | 5,743,575<br>(RMB 387,060,000)                                       | 1,227,915<br>(RMB 103,800,000) | -   | 5  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Zhejiang Shengdao<br>Sporting-Goods Co.,<br>Ltd.                  | b                        | 117,408,939  | 61,68,040<br>(RMB 356,094,000)                                 | 3,559,178<br>(RMB 234,815,000)                                       | 1,241,993<br>(RMB 63,000,000)  | -   | 3  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Taiwan Taisong Trading<br>Co., Ltd.                               | b                        | 117,408,939  | 80,000<br>(RMB 145,000,000)                                    | 40,000<br>(RMB 225,500,000)  | -                              | -   | -  | 234,817,878  | N  | N   | N   |      |
|                 |   | Pou Yuen Trading<br>Corporation                                   | b                        | 117,408,939  | 111,000  | 66,000   | 30,000                         | -   | -  | 234,817,878  | N  | N   | N   |      |
|                 |   | PCG Bros Sports<br>Management Co., Ltd.                           | b                        | 117,408,939  | 100,000  | 100,000  | 15,000                         | -   | -  | 234,817,878  | N  | N   | N   |      |
|                 |   | Guzhou Pou-Sheng Sport<br>Products Co., Ltd.                      | b                        | 117,408,939  | 300,386<br>(RMB 67,500,000)                                    | 167,895<br>(RMB 39,000,000)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |
|                 |   | Jiangxi Bao Yuan Trade<br>Co., Ltd.                               | b                        | 117,408,939  | 380,188<br>(RMB 85,273,247)                                    | 203,835<br>(RMB 47,348,247)  | -                              | -   | -  | 234,817,878  | N  | N   | Y   |      |

(Continued)



# POU CHEN CORPORATION

| No.<br>(Note 1) | Endorsement/<br>Guarantee Provider            | Endorsee/Guaranteee   |                          | Limit on<br>Endorsement/<br>Guarantee Given on<br>Behalf of Each<br>Party (Note 3) | Maximum Amount<br>Endorsed/<br>Guaranteed During<br>the Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period | Actual Borrowing<br>Amount     | Amount Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements (%) | Aggregate<br>Endorsement/<br>Guarantee Limit<br>(Note 3) | Endorsement/<br>Guarantee Given by<br>Subsidiaries on<br>Behalf of Parent<br>(Note 4) | Endorsement/<br>Guarantee Given on<br>Behalf of<br>Companies in<br>Mainland China<br>(Note 4) | Note |
|-----------------|---|---|--------------------------|--|--|--|--------------------------------|---|--|--|---|---|------|
|                 |   | Name  | Relationship<br>(Note 2) |  |  |  |                                |   |  |  |   |   |      |
| 2               | Pou Sheng International<br>(Holdings) Limited | Kun Shan Taisong<br>Trading Co., Ltd.                             | b                        | \$ 117,408,939   | \$ 235,150<br>(RMB 50,000,000)                                 | \$ 215,250<br>(RMB 50,000,000)                                       | \$ -                           | \$ -  | -  | \$ 234,817,878   | N   | Y   |      |
|                 |   | Kun Shan Pou-Chi Sports<br>Co., Ltd.                              | b                        | 117,408,939  | 1,062,741<br>(RMB 237,262,500)                                 | 499,756<br>(RMB 116,087,500)   | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Kun Shan Yisports<br>E-Commerce Co., Ltd.                         | b                        | 117,408,939  | 1,062,256<br>(RMB 239,125,000)                                 | 583,866<br>(RMB 135,625,000)   | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Guangzhou Pou-Yuen<br>Trading Co., Ltd.                           | b                        | 117,408,939  | 1,611,600<br>(US\$ 51,000,000)                                 | 1,528,980<br>(US\$ 51,000,000)                                       | -                              | -   | 1  | 234,817,878  | N   | Y   |      |
|                 |   | Shenzhen Pou-Yuen Sport<br>Products Co., Ltd.                     | b                        | 117,408,939  | 54,292<br>(RMB 12,473,399)                                     | 51,250<br>(RMB 11,904,649)   | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Pou Sheng (China)<br>Investment Co., Ltd.                         | b                        | 117,408,939  | 3,913,100<br>(RMB 500,000,000)                                 | 3,681,480<br>(RMB 500,000,000)                                       | -                              | -   | 3  | 234,817,878  | N   | Y   |      |
|                 |   | Nanning Pou-Kung Sport<br>Products Co., Ltd.                      | b                        | 117,408,939  | 130,356<br>(RMB 29,750,000)                                    | 108,164<br>(RMB 25,125,000)  | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Yue-Shen (Taicang)<br>Footwear Co., Ltd.                          | b                        | 117,408,939  | 121,994<br>(RMB 27,639,000)                                    | 84,378<br>(RMB 19,600,000)   | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Taichang Yue-Shen<br>Sporting Goods<br>Co., Ltd.                  | b                        | 117,408,939  | 203,017<br>(RMB 45,595,000)                                    | 107,281<br>(RMB 24,920,000)  | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Fujian Pou Sheng<br>Sporting Goods<br>Co., Ltd.                   | b                        | 117,408,939  | 24,812<br>(RMB 5,750,000)                                      | 24,754<br>(RMB 5,750,000)  | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Henan Yisports Sport<br>Products Co., Ltd.                        | b                        | 117,408,939  | 96,663<br>(RMB 21,000,000)                                     | 90,405<br>(RMB 21,000,000)   | 51,681<br>(RMB 12,004,870)     | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Guizhou Pou-Sheng Sport<br>Products Co., Ltd.                     | b                        | 117,408,939  | 128,884<br>(RMB 28,000,000)                                    | 120,540<br>(RMB 28,000,000)  | 43,060<br>(RMB 10,002,376)     | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Shanghai DJI Sports<br>Industries Dev. Co.,<br>Ltd.               | b                        | 117,408,939  | 92,060<br>(RMB 20,000,000)                                     | 86,100<br>(RMB 20,000,000)   | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Jiangxi Bao Yuan Trade<br>Co., Ltd.                               | b                        | 117,408,939  | 146,162<br>(RMB 31,900,000)                                    | 118,818<br>(RMB 27,600,000)  | 87,576<br>(RMB 20,342,964)     | -   | -  | 234,817,878  | N   | Y   |      |
| 3               | Pou Sheng (China) Investment<br>Co., Ltd.     | Yue Cheng (Kun Shan)<br>Sports Co., Ltd.                          | b                        | 117,408,939  | 134,160<br>(RMB 30,000,000)                                    | -  | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Taichang Yue-Shen<br>Sporting Goods Co.,<br>Ltd.                  | b                        | 117,408,939  | 269,630<br>(RMB 48,000,000)                                    | 43,500<br>(RMB 10,000,000)   | -                              | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Qingdao Pou-Sheng<br>International Sport<br>Products Co., Ltd.    | b                        | 117,408,939  | 539,468<br>(RMB 120,010,000)                                   | 516,644<br>(RMB 120,010,000)   | 174,943<br>(RMB 40,637,166)    | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Hebei Pouxun Sporting<br>Goods Co., Ltd.                          | b                        | 117,408,939  | 549,524<br>(RMB 122,400,000)                                   | 501,103<br>(RMB 116,400,000)   | 161,458<br>(RMB 37,504,785)    | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Zhejiang Shengdiao<br>Sporting-Goods Co.,<br>Ltd.                 | b                        | 117,408,939  | 559,994<br>(RMB 121,150,000)                                   | 495,721<br>(RMB 115,150,000)   | 244,229<br>(RMB 56,731,576)    | -   | -  | 234,817,878  | N   | Y   |      |
|                 |   | Bao Sheng Dao Ji<br>(Beijing) Trading<br>Company Ltd.             | b                        | 117,408,939  | 844,651<br>(RMB 185,500,000)                                   | 787,815<br>(RMB 183,000,000)   | 671,454<br>(RMB 155,970,553)   | -   | 1  | 234,817,878  | N   | Y   |      |
|                 |   | Shaanxi Pousheng<br>Trading Co., Ltd.                             | b                        | 117,408,939  | 2,652,198<br>(RMB 582,400,000)                                 | 2,454,713<br>(RMB 570,200,000)                                       | 1,046,849<br>(RMB 243,170,601) | -   | 2  | 234,817,878  | N   | Y   |      |
|                 |   | Shanghai Pou-Yuen Sport<br>Products Business<br>Trading Co., Ltd. | b                        | 117,408,939  | 3,289,608<br>(RMB 718,900,000)                                 | 3,032,443<br>(RMB 704,400,000)                                       | 1,022,179<br>(RMB 237,439,960) | -   | 3  | 234,817,878  | 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 guaranteee 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 50% of the voting shares.
- e. A company fulfils 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 fulfils its contractual obligations by providing mutual endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. A company where all capital contributing shareholders make endorsements/guarantees 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 "yy".

(Concluded)



TABLE 3

POU CHEN CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(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, 2019 |   |                         | Note  |
|-----------------------------|---|---------------------------------------|---|-------------------|---|-------------------------|---|
|                             |   |                                       |   | Shares            | Carrying Amount                                 | Percentage of Ownership | Fair Value                                      |
| Pou Chen Corporation        | Ordinary shares<br>Mega Financial Holding Company Ltd.  |                                       | Financial assets at FVTOCI - current                | 191,730,486       | \$ 5,866,953                                    | 1.41                    | \$ 5,866,953                                    |
|                             | Taiwan Puiho Limited                                    |                                       | Financial assets at FVTOCI - current                | 615,473           | 51,884  | 0.21                    | 51,884  |
|                             | Zhiyuan Venture Capital Co., Ltd.                       |                                       | Financial assets at FVTOCI - non-current            | 6,000,000         | 52,183  | 10.71                   | 52,183  |
|                             | New Loulan Corporation, Ltd.                            |                                       | Financial assets at FVTOCI - non-current            | 100,000           | 801   | 4.00                    | 801   |
| Wealthplus Holdings Limited | Structured product<br>CIB Callable Structured Deposit   |                                       | Financial assets at amortized cost - non-current    | -                 | 111,500   | -                       | 111,500   |
|                             | Fund<br>Cid Greater China Venture Capital Fund II, L.P. |                                       | Financial assets mandatorily at FVTPL - non-current | -                 | 113,566<br>(US\$ 3,788,042)                     | -                       | 113,566<br>(US\$ 3,788,042)                     |
|                             | Ordinary shares<br>Golden Brands Developments Ltd.      |                                       | Financial assets at FVTOCI - non-current            | 17,086,572        | 68,700  | 5.38                    | 68,700  |
|                             | Great Team Backend Foundry, Inc.                        |                                       | Financial assets at FVTOCI - non-current            | 4,000,000         | (US\$ 2,291,526)<br>(US\$ 4,560,000)            | 6.87                    | (US\$ 2,291,526)<br>(US\$ 4,560,000)            |
|                             | Bonds<br>CIB Bond                                       |                                       | Financial assets at amortized cost - current        | -                 | 87,013  | -                       | 87,013  |
|                             | China Huarong International Holdings Bond               |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 2,902,350)<br>270,129                     | -                       | (US\$ 2,902,350)<br>270,129                     |
|                             | Macquarie Bond  |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 9,010,294)<br>86,347                      | -                       | (US\$ 9,010,294)<br>86,347                      |
|                             | Citigroup Bond  |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 2,880,159)<br>129,593                     | -                       | (US\$ 2,880,159)<br>129,593                     |
|                             | Zhaohai Investment BV1                                  |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 4,322,633)<br>269,244                     | -                       | (US\$ 4,322,633)<br>269,244                     |
|                             | Morgan Stanley  |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 8,980,793)<br>21,560                      | -                       | (US\$ 8,980,793)<br>21,560                      |
|                             | Natwest Markets PL                                      |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 719,160)<br>430,513                       | -                       | (US\$ 719,160)<br>430,513                       |
|                             | First Abu Dhabi Bank                                    |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 14,360,000)<br>22,010                     | -                       | (US\$ 14,360,000)<br>22,010                     |
|                             | Bank of China (Macau)                                   |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 734,147)<br>43,229                        | -                       | (US\$ 734,147)<br>43,229                        |
|                             | Societe Generale Perpetual Bond (EUR)                   |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 1,441,912)<br>103,086                     | -                       | (US\$ 1,441,912)<br>103,086                     |
|                             | UBS Perpetual Bond                                      |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 3,438,487)<br>153,319                     | -                       | (US\$ 3,438,487)<br>153,319                     |
|                             | HSBC Holdings Perpetual Bond                            |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 5,114,034)<br>275,357                     | -                       | (US\$ 5,114,034)<br>275,357                     |
|                             | Svebank Perpetual Bond                                  |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 9,184,680)<br>289,239                     | -                       | (US\$ 9,184,680)<br>289,239                     |
|                             | BNP Paribas Perpetual Bond                              |                                       | Financial assets at amortized cost - non-current    | -                 | (US\$ 9,647,757)<br>190,474<br>(US\$ 6,353,367) | -                       | (US\$ 9,647,757)<br>190,474<br>(US\$ 6,353,367) |

(Continued)



| Holding Company Name            | Type and Name of Marketable Securities                              | Relationship with the Holding Company | Financial Statement Account                         | December 31, 2019 |                                |                         | Note                           |
|---------------------------------|---|---------------------------------------|---|-------------------|--------------------------------|-------------------------|--------------------------------|
|                                 |   |                                       |   | Shares            | Carrying Amount                | Percentage of Ownership | Fair Value                     |
| Wealthplus Holdings Limited     | Societe Generale Perpetual Bond (USD)                               |                                       | Financial assets at amortized cost - non-current    | -                 | \$ 127,105<br>(US\$ 4,239,672) | -                       | \$ 127,105<br>(US\$ 4,239,672) |
|                                 | Yunnan Metropolitan Construction Investment Group Bond              |                                       | Financial assets at amortized cost - non-current    | -                 | 46,322<br>(US\$ 1,545,103)     | -                       | 46,322<br>(US\$ 1,545,103)     |
|                                 | Bi Hai Co., Ltd.  |                                       | Financial assets at amortized cost - non-current    | -                 | 154,401<br>(US\$ 5,150,167)    | -                       | 154,401<br>(US\$ 5,150,167)    |
|                                 | UBS Group Perpetual Bond  |                                       | Financial assets at amortized cost - non-current    | -                 | 141,002<br>(US\$ 4,703,204)    | -                       | 141,002<br>(US\$ 4,703,204)    |
|                                 | ING Groep Perpetual Bond  |                                       | Financial assets at amortized cost - non-current    | -                 | 298,942<br>(US\$ 9,971,385)    | -                       | 298,942<br>(US\$ 9,971,385)    |
|                                 | Credit Agricole SA Perpetual Bond                                   |                                       | Financial assets at amortized cost - non-current    | -                 | 156,191<br>(US\$ 5,209,837)    | -                       | 156,191<br>(US\$ 5,209,837)    |
|                                 | Swiss Re Bond   |                                       | Financial assets at amortized cost - non-current    | -                 | 302,266<br>(US\$ 10,082,245)   | -                       | 302,266<br>(US\$ 10,082,245)   |
|                                 | Shinhan Financial Group Perpetual Bond                              |                                       | Financial assets at amortized cost - non-current    | -                 | 191,059<br>(US\$ 6,372,876)    | -                       | 191,059<br>(US\$ 6,372,876)    |
|                                 | Lloyds Banking Group Perpetual Bond                                 |                                       | Financial assets at amortized cost - non-current    | -                 | 299,686<br>(US\$ 9,996,199)    | -                       | 299,686<br>(US\$ 9,996,199)    |
|                                 | RBS Subordinated Tier 2 Bond  |                                       | Financial assets at amortized cost - non-current    | -                 | 98,793<br>(US\$ 3,295,313)     | -                       | 98,793<br>(US\$ 3,295,313)     |
| Win Fortune Investments Limited | Bills<br>Deutsche Bank-Anleihe                                      |                                       | Financial assets at amortized cost - non-current    | -                 | 1,846,900<br>(US\$ 61,604,400) | -                       | 1,846,900<br>(US\$ 61,604,400) |
|                                 | Structured product<br>E-SUN Bank Callable Structured Deposit        |                                       | Financial assets at amortized cost - non-current    | -                 | 584,610<br>(US\$ 19,500,000)   | -                       | 584,610<br>(US\$ 19,500,000)   |
|                                 | Fund<br>Prodigy Strategic Investment Fund Xxii Segregated Portfolio |                                       | Financial assets mandatorily at FVTPL - non-current | 38,500            | 136,383<br>(US\$ 4,549,152)    | -                       | 136,383<br>(US\$ 4,549,152)    |
|                                 | Ordinary shares<br>Taiwan Fubao Limited                             |                                       | Financial assets at FVTOCI - current                | 775,170           | 65,347                         | 0.26                    | 65,347                         |
|                                 | Mega Financial Holding Company Ltd.                                 |                                       | Financial assets at FVTOCI - current                | 125,123,044       | 3,828,765                      | 0.92                    | 3,828,765                      |
|                                 | Ordinary shares<br>Mega Financial Holding Company Ltd.              |                                       | Financial assets at FVTOCI - current                | 170,039,372       | 521,405                        | 0.13                    | 521,405                        |
|                                 | Ordinary shares<br>Mega Financial Holding Company Ltd.              |                                       | Financial assets at FVTOCI - current                | 133,720,943       | 4,091,861                      | 0.98                    | 4,091,861                      |
|                                 | Global Brands Manufacture Ltd.                                      |                                       | Financial assets at FVTOCI - current                | 34,448,000        | 590,783                        | 6.68                    | 590,783                        |
|                                 | Shoy Yu Co., Ltd.   |                                       | Financial assets at FVTOCI - non-current            | 32,000            | 320                            | 1.07                    | 320                            |
|                                 | Environment In Assistant Engineering Corp.                          |                                       | Financial assets at FVTOCI - non-current            | 20,000            | -                              | 1.00                    | -                              |
| Song Ming Investments Co., Ltd. | Fund<br>Cathay Taiwan Money Market Fund                             |                                       | Financial assets mandatorily at FVTPL - current     | 4,908,636         | 61,293                         | -                       | 61,293                         |
|                                 | Ordinary shares<br>Mega Financial Holding Company Ltd.              |                                       | Financial assets at FVTOCI - current                | 49,416,125        | 1,512,133                      | 0.36                    | 1,512,133                      |
|                                 | Fund<br>Cathay Taiwan Money Market Fund                             |                                       | Financial assets mandatorily at FVTPL - current     | 285,631           | 3,567                          | -                       | 3,567                          |
|                                 | Fund<br>Cathay Taiwan Money Market Fund                             |                                       | Financial assets mandatorily at FVTPL - current     | 298,372           | 3,726                          | -                       | 3,726                          |
|                                 |   |                                       |   |                   |                                |                         |                                |
|                                 |   |                                       |   |                   |                                |                         |                                |
|                                 |   |                                       |   |                   |                                |                         |                                |
|                                 |   |                                       |   |                   |                                |                         |                                |
|                                 |   |                                       |   |                   |                                |                         |                                |
|                                 |   |                                       |   |                   |                                |                         |                                |

(Continued)



| Holding Company Name                   | Type and Name of Marketable Securities                              | Relationship with the Holding Company | Financial Statement Account                         | December 31, 2019 |  |                         | Note   |
|--|---|---------------------------------------|---|-------------------|--|-------------------------|--|
|  |   |                                       |   | Shares            | Carrying Amount                                  | Percentage of Ownership | Fair Value                                       |
| Windsor Entertainment Co., Ltd.        | Funds<br>Mega Diamond Money Market Fund                             |                                       | Financial assets mandatorily at FVTPL - current     | 2,988,955         | \$ 37,634  | -                       | \$ 37,634  |
|  | Jih Sun Money Market Fund   |                                       | Financial assets mandatorily at FVTPL - current     | 336,171           | 5,002  | -                       | 5,002  |
| Pou Yui Development Co., Ltd.          | Ordinary shares<br>Taichung International Entertainment Corporation |                                       | Financial assets at FVTOCI - non-current            | 3                 | 7,500  | 0.09                    | 7,500  |
|  | Ordinary shares<br>Mega Financial Holding Company Ltd.              |                                       | Financial assets at FVTOCI - current                | 40,069,450        | 1,226,125  | 0.30                    | 1,226,125  |
| Yue Yuen Industrial (Holdings) Limited | Fund<br>Cathay Taiwan Money Market Fund                             |                                       | Financial assets mandatorily at FVTPL - current     | 32,355,291        | 404,431  | -                       | 404,431  |
|  | BPEA Asia Private Equity  |                                       | Financial assets mandatorily at FVTPL - non-current | -                 | (US\$ 13,490,029)<br>124,760<br>(US\$ 4,161,444) | -                       | (US\$ 13,490,029)<br>124,760<br>(US\$ 4,161,444) |
|  | Ordinary shares<br>Evermore Chemical Industry Co., Ltd.             |                                       | Financial assets at FVTOCI - non-current            | 8,081,281         | 141,973  | 8.13                    | 141,973  |
|  | Taiwan Pailho Limited   |                                       | Financial assets at FVTOCI - non-current            | 9,528,228         | (US\$ 4,735,584)<br>804,058                      | 3.20                    | (US\$ 4,735,584)<br>804,058                      |
|  | Keg Big Dome Sports Co., Ltd.                                       |                                       | Financial assets at FVTOCI - non-current            | -                 | (US\$ 26,819,837)<br>10,001<br>(US\$ 333,582)    | 11.76                   | (US\$ 26,819,837)<br>10,001<br>(US\$ 333,582)    |
|  | Bonds<br>Bank of China (Hong Kong)                                  |                                       | Financial assets at amortized cost - current        | -                 | 36,064   | -                       | 36,064   |
|  | Beijing State-Owned Assets Management Co., Ltd                      |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 1,202,929)<br>17,992                       | -                       | (US\$ 1,202,929)<br>17,992                       |
|  | Cnooc Finance 2015 Australia Pty. Ltd.                              |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 600,143)<br>17,971                         | -                       | (US\$ 600,143)<br>17,971                         |
|  | Fita International Ltd.   |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 599,447)<br>18,045                         | -                       | (US\$ 599,447)<br>18,045                         |
|  | Huorong Finance II Co., Ltd.  |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 601,889)<br>17,997                         | -                       | (US\$ 601,889)<br>17,997                         |
|  | Standard Chartered (Hong Kong)                                      |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 600,303)<br>18,184                         | -                       | (US\$ 600,303)<br>18,184                         |
|  | The Bank of East Asia Limited                                       |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 606,538)<br>18,225                         | -                       | (US\$ 606,538)<br>18,225                         |
|  | China Overseas Finance (Cayman) II Ltd.                             |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 607,888)<br>18,314                         | -                       | (US\$ 607,888)<br>18,314                         |
|  | Sinochem Group Co., Ltd.  |                                       | Financial assets at amortized cost - current        | -                 | (US\$ 610,871)<br>18,169                         | -                       | (US\$ 610,871)<br>18,169                         |
|  | Structured product<br>JP Morgan Credit Linked Note                  |                                       | Financial assets mandatorily at FVTPL - non-current | -                 | (US\$ 606,051)<br>598,281<br>(US\$ 19,956,000)   | -                       | (US\$ 606,051)<br>598,281<br>(US\$ 19,956,000)   |

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.

(Concluded)

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, 2019

(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         |                           | Gain (Loss) on 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                    |
| Pou Chen Corporation                   | Ruen Chen Investment Holding Co., Ltd. | Investments accounted for using equity method | -            | Related parties | 2,961,000,000     | \$ 8,403,275              | 570,800,000      | \$ 41,208,768 (Note 1)             | -                | \$ -                      | \$ -                      | \$ -                    | 3,531,800,000    | \$ 49,612,043             |
| Yue Yuen Industrial (Holdings) Limited | Cathay Taiwan Money Market Fund        | Financial assets at FVTPL - current           | -            | None            | 29,690,182        | 370,612 (US\$ 12,066,154) | 44,252,580       | 551,853 (US\$ 18,294,165) (Note 2) | 41,587,471       | 518,034 (US\$ 16,870,290) | 518,034 (US\$ 16,870,290) | -                       | 32,555,291       | 404,431 (US\$ 13,490,029) |

Note 1: Include acquisition, profit (loss) of investments accounted for using equity method and other comprehensive income (loss).

Note 2: Include acquisition 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, 2019

(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 | 2019.01-2019.12 | \$ 3,166,132<br>(US\$ 105,608,129) | Accumulated payment as of December 31, 2019<br>\$ 2,551,828<br>(US\$ 85,117,667) | -            | 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, 2019  
(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 51.11% indirectly at December 31, 2019             | Sale                | \$ (11,290,744)     | (99)       | D/A 45 days          | \$ -       | -                                    | \$ 1,603,882        | 99         |
|  | San Fang Chemical Industry Co., Ltd.   | Pou Chen Chemical Co., Ltd. and Yue Dean Technology Corporation are the Company's directors. | Purchase            | 129,085             | 2          | D/A 45 days          | -          | -                                    | (9,826)             | (1)        |
|  | Cohen Enterprises Inc.                 | Investee accounted for by the equity method  | Sale                | (400,844)           | -          | D/A 45 days          | -          | -                                    | 360                 | -          |
|  | Oftenrich Holdings Ltd.                | Investee accounted for by the equity method  | Sale                | (US\$ (12,968,000)) | -          | D/A 45 days          | -          | -                                    | (US\$ 12,000)       | -          |
|  | Pou Chen Corporation                   | The parent company   | Purchase            | (US\$ (11,422))     | -          | D/A 45 days          | -          | -                                    | (US\$ 13,281)       | -          |
|  | Ka Yuen Rubber Factory Limited         | Investee accounted for by the equity method  | Purchase            | (US\$ (3,604,000))  | 6          | D/A 45 days          | -          | -                                    | (US\$ 443,000)      | (11)       |
|  | Twinways Investments Limited           | Investee accounted for by the equity method  | Purchase            | 11,290,744          | 1          | D/A 45 days          | -          | -                                    | (US\$ (1,603,882))  | (2)        |
|  | Cohen Enterprises Inc.                 | Investee accounted for by the equity method  | Purchase            | (US\$ 365,276,644)  | 1          | D/A 45 days          | -          | -                                    | (US\$ (53,498,399)) | (3)        |
|  | Top Units Developments Ltd.            | Investee accounted for by the equity method  | Purchase            | (US\$ 50,062,000)   | -          | D/A 45 days          | -          | -                                    | (US\$ (377,148))    | (1)        |
|  | San Fang Chemical Industry Co., Ltd.   | Investee accounted for by the equity method  | Purchase            | (US\$ 1,456,612)    | -          | D/A 45 days          | -          | -                                    | (US\$ (12,580,000)) | (1)        |
|  | Eastlion Industrial Ltd.               | Investee accounted for by the equity method  | Purchase            | (US\$ 490,511)      | -          | D/A 45 days          | -          | -                                    | (US\$ (86,193))     | (1)        |
|  | Great Skill Industrial Limited         | Investee accounted for by the equity method  | Purchase            | (US\$ 15,872,000)   | -          | D/A 45 days          | -          | -                                    | (US\$ (2,875,000))  | (1)        |
|  | Willpower Industries Ltd.              | Investee accounted for by the equity method  | Purchase            | (US\$ 531,610)      | -          | D/A 45 days          | -          | -                                    | (US\$ (92,878))     | (1)        |
|  | Vipshop Holdings Limited               | Other related parties  | Sale                | (US\$ 17,202,000)   | 1          | D/A 45 days          | -          | -                                    | (US\$ (3,098,000))  | (3)        |
| Pou Sheng International (Holdings) Limited |  |  |                     | (US\$ 1,510,906)    | 1          | D/A 45 days          | -          | -                                    | (US\$ (380,836))    | (2)        |
|  |  |  |                     | (US\$ 48,901,000)   | 1          | D/A 45 days          | -          | -                                    | (US\$ (12,703,000)) | (1)        |
|  |  |  |                     | (US\$ 1,307,833)    | -          | D/A 45 days          | -          | -                                    | (US\$ (312,482))    | (1)        |
|  |  |  |                     | (US\$ 42,285,000)   | -          | D/A 45 days          | -          | -                                    | (US\$ (10,423,000)) | (1)        |
|  |  |  |                     | (US\$ 466,268)      | -          | D/A 45 days          | -          | -                                    | (US\$ (90,060))     | -          |
|  |  |  |                     | (US\$ 15,077,000)   | -          | D/A 45 days          | -          | -                                    | (US\$ (3,004,000))  | -          |
|  |  |  |                     | (US\$ 104,099)      | -          | D/A 45 days          | -          | -                                    | (US\$ (12,082))     | -          |
|  |  |  |                     | (US\$ 3,367,000)    | -          | D/A 45 days          | -          | -                                    | (US\$ (403,000))    | -          |
|  |  |  |                     | (US\$ 2,695,974)    | 2          | D/A 30 days          | -          | -                                    | (US\$ 541,131)      | 4          |
|  |  |  |                     | (US\$ (88,439,000)) |            |                      | -          | -                                    | (US\$ 18,050,000)   |            |



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, 2019

(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 51.11% indirectly at December 31, 2019 | \$ 1,603,882                                   | 6             | \$ -    | -             | \$ 1,492,075                         | \$ -                          |

TABLE 8

## POU CHEN CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No.<br>(Note 1) | Investee Company     | Counterparty   | Relationship<br>(Note 2) | Transaction Details                      |                            |   |
|-----------------|----------------------|--|--------------------------|--|----------------------------|---|
|                 |                      |  |                          | Financial Statement<br>Accounts          | Amount                     | Payment Terms                             |
| 0               | Pou Chen Corporation | Yue Yuen Industrial (Holdings) Limited<br>Yue Yuen Industrial (Holdings) Limited | a<br>a                   | Operating revenue<br>Accounts receivable | \$ 11,290,744<br>1,603,882 | D/A 45 days<br>D/A 45 days                |
|                 |                      |  |                          |  |                            | % of Total<br>Sales or Assets<br>(Note 3) |
|                 |                      |  |                          |  |                            | 4<br>-                                    |

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, 2019. For profit or loss items, cumulative amounts are shown as a percentage to the consolidated total operating revenue for the year ended December 31, 2019.



