



寶成工業股份有限公司

POU CHEN CORPORATION

## 2020 ANNUAL REPORT

Printed on: May 14, 2021

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

**Notice to readers**

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



# POU CHEN CORPORATION

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. 391, Sec. 2, Fanhua Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

Telephone number: (04) 7771630

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

Telephone number: (04) 7695171

3. Name, address, website and telephone number 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: Shyu, Wen-Yea 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 access to the information regarding such overseas securities: N/A.

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

## Table of Contents

I. LETTER TO SHAREHOLDERS.....	1
II. COMPANY PROFILE.....	7
III. CORPORATE GOVERNANCE REPORT	
3.1 Organization .....	12
3.2 Information of Directors, Presidents, Vice Presidents, Senior Managers, and Department Heads .....	14
3.3 The remuneration paid to Directors, Presidents and Vice Presidents for the Most Recent Fiscal Year ...	26
3.4 Implementation of Corporate Governance .....	33
3.5 Information Regarding the Company's Professional Fees for the CPA .....	73
3.6 Information Regarding the change of Certified Public Accountant .....	74
3.7 The Company's Chairman, Presidents, or any Officer in charge of Financial or Accounting Affairs has Served with Its Certified Public Accountant Firm or Its Affiliated Enterprise for the Most Recent Fiscal Year .....	75
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 Publication date of this Annual Report .....	76
3.9 Relationship among the Top Ten Shareholders .....	78
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 .....	79
IV. CAPITAL OVERVIEW	
4.1 Capital and Shares .....	80
4.2 Issuance of Corporate Bonds .....	100
4.3 Issuance of Preferred Shares .....	100
4.4 Issuance of Overseas Depository Receipts .....	100
4.5 Issuance of Employee Share Options .....	100
4.6 Issuance of New Restricted Employee Shares .....	100
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions .....	100
4.8 Implementation of Capital Utilization Plan .....	100
V. OPERATIONAL HIGHLIGHTS	
5.1 Business Activities .....	101
5.2 Market And Sales Overview .....	107
5.3 Human Resources .....	114
5.4 Environmental Protection Expenditure .....	114
5.5 Employee Relations .....	114



5.6 Material Contracts .....	120
------------------------------	-----

## VI. FINANCIAL INFORMATION

6.1 Financial Summary for the Past Five Fiscal Years .....	121
6.2 Financial Analysis for the Past Five Fiscal Years .....	125
6.3 Audit Committee's Review Report on the Most Recent Fiscal Year .....	132
6.4 Financial Statements for the Most Recent Fiscal Year .....	134
6.5 Separate Financial Statements Audited by Independent Auditors for the Most Recent Fiscal Year .....	244
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 Publication date of this Annual Report, the Annual Report Shall Explain How The Difficulties Affected the Company's Financial Situation .....	322

## VII. REVIEW AND ANALYSIS OF FINANCIAL CONDITIONS, FINANCIAL PERFORMANCE AND RISK MANAGEMENT

7.1 Financial Conditions .....	323
7.2 Financial Performance .....	324
7.3 Cash Flow .....	326
7.4 Impact of Significant Capital Expenditures on the Financial Operations of the Company for the Most Recent Fiscal Year .....	327
7.5 Investment Policy for the Most Recent Fiscal Year, Reasons for Profit (Loss), Improvement Plan And Investment Plan for the Coming Year .....	327
7.6 Analysis and Evaluation of Risk Factors .....	327
7.7 Other Material Items .....	332

## VIII. SPECIAL DISCLOSURE

8.1 Affiliated Enterprises .....	333
8.2 Any Private Placement of Securities for the Most Recent Fiscal Year and during the Current Fiscal Year up to the Publication date of this Annual Report .....	343
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 Publication date of this Annual Report .....	343
8.4 Additional Information Required to be Disclosed .....	343
8.5 Other Disclosures .....	343

## I. LETTER TO SHAREHOLDERS

### 1.1 Result of Operations

For the year ended December 31, 2020, the Company's non-consolidated operating revenue was NT\$8.2 billion. The consolidated operating revenue was NT\$250 billion, representing a decrease of 20.18% compared to NT\$313.2 billion in the previous year. The net income attributable to owners of the Company was NT\$4.8 billion, a decrease of 59.08% compared to NT\$11.8 billion in the previous year. (Schedule 1 and Schedule 1-1)

#### (1) Operating revenue

The Company's consolidated operating revenue was generated from its two core businesses: manufacturing of shoes, and retailing of sporting goods and brand licensing business, accounting for 56% and 44% of consolidated operating revenue in 2020, respectively. (Schedule 2)

The Company's consolidated operating revenue in 2020 was decreased by NT\$63.2 billion from the previous year, which was primarily due to the adjusted and cancelled order books from customers in response to depressed consumer sentiment resulting from the novel coronavirus ("COVID-19") pandemic. This in turn affected the productivity and shipment of the manufacturing business. With regard to retailing of sporting goods and brand licensing business, as a result of China's strict control measures implemented to contain the spread of COVID-19 in early 2020, the brick-and-mortar stores had temporarily suspended the operations from the Chinese New Year to mid-March 2020. However, as the local pandemic situation improved gradually, sales performance progressively recovered starting from the second quarter of 2020.

#### (2) Income from operations

In the year ended December 31, 2020, the Company's consolidated gross profit was NT\$54.8 billion, a decrease of 31.14% compared to NT\$79.5 billion in the previous year. The consolidated gross profit margin contracted from 25.4% in the previous year to 21.9%. The decrease in the consolidated gross profit was primarily due to the declined consolidated operating revenue in 2020 compared with the previous year, as well as the decreased production efficiency and capacity utilization of manufacturing business. In addition, retailing of sporting goods and brand licensing business expanded sales discount to motivate consumer demand.

In response to the uncertainties in the business environment, the Company adjusted the production capacity of its manufacturing business to strengthen production flexibility. Such adjustment led to an increase in non-recurring expenses for 2020. Regardless, sales from retailing of sporting goods and brand licensing business decreased in 2020, causing relevant selling and marketing expenses declined accordingly. In addition, by implementing various cost-saving measures, the Company's consolidated operating expenses for 2020 decreased by NT\$8.7 billion as compared to 2019. Therefore, the Company's consolidated loss from operations in 2020 was NT\$2.1 billion, representing a decrease of 115.13% compared to the consolidated income from operations of \$14 billion in the previous year. However, the operating performance of manufacturing business had a sequential improvement, enabling the Company to record a consolidated income from operations of NT\$2.3 billion for the fourth quarter of 2020.

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

The net income attributable to owners of the Company in 2020 was NT\$4.8 billion, decreased by NT\$7 billion compared to the previous year. The earnings per share was NT\$1.64 for 2020, which was a decrease of NT\$2.37 compared to NT\$4.01 in the previous year.



# POU CHEN CORPORATION

Schedule 1: Consolidated Financial Statements

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

Year Item		2020		2019		+(-)%
		Amount	Ratio	Amount	Ratio	
Operating revenue		249,954,311	100%	313,156,585	100%	(20.18%)
Gross profit		54,751,105	22%	79,515,354	26%	(31.14%)
(Loss) Income from operations		( 2,111,078)	( 1%)	13,950,460	5%	(115.13%)
Income before income tax		5,961,326	3%	21,521,978	7%	(72.30%)
Net income for the year		3,919,417	2%	18,002,774	6%	(78.23%)
Net income attributable to	Owners of the Company	4,840,184	2%	11,828,609	4%	(59.08%)
	Non-controlling interests	( 920,767)	-	6,174,165	2%	(114.91%)
Earnings per share (Basic)		1.64		4.01		

Schedule 1-1: Separate Financial Statements

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

Year Item		2020		2019		+(-)%
		Amount	Ratio	Amount	Ratio	
Operating revenue		8,219,523	100%	11,399,477	100%	(27.90%)
Gross profit		3,925,008	48%	4,743,554	42%	(17.26%)
Income from operations		474,916	6%	540,529	5%	(12.14%)
Income before income tax		6,226,300	76%	12,395,196	109%	(49.77%)
Net income for the year		4,840,184	59%	11,828,609	104%	(59.08%)
Earnings per share (Basic)		1.64		4.01		

Schedule 2: Consolidated Revenue

(In NT\$ thousands)

Year Primary Business		2020		2019	
		Amount	Ratio	Amount	Ratio
Manufacturing of shoes		139,875,281	56%	185,444,582	59%
Retailing of sporting goods and brand licensing business		109,360,824	44%	126,866,572	41%
Other		718,206	-	845,431	-
Total		249,954,311	100%	313,156,585	100%

## 1.2 Research and Development

In 2020, the Company's consolidated research and development expenses was NT\$5.6 billion, including continuous investments in automation, advanced processes, and the adoption and refinement of key technologies to enhance operational efficiency and flexible productivity as well as to provide the most valuable integrated solutions. The Company also has a research and development team and a parallel independent product development center for each of its major customers. From product development up to product prototyping, the Company works closely with its customers to incorporate innovative elements and environmental-friendly materials, and to produce high-quality footwear products so as to quickly and flexibly respond to the changing market.

## 1.3 Corporate Social Responsibility

As a socially and environmentally responsible corporate citizen, the Company is committed to sustainable development and social responsibilities. The Company values the rights and interests of its stakeholders, including shareholders/investors, customers, employees, suppliers, and the community and continues to promote the following activities:

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

In order to effectively manage environmental risks, the Company continues to improve and introduce appropriate and effective pollution prevention facilities to reduce the environmental impact of manufacturing processes. With the aim of achieving the goal of zero carbon dioxide emissions growth by 2025, as compared with the base year of 2019, the Company promotes energy-saving initiatives and usage of renewable energy. This demonstrates the Company's commitment to sustainability, enhances international reputation and reputation among brand customers, and ensures the sustainable development of energy usage.

### (2) Safety and Health Management

The Company establishes and implements a top-down safety culture to ensure that its factories continue to produce products safely. In 2021, the Company will expand to promote basic practices, risk assessment, and ESH (Environmental, Safety and Health) partnership system so as to raise safety awareness and reinforce the Company's safety culture. By identifying risky areas in terms of regions and personnel, the Company offers technical solutions for risky areas. The Company will also continue to strengthen occupational hazard and fire prevention measures, improve safety performance, and reduce unnecessary consumption in order to achieve the goal of safety self-management.

### (3) Compliance Management

The Company identifies deficiencies in daily operations at factories from objective perspectives, and keeps track of improvement progress to reduce or eliminate the probability of major accidents, so as to ensure that all factories conform to the Group's "Code of Conduct", governmental laws and regulations, as well as adhere customer's specifications, which will ultimately reinforce the Company's cooperation relations with customers. In 2021, the Company will continue to comply with the "UN Universal Declaration of Human Rights" and the "ILO Declaration Fundamental Principles and Rights at Work" and endeavor to implement the principles of fairness and human rights policies.

### (4) Friendly Workplace

The Company through training and interviews to strengthen management opportunities, keeps abreast of issues that are of concern to employees, strives to quickly respond and implement risk prevention so as to



create an effective and positive communication mode. In 2021, the Company will continue to organize employee relationship activities, participate in community services, promote co-prosperity by enhancing internal cohesiveness and organizational identification, and simultaneously maintain and positive interactive relationship with workers union to forge solid employee–employer relationship and build an inclusive, harmonious, and friendly workplace.

## 1.4 2021 Business Plan

### (1) Operating Guidelines

With continuous focus on managing its two major business activities, manufacturing of shoes and retailing of sporting goods and brand licensing, the Company will constantly strengthen its competency and ensure a stable business growth that emphasizes both quality and quantity. To achieve this, the following activities are promoted:

#### ■ Manufacturing of shoes

##### A. To establish a sustainable business model

The Company continues to implement measures for production optimization, promote lean production, and enforce stringent cost control in order to improve production efficiency. To optimize its long-term smart manufacturing strategy, the Company will continue to enhance its product development and innovation capabilities, focus on digital transformation, process improvement, and key technologies, improve automation levels and integrate optimal IoT systems, and strengthen the responsiveness of factories.

##### B. To improve flexible manufacturing capabilities

In response to the impact of the COVID-19 pandemic on global economic activities, the Company made further adjustments of its production allocation. In 2020, Vietnam, Indonesia, and China accounted for 46%, 39%, and 11% of the Company's total shoe shipments, respectively, whereas that of Cambodia, Bangladesh, and Myanmar accounted for 4%. In 2021, the Company will pay more attention to capacity optimization, continue to improve the production efficiency at various manufacturing facilities, and be flexible to production planning based on customer orders and the operational status of each factory.

##### C. To solidify relationship with brand customers

The Company focuses on serving customers with growth potential, and provides them with smart manufacturing and innovative service oriented integrated solutions, ranging from materials development, technological innovation, process improvement, flexible production to diverse products. With commitment and conformance to sustainable production, the Company takes its services to a higher level to create more benefits for its customers, and forges a deeper cooperative tie with them that would make the Company the most valuable strategic partner to its brand customers.

##### D. To promote continuous supply chain integration

To achieve optimal quality, fast responses, and flexible delivery, the Company continues to promote the effective integration and optimization of supply chain resources, and to strengthen its network of connections and build a supply chain management system that more closely aligns with market trends, which in turn increase customer satisfaction. In addition, the Company cooperates with customers and strategic suppliers in developing innovative applications to aggressively achieve the vision of "resource integration and value enhancement".



■ Retailing of Sporting Goods and Brand Licensing

A. To improve operational efficiency of retail business

The Company accelerates the optimization and upgrading of its brick-and-mortar stores to create better interactive consumer experiences. By establishing new stores with careful consideration and closing low-productivity stores after constant reviews, the Company secures its retail network advantages to continuously improve business profitability. Moreover, the Company works closely with its brand partners to optimize inventory structure and turnover efficiency, effectively control payment collection periods, and adopt numerical management to improve the ability to respond to business decisions quickly, thereby strengthening business management performance.

B. To accelerate the digital transformation strategy

The impacts of the pandemic on real economy and changes in consumer behaviors have highlighted the value of technological applications. Therefore, the Company accelerates its digital developments, including introducing WeChat stores, using mobile app and TikTok platforms, optimizing strategic approaches to cooperating with various major e-commerce platforms. In 2021, the Company will keep on improving its ability to operate online channels, and increase the effectiveness of product sharing platforms to facilitate inventory flow across different platforms, enable effective product sales, and thereby improve operational efficiency.

C. To promote diverse sports services

The Company will continue to develop sports services store "Next Store", which acts as a service hub to enrich consumer experiences by incorporating sports service elements, providing a diverse range of sports products as well as services relating to training courses, sports events, product and lifestyle consultations, and healthy meals. In addition, the Company will link physical stores and online channels more closely to sports events to create a "364-day service" in combination with a "1-day event", supporting and maintaining customer relations management, increasing customer loyalty and participation, while sustaining sales momentum.

(2) Prospects

Looking forward to 2021, with vaccination programs around the globe are starting to roll out, revealing a light at the end of the pandemic tunnel. Major countries have kept their expansionary policies and introduced fiscal stimulus programs, supporting the recovery of the global economy. However, it is still difficult to predict whether the available vaccines are prevalently used and effective, and the uncertainties and potential changes for the pandemic remains the greatest risk to the prospect of the global economy. The uneven recovery across the globe, changes in consumer behaviors, the U.S. economic policies, and financial vulnerabilities also add more variables to the operating environment.

The Company will continue to uphold the belief of managing businesses steadily, place value on corporate governance and the importance of building a sustainable culture, and focus on its main business activities, manufacturing of shoes and retailing of sporting goods and brand licensing. Regarding manufacturing business, the Company intends to continue taking production optimization measures, places emphasis on flexible production and diversification, strengthens the ability to cooperate with suppliers, and forge deeper ties with customers by improving product development and innovation capabilities. With respect to retailing of sporting goods and brand licensing, the Company aims to keep abreast of key opportunities for business development, continuously promote the upgrading and optimization of its brick-and-mortar stores,



## POU CHEN CORPORATION

and improve the ability to operate online channels. The Company will also constantly develop innovative business models and interactive sports services to expand the scale of interactive communications with consumers, and simultaneously enhance business intelligence system to support more effective management and continuously increase the operational efficiency.

The slow recovery of the global economy will eventually restore consumer demands. A post-COVID era will be characterized by an increase in health awareness and physical activities. The Company remains confident in the long-term growth prospects of the sports industry and will continue to build up its core competencies and competitive advantages, while staying committed to delivering quality performance. In face of the new norms in an ever-changing business environment, the Company will continue to implement corporate governance, strengthen risk management, improve emergency response capabilities, reinforce operational resilience, be more fully prepared for its long-term development, and create sustainable value for each and every stakeholder.

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 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 16,000 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 New Taiwan Dollar sharply appreciated 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 after capital increase was NT\$ 1,106,000,000.



- (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 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 core business is Retailing of Sporting Goods and Brand Licensing 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.

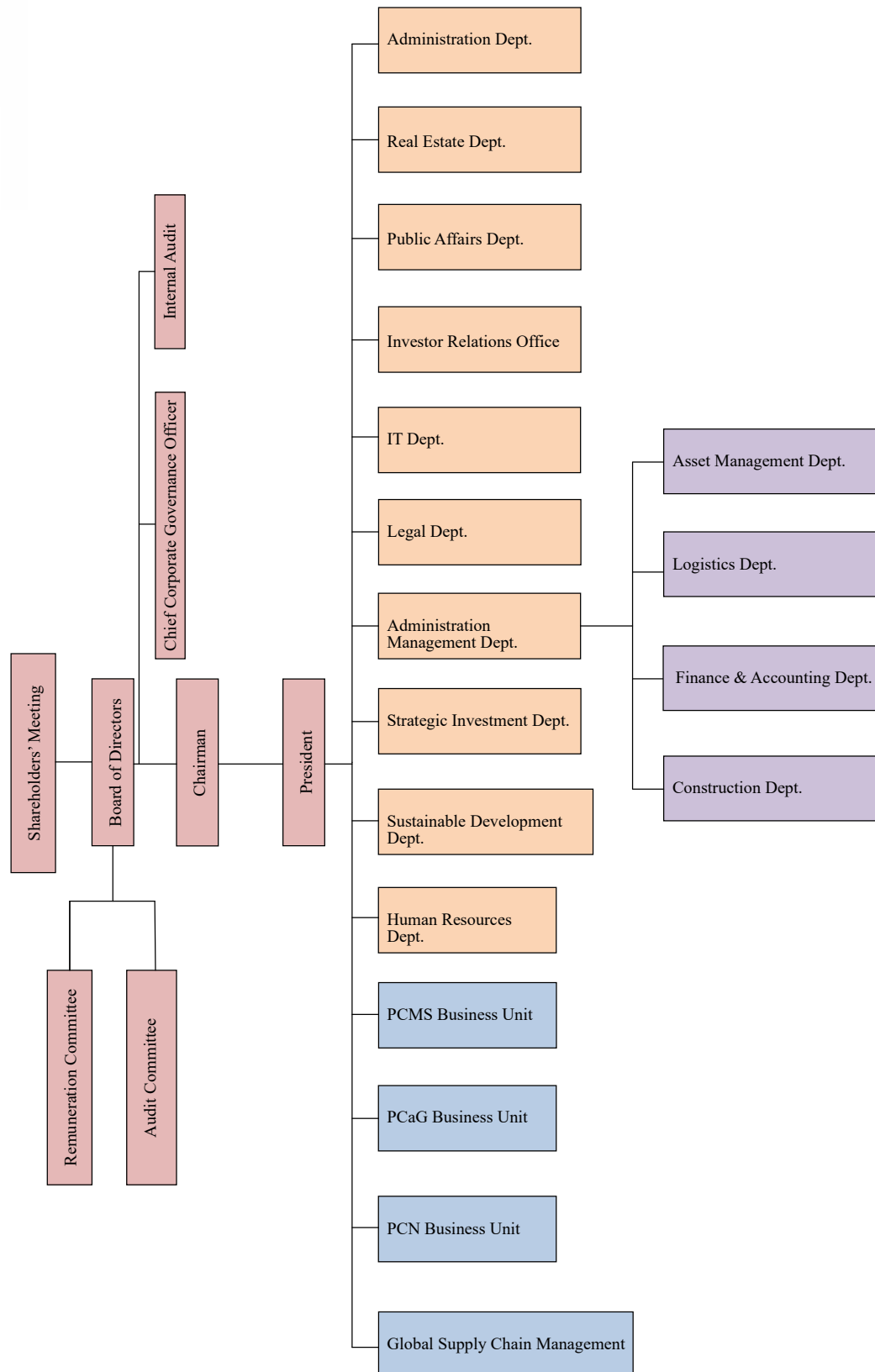


III. CORPORATE GOVERNANCE REPORT

3.1 Organization

(1) Organization structure

Date: May 14, 2021





## (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 Resources 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		Group strategic planning, budget and business management analysis, pre-investment assessment and post-investment management.
Administration Management Department	Construction Department	Contracting, managing, supervising and checking of the construction, reconstruction, extension, renovation, decoration and fixing of buildings.
	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.
	Logistics 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 Affairs Department		Planning and management of and consultation on public affairs.
Real Estate Department		Management of real estate affairs.
Administration Department		Land and building’s management, factory management and maintenance, vehicle management and general affairs management.
Internal Audit		Compliance auditing and consultation on all internal managerial rules and control systems.