TABLE 9

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company                | Investee Company                                   | Location   | Main Businesses and Products  | Original Investment Amount<br>December 31, 2019 | December 31, 2018                | Shares        | As of December 31, 2019<br>% | Carrying Amount                       | Net Income (Loss) of<br>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<br>(US\$ 9,222,000)                  | \$ 295,429<br>(US\$ 9,222,000)   | 9,222,000     | 100.00                       | \$ 78,651,165<br>(US\$ 2,623,454,479) | \$ 5,233,646<br>(US\$ 169,477,857)   | \$ 5,249,729<br>(US\$ 169,998,174) |   |
|                                 | Win Fortune Investments Limited                    | British Virgin Islands   | Investing activities  | \$ 3,230<br>(US\$ 100,000)                      | \$ 3,230<br>(US\$ 100,000)       | 100,000       | 100.00                       | 2,096,472<br>(US\$ 69,929,024)        | 91,961<br>(US\$ 2,961,873)           | 92,306<br>(US\$ 2,973,034)         |   |
|                                 | Windsor Hotel Co., Ltd.                            | No. 610, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)                | Entertainment and resort operations                                       | 400,000   | 450,000                          | 5,000,000     | 100.00                       | 64,495                                | 8,900                                | 13,105                             |   |
|                                 | 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                       | 3,718,884                             | 222,256                              | 222,256                            |   |
|                                 | 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                       | 11,420                                | 1,269                                | 1,269                              |   |
|                                 | Baris 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                        | 8,678,209                             | 321,220                              | 319,591                            |   |
|                                 | 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                        | 355,481                               | 34,955                               | 17,999                             |   |
|                                 | Pro Aech 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                       | 242,163                               | 2,502                                | 2,808                              |   |
|                                 | Pou Yui 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                        | 175,613                               | 62,670                               | 9,401                              | 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                         | -                                     | (40,038)                             | 144                                | The Company and its associate hold 97.57%   |
|                                 | Ellegroup Computer Systems Co., Ltd.               | No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)                  | Manufacturing of electronic components                                    | 3,364,570                                       | 3,364,570                        | 70,066,949    | 12.57                        | 1,376,448                             | 45,779                               | 5,755                              | 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                        | -                                     | 60,710                               | -                                  | The Company and its associate hold 50.00% (Note 1)  |
|                                 | Ruen Chen Investment Holding Co., Ltd.             | Rm. 1, 13F, No. 308, Sec. 2, Bode Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)          | Investment holding  | 15,230,000                                      | 11,150,000                       | 3,531,800,000 | 20.00                        | 49,612,043                            | 28,832,872                           | 5,766,591                          |   |
| Wealthplus Holdings Limited     | Yue Yuen Industrial (Holdings) Ltd.                | 22nd Floor, C-Boss 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<br>(US\$ 747,132,133)                | 24,199,976<br>(US\$ 747,132,133) | 806,836,663   | 50.04                        | 61,602,051<br>(US\$ 2,034,771,542)    | 9,292,228<br>(US\$ 300,546,000)      | 4,612,551<br>(US\$ 149,187,039)    | The subsidiary in which the Company holds 51.11% indirectly at December 31, 2019 (Note 2) |
|                                 | Silver Island Trading Ltd.                         | British Virgin Islands   | Sale of electronic components   | 129,720<br>(US\$ 4,000,000)                     | 129,720<br>(US\$ 4,000,000)      | 4,000,000     | 50.00                        | 73,924<br>(US\$ 2,465,793)            | 35<br>(US\$ 1,127)                   | 8<br>(US\$ 265)                    |   |
|                                 | Venture Well Holdings Ltd.                         | British Virgin Islands   | Sale of electronic components   | 230,305<br>(US\$ 7,101,621)                     | 332,638<br>(US\$ 10,257,121)     | 6,966,030     | 31.55                        | 68,548<br>(US\$ 2,286,444)            | 23,205<br>(US\$ 746,410)             | 7,322<br>(US\$ 235,530)            |   |
| Win Fortune Investments Limited | Yue Yuen Industrial (Holdings) Ltd.                | 22nd Floor, C-Boss International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong | Manufacturing and sale of athletic and casual footwear and sports apparel | 404,026<br>(US\$ 12,769,118)                    | 404,026<br>(US\$ 12,769,118)     | 17,307,172    | 1.07                         | 1,322,011<br>(US\$ 44,096,420)        | 9,292,228<br>(US\$ 300,546,000)      | 99,000<br>(US\$ 3,200,300)         | The subsidiary in which the Company holds 51.11% indirectly at December 31, 2019          |
| Pou Shine Investments Co., Ltd. | Baris 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                         | 11,110                                | 321,220                              | 411                                | Subsidiary  |
|                                 | Ellegroup Computer Systems Co., Ltd.               | No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)                  | Manufacturing of electronic components                                    | 373,347   | 373,347                          | 11,457,179    | 2.06                         | 225,077                               | 45,779                               | 941                                | 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                         | -                                     | 60,710                               | -                                  | The Company and its associate hold 50.00%   |
|                                 | Nan Shan Life Insurance Company, Ltd.              | No. 168, Zhongxing Rd., Xinyi Dist., Taipei City 110, Taiwan (ROC)                         | Sale of life insurance  | 189,920   | -                                | 11,870,000    | 0.09                         | 274,392                               | 32,447,394                           | 11,203                             | The Company and its associate hold 18.09%   |

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. The Company terminated the placement of the shares in the custody of Mega Bank and retrieved the shares on October 22, 2019.

(Continued)



| Investor Company                                | Investee Company                                | Location  | Main Businesses and Products  | Original Investment Amount<br>December 31, 2019 | Original Investment Amount<br>December 31, 2018 | Shares      | As of December 31, 2019<br>% | Carrying Amount | Net Income (Loss) of<br>the Investee | Share of Profit (Loss) | Note  |
|---|---|---|---|---|---|-------------|------------------------------|-----------------|--------------------------------------|------------------------|---|
| Barits Development Corporation                  | Song Ming Investments Co., Ltd.                 | No. 2, Fugong Rd., Fixing Township, Changhua County 506, Taiwan (ROC)                   | Investing activities  | \$ 1,218,879                                    | \$ 1,218,879                                    | 120,486,400 | 100.00                       | \$ 2,493,969    | \$ 132,504                           | \$ 132,504             | The Company and its associate hold 97.57%                       |
|   | Wang Yi Construction Co., Ltd.                  | Rm. 1, 6F., No. 600, Sec. 4, Taiwan Blvd., Xintu Dist., Taichung City 407, Taiwan (ROC) | Construction  | 89,712  | 89,712  | 6,910,750   | 89.75                        | 79,954          | (4,038)                              | (3,624)                |   |
|   | Pon Chin Development Co., Ltd.                  | 10F., No. 600, Sec. 4, Taiwan Blvd., Xintu Dist., Taichung City 407, Taiwan (ROC)       | Agency of land demarcation  | 200,000   | 200,000   | 20,000,000  | 100.00                       | 199,469         | (654)                                | (654)                  |   |
|   | Yu Hong Development Co., Ltd.                   | 13F., No. 600, Sec. 4, Taiwan Blvd., Xintu Dist., Taichung City 407, Taiwan (ROC)       | Development of real estate  | 240,000   | 240,000   | 24,000,000  | 100.00                       | 167,031         | (9,133)                              | (9,133)                |   |
| Wing Yi Construction Co., Ltd.                  | Eliegroup Computer Systems Co., Ltd.            | No. 239, Sec. 2, Tiding Blvd., Nehu Dist., Taipei City 114, Taiwan (ROC)                | Manufacturing of electronic components  | 348,159   | 348,159   | 24,109,451  | 4.32                         | 473,621         | 45,779                               | 76                     | 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                         | -               | 60,710                               | -                      | The Company and its associate hold 50.00%                       |
|   | Nan Shan Life Insurance Company, Ltd.           | No. 168, Zhuangding Rd., Xinyi Dist., Taipei City 110, Taiwan (ROC)                     | Sale of life insurance  | 189,920   | -   | 11,870,000  | 0.09                         | 274,392         | 32,447,924                           | 11,203                 | The Company and its associate hold 18.09%                       |
|   | Eliegroup Computer Systems Co., Ltd.            | No. 239, Sec. 2, Tiding Blvd., Nehu Dist., Taipei City 114, Taiwan (ROC)                | Manufacturing of electronic components  | 30,838  | 30,838  | 924,148     | 0.17                         | 18,155          | 45,779                               | 76                     | The Company and its associate hold 19.50% and serve as director |
| Song Ming Investments Co., Ltd.                 | Pon Yui Development Co., Ltd.                   | 1F., No. 71, Dadan 4th St., Nantun Dist., Taichung City 408, Taiwan (ROC)               | Rental and sale of real estate  | 262,500   | 262,500   | 39,375,000  | 75.00                        | 878,062         | 62,670                               | 47,003                 | The Company and its associate hold 90.00% Subsidiary            |
|   | Pon Yuen Technology Co., Ltd.                   | No. 4, Fugong Rd., Fixing Township, Changhua County 506, Taiwan (ROC)                   | Rental of real estate   | 21,240  | 21,240  | 578,170     | 1.99                         | 14,046          | 34,955                               | 695                    |   |
|   | Eliegroup Computer Systems Co., Ltd.            | No. 239, Sec. 2, Tiding Blvd., Nehu Dist., Taipei City 114, Taiwan (ROC)                | Manufacturing of electronic components  | 21,725  | 21,725  | 2,147,558   | 0.38                         | 42,190          | 45,779                               | 176                    | The Company and its associate hold 19.50% and serve as director |
|   | Vantage Capital Investments Limited             | British Virgin Islands  | Investment holding  | 215,342   | 215,342   | 14,539,767  | 100.00                       | 20,252          | (2,635)                              | (2,635)                |   |
| Yue Yuen Industrial (Holdings) Limited          | 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  | 6,523,222                                       | 6,523,222                                       | 19          | 7.60                         | -               | (85,500)                             | (85,500)               | The Company and its associate hold 50.00%                       |
|   | Eagle Nice (International) Holdings Limited     | British Cayman Islands  | Manufacturing of wearing apparel and clothing accessories                         | 1,297,712                                       | 1,325,223                                       | 192,000,000 | 36.09                        | 2,177,867       | 881,626                              | 318,179                |   |
|   | Full Pearl International Ltd.                   | British Virgin Islands  | Sale of women's shoes   | 381,878   | 40,864,107                                      | 1,319       | 40.04                        | 407,298         | 28,451,771                           | 10,268,244             |   |
|   | Offentrich Holdings Limited                     | Bermuda   | Manufacturing and sale of footwear  | 1,339,783                                       | 12,226,424                                      | 5,400       | 45.00                        | 2,396,710       | (42,078)                             | (16,848)               |   |
| Pon Yuen Technology Co., Ltd.                   | Pine Wood Industries Limited                    | British Virgin Islands  | Manufacturing and sale of fabric  | 92,393  | (U.S.) 42,210,159                               | 2,849,000   | 37.00                        | 207,739         | (U.S.) 10,537,213                    | (U.S.) 4,741,746       |   |
|   | Prosperous Industrial (Holdings) Ltd.           | British Cayman Islands  | Manufacturing and sale of gym bags  | 583,740   | (U.S.) 2,849,000                                | 252,000,000 | 22.50                        | 1,235,781       | (U.S.) 6,929,245                     | (U.S.) 781,439         |   |
|   | Supplyline Logistics Ltd.                       | Hong Kong   | Logistics service provider  | 256,576   | (U.S.) 18,000,000                               | 4,612       | 49.00                        | -               | (U.S.) 862,982                       | (U.S.) 194,171         |   |
|   | Sun Fang Chemical Industry Co., Ltd.            | ROC   | Manufacturing and sale of synthetic leather                                       | 8,010,938                                       | (U.S.) 7,813,063                                | 177,908,075 | 44.72                        | 4,473,294       | (U.S.) 435,663                       | 194,829                |   |
| Nan Pao Resins Chemical Co., Ltd.               | Tien Pou International Ltd.                     | British Virgin Islands  | Investment holding  | 2,696,757                                       | (U.S.) 83,192,794                               | -           | -                            | -               | (U.S.) 140,082                       | (U.S.) 6,294,035       |   |
|   | Nan Pao Resins Chemical Co., Ltd.               | ROC   | Manufacturing and sale of chemical materials                                      | 539,797   | (U.S.) 11,740,355                               | 21,205,248  | 17.59                        | 1,659,155       | (U.S.) (4,512,308)                   | (U.S.) (56,033)        |   |
|   | Bigfoot Limited                                 | British Virgin Islands  | Fabric trade/dyeing, finishing and processing of fabric/footwear material fitting | 16,873,924                                      | (U.S.) 16,873,924                               | -           | -                            | 55,342,069      | 1,181,832                            | 207,884                |   |
|   | Enthroned Group Limited                         | British Virgin Islands  | Investment holding  | -   | (U.S.) 4,281,139                                | -           | -                            | -               | (U.S.) (1,309)                       | (U.S.) 6,721,901       |   |
| Natural Options Limited                         | Just Lucky Investments Limited                  | British Virgin Islands  | Property management   | 48,760  | (U.S.) 158                                      | 808,130     | 38.30                        | 65,494          | -                                    | -                      |   |
|   | Natural Options Limited                         | British Virgin Islands  | Manufacturing of foam   | 26,207  | (U.S.) 26,207                                   | 340,870     | 38.30                        | 2,184,581       | (U.S.) 485,352                       | 5,775                  |   |
|   | Rise Bloom International Limited                | Hong Kong   | Investment holding  | 11,144  | (U.S.) 808,130                                  | 760,000     | 38.00                        | 224,455         | (U.S.) 230                           | 88                     |   |
|   | Prosperlink Limited                             | Samoa   | Investment holding  | 343,638   | (U.S.) 343,638                                  | 570,000     | 38.00                        | 46,865          | (U.S.) 7,574                         | 2,901                  |   |
| Pon Ming Paper Products Manufacturing Co., Ltd. | Pon Ming Paper Products Manufacturing Co., Ltd. | British Virgin Islands  | Manufacturing of paper products   | 24,312  | (U.S.) 760,000                                  | 1,000,000   | 20.00                        | 1,363,217       | (U.S.) 131,994                       | 50,158                 |   |
|   | Best Focus Holdings Ltd.                        | British Virgin Islands  | Manufacturing and sale of shoe box  | 17,432  | (U.S.) 570,000                                  | 162,150     | 50.00                        | 23,942          | (U.S.) 105,190                       | 39,972                 |   |
|   |   |   |   | 66,937  | (U.S.) 66,937                                   | 5,000,000   | 50.00                        | 798,609         | (U.S.) 15,438                        | 3,087                  |   |
|   |   |   |   | 2,163,800                                       | (U.S.) 2,163,800                                | 673,16      | 50.00                        | 772,021         | (U.S.) 485,952                       | 97,190                 |   |
|   |   |   |   | 5,000,000                                       | (U.S.) 5,000,000                                | 2,245,367   | 50.00                        | 2,245,367       | (U.S.) 4,105,886                     | 2,052,943              |   |

(Continued)



| Investor Company                          | Investee Company                         | Location               | Main Businesses and Products                                    | Original Investment Amount<br>December 31, 2019 | Original Investment Amount<br>December 31, 2018 | As of December 31, 2019<br>Shares | %     | Carrying Amount   | Net Income (Loss) of<br>the Investee | Share of Profit (Loss) | Note |
|---|--|------------------------|---|---|---|-----------------------------------|-------|-------------------|--------------------------------------|------------------------|------|
| Yue Yuen Industrial<br>(Holdings) Limited | Great Skill Industrial Limited           | British Virgin Islands | Manufacturing and sale of plastic shoe material injection crepe | \$ 68,882                                       | \$ 68,882                                       | 2,130,000                         | 50.00 | \$ 97,297         | \$ 3,058                             | \$ 1,529               |      |
|   | Hua Jian Industrial Holding Co., Limited | British Virgin Islands | Manufacturing and sale of women's shoes                         | (US\$ 2,130,000)                                | (US\$ 2,130,000)                                | -                                 | -     | (US\$ 3,248,737)  | (US\$ 81,014)                        | (US\$ 40,507)          |      |
|   | Jumbo Power Enterprises Limited          | British Virgin Islands | Manufacturing and sale of footwear                              | 259,742   | 259,742   | 50                                | 50.00 | (US\$ 563,149)    | (US\$ 213,257)                       | (US\$ 106,628)         |      |
|   | Ka Yuen Rubber Factory Limited           | British Virgin Islands | Manufacturing and sale of rubber sole                           | 564,782   | 564,782   | 17,500,000                        | 50.00 | (US\$ 668,429)    | (US\$ 165,944)                       | (US\$ 3,450,002)       |      |
|   | Willpower Industries Limited             | British Virgin Islands | Manufacturing and sale of paper products                        | 221,001   | 221,001   | 6,950,000                         | 44.84 | (US\$ 22,295,816) | (US\$ 5,320,492)                     | (US\$ 2,660,246)       |      |
|   | Blessland Enterprises Limited            | British Virgin Islands | Manufacturing and sale of insole                                | 39,852  | 39,852  | 1,175,000                         | 50.00 | (US\$ 30,337,372) | (US\$ 9,044,888)                     | (US\$ 125,009)         |      |
|   | Cohen Enterprises Inc.                   | British Virgin Islands | Manufacturing and sale of footwear leather products             | 1,232,414                                       | 1,232,414                                       | 20,000,000                        | 50.00 | (US\$ 1,201,915)  | (US\$ 356,199)                       | (US\$ 4,055,728)       |      |
|   | Twinways Investments Limited             | British Virgin Islands | Manufacturing and sale of footwear accessory injection crepe    | 202,150,151                                     | 202,150,151                                     | 17,500,000                        | 50.00 | (US\$ 18,561,380) | (US\$ 1,794,947)                     | (US\$ 287,473)         |      |
|   | Top Units Developments Ltd.              | British Virgin Islands | Manufacturing of footwear accessories                           | 551,432   | 551,432   | 17,500,000                        | 50.00 | (US\$ 43,542,049) | (US\$ 13,466,027)                    | (US\$ 6,733,014)       |      |
|   |  |                        |   | (US\$ 17,500,000)                               | (US\$ 17,500,000)                               |                                   |       | (US\$ 43,542,049) | (US\$ 13,466,027)                    | (US\$ 6,733,014)       |      |
|   |  |                        |   | (US\$ 418,997)                                  | (US\$ 418,997)                                  | 5,390,000                         | 49.00 | (US\$ 716,638)    | (US\$ 442,104)                       | (US\$ 216,631)         |      |
|   |  |                        |   | (US\$ 14,079,196)                               | (US\$ 14,079,196)                               |                                   |       | (US\$ 23,903,869) | (US\$ 14,307,825)                    | (US\$ 7,010,834)       |      |

(Concluded)

TABLE 10

## POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)         | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note     |
|--|---|---------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---|---|---|----------|
|  |   |                                 |                               |   | Outward             | Inward |   |                                   |  |   |   |   |          |
| Great Team Backend Foundry, Inc.                                   | Processing and manufacturing of transistors   | \$ 328,100<br>(US\$ 10,000,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ 22,372<br>(RMB 4,894,845)      | 6.87   | \$ -                                    | \$ 136,709<br>(RMB 31,755,819)          | \$ -  | (Note 3) |
| Yue-Shen (Taichang) Footwear Co., Ltd.                             | Finished shoes, semi-finished products, components and production and marketing of moulds                 | 554,646<br>(US\$ 17,100,000)    | b                             | -   | -                   | -      | -   | 18,736<br>(RMB 4,286,462)         | 31.79  | 5,947<br>(RMB 1,360,646)<br>b, 1)       | 240,653<br>(RMB 55,900,831)             | -   |          |
| Dongguan Yuning Electronic Technology Co., Ltd.                    | Production and marketing of over 17 inches color-image monitor, motherboards and other products           | 475,745<br>(US\$ 14,500,000)    | b                             | -   | -                   | -      | -   | 715<br>(RMB 175,892)              | 100.00                                       | 715<br>(RMB 175,892)<br>b, 1)           | 304,266<br>(RMB 70,677,295)             | -   |          |
| Dongguan Gaosheng Precision Injection Molding Technology Co., Ltd. | Mould, plastic case for mobile phones   | 395,526<br>(US\$ 12,055,034)    | b                             | -   | -                   | -      | -   | (6)<br>(RMB (1,420))              | 100.00                                       | (6)<br>(RMB (1,420))<br>b, 2)           | 49,812<br>(RMB 11,570,704)              | -   |          |
| Haicheng (Shanghai) Information Technology Co., Ltd.               | Sales and production of desktop computers, notebook computers, CRT monitors, PDA handheld computers, etc. | 393,720<br>(US\$ 12,000,000)    | b                             | -   | -                   | -      | -   | -                                 | -  | -                                       | -                                       | -   |          |
| Yue Cheng (Kun Shan) Sports Co., Ltd.                              | Operating sporting goods and equipment, spare parts production and marketing business                     | 435,402<br>(US\$ 14,200,000)    | b                             | -   | -                   | -      | -   | 238,304<br>(RMB 53,579,389)       | 31.79  | 75,664<br>(RMB 17,012,302)<br>b, 1)     | 888,504<br>(RMB 206,388,818)            | -   |          |
| Zhongshan Bao Ji Clothing Co., Ltd.                                | Production and marketing of sports wear   | 82,025<br>(US\$ 2,500,000)      | b                             | -   | -                   | -      | -   | 497<br>(RMB 109,436)              | 48.68  | 242<br>(RMB 53,171)<br>b, 1)            | 5,981<br>(RMB 1,389,278)                | -   |          |
| Dongguan Baobao Electronic Technology Co., Ltd.                    | Production and marketing of other optical appliances and instruments                                      | 147,645<br>(US\$ 4,500,000)     | b                             | -   | -                   | -      | -   | 24,731<br>(RMB 5,522,283)         | 100.00                                       | 24,731<br>(RMB 5,522,283)<br>b, 2)      | 146,646<br>(RMB 34,064,187)             | -   |          |
| Poushan Paper Products Manufacturing Co., Ltd.                     | Production and sale of shoe inner boxes, cartons  | 68,901<br>(US\$ 2,100,000)      | b                             | -   | -                   | -      | -   | (43,108)<br>(RMB (9,963,995))     | 10.22  | (4,402)<br>(RMB (1,017,554))<br>b, 1)   | 5,288<br>(RMB 1,228,419)                | -   |          |
| Beijing Advazone Electronic Limited Company                        | Development and production of computer software   | 512,019<br>(US\$ 16,100,000)    | b                             | -   | -                   | -      | -   | (522)<br>(RMB (117,969))          | 32.00  | (167)<br>(RMB (37,695))<br>b, 2)        | 33,289<br>(RMB 7,732,542)               | -   |          |
| Puohong Footwear Industrial Ltd.                                   | Production and operation of leisure shoes, sports shoes   | 49,215<br>(US\$ 1,500,000)      | b                             | -   | -                   | -      | -   | 7,669<br>(RMB 1,708,306)          | 51.11  | 3,914<br>(RMB 871,828)<br>b, 1)         | 42,653<br>(RMB 9,907,761)               | -   |          |
| Shangguo Yisen Industry Co., Ltd.                                  | Production and sale of finished shoes, semi-finished products, components and moulds                      | 660,404<br>(US\$ 20,390,000)    | b                             | -   | -                   | -      | -   | 120,396<br>(RMB 263,697,703)      | 51.11  | 61,435<br>(RMB 13,455,841)<br>b, 1)     | 803,896<br>(RMB 186,735,433)            | -   |          |
| Bao Hong (Yangzhou) Shoes Co., Ltd.                                | Production of needles, woven garments, footwear and sales of self-produce products                        | 2,591,184<br>(US\$ 86,291,730)  | b                             | -   | -                   | -      | -   | (91,028)<br>(RMB (20,310,318))    | 51.11  | (46,455)<br>(RMB (10,365,277))<br>b, 1) | 521,548<br>(RMB 121,149,357)            | -   |          |
| Dong Guan Yu Yuen Mold Co., Ltd.                                   | Production and sale of molds for non-metallic products  | 62,011<br>(US\$ 1,890,000)      | b                             | -   | -                   | -      | -   | 3,626<br>(RMB 818,992)            | 51.11  | 1,851<br>(RMB 418,044)<br>b, 1)         | 41,820<br>(RMB 9,714,278)               | -   |          |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)           | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|---|--|---------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---|---|---|------|
|   |  |                                 |                               |   | Outward             | Inward |   |                                   |  |   |   |   |      |
| Zhong Shan Glory Shoes Ind., Ltd.                           | Production and operation of various types of leather shoes products                                    | \$ 951,490<br>(US\$ 29,000,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (552,956)<br>(RMB 124,872,199) | 23.00  | \$ (127,048)<br>(RMB 28,691,141)<br>b, 1) | \$ 535,432<br>(RMB 123,087,803)         | \$ -  | -    |
| Zhong Shan Lu Mei Da Shoes Ind., Ltd.                       | Production and operation of various types of leather shoes products                                    | 39,372<br>(US\$ 1,200,000)      | b                             | -   | -                   | -      | -   | 621<br>(RMB 138,850)              | 23.00  | 143<br>(RMB 31,892)<br>b, 2)              | 9,878<br>(RMB 2,294,623)                | -   | -    |
| Zhong Ao Multiplex Management Group Co., Ltd.               | Stadium management, wholesale and retail of clothing and footwear accessories                          | 2,055,560<br>(RMB 431,795,000)  | b                             | -   | -                   | -      | -   | 337,612<br>(RMB 77,343,039)       | 20.34  | 68,612<br>(RMB 15,718,304)<br>b, 1)       | 610,390<br>(RMB 141,786,287)            | -   | -    |
| Shang Gao Yisen Ka Yuen Industry Co., Ltd.                  | Production and sale of footwear products   | 77,432<br>(US\$ 2,360,000)      | b                             | -   | -                   | -      | -   | 6,288<br>(RMB 1,516,412)          | 25.56  | 1,608<br>(RMB 387,712)<br>b, 1)           | 26,022<br>(RMB 6,044,634)               | -   | -    |
| Bao Sheng Dao Ji (Beijing) Trading Company Ltd.             | Retail business of sports goods and accessories  | 1,988,061<br>(US\$ 65,000,000)  | b                             | -   | -                   | -      | -   | 88,926<br>(RMB 19,670,621)        | 31.79  | 28,231<br>(RMB 6,244,777)<br>b, 1)        | 1,072,206<br>(RMB 249,060,596)          | -   | -    |
| Qingdao Pou-Sheng International Sport Products Co., Ltd.    | Sales of sports and leisure shoes and accessories  | 94,800<br>(RMB 20,000,000)      | b                             | -   | -                   | -      | -   | 357,005<br>(RMB 79,402,156)       | 22.89  | 81,597<br>(RMB 18,148,333)<br>b, 1)       | 190,193<br>(RMB 44,179,629)             | -   | -    |
| Guizhou Pou-Sheng Sport Products Co., Ltd.                  | Sales of sports and leisure shoes and accessories  | 322,886<br>(US\$ 10,000,000)    | b                             | -   | -                   | -      | -   | 25,619<br>(RMB 5,692,530)         | 31.79  | 8,131<br>(RMB 1,806,752)<br>b, 1)         | 128,349<br>(RMB 29,813,965)             | -   | -    |
| Nanning Pou-Kung Sport Products Co., Ltd.                   | Retail business of sports goods and accessories  | 42,653<br>(US\$ 1,300,000)      | b                             | -   | -                   | -      | -   | 23,317<br>(RMB 5,368,074)         | 31.79  | 73,399<br>(RMB 1,703,453)<br>b, 1)        | 5,763<br>(RMB 1,338,647)                | -   | -    |
| Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd. | Retail business of sports goods and accessories  | 1,567,250<br>(US\$ 50,000,000)  | b                             | -   | -                   | -      | -   | 1,244,918<br>(RMB 281,469,321)    | 31.79  | 395,217<br>(RMB 89,358,262)<br>b, 1)      | 1,720,197<br>(RMB 399,581,126)          | -   | -    |
| Diodite (China) Sports Good Co., Ltd.                       | Retail and wholesale business of sporting goods and accessories  | 639,800<br>(US\$ 20,000,000)    | b                             | -   | -                   | -      | -   | 2,516<br>(RMB 563,345)            | 31.79  | 799<br>(RMB 178,835)<br>b, 1)             | 44,029<br>(RMB 10,227,482)              | -   | -    |
| Taieang YYSPO RTS Business Trading Co., Ltd.                | Retail business of sports goods and accessories series products  | 164,050<br>(US\$ 5,000,000)     | b                             | -   | -                   | -      | -   | 7,328<br>(RMB 1,717,295)          | 31.79  | 23,229<br>(RMB 545,785)<br>b, 1)          | 129,179<br>(RMB 30,006,843)             | -   | -    |
| Yangzhou Baoyi Shoes Manufacturing Co., Ltd.                | Vulcanized shoes, sports shoes, leisure shoes and other footwear manufacturing, marketing              | 729,906<br>(US\$ 22,456,800)    | b                             | -   | -                   | -      | -   | 230,287<br>(RMB 51,869,662)       | 25.56  | 58,794<br>(RMB 13,242,755)<br>b, 1)       | 289,338<br>(RMB 67,209,682)             | -   | -    |
| Dalian YYSPO RTS Sport Industrial Development Co., Ltd.     | Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products | 928,000<br>(RMB 200,000,000)    | b                             | -   | -                   | -      | -   | (249)<br>(RMB (55,789))           | 31.79  | (74)<br>(RMB (16,610))<br>b, 1)           | 444,775<br>(RMB 103,315,982)            | -   | -    |
| YYSPO RTS (Chengdu) Business Trading Co., Ltd.              | Retail business of sports goods and accessories  | 689,194<br>(US\$ 22,400,000)    | b                             | -   | -                   | -      | -   | (19,017)<br>(RMB (4,237,568))     | 31.79  | (6,038)<br>(RMB (1,345,390))<br>b, 1)     | 154,830<br>(RMB 35,965,142)             | -   | -    |
| Fujian Boomin Sporting Goods Co., Ltd.                      | Retail business of sports goods and accessories  | 147,645<br>(US\$ 4,500,000)     | b                             | -   | -                   | -      | -   | 300<br>(RMB 67,017)               | 28.61  | 86<br>(RMB 19,146)<br>b, 1)               | 67,813<br>(RMB 15,752,079)              | -   | -    |
| Guangzhou Pou-Yuen Trading Co., Ltd.                        | Retail business of sports goods and accessories  | 710,251<br>(US\$ 23,310,000)    | b                             | -   | -                   | -      | -   | (32,353)<br>(RMB (7,235,226))     | 31.79  | (10,274)<br>(RMB (2,297,674))<br>b, 1)    | 238,762<br>(RMB 55,461,453)             | -   | -    |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|--|-----------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|---|---|------|
|  |  |                                   |                               |   | Outward             | Inward |   |                                   |  |                                 |   |   |      |
| 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<br>(US\$ 66,000,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ 15,557<br>(RMB 3,393,991)      | 31.79  | \$ 4,937<br>(RMB 1,077,082)     | \$ 400,441<br>(RMB 93,017,546)          | \$ -  |      |
| Sheng Dao (Yang Zhou) Sporting Goods Dev Co., Ltd. | Shopping mall management and property management   | 2,111,340<br>(US\$ 66,000,000)    | b                             | -   | -                   | -      | -   | 35,287<br>(RMB 7,871,611)         | 31.79  | 11,200<br>(RMB 2,498,489)       | 665,185<br>(RMB 154,514,572)            | -   |      |
| Zhong Shan POU Feng Mold Limited                   | Production and operation mould   | 85,306<br>(US\$ 2,600,000)        | b                             | -   | -                   | -      | -   | 1,022<br>(RMB 225,346)            | 51.11  | \$ 21<br>(RMB 114,949)          | -                                       | -   |      |
| Dong Guan POU Yuan Paper Products Ltd.             | Production and sales of packaging and decoration prints  | 56,436<br>(US\$ 1,750,000)        | b                             | -   | -                   | -      | -   | 220<br>(RMB 48,375)               | 51.11  | 112<br>(RMB 24,678)             | -                                       | -   |      |
| Zhong Shan O Li Su Shoe Making Machine Ltd.        | Manufacturing shoes and boots or repairing machinery   | 157,134<br>(US\$ 5,100,000)       | b                             | -   | -                   | -      | -   | (63,869)<br>(RMB (14,615,827))    | 51.11  | (32,615)<br>(RMB (7,466,593))   | 3,204<br>(RMB 744,538)                  | -   |      |
| Shaanxi Pousheng Trading Co., Ltd.                 | Engaged in wholesale, retail and import and export business of sports goods, fitness equipment and sportswear                | 2,012,320<br>(US\$ 66,000,000)    | b                             | -   | -                   | -      | -   | 1,228,720<br>(RMB 274,124,000)    | 31.79  | 390,054<br>(RMB 87,020,781)     | 2,388,705<br>(RMB 554,867,657)          | -   |      |
| Taiwang 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<br>(US\$ 12,000,000)      | b                             | -   | -                   | -      | -   | 9,943<br>(RMB 2,296,943)          | 31.79  | 3,156<br>(RMB 729,188)          | 496,053<br>(RMB 115,227,196)            | -   |      |
| Hangzhou POU-Hung Sport Products Co., Ltd.         | Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories | 67,308<br>(RMB 14,200,000)        | b                             | -   | -                   | -      | -   | -                                 | 15.90  | -                               | -                                       | -   |      |
| Yangzhou Yijian Software Tech Co., Ltd.            | Integration of software and hardware sales service systems (excluding IC design)   | 35,803<br>(US\$ 1,170,000)        | b                             | -   | -                   | -      | -   | 22,602<br>(RMB 4,962,264)         | 51.11  | 11,536<br>(RMB 2,532,734)       | 13,621<br>(RMB 3,163,941)               | -   |      |
| Rui Jin POU Yuan Footwear Development Co., Ltd.    | Production and sale of sports shoes, leisure shoes and semi-finished products  | 356,697<br>(US\$ 12,000,000)      | b                             | -   | -                   | -      | -   | (84,440)<br>(RMB (18,663,174))    | 51.11  | (43,077)<br>(RMB (9,521,013))   | 147,684<br>(RMB 34,305,140)             | -   |      |
| Yang Xin POU Jia Shoes Manufacturing Co., Ltd.     | Production and sale of shoes uppers, footwear and garments   | 1,391,195<br>(US\$ 45,500,000)    | b                             | -   | -                   | -      | -   | 10,689<br>(RMB 2,390,155)         | 51.11  | 5,530<br>(RMB 1,236,651)        | 749,590<br>(RMB 174,120,687)            | -   |      |
| Bou Jin (Yangzhou) Garments Co., Ltd.              | Production and sale of sportswear, casual wear, etc.   | 695,572<br>(US\$ 21,200,000)      | b                             | -   | -                   | -      | -   | (12,705)<br>(RMB (2,602,581))     | 20.44  | (2,585)<br>(RMB (529,378))      | 33,695<br>(RMB 7,826,988)               | -   |      |
| Jiangxi Province Yuai Shoe Co., Ltd.               | Production and sale of footwear products and semi-finished products  | 918,125<br>(US\$ 30,000,000)      | b                             | -   | -                   | -      | -   | 103,243<br>(RMB 23,297,439)       | 51.11  | 52,727<br>(RMB 11,898,222)      | (15,629)<br>(RMB (3,630,523))           | -   |      |
| Dongguan Yu Xiang Shoes Material Co., Ltd.         | Production and sale of footwear products   | 295,820<br>(US\$ 9,500,000)       | b                             | -   | -                   | -      | -   | 101,452<br>(RMB 22,871,846)       | 51.11  | 51,808<br>(RMB 11,679,965)      | 256,652<br>(RMB 59,617,274)             | -   |      |
| Chen Zhou Glory Shoes Ind., Ltd.                   | Production and sale of sports shoes, leisure shoes and leather shoes and semi-finished products                              | 59,610<br>(US\$ 2,000,000)        | b                             | -   | -                   | -      | -   | (58,578)<br>(RMB (13,190,194))    | 23.00  | (13,461)<br>(RMB (3,031,105))   | 48<br>(RMB 11,224)                      | -   |      |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|--|--------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|---|---|------|
|  |  |                                |                               |   | Outward             | Inward |   |                                   |  |                                 |   |   |      |
| Jiang Xi Hwa Ching Foam Ltd.                       | Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products   | \$ 63,600<br>(US\$ 2,000,000)  | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ 9,998<br>(RMB 2,246,675)       | 1942   | \$ 1,940<br>(RMB 435,965)       | \$ 17,947<br>(RMB 4,168,807)            | \$ -  |      |
| Dong Guan Yue Tai Shoe Material Company Limited    | Production and sale of footwear products   | 70,153<br>(US\$ 2,202,580)     | b                             | -   | -                   | -      | -   | 145<br>(RMB 31,839)               | 25.56  | 37<br>(RMB 8,120)               | -                                       | -   |      |
| Yue Yuan (Anfu) Footwear Co., Ltd.                 | Production and marketing of finished shoes, semi-finished products and components and modules  | 1,763,350<br>(US\$ 60,000,000) | b                             | -   | -                   | -      | -   | 208,967<br>(RMB 46,535,864)       | 51.11  | 106,648<br>(RMB 23,750,082)     | 1,048,827<br>(RMB 243,630,043)          | -   |      |
| 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<br>(US\$ 2,100,000)     | b                             | -   | -                   | -      | -   | -                                 | 51.11  | -                               | 35,460<br>(RMB 8,236,989)               | -   |      |
| Beijing Baoding Kang Tai Trading Co., Ltd.         | Wholesale and retail of sporting goods, sporting instruments and clothing, shoes and hats  | 261,797<br>(US\$ 8,940,000)    | b                             | -   | -                   | -      | -   | -                                 | 15.90  | -                               | -                                       | -   |      |
| 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<br>(US\$ 13,500,000)   | b                             | -   | -                   | -      | -   | 341,045<br>(RMB 76,505,895)       | 31.79  | 108,253<br>(RMB 24,284,678)     | 317,398<br>(RMB 73,727,652)             | -   |      |
| Dongguan Yuancheng Shoes Material Co., Ltd.        | Production and sale of footwear products   | 92,486<br>(US\$ 2,850,000)     | b                             | -   | -                   | -      | -   | (456)<br>(RMB 103,845)            | 25.56  | (116)<br>(RMB 26,499)           | 22,497<br>(RMB 5,225,898)               | -   |      |
| Dongguan De Chang Zi Xin Co., Ltd.                 | Business management consultation, marketing planning and other services  | 10,290<br>(US\$ 350,000)       | b                             | -   | -                   | -      | -   | 11,262<br>(RMB 2,507,168)         | 51.11  | 5,747<br>(RMB 1,279,370)        | 20,881<br>(RMB 4,850,443)               | -   |      |
| Zhong Shan Bao Song Zi Xun Co., Ltd.               | Business management consultation, marketing planning and other services  | 10,290<br>(US\$ 350,000)       | b                             | -   | -                   | -      | -   | 13,273<br>(RMB 2,939,411)         | 51.11  | 6,773<br>(RMB 1,499,988)        | 19,619<br>(RMB 4,557,321)               | -   |      |
| Yiyang Yijiang Shoes Industrial Co., Ltd.          | Production and sale of finished and semi-finished sports shoes and leisure shoes   | 743,983<br>(US\$ 24,000,000)   | b                             | -   | -                   | -      | -   | (18,620)<br>(RMB 4,162,176)       | 51.11  | (9,593)<br>(RMB 2,124,203)      | 23,210<br>(RMB 5,391,320)               | -   |      |
| Jiangxi Uniscien Consulting Co., Ltd.              | Business management consultation, marketing planning and other services  | 10,442<br>(US\$ 350,000)       | b                             | -   | -                   | -      | -   | 4,306<br>(RMB 959,703)            | 51.11  | 2,198<br>(RMB 489,780)          | 15,282<br>(RMB 3,449,804)               | -   |      |
| Yu Xing (Jishui) Footwear Co., Ltd.                | Production and sale of sports shoes  | 183,840<br>(US\$ 6,400,000)    | b                             | -   | -                   | -      | -   | 124,255<br>(RMB 28,038,178)       | 51.11  | 63,456<br>(RMB 14,318,782)      | (40,228)<br>(RMB 9,344,514)             | -   |      |
| Dongguan Xingtai Consulting Co., Ltd.              | Business management consultation, marketing planning and other services  | 41,945<br>(US\$ 1,400,000)     | b                             | -   | -                   | -      | -   | 9,814<br>(RMB 2,189,847)          | 51.11  | 5,009<br>(RMB 1,117,582)        | 34,111<br>(RMB 7,923,486)               | -   |      |
| Yang Xin Zhang Yuan Shoe Co., Ltd.                 | Production and sale of footwear products   | 61,029<br>(US\$ 2,100,000)     | b                             | -   | -                   | -      | -   | (1,624)<br>(RMB 363,251)          | 25.56  | (414)<br>(RMB 92,712)           | 6,943<br>(RMB 1,612,757)                | -   |      |
| YangXin Pou Jia Yuan Shoes Manufacturing Co., Ltd. | Production and sale of rubber soles  | 72,990<br>(US\$ 2,500,000)     | b                             | -   | -                   | -      | -   | (8,033)<br>(RMB 1,712,622)        | 25.56  | (2,047)<br>(RMB 436,360)        | 17,684<br>(RMB 4,107,848)               | -   |      |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)        | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|---|------------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|--|---|---|------|
|  |   |                                    |                               |   | Outward             | Inward |   |                                   |  |  |   |   |      |
| 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<br>(US\$ 152,922,400) | b                             | \$ -  | -                   | \$ -   | \$ -  | \$ 175,478<br>(RMB 38,586,024)    | 31.79  | \$ 55,635<br>(RMB 12,233,801)<br>b, 1) | \$ 1,217,562<br>(RMB 282,825,184)       | \$ -  |      |
| Yichun Yisen Industry Co., Ltd.                            | Production and sale of footwear and mold products   | 410,130<br>(US\$ 14,000,000)       | b                             | -   | -                   | -      | -   | 38,717<br>(RMB 8,685,843)         | 51.11  | 19,793<br>(RMB 4,440,133)<br>b, 1)     | 336,447<br>(RMB 78,152,714)             | -   |      |
| Zhong Xiang Yue-Shen Sporting Goods Co., Ltd.              | Production, processing of shoes, semi-finished products, molds and related sporting goods, sales of self-produce products   | 94,380<br>(US\$ 3,250,000)         | b                             | -   | -                   | -      | -   | (1,145)<br>(RMB (251,030))        | 51.11  | (584)<br>(RMB (127,998))<br>b, 1)      | (5,955)<br>(RMB (1,383,277))            | -   |      |
| 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<br>(US\$ 1,395,100)         | b                             | -   | -                   | -      | -   | 23<br>(RMB 5,248)                 | 24.92  | 6<br>(RMB 1,348)<br>b, 1)              | 10,831<br>(RMB 2,515,856)               | -   |      |
| Dong Guan Pou Chan Footwear Company Limited                | Production and sale of footwear products, semi-finished footwear products and accessories, including trade and engaged in the wholesale and import and export business of footwear products | 1,223,925<br>(RMB 263,827,800)     | b                             | -   | -                   | -      | -   | 167,322<br>(RMB 37,163,574)       | 51.11  | 85,389<br>(RMB 18,965,793)<br>b, 1)    | 907,644<br>(RMB 210,834,738)            | -   |      |
| Dongguan Yuheng 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                                | 1,469,176<br>(RMB 319,970,250)     | b                             | -   | -                   | -      | -   | 36,204<br>(RMB 8,037,498)         | 51.11  | 18,489<br>(RMB 4,104,726)<br>b, 1)     | 838,901<br>(RMB 194,866,719)            | -   |      |
| 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                       | 1,026,777<br>(RMB 217,720,430)     | b                             | -   | -                   | -      | -   | 11,917<br>(RMB 2,798,125)         | 51.11  | 6,099<br>(RMB 1,431,780)<br>b, 1)      | 291,336<br>(RMB 67,673,801)             | -   |      |
| Jilin Xinfangwei Sports Goods Company Limited              | Sports goods sales  | 196,160<br>(RMB 40,000,000)        | b                             | -   | -                   | -      | -   | -                                 | 15.90  | -<br>b, 1)                             | -                                       | -   |      |
| Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.            | Prepare for research and development of shoe materials and composite materials  | 114,804<br>(RMB 23,000,000)        | b                             | -   | -                   | -      | -   | 7,663<br>(RMB 1,591,606)          | 25.56  | 1,949<br>(RMB 404,769)<br>b, 1)        | 383,324<br>(RMB 8,902,181)              | -   |      |
| Dong Guan Jia Yuan Shoe Materials Products Company Limited | Prepare shoe material   | 108,805<br>(RMB 21,600,000)        | b                             | -   | -                   | -      | -   | 5,528<br>(RMB 1,230,481)          | 51.11  | 2,821<br>(RMB 628,020)<br>b, 1)        | 523,383<br>(RMB 121,673,864)            | -   |      |
| Dong Guan Yue Guan Paper Products Co., Ltd.                | Production and sale of cartons and engaged in research and development of cartons   | 48,693<br>(RMB 10,000,000)         | b                             | -   | -                   | -      | -   | 902<br>(RMB 207,949)              | 10.22  | 92<br>(RMB 21,248)<br>b, 1)            | 44,428<br>(RMB 1,023,509)               | -   |      |
| 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<br>(US\$ 3,000,000)         | b                             | -   | -                   | -      | -   | 27,706<br>(RMB 6,195,509)         | 31.79  | 8,809<br>(RMB 1,969,801)<br>b, 1)      | 5,714<br>(RMB 1,327,335)                | -   |      |
| Hunan Huaqing Foam Products Co., Ltd.                      | Processing and production of plastic foam, foam daily products, shoe products and composite products  | 76,819<br>(US\$ 2,500,000)         | b                             | -   | -                   | -      | -   | (8,698)<br>(RMB (1,942,157))      | 6.80   | (591)<br>(RMB (131,857))<br>b, 1)      | 3,751<br>(RMB 871,287)                  | -   |      |

(Continued)



| Investee Company                                     | Main Businesses and Products   | Paid-in Capital                 | Method of Investment (Note 1) | Accumulated Outward Remittances for Investment from Taiwan as of January 1, 2019 | Remittance of Funds |        | Accumulated Outward Remittances for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|--|---------------------------------|-------------------------------|--|---------------------|--------|--|-----------------------------------|--|---------------------------------|---|---|------|
|  |  |                                 |                               |  | Outward             | Inward |  |                                   |  |                                 |   |   |      |
| Kun Shan Taisong Trading Co., Ltd.                   | Wholesale and retail of clothing, footwear, glasses and watches  | \$ 790,110<br>(US\$ 26,500,000) | b                             | \$ -   | \$ -                | \$ -   | \$ -   | \$ (68,528)<br>(RMB 15,310,432)   | 31.79  | \$ (21,750)<br>(RMB 4,859,359)  | \$ 119,685<br>(RMB 27,801,433)          | \$ -  |      |
| Shanghai Pou-Lo Sport Culture Co., Ltd.              | Management consultants, wholesale of sports goods and equipment, wholesale, other sports services and other air performance assistant services | 16,093<br>(US\$ 500,000)        | b                             | -  | -                   | -      | -  | 14,757<br>(RMB 3,386,562)         | 26.08  | 4,603<br>(RMB 1,056,179)        | 1,415<br>(RMB 328,789)                  | -   |      |
| Kun Shan Pou-Han Sport Culture Development Co., Ltd. | Management consultants, wholesale of sports goods and equipment, wholesale, other sports services and other air performance assistant services | 48,278<br>(US\$ 1,500,000)      | b                             | -  | -                   | -      | -  | (2,004)<br>(RMB 448,002)          | 26.08  | (704)<br>(RMB 157,378)          | 10,978<br>(RMB 2,550,173)               | -   |      |
| Yisen (YiFeng) Mould Co., Ltd.                       | Production and sale of mould products  | 479,284<br>(US\$ 14,850,000)    | b                             | -  | -                   | -      | -  | (29,274)<br>(RMB 6,598,251)       | 51.11  | (14,945)<br>(RMB 3,366,487)     | 176,852<br>(RMB 41,080,613)             | -   |      |
| Zhu Hai Yu Yuan Industrial Co., Ltd.                 | Processing, production and sale of footwear products   | 1,408<br>(RMB 300,000)          | b                             | -  | -                   | -      | -  | (47,639)<br>(RMB 10,959,136)      | 51.11  | (24,324)<br>(RMB 5,595,640)     | 11,236<br>(RMB 2,609,555)               | -   |      |
| Yang Xin Pou Shou Sporting Goods Co., Ltd.           | Processing, production and sale of footwear products   | 236,574<br>(US\$ 7,800,000)     | b                             | -  | -                   | -      | -  | (2,837)<br>(RMB 634,447)          | 51.11  | (1,468)<br>(RMB 328,365)        | 84,379<br>(RMB 19,600,236)              | -   |      |
| Changsha YYSPO RTS Sport Products Co., Ltd.          | Sales of sports goods and equipments   | 22,825<br>(RMB 5,000,000)       | b                             | -  | -                   | -      | -  | 15,613<br>(RMB 3,498,016)         | 31.79  | 4,955<br>(RMB 1,110,165)        | 7,720<br>(RMB 1,793,220)                | -   |      |
| Henan YYSPO RTS Sport Products Co., Ltd.             | Retail business of sports goods and accessories  | 9,130<br>(RMB 2,000,000)        | b                             | -  | -                   | -      | -  | 134,514<br>(RMB 29,857,428)       | 31.79  | 42,600<br>(RMB 9,473,592)       | 136,781<br>(RMB 31,772,528)             | -   |      |
| Shenyang Pou-Yi Trading Co., Ltd.                    | Retail business of sports goods and accessories  | 182,600<br>(RMB 40,000,000)     | b                             | -  | -                   | -      | -  | (7,140)<br>(RMB 1,646,915)        | 31.79  | (2,264)<br>(RMB 522,351)        | 10,092<br>(RMB 2,344,304)               | -   |      |
| Zhejiang shengdao Sporting-goods Co., Ltd.           | Retail business of sports goods and accessories  | 228,250<br>(RMB 50,000,000)     | b                             | -  | -                   | -      | -  | 557,548<br>(RMB 124,511,272)      | 31.79  | 176,985<br>(RMB 39,524,678)     | 445,227<br>(RMB 103,420,970)            | -   |      |
| Mudanjiang YYSPO RTS Sport Technology Co., Ltd.      | Sports service, research and development of sports fitness equipment and retail business of sports goods                                       | 4,565<br>(RMB 1,000,000)        | b                             | -  | -                   | -      | -  | 5,025<br>(RMB 1,101,031)          | 31.79  | 1,595<br>(RMB 349,438)          | 3,967<br>(RMB 921,442)                  | -   |      |
| Widvision Investment (Shenzhen) Co., Ltd.            | Business management consulting, economic information consulting and market management planning   | 13,833<br>(RMB 3,000,000)       | b                             | -  | -                   | -      | -  | 649<br>(RMB 160,893)              | 100.00                                       | 649<br>(RMB 160,893)            | 9,843<br>(RMB 2,286,468)                | -   |      |
| Chongqing Baoyu Sports Goods Company Limited         | Wholesale and retail of sports goods, sports equipment, clothing, shoes, caps and accessories and premises leasing                             | 4,521<br>(RMB 1,000,000)        | b                             | -  | -                   | -      | -  | (16,441)<br>(RMB 3,771,529)       | 31.79  | (3,804)<br>(RMB 872,926)        | (3,826)<br>(RMB 888,815)                | -   |      |
| Kuo Yuen Tannery                                     | Production, processing, sales, research and development of shoe materials, import and export goods or technic                                  | 88,634<br>(RMB 20,000,000)      | b                             | -  | -                   | -      | -  | 1,599<br>(RMB 357,471)            | 25.56  | 514<br>(RMB 126,911)            | 22,401<br>(RMB 5,203,370)               | -   |      |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|------------------------------------|---|-------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|---|---|------|
|                                    |   |                               |                               |   | Outward             | Inward |   |                                   |  |                                 |   |   |      |
| Akerz (Shanghai) Trading Co., Ltd. | Management consultants, wholesale of sports goods and equipment wholesale, other sports services and other art performance assistant services | \$ 86,100<br>(RMB 20,000,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (14,304)<br>(RMB (3,304,956))  | 31.79  | \$ (1,137)<br>(RMB (262,661))   | \$ 22,848<br>(RMB 5,307,355)            | \$ -  |      |
| Yangzhou Yuhong Garment Co., Ltd.  | Engaged in the processing and production of apparel, apparel accessories, and apparel products  | 305,196<br>(US\$ 10,180,000)  | b                             | -   | -                   | -      | -   | (3,467)<br>(801,136))             | 51.11  | (443)<br>(RMB (102,365))        | 65,039<br>(RMB 15,107,673)              | -   |      |
| Yifeng Kun Ching Foam Ltd.         | Production, sales, processing of plastic foam and foam daily products   | 8,994<br>(US\$ 300,000)       | b                             | -   | -                   | -      | -   | 1,690<br>(US\$ 396,391)           | 19.42  | 82<br>(RMB 18,954)              | 3,064<br>(RMB 711,714)                  | -   |      |
| Zhongshan Hwa Ching Foam Co., Ltd. | Production of foam products   | 29,980<br>(US\$ 1,000,000)    | b                             | -   | -                   | -      | -   | 17,084<br>(US\$ 3,947,279)        | 17.58  | 751<br>(RMB 173,483)            | 16,048<br>(RMB 3,727,663)               | -   |      |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4) |
|---|---|--|
| \$ -  | \$ 20,463,160<br>(US\$ 682,560,358)                         | \$ 113,921,416   |

Note 1: Methods of investments have following types:

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

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

- If it is in the preparation stage, there is no investment gains and losses, it should be noted.
- The amount of investment gain (loss) was recognized in following bases:
  - Based on the financial statements audited by an ROC CPA firm cooperating with an international CPA firm.
  - 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 104

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)          | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|---------------------------------|-------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|--|---|---|------|
|  |                                 |                               |                               |   | Outward             | Inward |   |                                   |  |  |   |   |      |
| Kunshan Yunying Electronics Technology Co., Ltd. | Manufacturing and sale of alloy | \$ 85,936<br>(US\$ 2,620,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (5,943)<br>(RMB (1,333,403))   | 100.00                                       | \$ (5,943)<br>(RMB (1,333,403))<br>b, 2) | \$ 70,519<br>(RMB 16,380,836)           | \$ -  |      |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3) |
|---|---|--|
| \$ -  | \$ 172,985<br>(US\$ 5,770,000)                              | \$ 423,725   |

Note 1: Methods of investments have following types:

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

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

- If it is in the preparation stage, there is no investment gains and losses, it should be noted.
- The amount of investment gain (loss) was recognized on following bases:
  - Based on the financial statements audited by an ROC CPA firm cooperating with an international CPA firm.
  - 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.

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

**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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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, 2019.

**Impairment Assessment on Goodwill - Investments Accounted for Using Equity Method**

As described in Notes 4, 5, 13 and Table 7 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, 2019.