# POU CHEN CORPORATION

## 3.2 Information of Directors, Presidents, Vice Presidents, Senior Managers, and Department Heads

### (1) Directors

#### A. Information of Directors

April 18, 2021; Unit: shares

Title	Nationality or registration area	Name	Gender	Date of appointment	Tenure (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 manager, Director 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
	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
	R.O.C.	Representative: Lu, Chin-Chu	Male	2019.06.13	3	2011.03.07	2,237,470	0.08%	1,120,470	0.04%	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

Title	Nationality or registration area	Name	Gender	Date of appointment	Tenure (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 manager, Director 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	
Director	R.O.C.	Sheachang 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
	R.O.C.	Representative: Wu, Pan-Tsu	Male	2020.07.10	2	2020.07.10	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Banking and Insurance Department, Tamkang University Vice President of Corporate banking Service department, Taishin Bank Chairman and Executive Director of Pou Sheng International (Holdings) Limited	Note 6	N/A	N/A	N/A	None
Director	R.O.C.	Lai 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
	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 7	N/A	N/A	N/A	None
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
															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.	Chiu, Tien-I	Male	2019.06.13	3	2013.06.14	0	0.00%	0	0.00%	0	0.00%	0	0.00%	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
																N/A	N/A	N/A	N/A	None



# POU CHEN CORPORATION

Title	Nationality or registration area	Name	Gender	Date of appointment	Tenure (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 manager, Director 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 (Note 1)
							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, 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 8	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, Yue Yuen Charity Foundation, Yue Yuen Educational Foundation, Footwear and Recreation Technology Research Institute, Ruen Chen Investment Holding Co., Limited, Windsor Entertainment Co., Limited, Nan Shan Life Insurance Co., Limited, PC Brothers Corporation, Oftenrich Holdings Limited, Brilliant Ocean Limited, Pearl Dove International Limited, Golden Brands Developments Limited; Commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.
- Note 3: Managing Director and Executive Director of Yue Yuen Industrial (Holdings) Limited; Non-executive Director of Pou Sheng International (Holdings) Limited; Director of Wealthplus Holdings Limited, Chih-Chun Co., Limited.
- Note 4: Director of Nan Shan Life Insurance Co., Limited, Chih-Chun Co., Limited.
- Note 5: President of the Company; Chairman of Windsor Entertainment Co., Limited; Chairman and 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, San Fang Chemical Industry Co., Limited, Zhong Ao Multiplex Management Group Co., Limited; Representative of Yue Yuen Industrial Limited, Taiwan Branch; Commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.
- Note 6: Assigned as the representative of juristic-person director on July 10, 2020. President of Retail Department; Chairman of Pau Yuen Trading Corporation, Taiwan Taisong Trading Co., Limited, Pcg Bros Sports Management Co., Limited; Chairman and Executive Director of Pou Sheng International (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, the subsidiaries of Pou Sheng International (Holdings) Limited, Pou Zhi Investments Co., Limited, Elitegroup Computer Systems Co., Limited, PC Brothers Corporation, Red Magnet Developments Limited, SupplyLine Logistics Limited, Full Pearl International Limited, Brandblack, INC., Venture Well Holdings Limited; Supervisor of Nan Shan Life Insurance Co., Limited, Chih-Chun Co., Limited.
- Note 7: Vice President of the Company; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited, Elitegroup Computer Systems Co., Limited, Hua Jian Industrial Holding Co., Limited.
- Note 8: Independent Non-executive Director of Pou Sheng International (Holdings) Limited and Partner of Wang Tong & Co., CPAs.



# POU CHEN CORPORATION

## B. Major shareholders of the institutional shareholders

April 18, 2021

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	Huang, Shu-Man	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	Huang, Shu-Man	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	Yue Yuen Education Foundation	18.06
	Wu, Hui-Chi	7.90
	Hsiao, Hsiu-Chen	7.90
	Hu, Chia-Ho	7.90
	Yang, Ching-Ju	7.90
	Liao, Shu-Ying	6.77
	Liu, Shu Shuan	4.51
	Chen, Yi-Chun	4.29
	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 18, 2021

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. Professional Qualification and Independence 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 other public companies in which the person holds a concurrent position as an independent director
PC Brothers Corporation Representative: Chan, Lu-Min				V	0
Tsai, Pei-Chun				V	0
Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh				V	0
Ever Green Investments Corporation Representative: Lu, Chin-Chu				V	0
Sheachang Enterprise Corporation Representative: Wu, Pan-Tsu				V	0
Lai Chia Investments Co., Limited Representative: Ho, Yue-Ming				V	0
Chen, Bor-Liang	V				0
Chiu, Tien-I	V		V	V	0
Chen, Huan-Chung			V	V	1



## b. Independence requirements

Name	Disqualification 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 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 majority of board seats or voting shares is controlled by a company that also controls the same of 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 NTD\$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	
PC Brothers Corporation Representative: Chan, Lu-Min			V			V		V	V		V		
Tsai, Pei-Chun			V			V		V	V		V		V
Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh	V	V	V			V		V	V		V		
Ever Green Investments Corporation Representative: Lu, Chin-Chu			V			V			V		V		
Sheachang Enterprise Corporation Representative: Wu, Pan-Tsu			V			V			V		V		
Lai Chia Investments Co., Limited Representative: Ho, Yue-Ming			V			V			V		V		
Chen, Bor-Liang	V	V	V	V		V		V	V		V		V
Chiu, Tien-I	V	V	V	V		V		V	V		V		V
Chen, Huan-Chung	V	V	V	V		V		V	V		V		V



# POU CHEN CORPORATION

(2) Information of Presidents, Vice Presidents, Senior Managers, and Department Heads

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 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 (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	None
President	R.O.C.	Lu, Chin-Chu	Male	2006.07.27	1,120,470	0.04	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	None
President of Retail Department	R.O.C.	Wu, Pan-Tsu	Male	2020.08.14	0	0.00	0	0.00	0	0.00	Banking and Insurance Department, Tamkang University Vice President of Corporate banking Service department, Taishin Bank Chairman and Executive Director of Pou Sheng International (Holdings) Limited	Note 4	N/A	N/A	N/A	None
Vice President	U.S.A.	Liu, Hong-Chih	Male	2016.11.14	0	0.00	0	0.00	0	0.00	Master of Business Administration Degree in Finance and Entrepreneurial Management, Wharton School of University of Pennsylvania, USA Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 5	N/A	N/A	N/A	None
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	None
Vice President	R.O.C.	Chang, Chia-Li	Male	2018.05.15	48	0.00	0	0.00	0	0.00	South Fields College, UK Vice President of the Company	Note 7	N/A	N/A	N/A	None
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	None
Vice President	R.O.C.	Hu, Chia-Ho	Male	2019.03.25	0	0.00	0	0.00	0	0.00	Master Degree of Science, University of Wisconsin, Madison, USA Vice President of the Company	Note 9	N/A	N/A	N/A	None
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	None
Vice President	R.O.C.	Minston Chao (Note 10)	Male	2020.08.14	0	0.00	0	0.00	0	0.00	PhD in Human Resource Management, National Sun Yat-sen University Vice President of The Wyatt Company	N/A	N/A	N/A	N/A	None

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 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 (Note 1)
					Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)			Title	Name	Relation	
Vice President	R.O.C.	Shih, Chih-Hung	Male	2020.11.13	0	0.00	40,000	0.00	0	0.00	Accounting Department, Chung Yuan Christian University Vice President of Pou Chen Corporation	Note 11	N/A	N/A	N/A	None
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 12	N/A	N/A	N/A	None
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 13	N/A	N/A	N/A	None
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 14	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: 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, Yue Yuen Charity Foundation, Yue Yuen Educational Foundation, Footwear and Recreation Technology Research Institute, Ruen Chen Investment Holding Co., Limited, Windsor Entertainment Co., Limited, Nan Shan Life Insurance Co., Limited, PC Brothers Corporation, Oftenrich Holdings Limited, Brilliant Ocean Limited, Pearl Dove International Limited, Golden Brands Developments Limited; Commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.
- Note 3: Chairman of Windsor Entertainment Co., Limited; Chairman and 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, San Fang Chemical Industry Co., Limited, Zhong Ao Multiplex Management Group Co., Limited; Representative of Yue Yuen Industrial Limited, Taiwan Branch; Commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.
- Note 4: Appointed as officer on August 14, 2020. Chairman of Pau Yuen Trading Corporation, Taiwan Taisong Trading Co., Limited., Pcg Bros Sports Management Co., Limited; Chairman and Executive Director of Pou Sheng International (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, the subsidiaries of Pou Sheng International (Holdings) Limited, Pou Zhi Investments Co., Limited, Elitegroup Computer Systems Co., Limited, PC Brothers Corporation, Red Magnet Developments Limited, SupplyLine Logistics Limited, Full Pearl International Limited, Brandblack, INC., Venture Well Holdings Limited; Supervisor of Nan Shan Life Insurance Co., Limited, Chih-Chun Co., Limited.
- Note 5: Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Ka Yuen Rubber Factory Limited, Mostwell Limited, Go Eastern Limited, Ka Yuen Trading Limited .
- Note 6: Chairman of the subsidiaries of Yue Yuen Industrial (Holdings) Limited; Non-executive Director of Prosperous Industrial (Holdings) Limited; 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., Limao Digital Printing Co., Limited, Poushun Paper Products Manufacturing Co., Limited, Zhongshan Hwa Ching Foam Co., Ltd., Jiang Xi Hwa Ching Foam Limited, Yang Xin Zhang Yuan Shoe Co., Limited, Dong Guan Yue Guan Paper Products Co., Limited, Cohen Enterprises Inc., 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, Prosper Day Limited, Infochamp

Limited, Raidant Lion Limited, Mega Sky International Limited, Time Swift Investments Limited, Perpetual Prosperity Printing Technology Co., Ltd., Limao International Holdings Co., Limited, Everlasting Profitable International Co., Limited, Sonic Zone Limited, Absolute Goodness International Co., Limited, Jingxuan Limited, Radiant Ally Holdings Limited, Ever Brave Developments Limited, Prime Glorious Limited, Prime Excellent Limited, Chang Yang Vietnam Plastic Co., Limited, Dah-Chen Shoe Materials Limited, Dah Sheng Vietnam Co., Limited; Commissioner of PT. Ever Tech Plastic, PT. DahSheng, PT. Limao Novatex.

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, Ka Yuen Rubber Factory Limited, Mostwell Limited, Representative of Prime Asia Leather Corporation, Taiwan Branch (British Virgin Islands) ; Commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.

Note 8: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited, Elitegroup Computer Systems Co., Limited, Hua Jian Industrial Holding Co., Limited.

Note 9: Executive Director of Yue Yuen Industrial (Holdings) Limited; Executive Director of Eagle Nice (International) Holdings Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Prime Glorious Limited, Prime Excellent Limited, Future Motive Investments Ltd., Cruiser Ventures Limited.

Note 10: Appointed as officer on August 14, 2020.

Note 11: Appointed as officer on November 13, 2020. Chairman of the subsidiaries of Yue Yuen Industrial (Holdings) Limited; Executive Director of Eagle Nice (International) Holdings Limited;

Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Ka Yuen (Vietnam) Rubber Factory Ltd., Pine Wood Industries Limited, Vietnam Tiong Liong Industrial Co., Ltd., Diamond Islands Limited, Famous Eagle Limited; Commissioner of PT. Recycle Center Indonesia and the subsidiaries of Yue Yuen Industrial (Holdings) Limited.

Note 12: Chairman of Pro Arch International Development Enterprise Inc., Pou Yuen Technology Co., Limited, Barits Development Corporation, Pou Chien Enterprise Co., Limited, Lai Chia Investments Co., Limited, Song Ming Investments Co., Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Windsor Entertainment Co., Limited, Win Fortune Investments Limited, Pou Hui Investments Co., Limited, Global Biotech Inc., Pou Huang Investments Co., Limited, Kunshan Yuanying Electronics Technology Co., Limited, Pearl Dove International Limited, Venture Well Holdings Limited, Golden Brands Developments Limited, Cruiser Ventures Limited; Supervisor of Pou Yui Development Co., Limited, Pou Chien Technology Co., Limited, I-Tech Sporting Enterprise Limited, Pou Zhi Investments Co., Limited; Member of the consolidation committee for conducting land consolidation in Taichung An-Ho land consolidation area.

Note 13: Chairman of Pou Hui Investments Co., Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Pou Yi Investments Co., Limited.

Note 14: Chairman of Yue Dean Technology Corporation, Pou Chien Technology Co., Limited, Pou Chin Development Co., Limited; Director of the subsidiaries of Wealthplus Holdings Limited, Pan Asia Insurance Services Co., Limited.



# POU CHEN CORPORATION

## 3.3 The remuneration paid to Directors, Presidents and Vice Presidents 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 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)		The Company		Companies in the consolidated financial statements				
				The Company	Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Amount of cash	Amount of stock				Amount of cash	Amount of stock		
Chairman	PC Brothers Corporation																		
	Representative: Chan, Lu-Min																		
Director	Tsai, Pei-Chun																		
Director	Tzong Ming Investments Co., Limited																		
	Representative: Tsai, Min-Chieh																		
Director	Ever Green Investments Corporation																		
	Representative: Lu, Chin-Chu	0	5,005	0	0	51,035	900	900	1.07%	1.18%	172,50	37,884	0	0	4,096	0	1.51%	2.04%	0
Director	Sheachang Enterprise Corporation																		
	Representative: Tsai, Ming-Lun (Note 4)																		
	Representative: Wu, Pan-Tsu (Note 5)																		
	Lai Chia Investments Co., Limited																		
Director	Representative: Ho, Yue-Ming																		
Independent Director	Chen, Bor-Liang																		
Independent Director	Chiu, Tien-I	3,840	4,983	0	0	0	105	105	0.08%	0.11%	0	0	0	0	0	0	0.08%	0.11%	0
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.																			
Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the Company: None.																			

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
Under NT\$1,000,000	Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Chan, Lu-Min, Tsai, Pei-Chun, Tsai, Min-Chieh, Lu, Chin-Chu, Tsai, Ming-Lun, Wu, Pan-Tsu, Ho, Yue-Ming	Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Chan, Lu-Min, Tsai, Min-Chieh, Lu, Chin-Chu, Tsai, Ming-Lun, Wu, Pan-Tsu, Ho, Yue-Ming	Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Tsai, Pei-Chun, Tsai, Min-Chieh	Sheachang Enterprise Corporation, Lai Chia Investments Co., Limited, Tsai, Min-Chieh
NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (excluded)	Tzong Ming Investments Co., Limited, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung	Tzong Ming Investments Co., Limited, Chen, Bor-Liang, Chiu, Tien-I	Tzong Ming Investments Co., Limited, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung	Tzong Ming Investments Co., Limited, Chen, Bor-Liang, Chiu, Tien-I
NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (excluded)		Chen, Huan-Chung	Tsai, Ming-Lun	Chen, Huan-Chung
NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (excluded)	Ever Green Investments Corporation	Ever Green Investments Corporation	Ever Green Investments Corporation, Lu, Chin-Chu, Wu, Pan-Tsu, Ho, Yue-Ming	Ever Green Investments Corporation, Tsai, Ming-Lun, Ho, Yue-Ming
NT\$ 5,000,000 (included) ~ NT\$ 10,000,000 (excluded)		Tsai, Pei-Chun	Chan, Lu-Min	Tsai, Pei-Chun, Wu, Pan-Tsu
NT\$ 10,000,000 (included) ~ NT\$ 15,000,000 (excluded)				Chan, Lu-Min
NT\$ 15,000,000 (included) ~ NT\$ 30,000,000 (excluded)	PC Brothers Corporation	PC Brothers Corporation	PC Brothers Corporation	PC Brothers Corporation, Lu, Chin-Chu
NT\$ 30,000,000 (included) ~ NT\$ 50,000,000 (excluded)				
NT\$ 50,000,000 (included) ~ NT\$ 100,000,000 (excluded)				
Over NT\$ 100,000,000 (included)				
Total	15 persons	15 persons	15 persons	15 persons



- Note 1: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in 2020.
- Note 2: Resolved by the Board of Directors on March 24, 2021.
- Note 3: The calculation is based on the net income of the Company's 2020 separate financial statements. (NT\$ 4,840,184 thousand).
- Note 4: Resigned as the representative of juristic-person director on April 1, 2020.
- Note 5: Assigned as the representative of juristic-person director on July 10, 2020.



## (2) Remuneration paid to President and Vice President

Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 3)		Compensation paid to the Vice President from an Invested Company Other Than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Amount of cash	Amount of stock	Amount of stock	The Company	Companies in the consolidated financial statements	
Chairman and President of the Administration Management Department	Chan, Lu-Min													
President	Lu, Chin-Chu													
President of Retail Department	Wu, Pan-Tsu (Note 4)													
Vice President	Liu, Hong-Chih													
Vice President	Tsai, Ming-Lun (Note 5)													
Vice President	Tsai, Nai-Yung	25,399	40,709	0	0	14,096	34,882	8,444	0	8,444	0	0.99%	1.74%	0
Vice President	Chang Chia-Li													
Vice President	Ho, Yue-Ming													
Vice President	Hu, Chia-Ho													
Vice President	Chiu, Hui-Yao													
Vice President	Minston Chao (Note 4)													
Vice President	Shih, Chih-Hung (Note 6)													



Range of Remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Under NT\$1,000,000		
NT\$ 1,000,000 (included)~ NT\$ 2,000,000 (excluded)		
NT\$ 2,000,000 (included)~ NT\$ 3,500,000 (excluded)	Tsai, Ming-Lun, Ho, Yue-Ming Hu, Chia-Ho, Minston Chao, Shih, Chih-Hung	Ho, Yue-Ming, Minston Chao, Shih, Chih-Hung
NT\$ 3,500,000 (included)~ NT\$ 5,000,000 (excluded)	Lu, Chin-Chu, Wu, Pan-Tsu, Liu, Hong-Chih, Tsai, Nai-Yung	Tsai, Ming-Lun, Tsai, Nai-Yung
NT\$ 5,000,000 (included)~ NT\$ 10,000,000 (excluded)	Chan, Lu-Min, Chang, Chia-Li, Chiu, Hui-Yao	Wu, Pan-Tsu, Chang, Chia-Li, Hu, Chia-Ho, Chiu, Hui-Yao
NT\$ 10,000,000 (included)~ NT\$ 15,000,000 (excluded)		Chan, Lu-Min
NT\$ 15,000,000 (included)~ NT\$ 30,000,000 (excluded)		Lu, Chin-Chu, Liu, Hong-Chih
NT\$ 30,000,000 (included)~ NT\$ 50,000,000 (excluded)		
NT\$ 50,000,000 (included)~ NT\$ 100,000,000 (excluded)		
Over NT\$ 100,000,000 (included)		
Total	12 persons	12 persons

Note 1: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in 2020.

Note 2: Resolved by the Board of Directors on March 24, 2021.

Note 3: The calculation is based on the net income of the Company's 2020 separate financial statements. (NT\$ 4,840,184 thousand).

Note 4: Appointed as officer on August 14, 2020.

Note 5: Resigned as officer on April 30, 2020.

Note 6: Appointed as officer on November 13, 2020.

## (3) Distribution of employees' compensation paid to officers

(In NT\$ thousands)

	Title	Name	Amount of stock	Amount of cash (Note1)	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Officer	Chairman and President of Administration Management Department	Chan, Lu-Min	0	9,474	9,474	0.20%
	President	Lu, Chin-Chu				
	President of Retail Department	Wu, Pan-Tsu (Note 3)				
	Vice President	Liu, Hong-Chih				
	Vice President	Tsai, Nai-Yung				
	Vice President	Chang, Chia-Li				
	Vice President	Ho, Yue-Ming				
	Vice President	Hu, Chia-Ho				
	Vice President	Chiu, Hui-Yao				
	Vice President	Minston Chao (Note 3)				
	Vice President	Shih, Chih-Hung (Note 4)				
	Executive Senior Manager	Ho, Ming-Kun				
	Senior Manager	Chang, Yea-Fen				
	Senior Manager	Wu, Hui-Chi				

Note 1: Resolved by the Board of Directors on March 24, 2021.

Note 2: The calculation is based on the net income of the Company's 2020 separate financial statements. (NT\$ 4,840,184 thousand).

Note 3: Appointed as officer on August 14, 2020.

Note 4: Appointed as officer on November 13, 2020.



- (4) Compare the ratio of total remuneration that the Company and Companies in the consolidated financial statements paid to Directors, Presidents and Vice Presidents to the net income for the past two fiscal years with a discussion of the remuneration policy, standards and composition of remuneration payment, procedures to determine the remuneration, and the connection between the remuneration payment and the Company's performance and future risks.

Items  Title	Ratio of Total Amount to Net Income (%)			
	2020		2019	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	1.15%	1.29%	0.90%	1.00%
Presidents and Vice Presidents	0.99%	1.74%	0.46%	0.97%

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

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

Article 23: The Company shall appropriate 1 to 5% of the profit of the fiscal year (profit shall mean the income before income tax less Employees' compensation and Directors' remuneration) for employees' compensation and may appropriate no higher than 3% of the same profit as Directors' remuneration. Such employees' compensation may be in the form of stock or cash by the resolution of the board of Directors. Employees eligible for such compensation may include those of the Company's subsidiaries meeting certain conditions. In the presence of accumulated loss, the Company shall allocate an amount to recover such loss before appropriating any employees' and Directors' remuneration in accordance with the ratios prescribed by the preceding paragraph.