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**

Certain investments accounted for using the equity method in the Company's standalone financial statements for the year ended December 31, 2019 and 2018 were based on financial statements audited by other independent auditors. Our opinion, insofar as it relates to the Company's investments in certain corporation, is based solely on the report of other auditors. As of December 31, 2019 and 2018, the carrying amounts of the investments were \$50,159,779 thousand and \$8,403,275 thousand which constituted 31.03% and 7.32% of the Company's total assets, respectively. For the years ended December 31, 2019 and 2018, the profit of the associate which the Company recognized were \$5,788,953 thousand and \$4,491,495 thousand which constituted 46.70% and 38.69% 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, 2019 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 31, 2020

Notice to Readers

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

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

## POU CHEN CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

| ASSETS  | 2019                  |            | 2018                  |            |
|---|-----------------------|------------|-----------------------|------------|
|   | Amount                | %          | Amount                | %          |
| <b>CURRENT ASSETS</b>   |                       |            |                       |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 153,716            | -          | \$ 194,630            | -          |
| Financial assets at fair value through income - current (Notes 4 and 7)                         | 1,636                 | -          | -                     | -          |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)     | 5,918,837             | 4          | 5,005,749             | 4          |
| Financial assets at amortized cost - current (Notes 4 and 9)                                    | 177,366               | -          | 689,271               | 1          |
| Notes receivable (Notes 4 and 10)   | 462                   | -          | 1,180                 | -          |
| Accounts receivable (Notes 4 and 10)  | 2,153                 | -          | 1,127                 | -          |
| Accounts receivable from related parties (Notes 4, 10 and 29)                                   | 1,622,531             | 1          | 1,981,697             | 2          |
| Other receivables (Notes 4, 10 and 29)  | 275,971               | -          | 344,215               | -          |
| Inventories (Notes 4 and 11)  | 59,226                | -          | 52,092                | -          |
| Other current assets (Notes 4 and 12)   | 36,807                | -          | 57,190                | -          |
| Total current assets  | 8,248,705             | 5          | 8,327,151             | 7          |
| <b>NON-CURRENT ASSETS</b>   |                       |            |                       |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 52,984                | -          | 60,756                | -          |
| Financial assets at amortized cost - non-current (Notes 4 and 9)                                | 111,500               | -          | -                     | -          |
| Investments accounted for using equity method (Notes 4 and 13)                                  | 144,982,393           | 90         | 98,566,569            | 86         |
| Property, plant and equipment (Notes 4 and 14)  | 5,220,137             | 3          | 5,341,147             | 5          |
| Right-of-use asset (Notes 4 and 15)   | 49,480                | -          | -                     | -          |
| Investment properties (Notes 4 and 16)  | 1,935,772             | 1          | 1,985,597             | 2          |
| Intangible Assets (Notes 4 and 17)  | 929,272               | 1          | -                     | -          |
| Deferred tax assets (Notes 4 and 25)  | 86,419                | -          | 4,532                 | -          |
| Other non-current assets (Notes 4 and 12)   | 44,458                | -          | 535,493               | -          |
| Total non-current assets  | 153,412,415           | 95         | 106,494,094           | 93         |
| <b>TOTAL</b>  | <b>\$ 161,661,120</b> | <b>100</b> | <b>\$ 114,821,245</b> | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>   |                       |            |                       |            |
| <b>CURRENT LIABILITIES</b>  |                       |            |                       |            |
| Short-term borrowings (Note 18)   | \$ 19,909,700         | 12         | \$ 14,654,000         | 13         |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)            | 26,739                | -          | 30,751                | -          |
| Notes payable (Notes 4 and 19)  | 10,024                | -          | 7,678                 | -          |
| Notes payable to related parties (Notes 4, 19 and 29)   | -                     | -          | 74                    | -          |
| Accounts payable (Notes 4 and 19)   | 1,051,378             | 1          | 1,224,211             | 1          |
| Accounts payable to related parties (Notes 4, 19 and 29)  | 22,812                | -          | 82,876                | -          |
| Other payables (Note 20)  | 1,947,502             | 1          | 1,954,626             | 2          |
| Current tax liabilities (Notes 4 and 25)  | 9,370                 | -          | 717,895               | -          |
| Lease liabilities - current (Notes 4 and 15)  | 31,359                | -          | -                     | -          |
| Current portion of long-term borrowings (Note 18)   | 263,796               | -          | 4,194,398             | 4          |
| Other current liabilities   | 173,942               | -          | 177,126               | -          |
| Total current liabilities   | 23,446,622            | 14         | 23,043,635            | 20         |
| <b>NON-CURRENT LIABILITIES</b>  |                       |            |                       |            |
| Long-term borrowings (Note 18)  | 19,319,306            | 12         | 12,905,602            | 11         |
| Deferred tax liabilities (Notes 4 and 25)   | 711,547               | 1          | 291,324               | -          |
| Lease liabilities - non-current (Notes 4 and 15)  | 23,491                | -          | -                     | -          |
| Net defined benefit liabilities (Notes 4 and 21)  | 704,713               | -          | 670,776               | 1          |
| Other non-current liabilities (Note 13)   | 46,502                | -          | 46,516                | -          |
| Total non-current liabilities   | 20,805,559            | 13         | 13,914,218            | 12         |
| Total liabilities   | 44,252,181            | 27         | 36,957,853            | 32         |
| <b>EQUITY (Notes 4 and 22)</b>  |                       |            |                       |            |
| Share capital   |                       |            |                       |            |
| Ordinary shares   | 29,467,872            | 18         | 29,467,872            | 26         |
| Capital surplus   | 4,592,397             | 3          | 4,600,092             | 4          |
| Retained earnings   |                       |            |                       |            |
| Legal reserve   | 14,881,914            | 9          | 13,811,050            | 12         |
| Special reserve   | 22,293,369            | 14         | 13,917,230            | 12         |
| Unappropriated earnings   | 34,488,820            | 22         | 38,360,517            | 33         |
| Total retained earnings   | 71,664,103            | 45         | 66,088,797            | 57         |
| Other equity  | 11,684,567            | 7          | (22,293,369)          | (19)       |
| Total equity  | 117,408,939           | 73         | 77,863,392            | 68         |
| <b>TOTAL</b>  | <b>\$ 161,661,120</b> | <b>100</b> | <b>\$ 114,821,245</b> | <b>100</b> |

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

(With Deloitte &amp; Touche audit report dated March 31, 2020)



**POU CHEN CORPORATION**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

|   | <b>2019</b>       |            | <b>2018</b>       |            |
|---|-------------------|------------|-------------------|------------|
|   | <b>Amount</b>     | <b>%</b>   | <b>Amount</b>     | <b>%</b>   |
| OPERATING REVENUE (Notes 4, 23 and 29)  | \$ 11,399,477     | 100        | \$ 12,062,778     | 100        |
| OPERATING COSTS (Notes 24 and 29)   | <u>6,655,923</u>  | <u>58</u>  | <u>7,452,651</u>  | <u>62</u>  |
| GROSS PROFIT  | 4,743,554         | 42         | 4,610,127         | 38         |
| OPERATING EXPENSES (Notes 21 and 24)  |                   |            |                   |            |
| Selling and marketing expenses  | 64,217            | 1          | 67,731            | -          |
| General and administrative expenses   | 2,525,205         | 22         | 2,286,232         | 19         |
| Research and development expenses   | <u>1,613,603</u>  | <u>14</u>  | <u>1,778,265</u>  | <u>15</u>  |
| Total operating expenses  | <u>4,203,025</u>  | <u>37</u>  | <u>4,132,228</u>  | <u>34</u>  |
| INCOME FROM OPERATIONS  | <u>540,529</u>    | <u>5</u>   | <u>477,899</u>    | <u>4</u>   |
| NON-OPERATING INCOME AND EXPENSES   |                   |            |                   |            |
| Other income (Notes 24 and 29)  | 596,903           | 5          | 589,671           | 5          |
| Other gains and losses (Note 24)  | (69,475)          | (1)        | 1,026,890         | 8          |
| Net loss on derecognition of financial assets at<br>amortized cost  | -                 | -          | (224)             | -          |
| Finance costs (Note 24)   | (373,715)         | (3)        | (319,999)         | (3)        |
| Share of the profit of subsidiaries and associates<br>(Notes 4 and 13)                                      | <u>11,700,954</u> | <u>103</u> | <u>9,835,610</u>  | <u>82</u>  |
| Total non-operating income and expenses   | <u>11,854,667</u> | <u>104</u> | <u>11,131,948</u> | <u>92</u>  |
| INCOME BEFORE INCOME TAX  | 12,395,196        | 109        | 11,609,847        | 96         |
| INCOME TAX EXPENSE (Notes 4 and 25)   | <u>(566,587)</u>  | <u>(5)</u> | <u>(901,201)</u>  | <u>(7)</u> |
| NET INCOME FOR THE YEAR   | <u>11,828,609</u> | <u>104</u> | <u>10,708,646</u> | <u>89</u>  |
| OTHER COMPREHENSIVE INCOME (LOSS)   |                   |            |                   |            |
| Items that will not be reclassified subsequently to<br>profit or loss:                                      |                   |            |                   |            |
| Remeasurement of defined benefit plan (Note 21)   | 103,567           | 1          | (37,152)          | -          |
| Unrealized gain on investments in equity<br>instruments at fair value through other<br>comprehensive income | 905,317           | 8          | 316,990           | 2          |
| Share of the other comprehensive income (loss) of<br>subsidiaries and associates                            | 2,137,241         | 18         | (378,343)         | (3)        |

(Continued)



## POU CHEN CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | <b>2019</b>          |            | <b>2018</b>            |              |
|---|----------------------|------------|------------------------|--------------|
|   | <b>Amount</b>        | <b>%</b>   | <b>Amount</b>          | <b>%</b>     |
| Items that may be reclassified subsequently to profit or loss:                |                      |            |                        |              |
| Share of the other comprehensive income (loss) of subsidiaries and associates | <u>\$ 28,933,948</u> | <u>254</u> | <u>\$ (24,156,118)</u> | <u>(200)</u> |
| Other comprehensive loss for the year, net of income tax                      | <u>32,080,073</u>    | <u>281</u> | <u>(24,254,623)</u>    | <u>(201)</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS)   | <u>\$ 43,908,682</u> | <u>385</u> | <u>\$ (13,545,977)</u> | <u>(112)</u> |
| EARNINGS PER SHARE (Note 26)  |                      |            |                        |              |
| Basic   | <u>\$ 4.01</u>       |            | <u>\$ 3.63</u>         |              |
| Diluted   | <u>\$ 4.01</u>       |            | <u>\$ 3.62</u>         |              |

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

(With Deloitte & Touche audit report dated March 31, 2020)

(Concluded)

## POU CHEN CORPORATION

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

|  | Other Equity  |                 |                   |                 |  |  |   |              |              |               |
|--|---------------|-----------------|-------------------|-----------------|--|--|---|--------------|--------------|---------------|
|  | Share Capital | Capital Surplus | Retained 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, 2018   | \$ 29,467,872 | \$ 4,615,341    | Legal Reserve     | Special Reserve | Unappropriated Earnings                                | \$ (1,790,529)   | \$ (12,127,139)   | \$ -         | \$ 438       | \$ 83,615,378 |
| Effect of retrospective application  | -             | -               | -                 | -               | 292,111  | -  | 12,127,139  | 1,860,011    | (506,872)    | 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 22)   | -             | -               | -                 | -               | -  | -  | -   | -            | -            | -             |
| Legal reserve  | -             | -               | 1,292,161         | -               | (1,292,161)  | -  | -   | -            | -            | -             |
| Special reserve  | -             | -               | 280,862           | -               | (280,862)  | -  | -   | -            | -            | (5,893,574)   |
| Cash dividends   | -             | -               | -                 | -               | (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) | (12,990,872) | (24,254,623)  |
| Total comprehensive income (loss) for the year ended December 31, 2018   | -             | -               | -                 | -               | 10,644,107   | 1,478,405  | -   | (12,677,612) | (12,990,872) | (13,545,977)  |
| Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 22)                                      | -             | 404             | -                 | -               | (2,333,670)  | -  | -   | 2,333,670    | -            | 404           |
| Share of changes in equities of subsidiaries (Notes 4 and 22)  | -             | (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) | (12,990,872) | (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    |
| Appropriation of 2018 earnings (Note 22)   | -             | -               | -                 | -               | -  | -  | -   | -            | -            | -             |
| Legal reserve  | -             | -               | 1,070,864         | -               | (1,070,864)  | -  | -   | -            | -            | -             |
| Special reserve  | -             | -               | 8,376,139         | -               | (8,376,139)  | -  | -   | -            | -            | -             |
| Cash dividends   | -             | -               | -                 | -               | (4,420,181)  | -  | -   | -            | -            | (4,420,181)   |
|  | -             | -               | 1,070,864         | 8,376,139       | (13,867,184)   | -  | -   | -            | -            | (4,420,181)   |
| Net income for the year ended December 31, 2019  | -             | -               | -                 | -               | 11,828,609   | -  | -   | -            | -            | 11,828,609    |
| Other comprehensive (loss) income for the year ended December 31, 2019   | -             | -               | -                 | -               | (50,739)   | (2,186,025)  | -   | 20,396,280   | 13,920,557   | 32,080,073    |
| Total comprehensive income (loss) for the year ended December 31, 2019   | -             | -               | -                 | -               | 11,777,870   | (2,186,025)  | -   | 20,396,280   | 13,920,557   | 43,908,682    |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22) | -             | (3,539)         | -                 | -               | -  | -  | -   | -            | -            | (3,539)       |
| Share of changes in equities of subsidiaries (Notes 4 and 22)  | -             | -               | -                 | -               | (76,149)   | -  | -   | -            | -            | (76,149)      |
| Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 22)                                      | -             | (4,156)         | -                 | -               | (1,706,234)  | -  | -   | 1,847,124    | -            | 136,734       |
| BALANCE AT DECEMBER 31, 2019   | 29,467,872    | 4,592,397       | 14,881,914        | 27,293,369      | 34,488,820   | (2,498,449)  | -   | 13,759,473   | 473,243      | 117,408,939   |

The accompanying notes are an integral part of the financial statements.  
With Deloitte & Touche audit report dated March 31, 2020)

## POU CHEN CORPORATION

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

|   | 2019          | 2018          |
|---|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |               |               |
| Income before income tax  | \$ 12,395,196 | \$ 11,609,847 |
| Adjustments for:  |               |               |
| Depreciation expenses   | 360,481       | 298,587       |
| Amortization expenses   | 27,227        | -             |
| Expected credit loss recognized on accounts receivable            | 48,534        | -             |
| Net gain on fair value change of financial instruments at FVTPL   | (169,942)     | (574,565)     |
| Finance costs   | 373,715       | 319,999       |
| Net loss on derecognition of financial assets at amortized cost   | -             | 224           |
| Interest income   | (30,923)      | (30,808)      |
| Dividends income  | (327,542)     | (291,438)     |
| Share of the profit of subsidiaries and associates                | (11,700,954)  | (9,835,610)   |
| Net loss on disposal of property, plant and equipment             | 788           | 30,723        |
| Gain on lease modification  | (10)          | -             |
| Unrealized loss on foreign currency exchange                      | 3,229         | 6,013         |
| Changes in operating assets and liabilities                       |               |               |
| Financial assets mandatorily at fair value through profit or loss | 164,294       | 399,256       |
| Notes receivable  | 388           | 53,743        |
| Notes receivable from related parties                             | -             | 64            |
| Accounts receivable   | (1,026)       | 47,339        |
| Accounts receivable from related parties                          | 341,812       | (535,950)     |
| Other receivables   | 21,826        | 98,966        |
| Inventories   | (7,134)       | (13,218)      |
| Other current assets  | 17,611        | 74,933        |
| Other operating assets  | (16,888)      | 9,299         |
| Notes payable   | 2,346         | (40,172)      |
| Notes payable to related parties                                  | (74)          | (11,137)      |
| Accounts payable  | (172,833)     | 100,967       |
| Accounts payable to related parties                               | (60,064)      | 38,448        |
| Other payables  | 195,672       | (453,168)     |
| Other current liabilities   | (3,184)       | 105,665       |
| Net defined benefit liabilities                                   | 4,642         | (118,956)     |
| Cash generated from operations                                    | 1,467,187     | 1,289,051     |
| Interest paid   | (387,467)     | (302,729)     |
| Income tax paid   | (803,914)     | (1,024,131)   |
| Net cash generated from (used in) operating activities            | 275,806       | (37,809)      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |               |               |
| Acquisition of financial assets at amortized cost                 | (295,493)     | (692,670)     |
| Proceeds from financial assets at amortized cost                  | 692,670       | 279,488       |
| Acquisition of associates under equity method                     | (4,080,000)   | (70,000)      |
| Proceeds from return of capital of associates under equity method | 50,000        | -             |
| Acquisition of property, plant and equipment                      | (401,353)     | (794,936)     |
| Proceeds from disposal of property, plant and equipment           | 40,707        | 99,197        |
|   |               | (Continued)   |



**POU CHEN CORPORATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

|  | 2019                     | 2018                     |
|--|--------------------------|--------------------------|
| (Increase) decrease in refundable deposits                       | \$ (990)                 | \$ 5,507                 |
| Loans to related parties   | 14,000                   | (189,000)                |
| Acquired intangible asset  | (448,076)                | -                        |
| Increase in other current liabilities                            | -                        | (236,267)                |
| Increase in prepayments for equipment                            | (3,289)                  | (3,667)                  |
| Increase in other prepayments                                    | -                        | -                        |
| Interest received  | 32,491                   | 34,691                   |
| Dividends received   | 781,270                  | 932,160                  |
| Cash dividends from reduction of capital surplus from associates | <u>-</u>                 | <u>70,067</u>            |
| Net cash used in investing activities                            | <u>(3,618,063)</u>       | <u>(565,430)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                          |                          |
| Proceeds from short-term borrowings                              | 5,255,700                | 5,378,800                |
| Proceeds from long-term borrowings                               | 19,890,000               | 3,500,000                |
| Repayments of long-term borrowings                               | (17,406,898)             | (3,400,000)              |
| Repayment of principal portion of lease liabilities              | (17,394)                 | -                        |
| Cash dividend  | (4,420,181)              | (5,893,574)              |
| Increase in guarantee deposits                                   | <u>116</u>               | <u>13,059</u>            |
| Net cash generated from (used in) financing activities           | <u>3,301,343</u>         | <u>(401,715)</u>         |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                 | <b>(40,914)</b>          | <b>(1,004,954)</b>       |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>    | <u><b>194,630</b></u>    | <u><b>1,199,584</b></u>  |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>          | <u><b>\$ 153,716</b></u> | <u><b>\$ 194,630</b></u> |

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

(With Deloitte & Touche audit report dated March 31, 2020)

(Concluded)

**POU CHEN CORPORATION****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018****(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 31, 2020.

**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), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 material impact on the Company’s accounting policies:

- 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. The contracts, which were previously identified as containing a lease under IAS 17 and IFRIC 4, do not meet the definition of a lease under IFRS 16 and are accounted for in accordance with other standards because the customers do not have the right to direct the use of the identified assets. Contracts that are reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16.



The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses. On the statements of comprehensive income, the Company presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

The Company elects to apply IFRS 16 retrospectively. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.34%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

|   |                  |
|---|------------------|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | \$ 59,027        |
| Less: Recognition exemption for short-term leases   | (3,966)          |
| Less: Recognition exemption for leases of low-value assets  | <u>(4,888)</u>   |
| Undiscounted amounts on January 1, 2019   | <u>\$ 50,173</u> |
| Discounted amounts using the incremental borrowing rate on January 1, 2019                            | \$ 49,233        |
| Less: Prepaid rents on January 1, 2019  | <u>(2,773)</u>   |
| Lease liabilities recognized on January 1, 2019   | <u>\$ 46,460</u> |

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

|                                 | As Originally<br>Stated on<br>January 1, 2019 | Adjustments<br>Arising from<br>Initial<br>Application | Restated on<br>January 1, 2019 |
|---------------------------------|---|---|--------------------------------|
| Other current assets            | \$ 57,190                                     | \$ (2,773)  | \$ 54,417                      |
| Right-of-use assets             | <u>-</u>                                      | <u>49,233</u>   | <u>49,233</u>                  |
| Total effect on assets          | <u>\$ 57,190</u>                              | <u>\$ 46,460</u>                                      | <u>\$ 103,650</u>              |
| Lease liabilities - current     | \$ -  | \$ 16,366   | \$ 16,366                      |
| Lease liabilities - non-current | <u>-</u>                                      | <u>30,094</u>   | <u>30,094</u>                  |
| Total effect on liabilities     | <u>\$ -</u>                                   | <u>\$ 46,460</u>                                      | <u>\$ 46,460</u>               |

## 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 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, 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 Company applied the above amendments 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 significant impact on the Company’s financial position and financial performance.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

| <b>New, Revised or Amended Standards or Interpretations<br/>(the “New IFRSs”)</b> | <b>Effective Date<br/>Announced by IASB</b> |
|---|---|
| Amendments to IFRS 3 “Definition of a Business”                                   | January 1, 2020 (Note 1)                    |
| Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”          | January 1, 2020 (Note 2)                    |
| Amendments to IAS 1 and IAS 8 “Definition of Material”                            | January 1, 2020 (Note 3)                    |

Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

1) 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 outputs. The amendments narrow the definitions of outputs 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 outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.



## 2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Company would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

## 3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

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

| New IFRSs  | Effective Date<br>Announced by IASB (Note) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB                   |
| IFRS 17 “Insurance Contracts”  | January 1, 2021                            |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”  | January 1, 2022                            |

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

## 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, 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, 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, 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 over an associate, 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, i.e., the Company’s share of the gain or loss is eliminated.



2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value 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 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 Company'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 included in the calculation of equity transactions but 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 Company 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.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, 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 had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements.

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.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate 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. 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. 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. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are 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:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.

- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 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) Derecognition of intangible assets

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

### k. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible 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, with the resulting impairment loss recognized in profit or loss.

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.

### l. 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.

#### 1) Financial assets

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





a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value. Any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28: Financial Instruments.

ii. 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 using 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 such 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 are not credit impaired on purchase or origination but 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 in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or



- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

### iii. Investments in 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, it 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.

### b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized costs (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables 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 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.

For internal credit risk management purposes, the Company determines the situations that internal or external information show that the debtor is unlikely to pay its creditors indicate that a financial asset is in default (without taking into account any collateral held by the Company):

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

### c) 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 at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. The cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The 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, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) 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 financial liabilities are either held for trading. Such financial liabilities held for trading 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 28.

b) 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.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange rate swap contracts and cross-currency swap contracts.

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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is 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 that is 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.

## m. Revenue recognition

## 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.

## n. Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

## 1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.



2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

Leases are classified as finance leases whenever the terms of a 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.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

p. 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 generally recognized for all deductible temporary differences and expenditures 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, 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

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       |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2019              | 2018              |
| Cash on hand                          | \$ 637            | \$ 1,202          |
| Checking accounts and demand deposits | <u>153,079</u>    | <u>193,428</u>    |
|                                       | <u>\$ 153,716</u> | <u>\$ 194,630</u> |

## 7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

|   | December 31      |                  |
|---|------------------|------------------|
|   | 2019             | 2018             |
| <u>Financial assets mandatorily classified as at FVTPL</u>    |                  |                  |
| Derivative financial assets (not under hedge accounting)      |                  |                  |
| Exchange rate swap contracts (a)                              | \$ 1,636         | \$ -             |
| <u>Financial liabilities at FVTPL - current</u>               |                  |                  |
| Derivative financial liabilities (not under hedge accounting) |                  |                  |
| Exchange rate swap contracts (a)                              | \$ 19,692        | \$ 30,751        |
| Cross-currency swap contracts (b)                             | 7,047            | -                |
|   | <u>\$ 26,739</u> | <u>\$ 30,751</u> |

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

December 31, 2019

| Notional Amount<br>(In Thousands) | Maturity Date | Rate              |
|-----------------------------------|---------------|-------------------|
| US\$ 14,000                       | 2020.01       | US\$:NT\$ 30.0970 |
| US\$ 55,000                       | 2020.02       | US\$:NT\$ 30.0610 |
| US\$ 19,000                       | 2020.02       | US\$:NT\$ 30.0610 |
| US\$ 60,000                       | 2020.02       | US\$:NT\$ 30.0730 |
| US\$ 43,000                       | 2020.03       | US\$:NT\$ 29.9660 |
| US\$ 36,000                       | 2020.02       | US\$:NT\$ 30.0070 |
| US\$ 21,000                       | 2020.02       | US\$:NT\$ 30.0070 |
| US\$ 22,300                       | 2020.03       | US\$:NT\$ 29.9640 |
| US\$ 5,900                        | 2020.02       | US\$:NT\$ 30.0070 |
| US\$ 36,000                       | 2020.02       | US\$:NT\$ 30.0060 |

December 31, 2018

| Notional Amount<br>(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 |

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, 2019

| Notional Amount<br>(In Thousands) | Maturity Date | Rate              | Interest % |
|-----------------------------------|---------------|-------------------|------------|
| US\$ 15,000                       | 2020.12       | US\$:NT\$ 30.4750 | 0.635      |

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.

#### 8. FINANCIAL ASSETS AT FVTOCI

|                      | <u>December 31</u>  |                     |
|----------------------|---------------------|---------------------|
|                      | <u>2019</u>         | <u>2018</u>         |
| <u>Current</u>       |                     |                     |
| Domestic investments |                     |                     |
| Listed shares        | <u>\$ 5,918,837</u> | <u>\$ 5,005,749</u> |
| <u>Non-current</u>   |                     |                     |
| Domestic investments |                     |                     |
| Unlisted shares      | <u>\$ 52,984</u>    | <u>\$ 60,756</u>    |

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

#### 9. FINANCIAL ASSETS AT AMORTIZED COST

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2019</u>        | <u>2018</u>       |
| <u>Current</u>   |                    |                   |
| Domestic investments                                       |                    |                   |
| Time deposits with original maturity of more than 3 months | <u>\$ 177,366</u>  | <u>\$ 689,271</u> |
| Foreign investments  |                    |                   |
| Structured products  | <u>\$ 111,500</u>  | <u>\$ -</u>       |
| Current  | <u>\$ 177,366</u>  | <u>\$ 689,271</u> |
| Non-current  | <u>111,500</u>     | <u>-</u>          |
|  | <u>\$ 288,866</u>  | <u>\$ 689,271</u> |



## 10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

|  | December 31         |                     |
|--|---------------------|---------------------|
|  | 2019                | 2018                |
| <u>Notes receivable (including related parties)</u>    |                     |                     |
| At amortized cost                                      |                     |                     |
| Notes receivable - operating                           | \$ 462              | \$ 681              |
| Notes receivable - non-operating                       | -                   | 499                 |
|  | <u>\$ 462</u>       | <u>\$ 1,180</u>     |
| <u>Accounts receivable (including related parties)</u> |                     |                     |
| At amortized cost                                      |                     |                     |
| Accounts receivable                                    | \$ 1,642,038        | \$ 1,982,824        |
| Less: Allowance for doubtful accounts                  | (17,354)            | -                   |
|  | <u>\$ 1,624,684</u> | <u>\$ 1,982,824</u> |
| <u>Other receivables (including related parties)</u>   |                     |                     |
| Tax refund receivables                                 | \$ 38,786           | \$ 49,232           |
| Others   | 268,365             | 294,983             |
| Less: Allowance for doubtful accounts                  | (31,180)            | -                   |
|  | <u>\$ 275,971</u>   | <u>\$ 344,215</u>   |

## a. Notes receivable

The notes receivable balances at December 31, 2019 and 2018 were not past due.

## b. Accounts receivable

The Company use simplified practice of IFRS 9 to measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position. As the Company's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Company's different customer base.

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.



- 1) The following table details the loss allowance of trade receivables.

December 31, 2019

|                                | <b>Less than 30<br/>Days</b> | <b>31 to 90 Days</b> | <b>Over 91 Days</b> | <b>Total</b>        |
|--------------------------------|------------------------------|----------------------|---------------------|---------------------|
| Gross carrying amount          | \$ 940,771                   | \$ 601,577           | \$ 99,690           | \$ 1,642,038        |
| Loss allowance (lifetime ECLs) | <u>-</u>                     | <u>-</u>             | <u>(17,354)</u>     | <u>(17,354)</u>     |
| Amortized cost                 | <u>\$ 940,771</u>            | <u>\$ 601,577</u>    | <u>\$ 82,336</u>    | <u>\$ 1,624,684</u> |

December 31, 2018

|                                | <b>Less than 30<br/>Days</b> | <b>31 to 90 Days</b> | <b>Over 91 Days</b> | <b>Total</b>        |
|--------------------------------|------------------------------|----------------------|---------------------|---------------------|
| Gross carrying amount          | \$ 1,043,793                 | \$ 893,589           | \$ 45,442           | \$ 1,982,824        |
| Loss allowance (lifetime ECLs) | <u>-</u>                     | <u>-</u>             | <u>-</u>            | <u>-</u>            |
| Amortized cost                 | <u>\$ 1,043,793</u>          | <u>\$ 893,589</u>    | <u>\$ 45,442</u>    | <u>\$ 1,982,824</u> |

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

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2019</b>        | <b>2018</b> |
| Balance at January 1                            | \$ -               | \$ -        |
| Add: Impairment losses recognized on receivable | <u>17,354</u>      | <u>-</u>    |
| Balance at March 31                             | <u>\$ 17,354</u>   | <u>\$ -</u> |

## 11. INVENTORIES

|                  | <b>December 31</b> |                  |
|------------------|--------------------|------------------|
|                  | <b>2019</b>        | <b>2018</b>      |
| Raw materials    | \$ 48,022          | \$ 25,254        |
| Supplies         | 196                | 147              |
| Work in progress | 814                | 1,753            |
| Finished goods   | 7,470              | 18,027           |
| Merchandise      | <u>2,724</u>       | <u>6,911</u>     |
|                  | <u>\$ 59,226</u>   | <u>\$ 52,092</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$6,655,923 thousand and \$7,452,651 thousand, respectively.

The cost of goods sold included inventory write-downs for the years ended December 31, 2019 and 2018 was \$7,313 thousand and \$81 thousand, respectively.