### 3.4 Implementation of Corporate Governance

#### (1) Operations of the Board of Directors

Six meetings of the Board of Directors were held in 2020. The attendance status of the Directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Chairman	PC Brothers Corporation Representative: Chan, Lu-Min	6	0	100.00	
Director	Tsai, Pei-Chun	6	0	100.00	
Director	Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh	6	0	100.00	
Director	Ever Green Investments Corporation Representative: Lu, Chin-Chu	6	0	100.00	
Director	Sheachang Enterprise Corporation Representative: Tsai, Ming-Lun	1	0	100.00	Mr. Tsai resigned as the representative of juristic-person director on April 1, 2020 and should attend once.
Director	Sheachang Enterprise Corporation Representative: Wu, Pan-Tsu	3	0	100.00	Mr. Wu assigned as the representative of juristic-person director on July 10, 2020 and should attend 3 times.
Director	Lai Chia Investments Co., Limited Representative: Ho, Yue-Ming	6	0	100.00	
Independent Director	Chen, Bor-Liang	6	0	100.00	
Independent Director	Chiu, Tien-I	6	0	100.00	
Independent Director	Chen, Huan-Chung	6	0	100.00	

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
2020.03.31	5th meeting of the 23rd board of directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	No objections or qualified opinions.	None. Approved as proposed by all Directors present at the meeting.
2020.04.28	6th meeting of the 23rd board of directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2020.05.15	7th meeting of the 23rd board of directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2020.08.14	8th meeting of the 23rd board of directors	1. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries. 2. Discussed to acquire the right-of-use assets of real estate from the Company's related party.		
2020.11.13	9th meeting of the 23rd board of directors	1. Discussed independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration. 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2020.12.24	10th meeting of the 23rd board of directors	1. Discussed the amendments to the Company's "Internal Control System", "Internal Audit System" and "Internal Auditing Implementation Regulations." 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		

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

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

1. 5th meeting of the 23rd Board of Directors on March 31, 2020:

- (1) Discussed the 2019 annual bonus for officers of the Company. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Mr. Tsai, Ming-Lun, Director, Mr. Ho, Yue-Ming are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
- (2) Discussed matters pertaining to the 2019 remunerations for officers of the Company. Director, Mr. Tsai, Ming-Lun is the stakeholder of this proposal and is therefore recused from discussion and voting of this resolution.
- (3) Discussed transportation allowance for the Directors. 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, Independent Director, Mr. Chen, Huan-Chung, Independent Director, Mr. Chen, Bor-Liang and Independent Director Mr. Chiu, Tien-I are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
- (4) 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 and Director, Mr. Tsai, Ming-Lung are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
2. 6th meeting of the 23rd Board of Directors on April 28, 2020:
- (1) Discussed the salary adjustments for the Company's officers. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Mr. Ho, Yue-Ming 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. Ho, Yue-Ming are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
3. 7th meeting of the 23rd Board of Directors on May 15, 2020:
- (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. Ho, Yue-Ming are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
4. 8th meeting of the 23rd Board of Directors on August 14, 2020:
- (1) Discussed matters pertaining to rewards for officers of the Company. Director, Mr. Ho, Yue-Ming is the officer of the Company, making him as the stakeholder of this proposal and is therefore recused from discussion and voting of this resolution.
- (2) Discussed the proposal to appoint the new officer. Director, Mr. Wu, Pan-Tsu is the stakeholder of this proposal and is therefore recused from discussion and voting of this resolution.
- (3) Discussed the remuneration for the Company's new officers. Director, Mr. Wu, Pan-Tsu is the stakeholder of this proposal and is therefore recused from discussion and voting of this resolution.
- (4) Discussed matters pertaining to the Company's 2019 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. Wu, Pan-Tsu, and Director, Mr. Ho, Yue-Ming have conflicts of interest and are therefore recused from discussion and voting of this resolution.
- (5) 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. Ho, Yue-Ming are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
5. 9th meeting of the 23rd Board of Directors on November 13, 2020:
- (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. Ho, Yue-Ming are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
6. 10th meeting of the 23rd Board of Directors on December 24, 2020:
- (1) Discussed the salary restoration for officers of the Company. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Mr. Wu, Pan-Tsu, Director, Mr. Ho, Yue-Ming 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. Ho, Yue-Ming 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, 2020 to December 31, 2020	The Board	Internal Self-Assessment of the Board	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.
		Individual Directors	self-assessment of the Directors	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.
		Remuneration Committee	Internal Self-Assessment of the Remuneration Committee	Includes degree of participation in the company's operations; awareness of the duties of the committee; improvement in the quality of decision making by the committee; the composition of the committee and member appointment; and internal control.
		Audit Committee	Internal Self-Assessment of the Audit Committee	Includes degree of participation in the company's operations; awareness of the duties of the committee; improvement in the quality of decision making by the committee; the composition of the committee and member appointment; 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) Starting from 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, 2020, 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 2020 for an attendance rate of 100%.
- (3) The Company obtained approval from the Board of Directors in April 2019 to appoint a chief 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. Starting from 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 2020. 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:

- 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
2020.03.31	5th meeting of the 23rd board of directors	1. Discussed the Company's 2019 Business and Financial Reports. 2. Discussed the Company's 2019 "Effectiveness Assessment of Internal Control System" and "Statement of Internal Control System". 3. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2020.04.28	6th meeting of the 23rd board of directors	1. Discussed the Company's 2019 profit distribution plan. 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2020.05.15	7th meeting of the 23rd board of directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2020.08.14	8th meeting of the 23rd board of directors	1. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries. 2. Discussed to suspend the construction project on its own land located on Zhanglu Rd., Fu Hsin Hsian, Chang Hwa. 3. Discussed to acquire the right-of-use assets of real estate from the Company's related party.	Approved as proposed.	None. Submitted 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
2020.11.13	9th meeting of the 23rd board of directors	1. Discussed independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration. 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2020.12.24	10th meeting of the 23rd board of directors	1. Discussed the amendment to the Company's "Internal Control System", "Internal Audit System" and "Internal Auditing Implementation Regulations." 2. Formulated the Company's internal audit plan for 2021. 3. Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.	Approved as proposed.	None. Submitted 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 2020 are listed below:

Date	Communication Method	Party Communicated	Matters Communicated	Results
2020.03.31	Audit Committee Meeting	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 2019 internal control system, and submitted to the board for approval.
2020.11.13	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.
2020.12.24	Audit Committee Meeting	The head of internal auditors	Discussed the amendments to the Company's "Internal Control System", "Internal Audit System" and "Internal Auditing Implementation Regulations".	After thorough communication and discussion, the Audit Committee approved the amendments, and submitted to the Board for approval.
			Submitted the internal audit plan for 2021.	After thorough communication and discussion, the Audit Committee approved the plan for 2021, 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 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 beneficial owners of those shares is under control by paying attention to other important matters that may cause a change in the shares.	No Discrepancy.
iii. Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		iii. The Company not only established risk control and management mechanism, but also established relevant operating procedures provisions in the internal control system regarding the operational, business and financial dealings with specified companies and affiliates. The Company also assists and urges its subsidiaries to build a written internal control system, and enact "Operational Procedures for Making Endorsements and	No Discrepancy.



Evaluation Item	Operational status		Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	
iv. Does the Company establish internal rules against insider trading on undisclosed information?	V		No Discrepancy.
III. Composition and Responsibilities of the Board of Directors			
i. Does the Board develop and implement a diversified policy for the composition of its members?	V		No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
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. The performance evaluation of the 23rd Board of directors, Remuneration Committee and Audit Committee, including the internal evaluation of the Board and the Committee, self-evaluation by individual board members were completed in December 2020. The results of such evaluation were all "Excellent" and submitted to the Board of Directors' meeting on March 24, 2021. The evaluation results will be used as a reference for the remuneration and nomination of individual directors.	No Discrepancy.
iv. Does the Company regularly evaluate the independence of CPAs?	V		iv. The Company shall evaluate the independence of the Company's CPAs at least once every year. In 2020 the CPA is not being the Company's director, officer, nor any position with significant influence : no conflict of interests : not being the same CPA without replacement for seven years consecutively. And the Company has obtained the "Certified Public Accountant Independent Declaration". The results were submitted to the Audit Committee and the Board of Directors after evaluating and confirming the CPA's independence.	No Discrepancy.
IV. Does the Company appoint a suitable number of designated personnel and supervisor to be in charge of corporate governance related affairs (including but not	V		The Company appoints full (part)-time personnel who handle corporate governance-related affairs and are supervised by a senior manager with years of financial supervisory experience and	No Discrepancy.



Evaluation Item	Operational status		Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons															
	Yes	No																
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' meetings)?			accounting qualification. The Chief Corporate Governance Officer attended 12 hours of corporate governance courses for the year. i. The duties of corporate governance personnel are as follow: 1. Furnishing information required for business execution by directors and assisting directors with legal compliance. 2. Handling matters relating to shareholders' meetings, board meetings and meetings of associated committees according to laws. 3. Assisting with the promotion and strengthening of corporate governance. ii. Corporate governance related courses for The Corporate Governance Officer in 2020 are detailed as follows: <table><tr><th>Host by</th><th>Name of the course</th><th>Duration</th></tr><tr><td>Taiwan Academy of Banking and Finance</td><td>Corporate Governance and Corporate Sustainability and Management Workshop</td><td>3</td></tr><tr><td>Securities &amp; Futures Institute</td><td>2020 Workshop on Insider Trading Prevention and Insiders' Stock Transactions</td><td>3</td></tr><tr><td>Corporate Operation Association</td><td>Equity under management right dispute and the acquisition and structure of voting rights</td><td>3</td></tr><tr><td>Corporate Operation Association</td><td>How to strengthen a company's management right through effective enhancement of corporate governance</td><td>3</td></tr></table>	Host by	Name of the course	Duration	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability and Management Workshop	3	Securities & Futures Institute	2020 Workshop on Insider Trading Prevention and Insiders' Stock Transactions	3	Corporate Operation Association	Equity under management right dispute and the acquisition and structure of voting rights	3	Corporate Operation Association	How to strengthen a company's management right through effective enhancement of corporate governance	3
	Host by	Name of the course	Duration															
	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability and Management Workshop	3															
	Securities & Futures Institute	2020 Workshop on Insider Trading Prevention and Insiders' Stock Transactions	3															
	Corporate Operation Association	Equity under management right dispute and the acquisition and structure of voting rights	3															
	Corporate Operation Association	How to strengthen a company's management right through effective enhancement of corporate governance	3															
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders,	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															
			No Discrepancy.															