## 12. OTHER ASSETS

|                           | December 31      |                   |
|---------------------------|------------------|-------------------|
|                           | 2019             | 2018              |
| <u>Current</u>            |                  |                   |
| Prepayments               | \$ 21,168        | \$ 41,196         |
| Supplies inventory        | 5,507            | 1,145             |
| Temporary payments        | 3,408            | 3,601             |
| Value-added tax retained  | <u>6,724</u>     | <u>11,248</u>     |
|                           | <u>\$ 36,807</u> | <u>\$ 57,190</u>  |
| <u>Non-current</u>        |                  |                   |
| Prepayments               | \$ 27,675        | \$ 519,210        |
| Prepayments for equipment | 3,289            | 3,779             |
| Refundable deposits       | 4,625            | 3,635             |
| Others                    | <u>8,869</u>     | <u>8,869</u>      |
|                           | <u>\$ 44,458</u> | <u>\$ 535,493</u> |

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                             | December 31           |                      |
|-----------------------------|-----------------------|----------------------|
|                             | 2019                  | 2018                 |
| Investments in subsidiaries | \$ 93,993,902         | \$ 88,779,215        |
| Investments in associates   | <u>50,988,491</u>     | <u>9,787,354</u>     |
|                             | <u>\$ 144,982,393</u> | <u>\$ 98,566,569</u> |

## a. Investments in subsidiaries

|                    | December 31          |                      |
|--------------------|----------------------|----------------------|
|                    | 2019                 | 2018                 |
| Unlisted companies | <u>\$ 93,993,902</u> | <u>\$ 88,779,215</u> |

At the end of the reporting period, the proportion of ownership and voting rights in subsidiary held by the Company were as follows:

|  | December 31 |         |
|--|-------------|---------|
| Name of Subsidiary                                 | 2019        | 2018    |
| 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 Yui 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 7 (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, 2019 and 2018. Therefore, the Company recognized \$15,433 thousand and \$15,563 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, 2019 and 2018 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

|   | December 31          |                     |
|---|----------------------|---------------------|
|   | 2019                 | 2018                |
| Material associates                           |                      |                     |
| Ruen Chen Investment Holding Co., Ltd.        | \$ 49,612,043        | \$ 8,403,275        |
| Associates that are not individually material | <u>1,376,448</u>     | <u>1,384,079</u>    |
|   | <u>\$ 50,988,491</u> | <u>\$ 9,787,354</u> |

1) Material associates

| Name of Associate                      | Proportion of Ownership and Voting Rights |      |
|--|---|------|
|  | December 31                               |      |
|  | 2019                                      | 2018 |
| 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 7 (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           |                      |
|--|-----------------------|----------------------|
|  | 2019                  | 2018                 |
| Assets   | \$ 4,846,936,411      | \$ 4,362,687,326     |
| Liabilities                                      | (4,562,716,753)       | (4,309,426,713)      |
| Non-controlling interests                        | <u>(35,862,882)</u>   | <u>(10,947,677)</u>  |
| Owners of Ruen Chen Investment Holding Co., Ltd. | <u>\$ 248,356,776</u> | <u>\$ 42,312,936</u> |
| Proportion of the Company                        | 20.00%                | 20.00%               |
| Equity attributable to the Company               | \$ 49,671,355         | \$ 8,462,587         |
| Other adjustments                                | <u>(59,312)</u>       | <u>(59,312)</u>      |
| Carrying amount                                  | <u>\$ 49,612,043</u>  | <u>\$ 8,403,275</u>  |

|                                   | <b>For the Year Ended December 31</b> |                         |
|-----------------------------------|---------------------------------------|-------------------------|
|                                   | <b>2019</b>                           | <b>2018</b>             |
| Operating revenue                 | <u>\$ 622,318,319</u>                 | <u>\$ 636,836,934</u>   |
| Net income                        | <u>\$ 32,004,407</u>                  | <u>\$ 24,301,356</u>    |
| Other comprehensive income (loss) | <u>173,096,475</u>                    | <u>(150,286,690)</u>    |
| Total comprehensive income (loss) | <u>\$ 205,100,882</u>                 | <u>\$ (125,985,334)</u> |

2) Associates that are not individually material

|  | <b>Proportion of Ownership and Voting Rights</b> |             |
|--|--|-------------|
|  | <b>December 31</b>                               |             |
| <b>Name of Associate</b>                 | <b>2019</b>                                      | <b>2018</b> |
| Elite Company 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 7 (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.

|                          | <b>For the Year Ended December 31</b> |                   |
|--------------------------|---------------------------------------|-------------------|
|                          | <b>2019</b>                           | <b>2018</b>       |
| The Company's share of:  |                                       |                   |
| Net income               | <u>\$ 5,755</u>                       | <u>\$ 2,566</u>   |
| Other comprehensive loss | <u>(17,313)</u>                       | <u>(8,909)</u>    |
| Total comprehensive loss | <u>\$ (11,558)</u>                    | <u>\$ (6,343)</u> |

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

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2019</b>        | <b>2018</b>       |
| Elite Company Computer Systems Co., Ltd. | <u>\$ 959,917</u>  | <u>\$ 865,327</u> |



#### 14. PROPERTY, PLANT AND EQUIPMENT

|  | Land                | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Office Equipment  | Other Equipment   | Construction in Progress | Total               |
|--|---------------------|----------------------------|-------------------------|--------------------------|-------------------|-------------------|--------------------------|---------------------|
| <u>Cost</u>                              |                     |                            |                         |                          |                   |                   |                          |                     |
| 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             | <u>\$ 1,666,669</u> | <u>\$ 4,924,347</u>        | <u>\$ 837,430</u>       | <u>\$ 165,067</u>        | <u>\$ 369,223</u> | <u>\$ 130,223</u> | <u>\$ 95,167</u>         | <u>\$ 8,188,126</u> |
| <u>Accumulated depreciation</u>          |                     |                            |                         |                          |                   |                   |                          |                     |
| 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             | <u>\$ -</u>         | <u>\$ 1,945,195</u>        | <u>\$ 411,158</u>       | <u>\$ 124,861</u>        | <u>\$ 289,039</u> | <u>\$ 76,726</u>  | <u>\$ -</u>              | <u>\$ 2,846,979</u> |
| Carrying amounts at December 31, 2018    | <u>\$ 1,666,669</u> | <u>\$ 2,979,152</u>        | <u>\$ 426,272</u>       | <u>\$ 40,206</u>         | <u>\$ 80,184</u>  | <u>\$ 53,497</u>  | <u>\$ 95,167</u>         | <u>\$ 5,341,147</u> |
| <u>Cost</u>                              |                     |                            |                         |                          |                   |                   |                          |                     |
| Balance at January 1, 2019               | \$ 1,666,669        | \$ 4,924,347               | \$ 837,430              | \$ 165,067               | \$ 369,223        | \$ 130,223        | \$ 95,167                | \$ 8,188,126        |
| Additions                                | -                   | 5,034                      | 46,049                  | 16,422                   | 29,176            | 12,858            | 108,713                  | 218,252             |
| Disposals                                | -                   | (84,392)                   | (87,672)                | (12,662)                 | (29,005)          | (2,420)           | -                        | (216,151)           |
| Transfers from prepayments for equipment | -                   | -                          | 1,866                   | 1,590                    | -                 | 323               | -                        | 3,779               |
| Reclassified                             | -                   | 37,803                     | 11,010                  | -                        | 16,051            | 16,769            | (85,724)                 | (4,091)             |
| Urban renewal                            | (5,943)             | -                          | -                       | -                        | -                 | -                 | -                        | (5,943)             |
| Balance at December 31, 2019             | <u>\$ 1,660,726</u> | <u>\$ 4,882,792</u>        | <u>\$ 808,683</u>       | <u>\$ 170,417</u>        | <u>\$ 385,445</u> | <u>\$ 157,753</u> | <u>\$ 118,156</u>        | <u>\$ 8,183,972</u> |
| <u>Accumulated depreciation</u>          |                     |                            |                         |                          |                   |                   |                          |                     |
| Balance at January 1, 2019               | \$ -                | \$ 1,945,195               | \$ 411,158              | \$ 124,861               | \$ 289,039        | \$ 76,726         | \$ -                     | \$ 2,846,979        |
| Disposals                                | -                   | (79,267)                   | (44,801)                | (9,404)                  | (28,561)          | (2,130)           | -                        | (164,163)           |
| Depreciation expenses                    | -                   | 121,344                    | 93,997                  | 13,567                   | 36,224            | 15,887            | -                        | 281,019             |
| Reclassified                             | -                   | (422)                      | 13                      | -                        | 247               | 162               | -                        | -                   |
| Balance at December 31, 2019             | <u>\$ -</u>         | <u>\$ 1,986,850</u>        | <u>\$ 460,367</u>       | <u>\$ 129,024</u>        | <u>\$ 296,949</u> | <u>\$ 90,645</u>  | <u>\$ -</u>              | <u>\$ 2,963,835</u> |
| Carrying amounts at December 31, 2019    | <u>\$ 1,660,726</u> | <u>\$ 2,895,942</u>        | <u>\$ 348,316</u>       | <u>\$ 41,393</u>         | <u>\$ 88,496</u>  | <u>\$ 67,108</u>  | <u>\$ 118,156</u>        | <u>\$ 5,220,137</u> |

- Except for depreciation expenses recognized the Company had neither significant disposal nor impairment of properties in 2019 and 2018.
- The Company participated in urban renewal with the land located in Songshan District, Taipei City. The carrying amount of old building was reduced by the compensation for rights transformation plan, rent and removal, which was recorded as a reduction of the initial carrying amount of urban renewal land.
- 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.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

|   | December 31,<br>2019                                    |
|---|---|
| <u>Carrying amounts</u>                     |   |
| Land  | \$ 9,496  |
| Buildings                                   | 34,397  |
| Transportation equipment                    | 11  |
| Other equipment                             | <u>5,576</u>  |
|   | <u>\$ 49,480</u>  |
|   | <b>For the Year<br/>Ended<br/>December 31,<br/>2019</b> |
| Additions to right-of-use assets            | <u>\$ 27,945</u>  |
| Depreciation charge for right-of-use assets |   |
| Land  | \$ 6,023  |
| Buildings                                   | 19,016  |
| Transportation equipment                    | 68  |
| Other equipment                             | <u>439</u>  |
|   | <u>\$ 25,546</u>  |

### b. Lease liabilities - 2019

|                         | December 31,<br>2019 |
|-------------------------|----------------------|
| <u>Carrying amounts</u> |                      |
| Current                 | \$ 31,359            |
| Non-current             | <u>23,491</u>        |
|                         | <u>\$ 54,850</u>     |



Range of discount rate for lease liabilities was as follows:

|                          | <b>December 31,<br/>2019</b> |
|--------------------------|------------------------------|
| Land                     | 1.34%                        |
| Buildings                | 1.34%                        |
| Transportation equipment | 1.34%                        |
| Other equipment          | 1.34%                        |

c. Other lease information

2019

|  | <b>For the Year<br/>Ended<br/>December 31,<br/>2019</b> |
|--|---|
| Expenses relating to short-term leases   | <u>\$ 853</u>   |
| Expenses relating to low-value asset leases  | <u>\$ -</u>   |
| Expenses relating to variable lease payments not included in the measurement of<br>lease liabilities | <u>\$ -</u>   |
| Total cash outflow for leases  | <u>\$ 19,046</u>  |

The Company leases which qualify as short-term leases and qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

|  | <b>December 31,<br/>2018</b> |
|--|------------------------------|
| Not later than 1 year                        | \$ 26,998                    |
| Later than 1 year and not later than 5 years | <u>32,029</u>                |
|  | <u>\$ 59,027</u>             |

## 16. INVESTMENT PROPERTIES

|                        | <b>2019</b>         | <b>2018</b>         |
|------------------------|---------------------|---------------------|
| <u>Cost</u>            |                     |                     |
| Balance at January 1   | \$ 2,660,423        | \$ 2,660,423        |
| Reclassified           | 4,091               | -                   |
| Urban renewal          | <u>(1,624)</u>      | <u>-</u>            |
| Balance at December 31 | <u>\$ 2,662,890</u> | <u>\$ 2,660,423</u> |

(Continued)



|  | 2019                | 2018                               |
|--|---------------------|------------------------------------|
| <u>Accumulated depreciation and impairment</u> |                     |                                    |
| Balance at January 1                           | \$ 674,826          | \$ 620,998                         |
| Depreciation expenses                          | 53,916              | 53,828                             |
| Urban renewal                                  | <u>(1,624)</u>      | <u>-</u>                           |
| Balance at December 31                         | <u>\$ 727,118</u>   | <u>\$ 674,826</u>                  |
| Carrying amounts at December 31                | <u>\$ 1,935,772</u> | <u>\$ 1,985,597</u><br>(Concluded) |

- a. Except for depreciation expenses recognized, the Company had neither significant disposal nor impairment of properties in 2019 and 2018.
- b. The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

|                | December 31,<br>2019 |
|----------------|----------------------|
| Year 1         | \$ 120,071           |
| Year 2         | 51,750               |
| Year 3         | 11,595               |
| Year 4         | 10,531               |
| Year 5         | 5,148                |
| Year 6 onwards | <u>33,185</u>        |
|                | <u>\$ 232,280</u>    |

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

|  | December 31,<br>2018 |
|--|----------------------|
| Not later than 1 year                        | \$ 137,881           |
| Later than 1 year and not later than 5 years | <u>190,859</u>       |
|  | <u>\$ 328,740</u>    |

- c. The above items of investment properties are depreciated on a straight-line method over the estimated useful life of the asset:

| <u>Items</u>   | <u>Estimated Useful Life</u> |
|----------------|------------------------------|
| Buildings      |                              |
| Main buildings | 50-55 years                  |
| Elevators      | 15 years                     |



- d. 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:

|                     | <b>December 31</b>  |                     |
|---------------------|---------------------|---------------------|
|                     | <b>2019</b>         | <b>2018</b>         |
| Investment property | <u>\$ 3,240,903</u> | <u>\$ 3,135,054</u> |

## 17. OTHER INTANGIBLE ASSETS

|  | <b>2019</b>       |
|--|-------------------|
| <u>Cost</u>  |                   |
| Balance at January 1   | \$ -              |
| Acquisitions   | <u>956,499</u>    |
| Balance at December 31   | <u>\$ 956,499</u> |
| <u>Accumulated amortization and impairment</u>   |                   |
| Balance at January 1   | \$ -              |
| amortization expenses  | <u>27,227</u>     |
| Balance at December 31   | <u>\$ 27,227</u>  |
| Carrying amounts at December 31  | <u>\$ 929,272</u> |
| Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows: |                   |
| Software   | 10-20 years       |

## 18. BORROWINGS

- a. Short-term borrowings

|                             | <b>December 31</b>   |                      |
|-----------------------------|----------------------|----------------------|
|                             | <b>2019</b>          | <b>2018</b>          |
| <u>Unsecured borrowings</u> |                      |                      |
| Credit borrowings           | <u>\$ 19,909,700</u> | <u>\$ 14,654,000</u> |

The range of effective interest rate on bank borrowings was 0.67%-2.28% and 0.60%-0.90% per annum as of December 31, 2019 and 2018, respectively.

b. Long-term borrowings

|   | December 31               |                           |
|---|---------------------------|---------------------------|
|   | 2019                      | 2018                      |
| <u>Unsecured borrowings</u>                 |                           |                           |
| Bank loans                                  | \$ 19,583,102             | \$ 17,100,000             |
| Less: Current portion                       | <u>(263,796)</u>          | <u>(4,194,398)</u>        |
|   | <u>\$ 19,319,306</u>      | <u>\$ 12,905,602</u>      |
| Range of maturity dates and interest rates: |                           |                           |
|   | December 31               |                           |
|   | 2019                      | 2018                      |
| <u>Maturity date</u>                        |                           |                           |
| Long-term borrowings                        | 2021.01.15-<br>2026.07.15 | 2020.01.15-<br>2026.07.15 |
| Current portion of long-term borrowings     | 2020.01.15-<br>2020.10.15 | 2019.03.27-<br>2019.12.03 |
| <u>Range of interest rate</u>               | 0.91%-1.60%               | 1.01%-1.60%               |

## 19. NOTES PAYABLE AND ACCOUNTS PAYABLE

|  | December 31         |                     |
|--|---------------------|---------------------|
|  | 2019                | 2018                |
| <u>Notes payable (including related parties)</u> |                     |                     |
| Operating  | \$ 3,061            | \$ 4,333            |
| Non-operating                                    | <u>6,963</u>        | <u>3,419</u>        |
|  | <u>\$ 10,024</u>    | <u>\$ 7,752</u>     |
| Accounts payable (including related parties)     | <u>\$ 1,074,190</u> | <u>\$ 1,307,087</u> |

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

## 20. OTHER PAYABLES

|  | December 31         |                     |
|--|---------------------|---------------------|
|  | 2019                | 2018                |
| Payables for salaries                                  | \$ 293,130          | \$ 248,824          |
| Payables for purchase of property, plant and equipment | 32,869              | 221,913             |
| Compensation due to directors and supervisors          | 101,600             | 107,388             |
| Employee compensation payables                         | 772,290             | 737,859             |
| Interest payables                                      | 35,383              | 49,134              |
| Payables for annual leave                              | 118,209             | 114,565             |
| Others   | <u>594,021</u>      | <u>474,943</u>      |
|  | <u>\$ 1,947,502</u> | <u>\$ 1,954,626</u> |



## 21. 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       |                   |
|---|-------------------|-------------------|
|   | 2019              | 2018              |
| Present value of defined benefit obligation | \$ 1,520,908      | \$ 1,496,483      |
| Fair value of plan assets                   | <u>(816,195)</u>  | <u>(825,707)</u>  |
| Net defined benefit liability               | <u>\$ 704,713</u> | <u>\$ 670,776</u> |

Movements in net defined benefit liability (asset) were as follows:

|   | Present Value<br>of the Defined<br>Benefit<br>Obligation | Fair Value of<br>the Plan Assets | Net Defined<br>Benefit<br>Liability (Asset) |
|---|--|----------------------------------|---|
| Balance at January 1, 2018  | <u>\$ 1,512,580</u>                                      | <u>\$ (760,000)</u>              | <u>\$ 752,580</u>                           |
| Service cost  | 13,265   | -                                | 13,265                                      |
| Past service cost   | 39,247   | -                                | 39,247                                      |
| Net interest expense (income)   | <u>18,246</u>  | <u>(9,900)</u>                   | <u>8,346</u>                                |
| Recognized in profit or loss  | <u>70,758</u>  | <u>(9,900)</u>                   | <u>60,858</u>                               |
| Remeasurement   |  |                                  |   |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (18,460)                         | (18,460)                                    |
| Actuarial loss arising from changes in<br>demographic assumptions     | 24,509   | -                                | 24,509                                      |

(Continued)

|  | Present Value<br>of the Defined<br>Benefit<br>Obligation | Fair Value of<br>the Plan Assets | Net Defined<br>Benefit<br>Liability (Asset) |
|--|--|----------------------------------|---|
| Actuarial loss arising from changes in financial assumptions       | \$ 21,681  | \$ -                             | \$ 21,681                                   |
| Actuarial loss arising from experience adjustments                 | <u>9,422</u>   | <u>-</u>                         | <u>9,422</u>                                |
| Recognized in other comprehensive income (loss)                    | <u>55,612</u>  | <u>(18,460)</u>                  | <u>37,152</u>                               |
| Contributions from the employer                                    | -  | (169,387)                        | (169,387)                                   |
| Benefits paid  | (132,040)  | 132,040                          | -   |
| Others   | <u>(10,427)</u>  | <u>-</u>                         | <u>(10,427)</u>                             |
| Balance at December 31, 2018                                       | <u>\$ 1,496,483</u>                                      | <u>\$ (825,707)</u>              | <u>\$ 670,776</u>                           |
| Balance at January 1, 2019   | <u>\$ 1,496,483</u>                                      | <u>\$ (825,707)</u>              | <u>\$ 670,776</u>                           |
| Service cost   | 10,549   | -                                | 10,549                                      |
| Past service cost  | 4,497  | -                                | 4,497                                       |
| Net interest expense (income)                                      | <u>16,218</u>  | <u>(9,626)</u>                   | <u>6,592</u>                                |
| Recognized in profit or loss                                       | <u>31,264</u>  | <u>(9,626)</u>                   | <u>21,638</u>                               |
| Remeasurement  |  |                                  |   |
| Return on plan assets (excluding amounts included in net interest) | -  | (29,259)                         | (29,259)                                    |
| Actuarial loss arising from changes in demographic assumptions     | 3,873  | -                                | 3,873                                       |
| Actuarial loss arising from changes in financial assumptions       | 64,992   | -                                | 64,992                                      |
| Actuarial loss arising from experience adjustments                 | <u>(10,311)</u>  | <u>-</u>                         | <u>(10,311)</u>                             |
| Recognized in other comprehensive income (loss)                    | <u>58,554</u>  | <u>(29,259)</u>                  | <u>29,295</u>                               |
| Contributions from the employer                                    | -  | (17,452)                         | (17,452)                                    |
| Benefits paid  | (65,849)   | 65,849                           | -   |
| Others   | <u>456</u>   | <u>-</u>                         | <u>456</u>                                  |
| Balance at December 31, 2019                                       | <u>\$ 1,520,908</u>                                      | <u>\$ (816,195)</u>              | <u>\$ 704,713</u><br>(Concluded)            |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

|                                     | <b>For the Year Ended December 31</b> |                  |
|-------------------------------------|---------------------------------------|------------------|
|                                     | <b>2019</b>                           | <b>2018</b>      |
| Operating costs                     | \$ 63                                 | \$ 77            |
| Selling and marketing expenses      | 13                                    | 34               |
| General and administrative expenses | 11,778                                | 34,949           |
| Research and development expenses   | <u>9,784</u>                          | <u>25,798</u>    |
|                                     | <u>\$ 21,638</u>                      | <u>\$ 60,858</u> |



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 |        |
|----------------------------------|-------------|--------|
|                                  | 2019        | 2018   |
| Discount rate                    | 0.750%      | 1.125% |
| 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        |                    |
|-------------------------------------|--------------------|--------------------|
|                                     | 2019               | 2018               |
| Discount rate(s)                    |                    |                    |
| 0.25% increase                      | <u>\$ (43,680)</u> | <u>\$ (43,852)</u> |
| 0.25% decrease                      | <u>\$ 45,520</u>   | <u>\$ 45,747</u>   |
| Expected rate(s) of salary increase |                    |                    |
| 0.25% increase                      | <u>\$ 44,177</u>   | <u>\$ 44,549</u>   |
| 0.25% decrease                      | <u>\$ (42,620)</u> | <u>\$ (42,928)</u> |

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      |                   |
|--|------------------|-------------------|
|  | 2019             | 2018              |
| The expected contributions to the plan for the next year | <u>\$ 17,526</u> | <u>\$ 169,580</u> |
| The average duration of the defined benefit obligation   | 11.7 years       | 11.9 years        |

**22. EQUITY****a. Share capital**

|   | <b>December 31</b>   |                      |
|---|----------------------|----------------------|
|   | <b>2019</b>          | <b>2018</b>          |
| Number of shares authorized (in thousands)            | <u>4,500,000</u>     | <u>4,500,000</u>     |
| Shares authorized                                     | <u>\$ 45,000,000</u> | <u>\$ 45,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>2,946,787</u>     | <u>2,946,787</u>     |
| Shares issued   | <u>\$ 29,467,872</u> | <u>\$ 29,467,872</u> |

**b. Capital surplus**

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2019</b>         | <b>2018</b>         |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>   |                     |                     |
| 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 | 339,730             | 343,269             |
| <u>May not be used for any purpose</u>  |                     |                     |
| Recognized from share of changes in net assets of associates  | <u>131,964</u>      | <u>136,120</u>      |
|   | <u>\$ 4,592,397</u> | <u>\$ 4,600,092</u> |

\* 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).

**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.



The board of Directors proposes an earnings distribution in the form of new shares shall be approved following the resolution of the shareholders' meetings. Distribution of dividends and bonuses or distribution of the legal reserve and capital surplus in whole or in part by cash shall be resolved by a majority vote at a meeting attended by more than two thirds of the total number of directors, and such distribution shall be reported at the shareholders' meeting.

For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 24 (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 2018 and 2017 approved in the shareholders' meetings on June 13, 2019 and June 15, 2018, respectively, were as follows:

|                           | <b>Appropriation of Earnings</b> |                          |
|---------------------------|----------------------------------|--------------------------|
|                           | <b>For<br/>Year 2018</b>         | <b>For<br/>Year 2017</b> |
| Legal reserve             | \$ 1,070,864                     | \$ 1,292,161             |
| Special reserve           | 8,376,139                        | 280,862                  |
| Cash dividends            | 4,420,181                        | 5,893,574                |
| Dividends per share(NT\$) | 1.5                              | 2.0                      |

d. Other equity item

1) Exchange differences on translation foreign operations

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2019</b>                           | <b>2018</b>         |
| Balance at January 1   | \$ (312,124)                          | \$ (1,790,529)      |
| Exchange differences arising on translation of foreign subsidiaries and associates | <u>(2,186,025)</u>                    | <u>1,478,405</u>    |
| Balance at December 31   | <u>\$ (2,498,149)</u>                 | <u>\$ (312,124)</u> |



## 2) Unrealized gain (loss) on financial assets at FVTOCI

|   | <b>For the Year Ended December 31</b> |                       |
|---|---------------------------------------|-----------------------|
|   | <b>2019</b>                           | <b>2018</b>           |
| Balance at January 1  | \$ (8,483,931)                        | \$ -                  |
| Adjustment on initial application of IFRS 9   | -                                     | 1,860,011             |
| Balance at January 1 per IFRS 9   | (8,483,931)                           | 1,860,011             |
| Unrealized gain from equity instruments   | 905,316                               | 316,991               |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | 1,847,124                             | 2,333,670             |
| Share from associates and joint ventures accounted for using equity method                        | 19,490,964                            | (12,994,603)          |
| Balance at December 31  | <u>\$ 13,759,473</u>                  | <u>\$ (8,483,931)</u> |

## 3) Others

|  | <b>For the Year Ended December 31</b> |                        |
|--|---------------------------------------|------------------------|
|  | <b>2019</b>                           | <b>2018</b>            |
| Balance at January 1   | \$ (13,497,314)                       | \$ 438                 |
| Adjustment on initial application of IFRS 9                                    | -                                     | (506,875)              |
| Balance at January 1 per IFRS 9  | (13,497,314)                          | (506,437)              |
| Share from associates and joint ventures accounted for using the equity method | 13,920,557                            | (12,990,877)           |
| Balance at December 31   | <u>\$ 423,243</u>                     | <u>\$ (13,497,314)</u> |

## 23. REVENUE

|  | <b>For the Year Ended December 31</b> |                      |
|--|---------------------------------------|----------------------|
|  | <b>2019</b>                           | <b>2018</b>          |
| Revenue from the products              | \$ 8,304,034                          | \$ 9,261,693         |
| Revenue from the rendering of services | <u>3,095,443</u>                      | <u>2,801,085</u>     |
|  | <u>\$ 11,399,477</u>                  | <u>\$ 12,062,778</u> |

## 24. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

### a. Other income

|                                    | <b>For the Year Ended December 31</b> |                |
|------------------------------------|---------------------------------------|----------------|
|                                    | <b>2019</b>                           | <b>2018</b>    |
| Rental income (Note 29)            |                                       |                |
| Rental income from operating lease |                                       |                |
| Investment properties              | \$ 118,324                            | \$ 119,064     |
| Others                             | <u>22,058</u>                         | <u>24,899</u>  |
|                                    | <u>140,382</u>                        | <u>143,963</u> |
|                                    |                                       | (Continued)    |



|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2019</b>                           | <b>2018</b>       |
| Interest income                               |                                       |                   |
| Cash in bank                                  | \$ 12,349                             | \$ 14,775         |
| Repurchase agreements collateralized by bonds | 4,959                                 | 5,285             |
| Financial assets at amortized cost            | 11,419                                | 9,874             |
| Others  | <u>2,196</u>                          | <u>874</u>        |
|   | <u>30,923</u>                         | <u>30,808</u>     |
| Dividends income                              | 327,542                               | 291,438           |
| Others  | <u>98,056</u>                         | <u>123,462</u>    |
|   | <u>\$ 596,903</u>                     | <u>\$ 589,671</u> |
|   |                                       | (Concluded)       |

b. Other gains and losses

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2019</b>                           | <b>2018</b>         |
| Net loss on disposal of property, plant and equipment                   | \$ (788)                              | \$ (30,723)         |
| Net foreign exchange (loss) gain  | (182,435)                             | 550,020             |
| Net gain arising on financial assets designated as at FVTPL             | 174,020                               | 436,180             |
| Net (loss) gain arising on financial liabilities designated as at FVTPL | (4,078)                               | 138,385             |
| Others  | <u>(56,194)</u>                       | <u>(66,972)</u>     |
|   | <u>\$ (69,475)</u>                    | <u>\$ 1,026,890</u> |

c. Finance costs

|                                      | <b>For the Year Ended December 31</b> |                   |
|--------------------------------------|---------------------------------------|-------------------|
|                                      | <b>2019</b>                           | <b>2018</b>       |
| Interest on bank borrowings          | \$ 372,380                            | \$ 317,782        |
| Interest on short-term bills payable | 499                                   | 2,183             |
| Lease liability                      | 800                                   | -                 |
| Other interest expense               | <u>36</u>                             | <u>34</u>         |
|                                      | <u>\$ 373,715</u>                     | <u>\$ 319,999</u> |

d. Depreciation and amortization

|                               | <b>For the Year Ended December 31</b> |                   |
|-------------------------------|---------------------------------------|-------------------|
|                               | <b>2019</b>                           | <b>2018</b>       |
| Property, plant and equipment | \$ 281,019                            | \$ 244,759        |
| Investment properties         | 53,916                                | 53,828            |
| Right-of-use assets           | 25,546                                | -                 |
| Other intangible assets       | <u>27,227</u>                         | <u>-</u>          |
|                               | <u>\$ 387,708</u>                     | <u>\$ 298,587</u> |
|                               |                                       | (Continued)       |

|   | <b>For the Year Ended December 31</b> |                            |
|---|---------------------------------------|----------------------------|
|   | <b>2019</b>                           | <b>2018</b>                |
| An analysis of depreciation by function |                                       |                            |
| Operating costs                         | \$ 5,336                              | \$ 7,409                   |
| Operating expenses                      | 301,229                               | 237,350                    |
| Non-operating expenses                  | <u>53,916</u>                         | <u>53,828</u>              |
|   | <u>\$ 360,481</u>                     | <u>\$ 298,587</u>          |
| An analysis of amortization by function |                                       |                            |
| Operating expenses                      | <u>\$ 27,227</u>                      | <u>\$ -</u><br>(Concluded) |

e. Direct expenses with investment properties

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2019</b>                           | <b>2018</b>      |
| Direct operating expenses from investment properties that generate rental income         | \$ 69,776                             | \$ 70,664        |
| Direct operating expenses from investment properties that did not generate rental income | <u>65</u>                             | <u>65</u>        |
|  | <u>\$ 69,841</u>                      | <u>\$ 70,729</u> |

f. Employee benefits expense

|   | <b>2019</b>           |                           |                     | <b>2018</b>           |                           |                     |
|---|-----------------------|---------------------------|---------------------|-----------------------|---------------------------|---------------------|
|   | <b>Operating Cost</b> | <b>Operating Expenses</b> | <b>Total</b>        | <b>Operating Cost</b> | <b>Operating Expenses</b> | <b>Total</b>        |
| Salary                                    |                       |                           |                     |                       |                           |                     |
| Termination benefits                      | \$ -                  | \$ 7,070                  | \$ 7,070            | \$ -                  | \$ 23,436                 | \$ 23,436           |
| Remuneration of directors and supervisors | -                     | 106,445                   | 106,445             | -                     | 113,124                   | 113,124             |
| Others                                    | <u>15,926</u>         | <u>2,376,359</u>          | <u>2,392,285</u>    | <u>17,968</u>         | <u>2,336,999</u>          | <u>2,354,967</u>    |
|   | <u>15,926</u>         | <u>2,489,874</u>          | <u>2,505,800</u>    | <u>17,968</u>         | <u>2,473,559</u>          | <u>2,491,527</u>    |
| Labor and health insurance                | <u>1,388</u>          | <u>225,954</u>            | <u>227,342</u>      | <u>1,419</u>          | <u>225,968</u>            | <u>227,387</u>      |
| Post-employment benefit                   |                       |                           |                     |                       |                           |                     |
| Defined contribution plans                | 663                   | 112,782                   | 113,445             | 725                   | 115,088                   | 115,813             |
| Defined benefit plans                     | <u>63</u>             | <u>21,575</u>             | <u>21,638</u>       | <u>77</u>             | <u>60,781</u>             | <u>60,858</u>       |
|   | <u>726</u>            | <u>134,357</u>            | <u>135,083</u>      | <u>802</u>            | <u>175,869</u>            | <u>176,671</u>      |
| Other employee benefits                   | <u>506</u>            | <u>68,387</u>             | <u>68,893</u>       | <u>502</u>            | <u>75,501</u>             | <u>76,003</u>       |
| Total employee benefits expense           | <u>\$ 18,546</u>      | <u>\$ 2,918,572</u>       | <u>\$ 2,937,118</u> | <u>\$ 20,691</u>      | <u>\$ 2,950,897</u>       | <u>\$ 2,971,588</u> |

As of December 31, 2019 and 2018, there were 3,327 and 3,617 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.