Evaluation Item	Operational status		Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons
	Yes	No	
employees, customers, and suppliers), and properly respond to stakeholders' concerns on corporate social responsibilities?		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.	
VI. Does the Company appoint a professional stock agency for its Shareholders' meetings?	V	The Company has designated Grand Fortune Securities Co., Limited to act as the Company's stock agency to handle Shareholders' meetings, and to deal with Shareholders' affairs.	No Discrepancy.
VII. Information disclosure i. Does the Company have a corporate website to disclose financial information and the status of 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 MOPS website.	No Discrepancy.
ii. Does the Company have other information disclosure channels (e.g. building an English version website, appointing designated people to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences)?	V	ii. 1. The Company has set up an English version website. 2. The Company has appointed one spokesperson and two acting spokespersons to be responsible for collection of the Company's information and disclosure of material information. 3. The Company had participated four investor conferences in 2020. All relevant information was disclosed on the Company's website.	No Discrepancy.
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 The Company's annual financial report has been disclosed and filed in March following board approval. Each quarterly financial report was also disclosed and filed following board approval.	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 Market Observation Post System (MOPS) website 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 customers, 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) and reassigned one director as the representative of juristic-person director as the members of the 23rd board of directors in July 2020, 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
Wu, Pan-Tsu (Note 1)	Male		V	Banking and Insurance Department, Tamkang University	V		Finance and insurance
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: Assigned as the representative of juristic-person director on July 10, 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 juristic-person director (Chairman and President of Administration Management Department)	Chan, Lu-Min	2020.04.08	2020.04.08	Taiwan Insurance Institute	Directors and Supervisors (including Independent Directors), and Corporate Governance Seminars for Corporate Governance Officers (2020 Phase 5): A Quick Overview of IFRS17 and its Impact on the Property and Life Insurance Industry	3
		2020.06.23	2020.06.23	Taiwan Insurance Institute	Analyzing Principles of Fair Customer Treatment	1
		2020.07.24	2020.07.24	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability and Management Workshop	3
		2020.09.21	2020.09.21	Taiwan Stock Exchange Corporation	Corporate Governance 3.0-Sustainable Development Roadmap	3
		2020.10.19	2020.10.19	Corporate Operation Association	Equity under management right dispute and the acquisition and structure of voting rights	3
		2020.10.23	2020.10.23	Corporate Operation Association	How to strengthen a company's management right through effective enhancement of corporate governance	3
		2020.11.10	2020.11.10	Taiwan Insurance Institute	Workshop on Anti-Money Laundering and Counter Terrorism Financing	1
Director	Tsai, Pei-Chun	2020.02.14	2020.02.14	Taiwan Corporate Governance Association	5G and IoT key technologies and market applications	3
		2020.02.21	2020.02.21	Taiwan Corporate Governance Association	Risk management and the trends of digital technology and artificial intelligence	3

Evaluation Item	Operational status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons	
	Date of training			Name of the course	
Title	Name	Date of training		Host by	Duration
		From	To		
Representative of juristic-person director	Tsai, Min-Chieh	2020.02.14	2020.02.14	Taiwan Corporate Governance Association	3
		2020.09.16	2020.09.16	Corporate Operation Association	3
		2020.11.10	2020.11.10	Taiwan Insurance Institute	1
		2020.12.22	2020.12.22	Taiwan Corporate Governance Association	3
Representative of juristic-person director (President)	Lu, Chin-Chu	2020.07.24	2020.07.24	Taiwan Academy of Banking and Finance	3
		2020.11.05	2020.11.05	Taiwan Corporate Governance Association	3
Representative of juristic-person director (President of Retail Department)	Wu, Pan-Tsu	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		2020.08.24	2020.08.24	Corporate Operation Association	3
		2020.10.22	2020.10.22	Securities & Futures Institute	3
		2020.12.22	2020.12.22	Taiwan Corporate Governance Association	3



Evaluation Item	Operational status		Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons	
	Date of training		Host by	
Title	Name	From	To	Duration
		2020.08.28	2020.08.28	
Representative of juristic-person director (Vice President)	Ho, Yue-Ming	2020.10.08	2020.10.08	3
Independent Director	Chen, Bor-Liang	2020.07.09	2020.07.09	3
		2020.07.09	2020.07.09	3
Independent Director	Chiu, Tien-I	2020.08.18	2020.08.18	3
		2020.09.30	2020.09.30	3
Independent Director	Chen, Huan-Chung	2020.02.14	2020.02.14	3
		2020.07.10	2020.07.10	3
Executive Senior Manager	Ho, Ming-Kun	2020.09.10	2020.09.11	12
		2020.07.24	2020.07.24	3
		2020.09.04	2020.09.04	3

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons		
Title	Name	Date of training		Host by	Name of the course	Duration
Executive Senior Manager	Ho, Ming-Kun	From	To	Corporate Operation Association	Equity under management right dispute and the acquisition and structure of voting rights	3
		2020.10.19	2020.10.19	Corporate Operation Association	How to strengthen a company's management right through effective enhancement of corporate governance	3
Senior Manager	Wu, Hui-Chi	2020.10.23	2020.10.23	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12

viii. Implementation of risk management policies and risk assessment standards: While facing the internationalization of business operations, the impact of global economic changes, and the complicated challenges that arise with it, Pou Chen ensures the sustainable development of the Company by focusing its attention on corporate risk management to conduct risk assessment of economic, environmental, and social issues. The Risk Management Regulations established in 2015 have been approved by the Board of Directors. The Board of Directors is the highest governing body of risk management and plans to develop applicable risk management strategies. Various functional managements through to units in charge of managing day-to-day operations are responsible for reducing potential business discontinuity risks by identifying every level of risk that may critically influence corporate operations and formulating plans in response to the identified risks. At the end of every year, the implementation of risk management activities is summarized and used as the basis for next year's strategic management, performance evaluation, and audit planning. In 2020, the status of risk management operations for the year was reported to the Board of Directors in December.

ix. Customer relations policies and implementation status: The Company transacts with its customers by upholding the core values of "Professionalism, Dedication, Innovation, and 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.

x. Liability insurance provided for directors: The Company has purchased liability insurance for all directors.

xi. Recusals of directors due to conflicts of interests: The Company has mandated in "Rules and Procedures of Board of Directors' Meetings" that all directors shall comply with the principles of recusal from the discussion and resolution of proposals in which directors have conflicts 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 proposal, the Board shall take into consideration the opinions of



Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
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>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:</p> <p>According to the result of the 7th Corporate Governance Evaluation announced by Taiwan Stock Exchange at the end of April 2021, the Company was continued to rank within top 5% of the 7th Corporate Governance Evaluation for listed companies and received excellent result 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	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					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 a Remuneration Committee Member	Note
	Name										
	Chen, Bor-Liang	V					0				
	Chiu, Tien-I	V					0				
Member	Shen, Wan-Fa	V					0				

(b) Independence Criteria											
Title	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 of its affiliates)	Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or 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 person in the company, its parent company, subsidiary or any of its affiliates	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 of its affiliates)	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 of its affiliates)	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 of its affiliates)	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 NTD500,000"	Not been a person of any conditions defined in Article 30 of the Company Law	
	Name										
	Chen, Bor-Liang	V	V	V	V	V	V	V	V		V
	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 4th Remuneration Committee after elected 23rd Board of Directors on June 13, 2019. The term of office is from June 13, 2019 to June 12, 2022. Five meetings of the Remuneration Committee were held in 2020. The attendance status is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Convener	Chen, Bor-Liang	5	0	100.00	
Member	Chiu, Tien-I	5	0	100.00	
Member	Shen, Wan-Fa	5	0	100.00	

1. The Company's Remuneration Committee periodically reviews the performance assessment standards, the policies, systems, standards, and structures for the compensation of the Board of Directors and officers. In 2020, the Company's Remuneration Committee conducted such performance evaluation on August 14.

2. Discussion and resolutions adopted by the Remuneration Committee in 2020:

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
2020.03.31	3rd meeting of the 4th Remuneration Committee	1. Proposed the amount of the Company's 2019 distribution for directors' remuneration and employees' compensation. 2. Reviewed the 2019 annual bonus for the officers of the Company. 3. Reviewed matters pertaining to the 2019 remuneration for the officers of the Company. 4. Discussed transportation allowance for the Directors.	Approved as proposed.	None. Submitted 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
2020.04.28	4th meeting of the 4th Remuneration Committee	Reviewed the salary adjustments for the officers of the Company.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2020.08.14	5th meeting of the 4th Remuneration Committee	1. Reviewed the Company's regulations governing remunerations of directors and officers. 2. Reviewed matters pertaining to rewards for officers of the Company. 3. Reviewed the remuneration for the Company's new officers. 4. Reviewed matters pertaining to the amount of the Company's 2019 distribution for directors' remuneration.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2020.11.13	6th meeting of the 4th Remuneration Committee	Reviewed the remuneration for the Company's new officers.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2020.12.24	7th meeting of the 4th Remuneration Committee	Reviewed the salary restoration for the officers of the Company.	Approved as proposed.	None. Submitted 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	
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		No Discrepancy.  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.
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		No Discrepancy.  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 Department is also responsible for assisting the Company in improving corporate social responsibility management via training, counseling, auditing, etc. The Sustainable Development Department reports to executive management regarding the planning, progress, effectiveness of corporate social responsibility every six months and report to Board of Directors every year.

Evaluation Item	Operational status			Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summaries	
III. Environmental Issues 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 factories' 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. Extreme climate events are occurring more frequently around the world, creating climate change risks that have slowly turned into real threats and damages. In response to the climate action goal of the UN sustainable development goals (SDGs), the Company adopts relevant measures to ensure a sustainable production model and prepare for the operational risks and impacts caused by climate change. The Company not only keeps abreast of international responses to climate change and policy requirements, but also continuously improves energy conservation and carbon reduction practices to improve the energy efficiency of plant operations. We hope to effectively reduce greenhouse gas emissions caused by energy consumption, thereby facilitating the mitigation of climate change risks.	No Discrepancy.
iv. Does the company calculate the greenhouse gas emissions, water consumption, and total weight of	V		iv. The Company sets up greenhouse gas inventory systems to conduct a comprehensive inventory of carbon emissions and reduce the impact of GHG emissions by promoting clean, low-carbon fuels and energy-saving projects. In line with the Company's energy	No Discrepancy.