As of December 31, 2019 and 2018, the average employee benefits and average salaries and wages were \$852 thousand, \$791 thousand, \$722 thousand and \$658 thousand, respectively. The average salaries and wages increase 8%.



## 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, 2019 and 2018 which were approved by the Company's board of directors on March 31, 2020 and March 25, 2019, respectively, were as follows:

Accrual rate

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2019</b>                           | <b>2018</b> |
| Employees' compensation                   | 1.6%                                  | 1.8%        |
| Remuneration of directors and supervisors | 0.8%                                  | 0.9%        |

Amount

|   | <b>For the Year Ended December 31</b> |               |             |               |
|---|---------------------------------------|---------------|-------------|---------------|
|   | <b>2019</b>                           |               | <b>2018</b> |               |
|   | <b>Cash</b>                           | <b>Shares</b> | <b>Cash</b> | <b>Shares</b> |
| Employees' compensation                   | \$ 203,200                            | \$ -          | \$ 214,776  | \$ -          |
| Remuneration of directors and supervisors | 101,600                               | -             | 107,388     | -             |

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, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

**25. INCOME TAXES**

## a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

|   | <b>For the Year Ended December 31</b> |                |
|---|---------------------------------------|----------------|
|   | <b>2019</b>                           | <b>2018</b>    |
| Current tax                                   |                                       |                |
| In respect of the current year                | \$ 85,095                             | \$ 144,686     |
| Adjustments for prior years' income tax       | 10,293                                | 84,369         |
| Income tax expense of unappropriated earnings | -                                     | 506,950        |
|   | <u>95,388</u>                         | <u>736,005</u> |

(Continued)

|   | <b>For the Year Ended December 31</b> |                                  |
|---|---------------------------------------|----------------------------------|
|   | <b>2019</b>                           | <b>2018</b>                      |
| Deferred tax                                    |                                       |                                  |
| In respect of the current period                | \$ 471,199                            | \$ 159,010                       |
| Change of tax rate                              | <u>-</u>                              | <u>6,186</u>                     |
|   | <u>471,199</u>                        | <u>165,196</u>                   |
| Income tax expense recognized in profit or loss | <u>\$ 566,587</u>                     | <u>\$ 901,201</u><br>(Concluded) |

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

|   | <b>For the Year Ended December 31</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>2019</b>                           | <b>2018</b>          |
| Income before income tax                            | <u>\$ 12,395,196</u>                  | <u>\$ 11,609,847</u> |
| Income tax expense calculated at the statutory rate | \$ 2,479,040                          | \$ 2,321,969         |
| Tax effect of adjusting items                       |                                       |                      |
| Tax-exempt income                                   | (65,508)                              | (58,288)             |
| Investment income recognized under equity method    | (1,715,191)                           | (1,967,122)          |
| Others  | (142,047)                             | 7,137                |
| Income tax on unappropriated earnings               | -                                     | 506,950              |
| Change of tax rate                                  | -                                     | 6,186                |
| Adjustments for prior years' income tax             | <u>10,293</u>                         | <u>84,369</u>        |
| Income tax expense recognized in profit or loss     | <u>\$ 566,587</u>                     | <u>\$ 901,201</u>    |

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

As the status of 2020 appropriations of earnings is uncertain, the potential income tax consequences of 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

|   | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2019</b>                           | <b>2018</b> |
| <u>Deferred tax</u>                                       |                                       |             |
| In respect of the current year                            | <u>\$ (132,862)</u>                   | <u>\$ -</u> |
| Total income tax recognized in other comprehensive income | <u>\$ (132,862)</u>                   | <u>\$ -</u> |



## c. Deferred tax assets and liabilities

The details of deferred tax assets and liabilities were as follows:

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2019</b>        | <b>2018</b>       |
| <u>Deferred tax assets</u>              |                    |                   |
| Temporary differences                   |                    |                   |
| Payables for annual leave               | \$ 23,642          | \$ -              |
| Defined benefit obligations             | 44,501             | -                 |
| Others                                  | <u>18,276</u>      | <u>4,532</u>      |
|   | <u>\$ 86,419</u>   | <u>\$ 4,532</u>   |
| <u>Deferred tax liabilities</u>         |                    |                   |
| Temporary differences                   |                    |                   |
| Land value increment tax                | \$ 86,547          | \$ 86,547         |
| Unappropriated earnings of subsidiaries | 625,000            | -                 |
| Valuation Gain on Financial Investments | -                  | 35,062            |
| Defined benefit obligations             | <u>-</u>           | <u>169,715</u>    |
|   | <u>\$ 711,547</u>  | <u>\$ 291,324</u> |

## d. Income tax assessments

The tax returns of the Company through 2017 have been assessed by the tax authorities.

**26. EARNINGS PER SHARE**

The basic earnings per share and diluted earnings per share for the years ended December 31, 2019 and 2018 were as follows:

|  | <b>For the Year Ended December 31</b> |                      |
|--|---------------------------------------|----------------------|
|  | <b>2019</b>                           | <b>2018</b>          |
| <u>Net income (in thousand dollars)</u>  |                                       |                      |
| Earnings used in the computation of earnings per share   | <u>\$ 11,828,609</u>                  | <u>\$ 10,708,646</u> |
| <u>Weighted average number of shares outstanding (in thousand shares)</u>                        |                                       |                      |
| 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   | <u>6,430</u>                          | <u>8,085</u>         |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>2,953,217</u>                      | <u>2,954,872</u>     |
| <u>Earnings per share (in dollars)</u>   |                                       |                      |
| Basic earnings per share   | <u>\$4.01</u>                         | <u>\$3.63</u>        |
| Diluted earnings per share   | <u>\$4.01</u>                         | <u>\$3.62</u>        |

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 included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 27. 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.

## 28. 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, 2019

|                                   | Level 1      | Level 2   | Level 3   | Total        |
|-----------------------------------|--------------|-----------|-----------|--------------|
| Financial assets at FVTPL         |              |           |           |              |
| Derivative financial assets       | \$ -         | \$ 1,636  | \$ -      | \$ 1,636     |
| Financial assets at FVTOCI        |              |           |           |              |
| Investments in equity instruments |              |           |           |              |
| Domestic listed shares            | \$ 5,918,837 | \$ -      | \$ -      | \$ 5,918,837 |
| Domestic unlisted shares          | -            | -         | 52,984    | 52,984       |
|                                   | \$ 5,918,837 | \$ -      | \$ 52,984 | \$ 5,971,821 |
| Financial liabilities at FVTPL    |              |           |           |              |
| Derivative financial liabilities  | \$ -         | \$ 26,739 | \$ -      | \$ 26,739    |



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          | <u>-</u>            | <u>-</u>         | <u>60,756</u>    | <u>60,756</u>       |
|                                   | <u>\$ 5,005,749</u> | <u>\$ -</u>      | <u>\$ 60,756</u> | <u>\$ 5,066,505</u> |
| Financial liabilities at FVTPL    |                     |                  |                  |                     |
| Derivative financial liabilities  | <u>\$ -</u>         | <u>\$ 30,751</u> | <u>\$ -</u>      | <u>\$ 30,751</u>    |

- 2) There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.
- 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

|  | <u>December 31</u> |             |
|--|--------------------|-------------|
|  | <u>2019</u>        | <u>2018</u> |
| <u>Financial assets</u>                        |                    |             |
| Financial assets at FVTPL                      |                    |             |
| Mandatorily at FVTPL                           | \$ 1,636           | \$ -        |
| Financial assets at amortized cost (Note 1)    | 2,348,324          | 3,215,755   |
| Financial assets at FVTOCI                     | 5,971,821          | 5,066,505   |
| <u>Financial liabilities</u>                   |                    |             |
| FVTPL  |                    |             |
| Held for trading                               | 26,739             | 30,751      |
| Financial liability at amortized cost (Note 2) | 42,555,588         | 35,054,418  |



Note 1: 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 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, receivables, payables and borrowings. The Company's treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include 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 derivative instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

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

|     | <b>For the Year Ended December 31</b> |             |
|-----|---------------------------------------|-------------|
|     | <b>2019</b>                           | <b>2018</b> |
| USD | \$ (61,735)                           | \$ (99,553) |
| RMB | (56)                                  | (188)       |

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   |               |
|------------------------------|---------------|---------------|
|                              | 2019          | 2018          |
| Cash flow interest rate risk |               |               |
| Financial liabilities        | \$ 30,102,802 | \$ 20,984,000 |

#### Sensitivity analysis

The sensitivity analyses below were based on the Company's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Company to increase its cash-out by \$301,028 thousand and \$209,840 thousand during the years ended December 31, 2019 and 2018, 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, 2019 would have decreased by \$59,188 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, 2018 would have decreased by \$50,057 thousand as a result of the changes in fair value of financial assets at FVTOCI.

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, 2019 and 2018, 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, 2019

|   | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>     | <b>5+ Years</b>  |
|---|---|---------------------|-------------------------------|----------------------|------------------|
| <u>Non-derivative financial liabilities</u> |   |                     |                               |                      |                  |
| Non-interest bearing                        | \$ 663,028                                    | \$ 767,769          | \$ 1,631,990                  | \$ -                 | \$ -             |
| Lease liability                             | 10,343  | 4,352               | 17,375                        | 21,725               | 1,917            |
| Floating interest rate liabilities          | 12,443,449                                    | 6,469,700           | 1,010,347                     | 10,155,184           | 24,122           |
| Fixed interest rate liabilities             | -   | 250,000             | -                             | 9,140,000            | -                |
|   | <u>\$ 13,116,820</u>                          | <u>\$ 7,491,821</u> | <u>\$ 2,659,712</u>           | <u>\$ 19,316,909</u> | <u>\$ 26,039</u> |

December 31, 2018

|   | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>     | <b>5+ Years</b> |
|---|---|---------------------|-------------------------------|----------------------|-----------------|
| <u>Non-derivative financial liabilities</u> |   |                     |                               |                      |                 |
| 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            | -               |
|   | <u>\$ 5,797,032</u>                           | <u>\$ 7,261,399</u> | <u>\$ 9,090,385</u>           | <u>\$ 12,905,602</u> | <u>\$ -</u>     |

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



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

The following table detailed the 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, 2019

|                               | On Demand or<br>Less than<br>1 Month | 1-3 Months       | 3 Months to<br>1 Year | 1-5 Years   | 5+ Years    |
|-------------------------------|--------------------------------------|------------------|-----------------------|-------------|-------------|
| Exchange rate swap contracts  | \$ 1,442                             | \$ 18,250        | \$ -                  | \$ -        | \$ -        |
| Cross-currency swap contracts | -                                    | -                | 7,047                 | -           | -           |
|                               | <u>\$ 1,442</u>                      | <u>\$ 18,250</u> | <u>\$ 7,047</u>       | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2018

|                              | On Demand or<br>Less than<br>1 Month | 1-3 Months | 3 Months to<br>1 Year | 1-5 Years | 5+ Years |
|------------------------------|--------------------------------------|------------|-----------------------|-----------|----------|
| Exchange rate swap contracts | \$ -                                 | \$ 30,751  | \$ -                  | \$ -      | \$ -     |

c) Financing facilities

|  | <u>December 31</u>   |                      |
|--|----------------------|----------------------|
|  | <u>2019</u>          | <u>2018</u>          |
| Unsecured bank facility and reviewed annually: |                      |                      |
| Amount used                                    | \$ 39,516,490        | \$ 31,794,352        |
| Amount unused                                  | <u>23,402,010</u>    | <u>20,677,321</u>    |
|  | <u>\$ 62,918,500</u> | <u>\$ 52,471,673</u> |

29. 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

| <u>Names of the Related Parties</u>    | <u>Relationships</u> |
|--|----------------------|
| 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         |

(Continued)

| Names of the Related Parties                       | Relationships         |
|--|-----------------------|
| 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 |
|  | (Concluded)           |

## b. Operating revenue

| Account Items             | Related Parties Categories | For the Year Ended December 31 |                      |
|---------------------------|----------------------------|--------------------------------|----------------------|
|                           |                            | 2019                           | 2018                 |
| Sales and service revenue | Yue Yuen                   | \$ 11,290,744                  | \$ 11,840,120        |
|                           | Subsidiaries               | 5,450                          | 1,731                |
|                           | Associates                 | <u>31,362</u>                  | <u>87,025</u>        |
|                           |                            | <u>\$ 11,327,556</u>           | <u>\$ 11,928,876</u> |

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 |                   |
|---------------|----------------------------|--------------------------------|-------------------|
|               |                            | 2019                           | 2018              |
| Purchases     | Subsidiaries               | \$ 1,099                       | \$ 980            |
|               | Associates                 | 230,042                        | 596,043           |
|               | Other related parties      | <u>99</u>                      | <u>705</u>        |
|               |                            | <u>\$ 231,240</u>              | <u>\$ 597,728</u> |

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 |                   |
|---------------|----------------------------|--------------------------------|-------------------|
|               |                            | 2019                           | 2018              |
| Rent income   | Windsor                    | \$ 105,577                     | \$ 106,907        |
|               | Yue Yuen                   | 14,153                         | 14,313            |
|               | Subsidiaries               | 810                            | 807               |
|               | Associates                 | 180                            | 1,275             |
|               | Other related parties      | <u>3,107</u>                   | <u>4,658</u>      |
|               |                            | <u>\$ 123,827</u>              | <u>\$ 127,960</u> |

e. Receivables from related parties

| Account Items                            | Related Parties Categories | For the Year Ended December 31 |                     |
|--|----------------------------|--------------------------------|---------------------|
|  |                            | 2019                           | 2018                |
| Notes receivable and accounts receivable | Yue Yuen                   | \$ 1,603,882                   | \$ 1,961,548        |
|  | Subsidiaries               | 931                            | 1,752               |
|  | Associates                 | <u>17,718</u>                  | <u>18,397</u>       |
|  |                            | <u>\$ 1,622,531</u>            | <u>\$ 1,981,697</u> |

f. Payables to related parties

| Account Items                      | Related Parties Categories | For the Year Ended December 31 |                  |
|------------------------------------|----------------------------|--------------------------------|------------------|
|                                    |                            | 2019                           | 2018             |
| Notes payable and accounts payable | Subsidiaries               | \$ 449                         | \$ 3,500         |
|                                    | Associates                 | 22,363                         | 79,339           |
|                                    | Other related parties      | <u>-</u>                       | <u>111</u>       |
|                                    |                            | <u>\$ 22,812</u>               | <u>\$ 82,950</u> |

g. Loans to related parties

| Account Items     | Related Parties Categories | For the Year Ended December 31 |                   |
|-------------------|----------------------------|--------------------------------|-------------------|
|                   |                            | 2019                           | 2018              |
| Other receivables | Subsidiaries               | <u>\$ 175,000</u>              | <u>\$ 189,000</u> |

h. Endorsement guarantee

Please refer to Table 2 (Financing provided to others) of Note 33 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:

|                              | <b>For the Year Ended December 31</b> |                   |
|------------------------------|---------------------------------------|-------------------|
|                              | <b>2019</b>                           | <b>2018</b>       |
| Short-term employee benefits | <u>\$ 162,443</u>                     | <u>\$ 159,925</u> |

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

**30. 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 for 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. The Company terminated the placement of shares in the custody of Mega Bank as mentioned above and retrieved the shares on October 22, 2019 because Ruen Chen Investment Holding Co., Ltd applied to the FSC for the release of the shares from the custody of Mega Bank, and was authorized by the FSC on October 21, 2019.
- 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 guarantees to III as guarantees for the projects.

**31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

Since the outbreak of the 2019 Novel Coronavirus epidemic ("Epidemic") in late January of 2020, the production bases of Yue Yuen and the majority of Pou Sheng's retail stores have temporarily suspended the operations. In addition, as part of the raw material supplies for Yue Yuen's production lines outside China are sourced from suppliers located in China and the status of resumption of production amongst those upstream shoe materials suppliers in China varies, there was a shortage of certain raw materials that affected to a certain extent Yue Yuen's production capacity outside China.

As of the date the financial statements were authorized for issue, the factories of Yue Yuen and the retail stores of Pou Sheng have largely resumed operations. The management expects the Epidemic to have a negative impact on Yue Yuen's and Pou Sheng's revenue and results for the first half of 2020.



### 32. 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, 2019

|                              | <b>Foreign<br/>Currencies</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | \$ 56,605                     | 29.980               | \$ 1,697,022               |
| RMB                          | 526                           | 4.305                | 2,264                      |
| Non-monetary items           |                               |                      |                            |
| RMB                          | 67,100                        | 4.305                | 288,866                    |
| <u>Financial liabilities</u> |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | 15,421                        | 29.980               | 462,329                    |
| Non-monetary items           |                               |                      |                            |
| USD                          | 892                           | 29.980               | 26,739                     |

December 31, 2018

|                              | <b>Foreign<br/>Currencies</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                               |                      |                            |
| 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                    |
| <u>Financial liabilities</u> |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | 383                           | 30.715               | 11,753                     |
| Non-monetary items           |                               |                      |                            |
| USD                          | 1,001                         | 30.715               | 30,751                     |



**32. 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 (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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (Note 28)
- 10) Information on investees (Table 7)

**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 8)
- 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, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No.<br>(Note 1) | Financing Company    | Borrowing Company                | Financial<br>Statement<br>Account | Related<br>Party | Maximum<br>Balance for the<br>Period | Ending Balance | Actual<br>Borrowing<br>Amount | Interest<br>Rate | Nature of<br>Financing<br>(Note 2) | Transaction<br>Amounts | Reasons for<br>Short-term<br>Financing | Allowance for<br>Impairment Loss | Collateral |       | Financing Limit<br>for Each<br>Borrower<br>(Notes 3 and 4) | Aggregate<br>Financing Limit<br>(Notes 3 and 4) | Note |
|-----------------|----------------------|----------------------------------|-----------------------------------|------------------|--------------------------------------|----------------|-------------------------------|------------------|------------------------------------|------------------------|--|----------------------------------|------------|-------|--|---|------|
|                 |                      |                                  |                                   |                  |                                      |                |                               |                  |                                    |                        |  |                                  | Item       | Value |  |   |      |
| 0               | Pou Chen Corporation | Pou Yit Development Co.,<br>Ltd. | Loan receivable                   | Yes              | \$ 205,000                           | \$ 205,000     | \$ 175,000                    | 1.20             | 2                                  | \$ -                   | Operating capital                      | \$ -                             | -          | \$ -  | \$ 11,740,894  | \$ 46,963,576                                   |      |

Note 1: The Company is coded as follows:

- The Company is coded "0".
- 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:

- Business relationship is coded 1.
- 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:

- The maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:
  - 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.
  - The need for short-term financing: Each of the financing amount shall not exceed 10% of the Company's net worth.
- The total maximum amount permitted to a single borrower is listed based on the types of financing reasons as follow:
  - Business relationship: Each of the financing amount shall not exceed 10% of the Company's net worth.
  - The need for short-term financing: Each of the financing amount shall not exceed 40% of the Company's net worth.
  - 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, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No.<br>(Note 1) | Endorsement/<br>Guarantee Provider | Endorsee/Guaranteee   |   | Limit on<br>Endorsement/<br>Guarantee Given on<br>Behalf of Each<br>Party (Note 3)   | Maximum Amount<br>Endorsed/<br>Guaranteed During<br>the Period                      | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period                | Actual Borrowing<br>Amount  | Amount Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements (%) | Aggregate<br>Endorsement/<br>Guarantee Limit<br>(Note 3)   | Endorsement/<br>Guarantee Given by<br>Parent on Behalf of<br>Subsidiaries<br>(Note 4) | Endorsement/<br>Guarantee Given by<br>Subsidiaries on<br>Behalf of Parent<br>(Note 4) | Endorsement/<br>Guarantee Given on<br>Behalf of<br>Companies in<br>Mainland China<br>(Note 4) | Note |
|-----------------|------------------------------------|---|---|--|---|---|---|---|--|--|---|---|---|------|
|                 |                                    | Name  | Relationship<br>(Note 2)                  |  |   |   |   |   |  |  |   |   |   |      |
| 0               | Pou Chen Corporation               | Wealthplus Holding Ltd.<br>Baris Development Corp.<br>Pou Shine Investment<br>Co., Ltd.<br>Pou Yuen Technology<br>Co., Ltd.<br>Pro Arch International<br>Development<br>Enterprise Inc.<br>Pou Yui Development<br>Co., Ltd.<br>Yue Hong Realty<br>Development Co., Ltd. | b<br>b<br>b<br>b<br>b<br>b<br>b<br>b<br>b | \$ 117,408,939<br>117,408,939<br>117,408,939<br>117,408,939<br>117,408,939<br>117,408,939<br>117,408,939<br>117,408,939<br>117,408,939 | \$ 26,532,300<br>9,083,400<br>1,500,000<br>300,000<br>108,414<br>600,000<br>550,000 | \$ 26,532,300<br>8,898,800<br>1,300,000<br>300,000<br>106,579<br>600,000<br>550,000 | \$ 100,770<br>4,223,000<br>727,000<br>42,800<br>106,579<br>-<br>498,500 | \$ -<br>-<br>-<br>-<br>-<br>-<br>-              | 22<br>8<br>1<br>-<br>-<br>1<br>-   | \$ 234,817,878<br>234,817,878<br>234,817,878<br>234,817,878<br>234,817,878<br>234,817,878<br>234,817,878 | Y<br>Y<br>Y<br>Y<br>Y<br>Y<br>Y   | N<br>N<br>N<br>N<br>N<br>N<br>N   | N<br>N<br>N<br>N<br>N<br>N<br>N   |      |

Note 1: The Company is coded as follows:

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

Note 2: Relationships for guarantee provider and guaranteee 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, 2019

(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, 2019 |                 |                         | Note         |
|----------------------|--|---------------------------------------|--|-------------------|-----------------|-------------------------|--------------|
|                      |  |                                       |  | Shares            | Carrying Amount | Percentage of Ownership |              |
| Pou Chen Corporation | Ordinary shares                        |                                       | Financial assets at FVTOCI - current             | 191,730,486       | \$ 5,866,953    | 1.41                    |              |
|                      | Mega Financial Holding Company Ltd.    |                                       | "  | 615,473           | 51,884          | 0.21                    | \$ 5,866,953 |
|                      | Zhiyuan Venture Capital Co., Ltd.      |                                       | Financial assets at FVTOCI - non-current         | 6,000,000         | 52,183          | 10.71                   | 51,884       |
|                      | New Loulan Corporation, Ltd.           |                                       | "  | 100,000           | 801             | 4.00                    | 52,183       |
|                      | Structured products                    |                                       |  |                   |                 |                         | 801          |
|                      | CIB Callable Structured Deposit        |                                       | Financial assets at amortized cost - non-current | -                 | 111,500         | -                       | 111,500      |

TABLE 4

## POU CHEN CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2019  
 (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         |        |                 | Ending Balance          |                  |               |
|----------------------|--|---|--------------|-----------------|-------------------|--------------|------------------|----------------------|------------------|--------|-----------------|-------------------------|------------------|---------------|
|                      |  |   |              |                 | Number of Shares  | Amount       | Number of Shares | Amount               | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount        |
| Pou Chen Corporation | Ruen Chen Investment Holding Co., Ltd. | Investments accounted for using equity method | -            | Related parties | 2,961,000,000     | \$ 8,403,275 | 570,800,000      | \$ 41,208,768 (Note) | -                | \$ -   | -               | \$ -                    | 3,531,800,000    | \$ 49,612,043 |

Note: Include acquisition, profit/loss of investments accounted for using equity method and other comprehensive income/loss.



TABLE 5

**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, 2019**  
(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 | Ending Balance                       |      |
| Pou Chen Corporation | Yue Yuen Industrial (Holdings) Limited | The subsidiary in which the Company holds 51.11% indirectly at December 31, 2019<br>Pou Chien Chemical Co., Ltd. and Yue Dean Technology Corporation are the Company's directors. | Sale                | \$ (11,290,744) | (99)       | D/A 45 days          |            | \$ 1,603,882                         | 99   |
|                      | San Fang Chemical Industry Co., Ltd.   |   | Purchase            | 129,085         | 2          | D/A 45 days          |            | (9,826)                              | (1)  |

TABLE 6

## POU CHEN CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2019

(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 51.11% indirectly at December 31, 2019 | \$ 1,603,882                                   | 6             | \$ -    | -             | \$ 1,492,075                         | \$ -                          |



TABLE 7

POU CHEN CORPORATION

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company     | Investee Company                                   | Location   | Main Businesses and Products   | Original Investment Amount<br>December 31, 2019 | December 31, 2018 | As of December 31, 2019 | Carrying Amount    | Net Income (Loss) of<br>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                                      | \$ 295,429        | 9,222,000               | \$ 78,651,165      | \$ 5,233,646                         | \$ 5,249,729           |   |
|                      | Win Fortune Investments Limited                    | British Virgin Islands   | Investing activities   | US\$ 9,222,000                                  | US\$ 9,222,000    | 100,000                 | US\$ 2,623,454,479 | US\$ 169,477,857                     | US\$ 169,998,174       |   |
|                      | Windsor Hotel Co., Ltd.                            | No. 610, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)            | Entertainment and resort operations                                  | US\$ 3,230                                      | US\$ 3,230        | 100,000                 | US\$ 2,096,472     | US\$ 91,961                          | US\$ 92,306            |   |
|                      | Pou Shine Investment Co., Ltd.                     | No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)                  | Investing activities   | US\$ 100,000                                    | US\$ 100,000      | 100,000                 | US\$ 69,929,024    | US\$ 2,961,873                       | US\$ 2,973,034         |   |
|                      | Pan Asia Insurance Services Co., Ltd.              | No. 2, Fugong Rd., Fuxing Township, Taipei City 106, Taiwan (ROC)                      | Agency of property and casualty insurance                            | US\$ 400,000                                    | US\$ 450,000      | 100,000                 | US\$ 64,495        | US\$ 8,900                           | US\$ 13,105            |   |
|                      | Baris Development Corp.                            | 8F, No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)           | Import and export of shoe-related materials and investing activities | 1,124,667                                       | 1,124,667         | 100,000                 | 3,718,884          | 222,256                              | 222,256                |   |
|                      | Pou Yuen Technology Co., Ltd.                      | No. 4, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)                  | Rental of real estate  | 5,000   | 5,000             | 100,000                 | 11,420             | 1,269                                | 1,269                  |   |
|                      | Pro Arch International Development Enterprise Inc. | No. 8, Gongyequ 11th Rd., Xitun Dist., Taichung City 407, Taiwan (ROC)                 | Design and manufacture of footwear products                          | 2,117,088                                       | 2,117,088         | 99,499                  | 8,678,209          | 321,220                              | 319,591                |   |
|                      | Pou Yi Development Co., Ltd.                       | 1F, No. 71, Dadun 4th St., Nantun Dist., Taichung City 408, Taiwan (ROC)               | Real estate rental and sale  | 966,449   | 966,449           | 97,82                   | 355,481            | 34,955                               | 17,999                 |   |
|                      | Wang Yi Construction Co., Ltd.                     | Rm. 1, 6F, No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC) | Construction   | 2,643,184                                       | 2,643,184         | 100,000                 | 242,163            | 2,802                                | 2,808                  |   |
|                      | Ellegroup Computer Systems Co., Ltd.               | No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)              | Manufacturing of electronic components                               | 40,320  | 40,320            | 15,000                  | 175,613            | 62,670                               | 9,401                  | The Company and its associate hold 90.00%                       |
|                      | 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                             | 7,700   | 7,700             | 7,82                    | -                  | (4,038)                              | 144                    | The Company and its associate hold 97.57%                       |
|                      | Ruen Chen Investment Holding Co., Ltd.             | Rm. 1, 13F, No. 308, Sec. 2, Bode Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)      | Investment holding   | 3,364,570                                       | 3,364,570         | 12,57                   | 1,376,448          | 45,779                               | 5,755                  | The Company and its associate hold 19.50% and serve as director |
|                      |  |  |  | 380,115   | 380,115           | 30,00                   | -                  | 60,710                               | -                      | The Company and its associate hold 50.00%                       |
|                      |  |  |  | 15,230,000                                      | 11,150,000        | 20,00                   | 49,612,043         | 28,832,872                           | 5,766,591              | Note  |

Note: The Company received a request by the PSC 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 8

## POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)         | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note     |
|--|---|---------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---|---|---|----------|
|  |   |                                 |                               |   | Outward             | Inward |   |                                   |  |   |   |   |          |
| Great Team Backend Foundry, Inc.                                   | Processing and manufacturing of transistors   | \$ 328,100<br>(US\$ 10,000,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ 22,372<br>(RMB 4,894,845)      | 6.87   | \$ -                                    | \$ 136,709<br>(RMB 31,755,819)          | \$ -  | (Note 3) |
| Yue Shen (Taichang) Footwear Co., Ltd.                             | Finished shoes, semi-finished products, components and production and marketing of molds                  | 554,646<br>(US\$ 17,100,000)    | b                             | -   | -                   | -      | -   | 18,736<br>(RMB 4,286,462)         | 31.79  | 5,947<br>(RMB 1,360,646)<br>b, 1)       | 240,653<br>(RMB 55,900,831)             | -   |          |
| Dongguan Yuning Electronic Technology Co., Ltd.                    | Production and marketing of over 17 inches color-image monitor, motherboards and other products           | 475,745<br>(US\$ 14,500,000)    | b                             | -   | -                   | -      | -   | 715<br>(RMB 175,892)              | 100.00                                       | 715<br>(RMB 175,892)<br>b, 1)           | 304,266<br>(RMB 70,677,295)             | -   |          |
| Dongguan Gaosheng Precision Injection Molding Technology Co., Ltd. | Mould, plastic case for mobile phones   | 395,576<br>(US\$ 12,055,034)    | b                             | -   | -                   | -      | -   | (6)<br>(RMB (1,420))              | 100.00                                       | (6)<br>(RMB (1,420))<br>b, 2)           | 49,812<br>(RMB 11,570,704)              | -   |          |
| Huacheng (Shanghai) Information Technology Co., Ltd.               | Sales and production of desktop computers, notebook computers, CRT monitors, PDA handheld computers, etc. | 393,720<br>(US\$ 12,000,000)    | b                             | -   | -                   | -      | -   | -                                 | -  | -                                       | -                                       | -   |          |
| Yue Cheng (Kun Shan) Sports Co., Ltd.                              | Operating sporting goods and equipment, spare parts production and marketing business                     | 435,402<br>(US\$ 14,200,000)    | b                             | -   | -                   | -      | -   | 238,304<br>(RMB 53,579,389)       | 31.79  | 75,664<br>(RMB 17,012,302)<br>b, 1)     | 888,504<br>(RMB 206,388,818)            | -   |          |
| Zhongshan Bao Ji Clothing Co., Ltd.                                | Production and marketing of sportswear  | 82,025<br>(US\$ 2,500,000)      | b                             | -   | -                   | -      | -   | 497<br>(RMB 109,436)              | 48.68  | 242<br>(RMB 53,171)<br>b, 1)            | 5,981<br>(RMB 1,389,278)                | -   |          |
| Dongguan Baoqiao Electronic Technology Co., Ltd.                   | Production and marketing of other optical appliances and instruments                                      | 147,645<br>(US\$ 4,500,000)     | b                             | -   | -                   | -      | -   | 24,731<br>(RMB 5,522,283)         | 100.00                                       | 24,731<br>(RMB 5,522,283)<br>b, 2)      | 146,646<br>(RMB 34,064,187)             | -   |          |
| Poushun Paper Products Manufacturing Co., Ltd.                     | Production and sale of shoe inner boxes, cartons  | 68,901<br>(US\$ 2,100,000)      | b                             | -   | -                   | -      | -   | (43,108)<br>(RMB (9,963,995))     | 10.22  | (4,402)<br>(RMB (1,017,534))<br>b, 1)   | 5,288<br>(RMB 1,228,419)                | -   |          |
| Beijing Advazone Electronic Limited Company                        | Development and production of computer software   | 512,019<br>(US\$ 16,100,000)    | b                             | -   | -                   | -      | -   | (522)<br>(RMB (117,969))          | 32.00  | (167)<br>(RMB (37,695))<br>b, 2)        | 33,289<br>(RMB 7,732,342)               | -   |          |
| Pouhong Footwear Industrial Ltd.                                   | Production and operation of leisure shoes, sports shoes   | 49,215<br>(US\$ 1,500,000)      | b                             | -   | -                   | -      | -   | 7,669<br>(RMB 1,708,306)          | 51.11  | 3,914<br>(RMB 871,828)<br>b, 1)         | 42,653<br>(RMB 9,907,761)               | -   |          |
| Shanghai Yisen Industry Co., Ltd.                                  | Production and sale of finished shoes, semi-finished products, components and moulds                      | 660,404<br>(US\$ 20,390,000)    | b                             | -   | -                   | -      | -   | 120,396<br>(RMB 26,367,703)       | 51.11  | 61,435<br>(RMB 13,453,641)<br>b, 1)     | 803,896<br>(RMB 186,735,433)            | -   |          |
| Bao Hong (Yangzhou) Shoes Co., Ltd.                                | Production of needles, woven garments, footwear and sales of self-produce products                        | 2,591,184<br>(US\$ 86,291,730)  | b                             | -   | -                   | -      | -   | (91,028)<br>(RMB (20,310,318))    | 51.11  | (46,455)<br>(RMB (10,365,277))<br>b, 1) | 521,548<br>(RMB 121,149,357)            | -   |          |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|---|--|-----------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|---|---|------|
|   |  |                             |                               |   | Outward             | Inward |   |                                   |  |                                 |   |   |      |
| Dong Guan Yu Yuen Mold Co., Ltd.                            | Production and sale of molds for non-metallic products   | \$ 62,011 (US\$ 1,890,000)  | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ 3,626 (RMB 818,992)            | 51.11  | \$ 1,851 (RMB 418,044)          | \$ 41,820 (RMB 9,714,278)               | \$ -  |      |
| Zhong Shan Glory Shoes Ind., Ltd.                           | Production and operation of various types of leather shoes products                                    | 951,490 (US\$ 29,000,000)   | b                             | -   | -                   | -      | -   | (552,956) (RMB 124,872,199)       | 23.00  | (127,048) (RMB 28,691,141)      | 535,432 (RMB 123,087,803)               | -   |      |
| 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                             | -   | -                   | -      | -   | 621 (RMB 138,850)                 | 23.00  | 143 (RMB 31,892)                | 9,878 (RMB 2,294,623)                   | -   |      |
| 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                             | -   | -                   | -      | -   | 337,612 (RMB 77,343,039)          | 20.34  | 68,612 (RMB 15,718,394)         | 610,390 (RMB 141,786,287)               | -   |      |
| Shang Gao Yisen Ka Yuen Industry Co., Ltd.                  | Production and sale of footwear products   | 77,432 (US\$ 2,360,000)     | b                             | -   | -                   | -      | -   | 6,288 (RMB 1,516,412)             | 25.56  | 1,608 (RMB 387,712)             | 26,022 (RMB 6,044,634)                  | -   |      |
| Bao Sheng Dao Ji (Beijing) Trading Company Ltd.             | Retail business of sports goods and accessories  | 1,988,061 (US\$ 65,000,000) | b                             | -   | -                   | -      | -   | 88,926 (RMB 19,670,621)           | 31.79  | 28,231 (RMB 6,244,777)          | 1,072,206 (RMB 249,060,596)             | -   |      |
| Qingdao Pou-Sheng International Sport Products Co., Ltd.    | Sales of sports and leisure shoes and accessories  | 94,800 (RMB 20,000,000)     | b                             | -   | -                   | -      | -   | 357,005 (RMB 79,402,156)          | 22.89  | 81,597 (RMB 18,148,333)         | 190,193 (RMB 44,179,629)                | -   |      |
| Guizhou Pou-Sheng Sport Products Co., Ltd.                  | Sales of sports and leisure shoes and accessories  | 322,886 (US\$ 10,000,000)   | b                             | -   | -                   | -      | -   | 25,619 (RMB 5,692,530)            | 31.79  | 8,131 (RMB 1,806,752)           | 128,349 (RMB 29,813,965)                | -   |      |
| Nanning Pou-Kung Sport Products Co., Ltd.                   | Retail business of sports goods and accessories  | 42,653 (US\$ 1,300,000)     | b                             | -   | -                   | -      | -   | 23,317 (RMB 5,368,074)            | 31.79  | 7,399 (RMB 1,703,453)           | 5,763 (RMB 1,338,647)                   | -   |      |
| Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd. | Retail business of sports goods and accessories  | 1,567,250 (US\$ 50,000,000) | b                             | -   | -                   | -      | -   | 1,244,918 (RMB 281,469,321)       | 31.79  | 395,217 (RMB 89,358,262)        | 1,720,197 (RMB 399,581,126)             | -   |      |
| Diodite (China) Sports Good Co., Ltd.                       | Retail and wholesale business of sporting goods and accessories  | 639,800 (US\$ 20,000,000)   | b                             | -   | -                   | -      | -   | 2,516 (RMB 563,345)               | 31.79  | 799 (RMB 178,835)               | 44,029 (RMB 10,227,482)                 | -   |      |
| Taicang YY SPORTS Business Trading Co., Ltd.                | Retail business of sports goods and accessories series products  | 164,050 (US\$ 5,000,000)    | b                             | -   | -                   | -      | -   | 7,328 (RMB 1,717,295)             | 31.79  | 2,329 (RMB 545,785)             | 129,179 (RMB 30,006,843)                | -   |      |
| Yangzhou Baoyi Shoes Manufacturing Co., Ltd.                | Vulcanized shoes, sports shoes, leisure shoes and other footwear manufacturing, marketing              | 729,906 (US\$ 22,456,800)   | b                             | -   | -                   | -      | -   | 230,287 (RMB 51,869,662)          | 25.56  | 58,794 (RMB 13,242,755)         | 289,338 (RMB 67,209,682)                | -   |      |
| Dalian YY SPORTS 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                             | -   | -                   | -      | -   | (249) (RMB 55,789)                | 31.79  | (74) (RMB 16,610)               | 444,775 (RMB 103,315,982)               | -   |      |
| YYSPORTS (Chengdu) Business Trading Co., Ltd.               | Retail business of sports goods and accessories  | 689,194 (US\$ 22,400,000)   | b                             | -   | -                   | -      | -   | (19,017) (RMB 4,237,568)          | 31.79  | (6038) (RMB 1,345,390)          | 154,830 (RMB 35,965,142)                | -   |      |
| Fujian Baomin Sporting Goods Co., Ltd.                      | Retail business of sports goods and accessories  | 147,645 (US\$ 4,500,000)    | b                             | -   | -                   | -      | -   | 300 (RMB 67,017)                  | 28.61  | 86 (RMB 19,146)                 | 67,813 (RMB 15,752,079)                 | -   |      |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)         | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|--|---------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---|---|---|------|
|  |  |                                 |                               |   | Outward             | Inward |   |                                   |  |   |   |   |      |
| Guangzhou Pou-Yuen Trading Co., Ltd.             | Retail business of sports goods and accessories  | \$ 710,251<br>(US\$ 23,310,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (32,353)<br>(RMB 7,235,226)    | 31.79  | \$ (10,274)<br>(RMB 2,297,674)<br>b, 1) | \$ 238,762<br>(RMB 55,461,453)          | \$ -  |      |
| 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<br>(US\$ 66,000,000)  | b                             | -   | -                   | -      | -   | 15,557<br>(RMB 3,393,991)         | 31.79  | 4,937<br>(RMB 1,077,082)<br>b, 1)       | 400,441<br>(RMB 93,017,546)             | -   |      |
| Shendao (Yang Zhou) Sporting Goods Dev Co., Ltd. | Shopping mall management and property management   | 2,111,340<br>(US\$ 66,000,000)  | b                             | -   | -                   | -      | -   | 35,287<br>(RMB 7,871,611)         | 31.79  | 11,200<br>(RMB 2,498,489)<br>b, 1)      | 665,185<br>(RMB 154,514,572)            | -   |      |
| Zhong Shan Pou Feng Mold Limited                 | Production and operation mould   | 85,306<br>(US\$ 2,600,000)      | b                             | -   | -                   | -      | -   | 1,022<br>(RMB 225,346)            | 51.11  | 521<br>(RMB 114,949)<br>b, 1)           | -                                       | -   |      |
| Dong Guan Pou Yuan Paper Products Ltd.           | Production and sales of packaging and decoration prints  | 56,436<br>(US\$ 1,750,000)      | b                             | -   | -                   | -      | -   | 220<br>(RMB 48,375)               | 51.11  | 112<br>(RMB 24,678)<br>b, 1)            | -                                       | -   |      |
| Zhong Shan O Li Su Shoe Making Machine Ltd.      | Manufacturing shoes and boots or repairing machinery   | 157,134<br>(US\$ 51,000,000)    | b                             | -   | -                   | -      | -   | (63,869)<br>(RMB 14,615,827)      | 51.11  | (32,615)<br>(RMB 7,463,595)<br>b, 2)    | 3,204<br>(RMB 744,338)                  | -   |      |
| Shanxi Pushong Trading Co., Ltd.                 | Engaged in wholesale, retail and import and export business of sports goods, fitness equipment and sportswear                | 2,012,320<br>(US\$ 66,000,000)  | b                             | -   | -                   | -      | -   | 1,228,720<br>(RMB 274,124,000)    | 31.79  | 390,054<br>(RMB 87,020,781)<br>b, 1)    | 2,388,705<br>(RMB 554,867,657)          | -   |      |
| Taiyang 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<br>(US\$ 12,000,000)    | b                             | -   | -                   | -      | -   | 9,943<br>(RMB 2,296,943)          | 31.79  | 3,156<br>(RMB 729,188)<br>b, 1)         | 496,053<br>(RMB 115,227,196)            | -   |      |
| Hangzhou Pou-Hung Sport Products Co., Ltd.       | Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories | 67,308<br>(RMB 14,200,000)      | b                             | -   | -                   | -      | -   | -                                 | 15.90  | -                                       | -                                       | -   |      |
| Yangzhou Yijian Software Tech Co., Ltd.          | Integration of software and hardware sales service systems (excluding IC design)   | 35,803<br>(US\$ 1,170,000)      | b                             | -   | -                   | -      | -   | 22,602<br>(RMB 4,962,264)         | 51.11  | 11,536<br>(RMB 2,532,734)<br>b, 1)      | 13,621<br>(RMB 3,163,941)               | -   |      |
| Rui Jin Pou Yuen Footwear Development Co., Ltd.  | Production and sale of sports shoes, leisure shoes and semi-finished products  | 356,697<br>(US\$ 12,000,000)    | b                             | -   | -                   | -      | -   | (84,440)<br>(RMB 18,663,174)      | 51.11  | (43,077)<br>(RMB 9,521,013)<br>b, 1)    | 147,684<br>(RMB 34,305,140)             | -   |      |
| Yang Xin Pou Jia Shoes Manufacturing Co., Ltd.   | Production and sale of shoes uppers, footwear and garments   | 1,391,195<br>(US\$ 45,500,000)  | b                             | -   | -                   | -      | -   | 10,689<br>(RMB 2,390,155)         | 51.11  | 5,530<br>(RMB 1,236,651)<br>b, 1)       | 749,590<br>(RMB 174,120,687)            | -   |      |
| Bou Jin (Yangzhou) Garments Co., Ltd.            | Production and sale of sportswear, casual wear, etc.   | 695,572<br>(US\$ 21,200,000)    | b                             | -   | -                   | -      | -   | (12,705)<br>(RMB 2,602,581)       | 20.44  | (2,585)<br>(RMB 529,378)<br>b, 1)       | 33,695<br>(RMB 7,826,988)               | -   |      |
| Jiangxi Province Yuai Shoe Co., Ltd.             | Production and sale of footwear products and semi-finished products  | 918,125<br>(US\$ 30,000,000)    | b                             | -   | -                   | -      | -   | 103,243<br>(RMB 23,297,439)       | 51.11  | 52,727<br>(RMB 11,898,222)<br>b, 1)     | (15,629)<br>(RMB 3,630,523)             | -   |      |
| Dongguan Yu Xiang Shoes Material Co., Ltd.       | Production and sale of footwear products   | 295,820<br>(US\$ 9,500,000)     | b                             | -   | -                   | -      | -   | 101,452<br>(RMB 22,871,846)       | 51.11  | 51,808<br>(RMB 11,679,965)<br>b, 1)     | 256,652<br>(RMB 59,617,274)             | -   |      |

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# POU CHEN CORPORATION

| 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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)           | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|---|--|--------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---|---|---|------|
|   |  |                                |                               |   | Outward             | Inward |   |                                   |  |   |   |   |      |
| Chen Zhou Glory Shoes Ind., Ltd.                | Production and sale of sports shoes, leisure shoes and leather shoes and semi-finished products  | \$ 59,610<br>(US\$ 2,000,000)  | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (58,578)<br>(RMB(13,190,194))  | 23.00  | \$ (13,461)<br>(RMB (3,031,105))<br>b, 1) | \$ 48<br>(RMB 11,224)                   | \$ -  |      |
| Jiang Xi Hwa Chung Foam Ltd.                    | Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products   | 63,600<br>(US\$ 2,000,000)     | b                             | -   | -                   | -      | -   | 9,998<br>(RMB 2,246,675)          | 19.42  | 1,940<br>(RMB 435,965)<br>b, 1)           | 17,947<br>(RMB 4,168,807)               | -   |      |
| Dong Guan Yue Tai Shoe Material Company Limited | Production and sale of footwear products   | 70,153<br>(US\$ 2,202,580)     | b                             | -   | -                   | -      | -   | 145<br>(RMB 31,839)               | 25.56  | 37<br>(RMB 8,120)<br>b, 1)                | -                                       | -   |      |
| Yue Yuen (Anfu) Footwear Co., Ltd.              | Production and marketing of finished shoes, semi-finished products and components and modules  | 1,763,350<br>(US\$ 60,000,000) | b                             | -   | -                   | -      | -   | 208,967<br>(RMB 46,535,864)       | 51.11  | 106,648<br>(RMB 23,750,082)<br>b, 1)      | 1,048,827<br>(RMB 243,630,043)          | -   |      |
| 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<br>(US\$ 2,100,000)     | b                             | -   | -                   | -      | -   | -                                 | 51.11  | -<br>b, 1)                                | 35,460<br>(RMB 8,236,989)               | -   |      |
| Beijing Baoging Kang Tai Trading Co., Ltd.      | Wholesale and retail of sporting goods, sporting instruments and clothing, shoes and hats  | 261,797<br>(US\$ 8,940,000)    | b                             | -   | -                   | -      | -   | -                                 | 15.90  | -<br>b, 1)                                | -                                       | -   |      |
| 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<br>(US\$ 13,500,000)   | b                             | -   | -                   | -      | -   | 341,045<br>(RMB 76,505,895)       | 31.79  | 108,253<br>(RMB 24,284,678)<br>b, 1)      | 317,398<br>(RMB 73,727,652)             | -   |      |
| Dongguan Yuancheng Shoes Material Co., Ltd.     | Production and sale of footwear products   | 92,486<br>(US\$ 2,850,000)     | b                             | -   | -                   | -      | -   | (456)<br>(RMB (103,845))          | 25.56  | (116)<br>(RMB (26,499))<br>b, 1)          | 22,497<br>(RMB 5,225,898)               | -   |      |
| Dongguan De Chang Zi Xun Co., Ltd.              | Business management consultation, marketing planning and other services  | 10,290<br>(US\$ 350,000)       | b                             | -   | -                   | -      | -   | 11,262<br>(RMB 2,507,168)         | 51.11  | 5,747<br>(RMB 1,279,370)<br>b, 1)         | 20,881<br>(RMB 4,850,443)               | -   |      |
| Zhong Shan Bao Song Zi Xun Co., Ltd.            | Business management consultation, marketing planning and other services  | 10,290<br>(US\$ 350,000)       | b                             | -   | -                   | -      | -   | 13,273<br>(RMB 2,939,411)         | 51.11  | 6,773<br>(RMB 1,499,988)<br>b, 1)         | 19,619<br>(RMB 4,557,321)               | -   |      |
| Yiyang Yijiang Shoes Industrial Co., Ltd.       | Production and sale of finished and semi-finished sports shoes and leisure shoes   | 743,983<br>(US\$ 24,000,000)   | b                             | -   | -                   | -      | -   | (18,620)<br>(RMB (4,162,176))     | 51.11  | (9,503)<br>(RMB (2,124,203))<br>b, 1)     | 23,210<br>(RMB 5,391,320)               | -   |      |
| Jiangxi Uniscien Consulting Co., Ltd.           | Business management consultation, marketing planning and other services  | 10,442<br>(US\$ 350,000)       | b                             | -   | -                   | -      | -   | 4,306<br>(RMB 959,703)            | 51.11  | 2,198<br>(RMB 489,780)<br>b, 1)           | 15,282<br>(RMB 3,549,804)               | -   |      |
| Yu Xing (Jishui) Footwear Co., Ltd.             | Production and sale of sports shoes  | 183,840<br>(US\$ 6,400,000)    | b                             | -   | -                   | -      | -   | 124,255<br>(RMB 28,038,178)       | 51.11  | 63,456<br>(RMB 14,318,782)<br>b, 1)       | (40,228)<br>(RMB (9,344,514))           | -   |      |
| Dongguan Xingui Consulting Co., Ltd.            | Business management consultation, marketing planning and other services  | 41,945<br>(US\$ 1,400,000)     | b                             | -   | -                   | -      | -   | 9,814<br>(RMB 2,189,847)          | 51.11  | 5,009<br>(RMB 1,117,582)<br>b, 1)         | 34,111<br>(RMB 7,923,486)               | -   |      |
| Yang Xin Zhang Yuan Shoe Co., Ltd.              | Production and sale of footwear products   | 61,029<br>(US\$ 2,100,000)     | b                             | -   | -                   | -      | -   | (1,624)<br>(RMB 363,251)          | 25.56  | (414)<br>(RMB (92,712))<br>b, 1)          | 6,943<br>(RMB 1,612,757)                | -   |      |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee    | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)      | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|--|---------------------------------|-------------------------------|---|---------------------|--------|---|--------------------------------------|--|--------------------------------------|---|---|------|
|  |  |                                 |                               |   | Outward             | Inward |   |                                      |  |                                      |   |   |      |
| Yang Xia Pou Jia Yuen Shoes Manufacturing Co., Ltd.        | Production and sale of rubber soles  | \$ 72,990<br>(US\$ 2,500,000)   | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (8,033)<br>(RMB 1,171,622)        | 25.56  | \$ (2,047)<br>(RMB 436,360)<br>b, 1) | \$ 17,684<br>(RMB 4,107,848)            | \$ -  |      |
| 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<br>(US\$ 152,922,400) | b                             | -   | -                   | -      | -   | 175,478<br>(RMB 38,386,024)<br>b, 1) | 31.79  | 55,635<br>(RMB 12,233,801)<br>b, 1)  | 1,217,562<br>(RMB 282,825,184)          | -   |      |
| Yichun Yisen Industry Co., Ltd.                            | Production and sale of footwear and mold products  | 410,130<br>(US\$ 14,000,000)    | b                             | -   | -                   | -      | -   | 38,717<br>(RMB 8,685,843)            | 51.11  | 19,793<br>(RMB 4,440,133)<br>b, 1)   | 336,447<br>(RMB 78,152,714)             | -   |      |
| 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<br>(US\$ 3,250,000)      | b                             | -   | -                   | -      | -   | (1,145)<br>(RMB 251,030)             | 51.11  | (584)<br>(RMB 127,998)<br>b, 1)      | (5,955)<br>(RMB 1,383,277)              | -   |      |
| 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<br>(US\$ 1,395,100)      | b                             | -   | -                   | -      | -   | 23<br>(RMB 5,248)                    | 24.92  | 6<br>(RMB 1,348)<br>b, 1)            | 10,831<br>(RMB 2,515,856)               | -   |      |
| 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 | 1,223,925<br>(RMB 263,827,800)  | b                             | -   | -                   | -      | -   | 167,322<br>(RMB 37,163,574)          | 51.11  | 85,389<br>(RMB 18,965,793)<br>b, 1)  | 907,644<br>(RMB 210,834,738)            | -   |      |
| 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                               | 1,469,176<br>(RMB 319,970,250)  | b                             | -   | -                   | -      | -   | 36,204<br>(RMB 8,037,498)            | 51.11  | 18,489<br>(RMB 4,104,726)<br>b, 1)   | 838,901<br>(RMB 194,866,719)            | -   |      |
| 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                      | 1,026,777<br>(RMB 217,720,430)  | b                             | -   | -                   | -      | -   | 11,917<br>(RMB 2,798,125)            | 51.11  | 6,099<br>(RMB 1,431,780)<br>b, 1)    | 291,336<br>(RMB 67,673,801)             | -   |      |
| Jilin Xinfangwei Sports Goods Company Limited              | Sports goods sales   | 196,160<br>(RMB 40,000,000)     | b                             | -   | -                   | -      | -   | -                                    | 15.90  | -                                    | -                                       | -   |      |
| Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.            | Prepare for research and development of shoe materials and composite materials   | 114,804<br>(RMB 23,000,000)     | b                             | -   | -                   | -      | -   | 7,663<br>(RMB 1,591,606)             | 25.56  | 1,949<br>(RMB 404,769)<br>b, 1)      | 38,324<br>(RMB 8,902,181)               | -   |      |
| Dong Guan Jia Yuan Shoe Materials Products Company Limited | Prepare shoe material  | 108,805<br>(RMB 21,600,000)     | b                             | -   | -                   | -      | -   | 5,528<br>(RMB 1,230,481)             | 51.11  | 2,821<br>(RMB 628,020)<br>b, 1)      | 52,383<br>(RMB 12,167,864)              | -   |      |
| Dong Guan Yue Guan Paper Products Co., Ltd.                | Production and sale of cartons and engaged in research and development of cartons  | 48,693<br>(RMB 10,000,000)      | b                             | -   | -                   | -      | -   | 902<br>(RMB 207,949)                 | 10.22  | 92<br>(RMB 21,248)<br>b, 1)          | 4,428<br>(RMB 1,028,509)                | -   |      |
| 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<br>(US\$ 3,000,000)      | b                             | -   | -                   | -      | -   | 27,706<br>(RMB 6,195,509)            | 31.79  | 8,809<br>(RMB 1,969,801)<br>b, 1)    | 5,714<br>(RMB 1,327,335)                | -   |      |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|--|---|----------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|---|---|------|
|  |   |                            |                               |   | Outward             | Inward |   |                                   |  |                                 |   |   |      |
| 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                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (8,698) (RMB 1,942,157)        | 6.80   | \$ (591) (RMB 131,857)          | \$ 3,751 (RMB 871,287)                  | \$ -  | -    |
| Kun Shan Taisong Trading Co., Ltd.                   | Wholesale and retail of clothing, footwear, glasses and watches   | 790,110 (US\$ 26,500,000)  | b                             | -   | -                   | -      | -   | (68,528) (RMB 1,531,043)          | 31.79  | (21,750) (RMB 4,859,359)        | (119,685) (RMB 2,780,433)               | -   | -    |
| 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                             | -   | -                   | -      | -   | 14,757 (RMB 3,386,562)            | 26.08  | 4,603 (RMB 1,056,179)           | 1,415 (RMB 328,789)                     | -   | -    |
| 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                             | -   | -                   | -      | -   | (2,004) (RMB 448,062)             | 26.08  | (704) (RMB 157,378)             | 10,978 (RMB 2,550,173)                  | -   | -    |
| Yisen (YiFeng) Mould Co., Ltd.                       | Production and sale of mould products   | 479,284 (US\$ 14,850,000)  | b                             | -   | -                   | -      | -   | (29,274) (RMB 6,598,251)          | 51.11  | (14,945) (RMB 3,368,487)        | 176,852 (RMB 41,080,613)                | -   | -    |
| Zhu Hai Yu Yuan Industrial Co., Ltd.                 | Processing, production and sale of footwear products  | 1,408 (RMB 300,000)        | b                             | -   | -                   | -      | -   | (47,639) (RMB 10,959,136)         | 51.11  | (24,324) (RMB 5,595,640)        | 11,236 (RMB 2,609,955)                  | -   | -    |
| Yang Xin Pou Shou Sporting Goods Co., Ltd.           | Processing, production and sale of footwear products  | 236,574 (US\$ 7,800,000)   | b                             | -   | -                   | -      | -   | (2,837) (RMB 634,447)             | 51.11  | (1,468) (RMB 328,365)           | 84,379 (RMB 19,600,236)                 | -   | -    |
| Changsha YYSPTS Sport Products Co., Ltd.             | Sales of sports goods and equipments  | 22,825 (RMB 5,000,000)     | b                             | -   | -                   | -      | -   | 15,613 (RMB 3,498,016)            | 31.79  | 4,955 (RMB 1,110,165)           | 7,720 (RMB 1,793,220)                   | -   | -    |
| Henan YYSPTS Sport Products Co., Ltd.                | Retail business of sports goods and accessories   | 9,130 (RMB 2,000,000)      | b                             | -   | -                   | -      | -   | 134,514 (RMB 29,857,428)          | 31.79  | 42,690 (RMB 9,475,912)          | 136,781 (RMB 31,772,528)                | -   | -    |
| Shenyang Pou-Yi Trading Co., Ltd.                    | Retail business of sports goods and accessories   | 182,600 (RMB 40,000,000)   | b                             | -   | -                   | -      | -   | (7,140) (RMB 1,646,915)           | 31.79  | (2,264) (RMB 522,351)           | 10,092 (RMB 2,344,304)                  | -   | -    |
| Zhejiang Shengdao Sporting-goods Co., Ltd.           | Retail business of sports goods and accessories   | 228,250 (RMB 50,000,000)   | b                             | -   | -                   | -      | -   | 557,548 (RMB 124,511,272)         | 31.79  | 176,985 (RMB 39,524,678)        | 445,227 (RMB 103,420,970)               | -   | -    |
| Madangjiang YYSPTS 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                             | -   | -                   | -      | -   | 5,025 (RMB 1,101,031)             | 31.79  | 1,595 (RMB 349,438)             | 3,967 (RMB 921,442)                     | -   | -    |
| Widvision Investment (Shenzhen) Co., Ltd.            | Business management consulting, economic information consulting and market management planning  | 13,833 (RMB 3,000,000)     | b                             | -   | -                   | -      | -   | 649 (RMB 160,893)                 | 100.00                                       | 649 (RMB 160,893)               | 9,843 (RMB 2,286,468)                   | -   | -    |
| Chongqing Baoyu Sports Goods Company Limited         | Wholesale and retail of sports goods, sports equipment, clothing, shoes, caps and accessories and premises leasing                            | 4,521 (RMB 1,000,000)      | b                             | -   | -                   | -      | -   | (16,441) (RMB 3,771,329)          | 31.79  | (3,804) (RMB 872,926)           | (3,826) (RMB 888,815)                   | -   | -    |
| Kuo Yuen Tannery                                     | Production, processing, sales, research and development of shoe materials, import and export goods or technique                               | 88,634 (RMB 20,000,000)    | b                             | -   | -                   | -      | -   | 1,599 (RMB 357,471)               | 25.56  | 514 (RMB 126,911)               | 22,401 (RMB 5,203,370)                  | -   | -    |