Evaluation Item	Operational status		Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
waste in the past two years, and establish energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management policies?			management policies and strategic goals, as well as customers' sustainable development targets, the Company has established the first phase of the overall energy conservation plan with the year 2016 as the baseline. The plan outlines the overall management goal of reducing the energy consumption intensity in 2020 by 8% compared with 2016. The second phase of the five-year energy management goal is set with the year 2019 being the baseline year involves the continuous promotion of energy conservation and expansion the usage of green energy to achieve the goal of zero carbon dioxide emissions growth by 2025. Please refer to the Company's 2020 Corporate Social Responsibility Report for information of carbon emission, water consumption and waste weight.
IV. Social Issues i. Does the Company formulate appropriate management policies and procedures according to relevant labor laws, and internationally recognized human rights principal?	V		No Discrepancy.  i. To establish a code of conduct within the group, the Company follows “ILO Declaration of Fundamental Principles and Rights at work”, the FLA workplace code of conduct, and local labor laws and regulations: the Company never employs child labor or forced labor, respect the employees' freedom of association, and forbid any discriminatory measures as well as any conduct related to receiving bribes from intermediaries. 1. The Company respects and cares for its employees, emphasizes human-based management and incentive measures, encourages employees' positive actions, prohibits harassing or abusing employees in the work place. The Company amended Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace in 2017 and 2020, and set up complaint channel and specified personnel to be responsible for labor safety and life guidance, who will handle immediately once such violations are found.

Evaluation Item	Operational status			Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
			<p>2. The Company purchases social insurance or business insurance required in the scope of local laws and regulations; provides employees with statutory benefits such as annual leaves, maternal/paternal leave, and leave for wedding; develops protective measures for pregnant and breastfeeding employees; and establishes scholarships and emergency aids to help employees who need them. Regarding the promotion of educational development in different regions, from 2016 to 2020, the Company has provided about US\$25,000 in scholarship to a total of 837 students in Indonesia. In 2020, the Company continued to visit schools that require assistance and provide funds or resources to the value of about US\$2,000 to assist with the construction of school buildings. In Vietnam, the Company has long engaged in the planning of Hope Seed Scholarship since 2012 to support the education of students in Vietnam. As at the end of 2020, there were a total of 9,585 beneficiaries with a contribution of US\$414,456. Given mainland China's focus on children retention, the Company has organized summer camps for the children of employees since 2010, which benefited 4,310 households in total as at the end of 2019. However, due to COVID-19, all summer camps were suspended in 2020.</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.



Evaluation Item	Operational status		Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
iii. Does the Company provide a healthy and safe working environment and conduct training on health and safety for its employees periodically?	V	<p>iii. In compliance with requirements by the government, the customers, NGO and other stakeholders, the Company effectively operates and keeps improving each safety and hygiene management measures, and invests resources in improving the work environment to ensure employees' safety and health. The Company also prepares standardized teaching materials to conduct training programs for employees of different nationalities.</p>	No Discrepancy.
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>	No Discrepancy.



Evaluation Item	Operational status		Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
			<p>Summaries</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 thinking and core competencies is provided, such as a series of courses on accountability.</p> <p>c. Management Course: Management courses for various management levels are planned according to management duties and competencies. These courses include modules on general management, entry-level management, and mid-level to advanced management..</p> <p>d. Professional Course: Professional training courses are developed based on work contents and requirements for professional development. These courses include footwear manufacturing techniques, chemical engineering research, and molding.</p> <p>e. Self-Development Course: This course is focused on the soft power required by employees such as language training courses and in-house lecturers, and aims to encourage autonomous learning for better skills and capabilities.</p> <p>(2) Personal development plans: Employee's personal development plans and each department's annual training courses are formulated based on professional competency assessment results, annual performance records, and the expectations of managers and employees. Besides providing employees with the professional knowledge they are still lacking, training resources are provided for their management abilities, self-management soft power, and common work skills. This will enrich the group's talent pool, and improve the overall quality of employees as well as the Company's business performance.</p>



Evaluation Item	Operational status		Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
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 policies and grievance procedures?	V	v. The Company strictly complies with local government laws, customer demands, and company regulations. We practice supplier management by (1) Partnering suppliers are required to comply with the standards adopted by the customers (e.g., the Restricted Substances List, RSL) (2) Partnering suppliers are required to abide by the Company's basic requirements (environmental management, fire safety, safety and health, human rights). The Company continues to invest in encouraging suppliers to practice circular economy management. Several of the Company's suppliers have passed various management system certifications, including LWG, Oak-Tex, Bluesign, ISO 50001, ISO 14064, PAS 2050, ISO 14001, ISO 45001, ISO 9001 and SA 8000. Effective communication with stakeholders is maintained through the Stakeholder section and mailbox for suppliers, which are provided on the Company's website.	No Discrepancy.
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. Regarding the supply chain management policy, the Company regards 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, the Company selects potential suppliers to partner with, regularly evaluate the overall performance of its suppliers to provide guidance based on their performance, and track suppliers' improvement progress in order to improve the efficiency of the Company's supply chain.	No Discrepancy.
V. Does the company adopt internationally widely recognized standards or guidelines when	V	V. The Company's 2020 Corporate Social Responsibility Report is prepared in accordance with the Core option of the Global Reporting Initiative Standards (GRI Standards) issued by the Global Reporting Initiative (GRI). This report has been certified by a third-party certification	No Discrepancy.

Evaluation Item	Operational status		Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
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?			unit, SGS Taiwan Ltd., according to AA 1000 Assurance Standard (AS) Type II, High-level Assurance, and has been disclosed on the MOPS website and the Company's website.
<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>II. 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>i. The Company has enacted “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Corporate Management and Conduct Guidelines”, and relevant internal rules, expressly setting forth the ethical corporate management policies, measures and commitment by the Board of Directors and the Management to execute such management policies.</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> <p>ii. The Company has set relevant conduct to follow in Procedures for Ethical Corporate Management and Conduct Guidelines. In addition to raising the Company’s personnel’s moral standards and strengthening their self-restraint, the Company requires the major suppliers to execute “Honest Transaction Agreement” or provide the Company with honesty declaration or honesty mechanism related documents. Besides, to ensure performance of ethical corporate management, the Company establishes effective accounting system and internal control system. The internal auditor will examine the implementation status of each system regularly and report to the Board of Directors.</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 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 Team to implement the Company's ethical corporate management policy and unethical conduct prevention program. The team reports to the Board of Directors at least once a year. The team's work results in 2020 are as follows:</p> <p>1. The Company developed audiovisual materials for English courses on ethical corporate management and confidentiality.</p> <p>2. The Company organized 13 sessions of ethical corporate management awareness workshops and training programs in 2020; approximately 2,500 attendees, and the total hours of training were roughly 600 hours.</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	
iii. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		No Discrepancy. 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.
iv. Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? 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		No Discrepancy. 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.
v. Does the company regularly hold internal and external educational trainings on operational integrity?	V		No Discrepancy. 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.
III. Operational status of the Company’s complaint mechanism i. Does the company establish specific complaint and reward procedures, set up conveniently	V		No Discrepancy. 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

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 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> ).
V. If the Company has enacted its ethical corporate management best practice principles according to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”, please describe the operational status and discrepancy: The Company has enacted and implemented the “Ethical Corporate Management Best Practice Principles” and the “Procedures for Ethical Corporate Management and Conduct Guidelines”, implemented such rules accordingly, and found no discrepancy so far.			
VI. Other important information to facilitate the understanding of the Company's implementation of ethical corporate management: 1. As a preliminary condition to perform the ethical corporate management, the Company complies with the “Company Act”, the “Securities and Exchange Act”, the “Business Entity Accounting Act”, the “Political Donations Act”, the “Anti-Corruption Act”, the “Government Procurement Act”, the “Act on Recusal of Public Servants Due to Conflict of Interest”, relevant regulations governing TWSE listed companies or other related laws governing business acts. 2. The Company's “Management Procedures for the Operation of Board of Directors’ Meeting” has provided the conflict of interest system for directors. For the proposal proposed in			



Evaluation Item	Operational status		Discrepancy with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Summaries		
	Yes	No	
the Board of Directors’ meeting, the director with personal interest or the juristic-person 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. Information on insider trading prevention issued by the competent authority is provided (in print or by email) to directors and managers within two months of their appointment and at least once a year. Employees are required to attend online courses on ethical awareness; these courses cover case studies of insider trading and introduce what are insider trading, and the legal responsibilities and disciplinary actions associated with insider training. Awareness course on insider trading was provided to existing directors and managers on December 22, 2020.			
6.The Company expanded awareness and online training on ethical management in 2020, the results are as follows:			
Item	Type of training	Content	Attendance
Group personnel training	Online training	Awareness on ethical management, code of ethical conduct, honest trading, protection of group interest, and prohibition of insider trading	8 sessions, a total of 1,059 attendees
Group personnel training	Online training	Awareness on the group code of conduct and core values	5 sessions, a total of 1,457 attendees



- (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 24, 2021

Based on the findings of its self-assessment, the Company states the following with regard to its internal control system during the year 2020:

- 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, 2020, 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 2020 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 24, 2021, 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 up to the Publication date of this 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 Publication date of this Annual Report:

A. Material resolutions of 2020 annual general shareholders' meeting and the implementation status thereof :

Date	The type of meeting	Material resolutions	Implementation status
2020.06.19	Annual general shareholders' meeting	Ratification: i. Ratification of the 2019 Business Report, Financial Statements and profit distribution plan.	Distribute cash dividends at NT\$1.25 per share. The ex-dividend record date was August 4, 2020, and the cash dividends had been distributed on August 20, 2020.
		Discussion i. Discussion on the amendments to the Company's "Rules and Procedures of Shareholders' Meetings".	It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Rules and Procedures of Shareholders' Meetings".