(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, 2019 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)        | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|------------------------------------|--|-------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|--|---|---|------|
|                                    |  |                               |                               |   | Outward             | Inward |   |                                   |  |  |   |   |      |
| Alenz (ShangHai) Trading Co., Ltd. | Management consultants, wholesale of sports goods and equipment, wholesale, other sports services and other art performance assistant services | \$ 86,100<br>(RMB 20,000,000) | b                             | \$ -  | \$ -                | \$ -   | \$ -  | \$ (14,304)<br>(RMB (3,304,956))  | 31.79  | \$ (1,137)<br>(RMB (262,661))<br>b, 1) | \$ 22,848<br>(RMB 5,307,355)            | \$ -  |      |
| Yangzhou Yuhong Garment Co., Ltd.  | Engaged in the processing and production of apparel; apparel accessories, and apparel products   | 305,196<br>(US\$ 10,180,000)  | b                             | -   | -                   | -      | -   | (3,467)<br>(US\$ (801,136))       | 51.11  | (443)<br>(RMB (102,365))<br>b, 1)      | 65,039<br>(RMB 15,107,673)              | -   |      |
| Yifeng Kun Ching Foam Ltd.         | Production, sales, processing of plastic foam and foam daily products  | 8,994<br>(US\$ 300,000)       | b                             | -   | -                   | -      | -   | 1,690<br>(US\$ 390,391)           | 19.42  | 82<br>(RMB 18,954)<br>b, 1)            | 3,064<br>(RMB 711,714)                  | -   |      |
| Zhongshan Hua Ching Foam Co., Ltd. | Production of foam products  | 29,980<br>(US\$ 1,000,000)    | b                             | -   | -                   | -      | -   | 17,084<br>(US\$ 3,947,279)        | 17.58  | 751<br>(RMB 173,483)<br>b, 1)          | 16,048<br>(RMB 3,727,663)               | -   |      |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4) |
|---|---|--|
| \$ -  | \$ 20,463,160<br>(US\$ 682,560,358)                         | \$ 113,921,416   |

Note 1: Methods of investments have following types:

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

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

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

- Based on the financial statements audited by an ROC CPA firm cooperating with an international CPA firm.
- 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               | 2018         | 2019        | Difference  |            |
|---------------------------|--------------|-------------|-------------|------------|
|                           |              |             | Amount      | Percentage |
| Current Assets            | 164,383,958  | 165,637,689 | 1,253,731   | 0.76%      |
| Non-Current Assets        | 139,878,455  | 197,418,641 | 57,540,186  | 41.14%     |
| Total Assets              | 304,262,413  | 363,056,330 | 58,793,917  | 19.32%     |
| Current Liabilities       | 93,303,080   | 98,233,680  | 4,930,600   | 5.28%      |
| Non-Current Liabilities   | 58,761,627   | 74,953,623  | 16,191,996  | 27.56%     |
| Total Liabilities         | 152,064,707  | 173,187,303 | 21,122,596  | 13.89%     |
| Share Capital             | 29,467,872   | 29,467,872  | -           | -          |
| Capital Surplus           | 4,600,092    | 4,592,397   | (7,695)     | (0.17%)    |
| Retained Earnings         | 66,088,797   | 71,664,103  | 5,575,306   | 8.44%      |
| Other Equity              | (22,293,369) | 11,684,567  | 33,977,936  | 152.41%    |
| Non-Controlling Interests | 74,334,314   | 72,460,088  | (1,874,226) | (2.52%)    |
| Total Equity              | 152,197,706  | 189,869,027 | 37,671,321  | 24.75%     |

(1) Analysis of changes in financial ratios:

- A. Non-current assets increased by NT\$57.54 billion mainly due to the initial application of IFRS16 in 2019, NT\$18.98 billion increase in right-of-use asset recognized, the NT\$6.46 billion decrease in long-term prepaid lease because it was reclassified to right-of-use asset, the NT\$41.08 billion increase in equity-accounted investments because of Ruen Chen investment recognized, and NT\$5.57 billion increase in financial assets carried at cost after amortization because of bonds purchased.
- B. Non-current liabilities increased by NT\$16.19 billion mainly due to the initial application of IFRS16 in 2019, NT\$8.26 billion increase in lease liability recognized, and NT\$6.59 billion increase in long-term borrowings for the year.
- C. Other equity increased by NT\$33.98 billion mainly due to the NT\$33.22 billion share of income of associates and joint ventures accounted for using the equity method, the NT\$2.95 billion unrealized gain on financial assets at fair value through other comprehensive profit or loss, and the NT\$2.19 billion exchange loss on translation of foreign financial statements.

(2) Impact: no material impact.

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



7.2 Financial Performance

(In NT\$ thousands)

| Item \ Year                                    | 2018         | 2019        | Difference |            |
|--|--------------|-------------|------------|------------|
|  |              |             | Amount     | Percentage |
| Operating Revenue                              | 293,316,089  | 313,156,585 | 19,840,496 | 6.76%      |
| Operating Costs                                | 217,844,794  | 233,641,231 | 15,796,437 | 7.25%      |
| Operating Expenses                             | 61,661,831   | 65,564,894  | 3,903,063  | 6.33%      |
| Income from Operations                         | 13,809,464   | 13,950,460  | 140,996    | 1.02%      |
| Non-operating Income and Expenses              | 6,450,919    | 7,571,518   | 1,120,599  | 17.37%     |
| Income Before Income Tax                       | 20,260,383   | 21,521,978  | 1,261,595  | 6.23%      |
| Income Tax Expense                             | 3,888,517    | 3,519,204   | (369,313)  | (9.50%)    |
| Net Income For the Year                        | 16,371,866   | 18,002,774  | 1,630,908  | 9.96%      |
| Other Comprehensive Net Income (Loss)          | (23,332,866) | 29,821,437  | 53,154,303 | 227.81%    |
| Total Comprehensive Income (Loss) For the Year | (6,961,000)  | 47,824,211  | 54,785,211 | 787.03%    |

(1) Analysis of changes in financial ratios :

Other comprehensive income increased by NT\$53.15 billion mainly due to

- A. The share of profit of associates and joint ventures accounted for using the equity method increased by NT\$57.42 billion. This is mainly due to the increase in unrealized gain on financial assets at fair value through other comprehensive profit or loss, as recognized by Ruen Chen Investment of the Pou Chen compared to the corresponding period last year;
- B. Unrealized revaluation income on investments in equity instruments that are measured at fair value through the statement of other comprehensive income increased by NT\$2.93 billion, mainly due to the increase in unrealized revaluation income of Mega Financial Holdings and Paiho, as recognized by the Pou Chen; and
- C. Exchange loss on translation of foreign financial statements increased by NT\$7.02 billion, primarily because the functional currency in foreign operations is USD, and the exchange rate of NTD to USD this year appreciated (appreciation of 2.39%) and the exchange rate of NTD to USD in the previous year depreciated (depreciation of 3.21%), which caused the year's exchange loss on translation of foreign financial statements for the year, compared to the exchange profit in the corresponding period last year, when the subsidiary converted USD to NTD.

(2) Sales conditions forecast :

The coronavirus outbreak at the end of January 2020 compelled Pou Chen's production bases and a majority of retail stores in Mainland China to suspend operation. The spillover effect impacted the supply chain operation of the manufacturing industry and in turn generating an influence on productions outside of Mainland China. We expect that these events will also impact the performance of our two core businesses: footwear manufacturing and retailing of sporting goods and brand licensing. Despite the countless variables in the development of global economy, Pou Chen will utilize its robust business foundations and core competitive edge, cautiously respond to the difficult challenges in the external environment, and endeavor to fully prepare ourselves in order to achieve the long-term goal of growing our business at a steady pace. Regarding footwear manufacturing, the Company will continue to improve the flexibility and diversity of our manufacturing capabilities, maintain the maximum flexibility in production allocation, invest in process refinement, automation, and innovation, and deepen the close cooperation we have with brand customers to provide benefits for brand customers, thereby creating greater profitability. Regarding retailing of sporting goods and brand licensing businesses, we will continue to upgrade and optimize our brick-and-mortar stores, integrate online platforms with offline channels and inventory practices, enrich the content of our sports services, and provide consumers with unique shopping experiences, subsequently improving both our sales and business performances.

(3) Impact on future financial operations of the Company:

Factories in Mainland China delayed re-opening following the Chinese New Year due to the COVID-19 outbreak. To date, most factories in the country have resumed normal operation. Retailers are also slowly recovering. However, the epidemic has spread rapidly in the United States and Europe, which severely dampened the global consumer demand for sports footwear products. Its chain effect has negatively influenced footwear manufacturers and sports good retailers. Presently, predicting when the epidemic can be effectively controlled is not yet possible, and even if the epidemic slows down, the subsequent recovery of consumer demand is a key determining factor. Therefore, the visibility of orders and sales is uncertain, which will influence the operational performance of the Company's manufacturing sites.

(4) Action plan(s) for the future:

The Company projects that there will be no risk of insufficient liquidity in future cash flows; however, we will maintain close communication with brand customers and local governments, depending on the status of our orders, and flexibly adjust the setup, labor allocation, and working hour arrangements of our manufacturing sites. Meanwhile, we periodically review and evaluate the operational performance of our overseas manufacturing sites, strictly control the level of raw material inventory and capital expenditures, and flexibly adjust business strategies to reduce the adverse effects of the epidemic.



## 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 2019

(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 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|--|--|
| 32,252,001   | 24,509,466                          | (14,947,772)                        | (2,968,130)                         | (1,795,610)  | 37,049,955                                       |

## A. Operating activities:

Net cash inflow from operating activities is NT\$24.51 billion, mainly due to the NT\$21.52 billion operating income before tax adjusted by items that do not affect cash flow. These items include adding NT\$15.23 billion depreciation expenses and NT\$3.24 billion finance cost, deducting the NT\$7.41 billion share of the profit of associates and joint ventures accounted for using the equity method and NT\$0.99 billion dividend income, and the cash outflow from NT\$2.07 billion decrease in account receivables and NT\$1.67 billion increase in other payables, NT\$4.26 billion increase in inventory, NT\$3.12 billion in interest paid, and NT\$3.34 billion in income tax paid.

## B. Investing activities:

Net cash outflow from investing activities is NT\$14.95 billion, mainly due to the NT\$11.91 billion cash outflow for acquisition and disposal of property, plant, and equipment; NT\$4.87 billion cash outflow from acquisition and disposal of financial assets carried at cost after amortization; NT\$4.37 billion cash outflow from acquisition and disposal of equity-accounted investments; NT\$3.02 billion cash inflow from disposal of subsidiary; NT\$2.01 billion cash inflow from collection of stock dividends; and NT\$1.13 billion cash inflow from disposal of non-current assets held for sale.

## C. Financing activities:

Net cash outflow from financing activities is NT\$2.97 billion, mainly due to the NT\$0.32 billion cash outflow for paying short-term bills, NT\$3.98 billion cash outflow for paying lease liability principals, NT\$4.42 billion cash outflow for distribution of cash dividends by Pou Chen Corporation, NT\$4.9 billion cash outflow for distribution of cash dividends to several shareholders by Yue Yuen Industrial (Holdings) Limited, NT\$5.75 billion cash inflow proceeds from short-term borrowings, and NT\$4.9 billion cash inflow from long-term borrowings.

## (2) Improvement plan(s) for inadequate liquidity: N/A.

## (3) Liquidity forecast analysis for the next year

(In NT\$ thousands)

| Cash Balance<br>Amount at the<br>Beginning of the<br>Year | Net Cash Provided<br>by Operating<br>Activities | Net Cash Provided by<br>Investing and Financing<br>Activities | Cash Surplus<br>(Deficit) | Measures for Managing Cash<br>Deficit |                    |
|---|---|---|---------------------------|---------------------------------------|--------------------|
|   |   |   |                           | Investment<br>Plans                   | Financing<br>Plans |
| 37,049,955  | 5,062,758                                       | (5,360,490)   | 36,752,223                | -                                     | -                  |

## A. Net cash flow from operating activities for the whole year:

Mainly forecasting cash flow from accounts receivable and the accounts payable, operating expenses paid in cash, income tax payable 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 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 Investment Policy for the Most Recent Fiscal Year, Reasons for Profit (Loss), Improvement Plan and Investment Plan for the Coming Year:

Our company's reinvestment plan is mainly to cultivate the footwear manufacturing business and the sporting goods retailing and brand licensing business, to expand our operating scale, with the aim of bolstering our competitiveness in the industry, and to raise reinvestment income to increase shareholders equity.

(1) The share of the profit associates and joint ventures accounted for using the equity method, recognized by our company in 2019, is NT\$7.41 billion, an increase of NT\$1.65 billion compared to the NT\$5.76 billion in 2018. This increase is mainly attributed to the NT\$1.28 billion increase in investment income recognized by Ruen Chen Investment Co., Ltd. and the NT\$110 million increase in investment income recognized by Prosperous Industrial (Holdings) Ltd.

(2) The investment plan for the coming year will continue to involve focusing on footwear manufacturing and 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 hopes of creating greater 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, appointment 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.<br>B. Responsible for reviewing the strategies of each risk management program and project risk evaluations.  |
| President 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.<br>B. Responsible for adjusting risk categories due to changes in conditions and recommending responses.<br>C. Responsible for providing executive summaries of implementation of risk management processes.<br>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.

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. To ensure capital safety and maintain liquidity, the Company mainly undertakes bank time deposits, investments in repurchase agreements, money funds, and bonds or notes issued by investment-grade institutions. Given the impact of the coronavirus epidemic on the global economy, the Company will adhere to the principle of financial investment and prudently manage investment positions and maintain sufficient provisioning against market fluctuation.

Although China and the United States signed the first-phase trade agreement in early 2020, which eased the wait-and-see mode in the market. However, the subsequent coronavirus epidemic has quickly escalated and global market all shift focus to the epidemic, with the epidemic spreading to a lot of countries, impacting various industries. As the epidemic progresses, the OECD slashed the 2020 economic forecast to 2.4% in March 2020 from 2.9% in November 2019, whereas the IHS Markit revised the 2020 economic growth down to 0.7% in March from the 2.5% in February. The Managing Director of IMF indicated that the 2020 global economic growth depends entirely on the duration of the epidemic, the scope of its impact, and the timeliness and effectiveness of countries' epidemic prevention strategies and revitalization policies.

To prevent the dramatic economic impact of the epidemic from triggering a financial crisis, the US Federal Reserve took twice emergency move to target interest rate at 0.00% to 0.25%, a 150 basis points rate cut in total, bringing interest rates to the level as 2008 financial crisis, and has launched a massive quantitative easing program. Following the Fed emergency rate cut, the same actions were taken by BOE, RBA, BRNZ, and several central banks in Asian countries. In Taiwan, the central bank also slashed interest rate, while the Executive Yuan approved the special budget plan worth NT\$60 billion at the end of February to assist the affected industries. The Directorate-General of Budget, Accounting, and Statistics forecast that in 2020 private-sector investment in Taiwan will increase to 8.9% from the 6.9% in 2019, thereby mitigating the negative impact of the epidemic through an expansionary fiscal policy. In general, Taiwan has an abundance of capital. It has prevented the outbreak of the epidemic better than in other countries did. However, the central bank will continue to keep a loose monetary policy to ameliorate the economic impact and help the economy to recover and grow after the coronavirus pandemic. We will pay constant attention to the changes in the global economic environment to manage risks of interest rate fluctuation in a timely manner.

#### B. Exchange Rate Fluctuation

The Company and its subsidiaries according to the Company's conservative hedging 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 economy environment in 2020. 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

Due to the outbreak of the epidemic, the demand for crude oil has decreased, and a stalemate in talks between the Organization of Petroleum Exporting Countries (OPEC) and Russia to cut production has plunged oil prices. Although enterprises will benefit from low energy costs in the future, this epidemic may break the raw material supply chain and in turn poses a major threat to enterprises. 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) R&D Overview 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

To implement enterprise sustainability management, our company has always upheld the management principles of professionalism and integrity and adhered to the social responsibilities of corporate citizens. As testament to our long-term commitment to corporate governance, social engagement, and environmental protection, the Company was once again ranked in the top 5% listed companies in the 2019 Corporate Governance Evaluation by Taiwan Stock Exchange. We were among the Top 50 Corporate Citizens presented with CommonWealth's Award for "Excellence in Corporate Social Responsibility" in 2019. We continued to be included as a constituent of the FTSE4Good Emerging Index and the FTSE4Good TIP Taiwan ESG Index. The Company's continued focus on the robust management of its core business activities received the recognition of Common Wealth magazine in the Top 2000 Survey, which ranked us 25th and 16th in the manufacturing industry in 2019 and 2018. The Company continuously strengthens its performance in business development, corporate governance, social welfare, environmental protection, and corporate sustainability to create and maintain a positive corporate image. There is currently no foreseeable change.

## (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 the Company's directors were on board with effective from June 13, 2019, 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

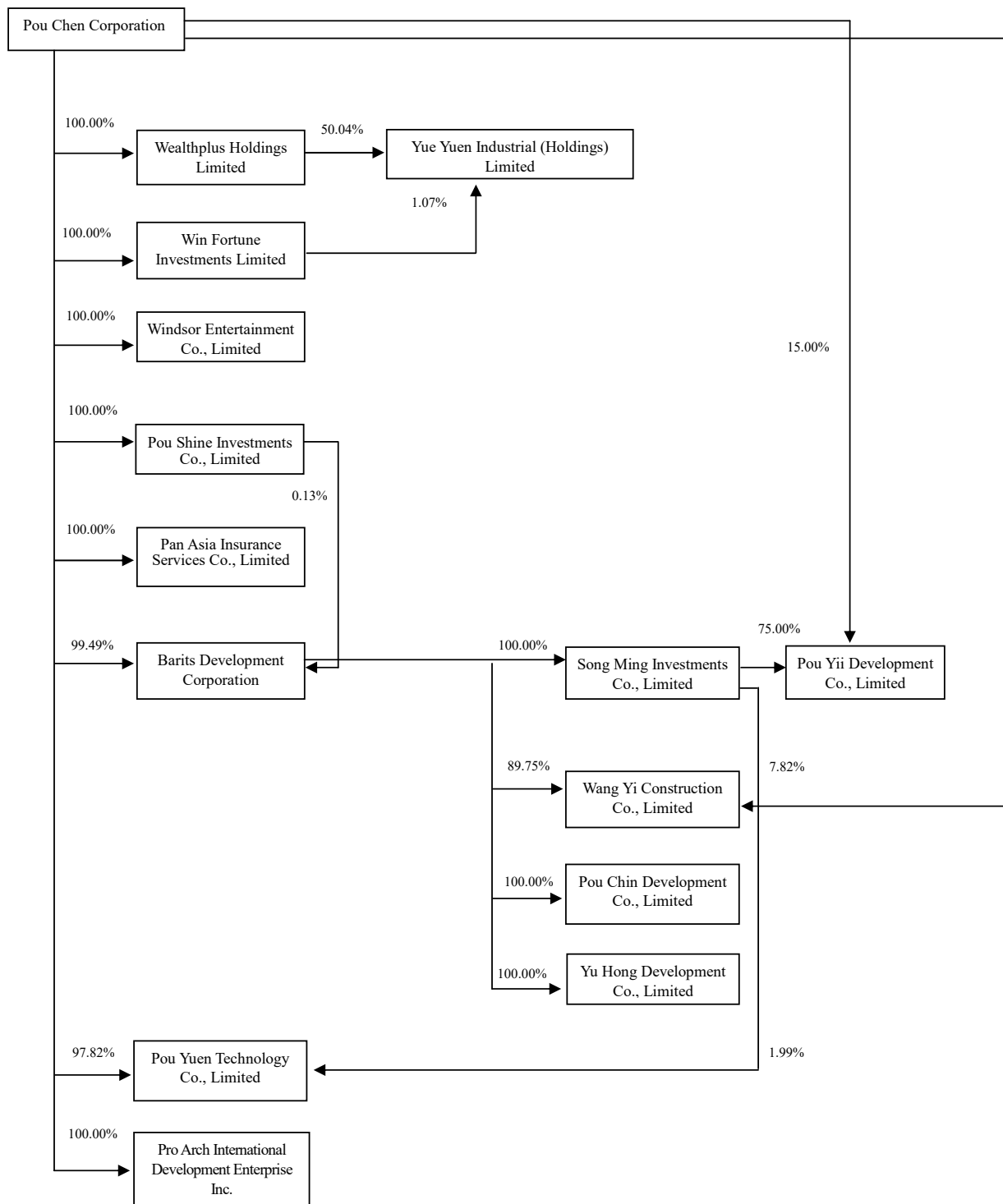


VIII. SPECIAL DISCLOSURE

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                                   | 50,000          | 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 4 <sup>th</sup> 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, K wun Tong, Kowloon, Hong Kong | US\$52,040,000  | Manufacturing and sale of athletic and casual footwear and sporting goods |



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 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(Note)                                     | -                | -          |
|  | Director   | Ho, Ming-Kun   | -                | -          |
|  | Director   | Chan, Lu-Min   | -                | -          |
|  | Director   | Lu, Chin-Chu   | -                | -          |
| Win Fortune Investments Limited          | Director   | Ho, Ming-Kun   | -                | -          |
|  | Chairman   | Pou Chen Corporation, represented by Lu, Chin-Chu        | 5,000,000        | 100.00     |
|  | Director   | Pou Chen Corporation, represented by Chan, Lu-Min        | 5,000,000        | 100.00     |
| Windsor Entertainment Co., Limited       | Director   | Pou Chen Corporation, represented by Ho, Ming-Kun        | 5,000,000        | 100.00     |
|  | Supervisor | Pou Chen Corporation, represented by Wu, Huei-Ju         | 5,000,000        | 100.00     |
|  | Chairman   | Pou Chen Corporation, represented by Chan, Lu-Min        | 133,094,460      | 100.00     |
|  | Chairman   | Pou Chen Corporation, represented by Young, Hung - Bin   | 5,000,000        | 100.00     |
| Pou Shine Investments Co., Limited       | Director   | Pou Chen Corporation, represented by Wu, Hui-Chi         | 5,000,000        | 100.00     |
|  | Director   | Pou Chen Corporation, represented by Chuang, Shao - Jung | 5,000,000        | 100.00     |
|  | Chairman   | Pou Chen Corporation, represented by Ho, Ming-Kun        | 251,662,040      | 99.49      |
| Pan Asia Insurance Services Co., Limited | Director   | Pou Chen Corporation, represented by Chan, Lu-Min        | 251,662,040      | 99.49      |
|  | Director   | Pou Chen Corporation, represented by Hsiao, Hsiu-Chen    | 251,662,040      | 99.49      |
| Barits Development Corporation           |            |  |                  |            |

(Continued on next page)



(Continued)

| Entity Name  | Title                                    | Name/Representative   | Share Ownership  |            |
|--|--|---|------------------|------------|
|  |  |   | Number of Shares | Percentage |
| Pou Yuen Technology Co., Limited                   | Supervisor                               | Pou Shine Investments Co., Limited, represented by Liu, Shu-Hsuan   | 323,370          | 0.13       |
|  | Chairman                                 | Pou Chen Corporation, represented by Ho, Ming-Kun                   | 28,437,147       | 97.82      |
|  | Supervisor                               | Song Ming Investments Co., Limited, represented by Liu, Shu-Hsuan   | 578,170          | 1.99       |
| Pro Arch International Development Enterprise Inc. | Chairman                                 | Pou Chen Corporation, represented by Ho, Ming-Kun                   | 20,000,000       | 100.00     |
| Song Ming Investments Co., Limited                 | Chairman                                 | Barits Development Corporation, represented by Ho, Ming-Kun         | 120,486,400      | 100.00     |
| Wang Yi Construction Co., Limited                  | Chairman                                 | Barits Development Corporation, represented by Chiang Wen-Kuei      | 6,910,750        | 89.75      |
|  | Director                                 | Barits Development Corporation, represented by Lin, Ding            | 6,910,750        | 89.75      |
|  | Director                                 | Yeh, Sheng-Fa   | -                | -          |
| Pou Yui Development Co., Limited                   | Supervisor                               | Yu, Ming-Ju   | -                | -          |
|  | 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      |
| Pou Chin Development Co., Limited                  | 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      |
|  | Chairman                                 | Barits Development Corporation, represented by Wu, Hui-Chi          | 20,000,000       | 100.00     |
| Yu Hong Development Co., Limited                   | Chairman                                 | Barits Development Corporation, represented by Chan, Lu-Min         | 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   | -                | -          |

(Continued on next page)

(Continued)

| Entity Name | Title                              | Name/Representative  | Share Ownership  |            |
|-------------|------------------------------------|----------------------|------------------|------------|
|             |                                    |                      | Number of Shares | Percentage |
|             | Executive Director                 | Hu, Chia-Ho          | -                | -          |
|             | Executive Director                 | Hu, Dien-Chien       | -                | -          |
|             | Executive Director                 | Tsai, Ming-Lun(Note) | -                | -          |
|             | Executive Director                 | Liu, Hong-Chih       | -                | -          |
|             | Independent Non-executive Director | Ho, Lai-Hong         | -                | -          |
|             | Independent Non-executive Director | Wong Hak Kun         | -                | -          |
|             | Independent Non-executive Director | Yen, Mun-Gie         | -                | -          |
|             | Independent Non-executive Director | Hsieh, Yung-Hsiang   | -                | -          |

Note: Mr. Tsai resigned as director on April 1, 2020.



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 | \$ 78,832,347 | \$ 185,953        | \$ 78,646,394   | \$ 145,182        | \$ 95,530                    | \$ 5,233,646                | N/A                           |
| Win Fortune Investments Limited                    | 3,230      | 2,071,211     | 50                | 2,071,161       | 100,317           | 100,212                      | 91,961                      | N/A                           |
| Windsor Entertainment Co., Limited                 | 50,000     | 778,057       | 717,767           | 60,290          | 527,994           | 16,791                       | 8,900                       | N/A                           |
| Pou Shine Investments Co., Limited                 | 1,330,945  | 4,434,561     | 728,814           | 3,705,747       | 228,676           | 228,214                      | 222,256                     | N/A                           |
| Pan Asia Insurance Services Co., Limited           | 5,000      | 24,165        | 12,745            | 11,420          | 31,679            | 1,531                        | 1,269                       | N/A                           |
| Barits Development Corporation                     | 2,529,513  | 12,891,637    | 4,242,856         | 8,648,781       | 97,044            | ( 34,903)                    | 321,220                     | N/A                           |
| Pou Yuen Technology Co., Limited                   | 290,700    | 750,366       | 44,158            | 706,208         | 16,630            | 11,140                       | 34,955                      | N/A                           |
| Pro Arch International Development Enterprise Inc. | 200,000    | 379,612       | 137,755           | 241,857         | 117,082           | ( 11,620)                    | 2,502                       | N/A                           |
| Song Ming Investments Co., Limited                 | 1,204,864  | 2,508,478     | 1,016             | 2,507,462       | 132,855           | 132,504                      | 132,504                     | N/A                           |
| Wang Yi Construction Co., Limited                  | 77,000     | 97,515        | 8,430             | 89,085          | 85                | ( 4,653)                     | ( 4,038 )                   | N/A                           |
| Pou Yui Development Co., Limited                   | 525,000    | 1,473,694     | 302,945           | 1,170,749       | 2,798             | ( 3,317)                     | 62,670                      | N/A                           |
| Pou Chin Development Co., Limited                  | 200,000    | 204,003       | 4,535             | 199,468         | 4,251             | ( 772)                       | ( 654 )                     | N/A                           |
| Yu Hong Development Co., Limited                   | 240,000    | 665,274       | 498,243           | 167,031         | -                 | ( 1,156)                     | ( 9,133 )                   | N/A                           |
| Yue Yuen Industrial (Holdings) Limited             | 1,666,437  | 263,505,942   | 127,603,874       | 135,902,068     | 312,346,215       | 12,353,899                   | 9,292,228                   | 5.76                          |

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 Financial Statements of Affiliates

### Representation Statement

March 31, 2020

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, 2019 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             | 51.11% owned subsidiary      | Manufacturing and sale of athletic and casual footwear and sporting goods. | 51.11%                  |
| Pou Sheng International (Holdings) Limited         | 31.79% owned subsidiary      | Retailing of sporting goods and brand licensing business                   | 31.79%                  |

- (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 policies 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,<br>Pou Shine Investments Co., Limited,<br>Wang Yi Construction Co., Limited,<br>Pou Chin Development Co., Limited,<br>Pou Yui Development Co., Limited,<br>Song Ming Investments Co., Limited,<br>Yu Hong Development Co., Limited,<br>Pou Yuen Technology Co., Limited | The Company's annual net profits should be appropriated as follows:<br>1. For paying taxes.<br>2. For offsetting deficits.<br>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.<br>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 the 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 the shareholders' meeting 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 40 in the accompanying notes to the Consolidated Financial Statements.
- b. Financing provides to others: Please refer to Schedule 1 of Note 40 in the accompanying notes to the Consolidated Financial Statements.
- c. Endorsements and guarantees provided: Please refer to Schedule 2 of Note 40 in the accompanying notes to the Consolidated Financial Statements.
- d. Financial instruments: Please refer to Note 34 in the accompanying notes to the Consolidated Financial Statements.
- e. Significant commitments and unrecognized liabilities: Please refer to Note 37 in the accompanying notes to the Consolidated Financial Statements.
- f. Significant events after reporting period: Please refer to Note 38 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 40 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*