B. Material Resolutions during the Board of Directors' Meetings in 2020 and up to the Publication date of this Annual Report:

Date	Term	Material resolutions
2020.03.31	5th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the amount of the Company's 2019 distribution for directors' remuneration and employees' compensation.</li> <li>2. Approved the 2019 annual bonus for the officers of the Company.</li> <li>3. Approved matters pertaining to the 2019 remunerations for officers of the Company.</li> <li>4. Approved the transportation allowance for the Directors.</li> <li>5. Approved the Company's 2019 Business and Financial Reports.</li> <li>6. Approved Company's 2019 "Effectiveness Assessment of Internal Control System" and "Statement of Internal Control System".</li> <li>7. Approved the amendments to the Company's "Rules and Procedures of Shareholders' Meetings".</li> <li>8. Approved the application for applying and renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>9. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>10. Relevant matters regarding convening the Company's 2020 annual general shareholders' meeting.</li> </ol>
2020.04.28	6th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the salary adjustments for the Company's officers.</li> <li>2. Approved the Company's 2019 profit distribution plan.</li> <li>3. Approved the 2019 profit distribution of cash dividends.</li> <li>4. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>5. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>



Date	Term	Material resolutions
2020.05.15	7th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved to release the officer of the Company from non-competition restrictions.</li> <li>2. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>3. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>
2020.08.14	8th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the Company's regulations governing remunerations of directors and officers.</li> <li>2. Approved matters pertaining to rewards for officers of the Company.</li> <li>3. Approved the proposal to appoint the new officer.</li> <li>4. Approved the remuneration for the Company's new officers.</li> <li>5. Approved matters pertaining to the amount of the Company's 2019 distribution for directors' remuneration.</li> <li>6. Approved the amendments to the Company's "Regulations for Board of Directors Meetings."</li> <li>7. Approved the amendments to the Company's "Audit Committee Charter."</li> <li>8. Approved the amendments to the Company's "Remuneration Committee Charter."</li> <li>9. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>10. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>11. Approved to suspend the construction project on its own land located on Zhanglu Rd., Fu Hsin Hsian, Chang Hwa.</li> <li>12. Approved to acquire the right-of-use assets of real estate from the Company's related party.</li> </ol>
2020.11.13	9th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the proposal to appoint the new officer.</li> <li>2. Approved the remuneration for the Company's new officers.</li> <li>3. Approved to release the officer of the Company from non-competition restrictions.</li> <li>4. Approved independence assessment and appointment of the Company's CPA and approved the CPA's remuneration.</li> <li>5. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>6. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>
2020.12.24	10th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the salary restoration for the officers of the Company.</li> <li>2. Approved the Company's 2021 Business Plan.</li> <li>3. Approved the amendments to the Company's "Internal Control System","Internal Audit System" and "Internal Auditing Implementation Regulations."</li> <li>4. Approved the Company's Internal Audit Plan for 2021.</li> <li>5. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>6. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>

Date	Term	Material resolutions
2021.03.24	11st meeting of the 23rd Board of Directors	1. Approved the amount of the Company's 2020 distribution for directors' remuneration and employees' compensation. 2. Approved the 2020 annual bonus for the officers of the Company. 3. Approved the Company's 2020 Business and Financial Reports. 4. Approved the Company's 2020 "Effectiveness Assessment of Internal Control System" and "Statement of Internal Control System". 5. Approved the amendments to the Company's "Rules for Election of Directors." 6. Approved the amendments to the Company's "Rules and Procedures of Shareholders' Meetings." 7. Approved the application for increasing and renewing the line of credit for the Company to borrow funds from financial institutions. 8. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries. 9. Relevant matters regarding convening the Company's 2021 annual general shareholders' meeting.
2021.04.28	12th meeting of the 23rd Board of Directors	1. Approved the Company's 2020 profit distribution plan. 2. Approved the 2020 profit distribution of cash dividends. 3. Approved to release the Company's Director from non-competition restrictions. 4. Approved to release the Company's Officers from non-competition restrictions. 5. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions. 6. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.

(13) In recent fiscal year and up to the Publication 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 up to the Publication 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 for the CPA

A. Information regarding the Company's professional fees for the CPA

(In NT\$ thousands)

Accounting firm	Name of the CPA	Audit fees	Non-Audit Fees					CPA's audit period	Notes
			Design of the system	Registration with the competent authority	Human resources	Others	Sum		
Deloitte & Touche	Shyu, Wen-Yea	11,838	0	0	0	0	0	2020 Q1~Q3 quarterly financial statements and 2020 annual financial statements	None
	Hong, Kuo-Tyan								



B. Intervals of the fees for the CPA

Unit: in NT\$

Fee items		Audit fees	Non-audit fees	Total
Intervals of the amount				
1	Under 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	Over 10,000,000 (included)	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

A. Previous CPA

Date of change	January 2020		
Reasons for change and remark	CPA Wu, Ker-Chang and CPA Hung, Kuo-Tyan at Deloitte & Touche were changed to CPA Shyu, Wen-Yea and CPA Hung, Kuo-Tyan 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
	CPA declined to accept (continue) the appointment		
Audit opinions other than unqualified opinions issued in the past two years and reasons	None		
Opinions different from those of issuer	Yes	Accounting principle or practice	
		Disclosure of financial statements	
		Audit scope or steps	
		Others	
	None		V
	Explanation		
Other disclosures (Disclosures Specified in Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

## B. Succeeding CPA

Name of accounting firm	Deloitte & Touche
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, Presidents, or any Officer in charge of Financial or Accounting Affairs has served with 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 Publication date of this Annual Report

Unit: shares

Title	Name	Year 2020		Until April 18 of the year 2021	
		Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge	Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge
Chairman of the Board	PC Brothers Corporation	0	0	0	0
	Representative: Chan, Lu-Min (President of the Administration Management Department)	0	0	0	0
Director	Tsai, Pei-Chun	0	0	0	0
Director	Tzong Ming Investments Co., Limited	0	0	0	0
	Representative: Tsai, Min-Chieh	0	0	0	0
Director	Ever Green Investments Corporation	0	0	0	0
	Representative: Lu, Chin-Chu (President)	(536,000)	0	(464,000)	0
Director	Sheachang Enterprise Corporation	0	0	0	0
	Representative: Wu, Pan-Tsu (President of Retail Department)(Note 1)	0	0	0	0
Director	Lai Chia Investments Co., Limited	0	0	0	0
	Representative: Ho, Yue-Ming (Vice President)	0	0	0	0
Independent Director	Chen, Bor-Liang	0	0	0	0
Independent Director	Chiu, Tien-I	0	0	0	0
Independent Director	Chen, 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 2020		Until April 18 of the year 2021	
		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	0	0	0	0
Vice President	Chiu, Hui-Yao	0	0	0	0
Vice President	Minston Chao(Note 2)	0	0	0	0
Vice President	Shih, Chih-Hung (Note 3)	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: Assigned as the representative of juristic-person director on July 10, 2020.

Note 2: Appointed as officer by the Board of Directors' meeting on August 14, 2020.

Note 3: Appointed as officer by the Board of Directors' meeting on November 13, 2020.



3.9 Relationship among the Top Ten Shareholders

April 18, 2021 (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 the second degree of kinship		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	-	-
Taishin International Bank Trust Account	101,951,385	3.46	0	-	0	-	N/A	-	-
Fubon Life Insurance Co., Limited	73,711,000	2.50	0	-	0	-	N/A	-	-
Representative: Tsai, Richard M.	0	0.00	0	-	0	-	N/A	-	-
Kai Tai Investments Co., Limited	60,340,000	2.05	0	-	0	-	N/A	-	-
Chairman: Huang, Zhi Tai	0	0.00	0	-	0	-	N/A	-	-
China Trust Commercial Bank in custody for Beevest Securities Limited	54,826,517	1.86	0	-	0	-	N/A	-	-
JPMorgan in custody for Furstentum Liechtenstein bank	50,302,174	1.71	0	-	0	-	N/A	-	-
Citibank in custody for Norges Bank	47,009,616	1.60	0	-	0	-	N/A	-	-
Huang, Shu-Man	42,827,420	1.45	0	-	0	-	N/A	-	-

**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, 2021 (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	15,000,000	100.00	0	-	15,000,000	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	251,668,150	99.49	323,370	0.13	251,991,520	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	16,379,987	2.94	86,446,936	15.51
Techview International Technology Inc.	75	30.00	50	20.00	125	50.00
Ruen Chen Investment Holding Co., Limited	3,900,600,000	20.00	0	-	3,900,600,000	20.00
Nan Shan Life Insurance Co., Ltd.	0	-	25,642,416	0.19	25,642,416	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/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
1992.05	10	150,000,000	1,500,000,000	133,116,000	1,331,160,000	—	—	—
1993.12	10	185,000,000	1,850,000,000	159,975,200	1,599,752,000	Note 1	—	—
1994.08	10	185,000,000	1,850,000,000	183,971,480	1,839,714,800	Note 2	—	—
1995.06	10	378,000,000	3,780,000,000	220,765,776	2,207,657,760	Note 3	—	—
1996.09	10	378,000,000	3,780,000,000	264,918,931	2,649,189,310	Note 4	—	—
1997.06	10	496,500,000 (including convertible corporate bonds of 50 million shares)	4,965,000,000 (including convertible corporate bonds of NT\$ 500 million)	357,640,556	3,576,405,560	Note 5	—	—
1998.02	10	496,500,000 (including convertible corporate bonds of 50 million shares)	4,965,000,000 (including convertible corporate bonds of NT\$ 500 million)	378,972,570	3,789,725,700	Note 6	—	—
1998.05.07	10	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT\$2 billion)	568,458,855	5,684,588,550	Note 7	—	—
1998.06.02	80	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT\$2 billion)	607,930,915	6,079,309,150	Note 8	—	—
1999.07.05	10	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT\$2 billion)	851,103,280	8,511,032,800	Note 9	—	—
2000.01.19	conversion price 67.05	1,133,500,000 (including convertible	11,335,000,000 (including convertible	856,421,995	8,564,219,950	Note 10	—	—

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



# POU CHEN CORPORATION

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

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



# POU CHEN CORPORATION

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



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



# POU CHEN CORPORATION

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

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



# POU CHEN CORPORATION

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

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



# POU CHEN CORPORATION

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

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



Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		available for subscription in the amount of 300 million shares)	available for subscription in the amount of NT\$ 3 billion)					
2013.07.29	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,944,137,213	29,441,372,130	Note 54	—	—
2015.10.21	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,946,787,213	29,467,872,130	Note 55	—	—

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

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

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

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

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

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

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

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



- Note 9: Approval for capital increase in the amount of NT\$ 1,823,792,740 based on earnings: The 05 July 1999 Taiwan-Finance-Securities Letter, No. 61108. ; capital increase in the amount of NT\$ 607,930,910 based on capital reserve.
- Note 10: Approval for the issuance of 5,318,715 (NT\$ 53,187,150) new shares based on convertible corporate bonds: The 19 January 2000 Economics-Business Letter, No. 08910076.
- Note 11: Approval for the issuance of 19,340,789 (NT\$ 193,407,890) new shares based on convertible corporate bonds: The 12 May 2000 Economics-Business Letter, No. 089114934.
- Note 12: Approval for capital increase in the amount of NT\$ 2,658,355,570 (including employee bonus NT\$ 31,067,220) based on earnings: The 15 July 2000 Taiwan-Finance-Securities Letter, No. 60739 ; capital increase in the amount of NT\$ 875,762,780 based on capital reserve.
- Note 13: Approval for capital increase in the amount of NT\$ 1,229,174,610 based on capital reserve: The 20 July 2001 Taiwan-Finance-Securities Letter, No. 147283.
- Note 14: Approval for capital increase in the amount of NT\$ 1,452,809,410 (including employee bonus NT\$ 100,717,330) based on earnings: The 05 July 2002 Taiwan-Finance-Securities Letter, No. 910137022 ; capital increase in the amount of NT\$1,352,092,080 based on capital reserve.
- Note 15: Approval for capital increase in the amount of NT\$ 2,522,172,240 (including employee bonus NT\$ 73,298,900) based on earnings: The 04 July 2003 Taiwan-Finance-Securities Letter, No. 0920129891.
- Note 16: Approval for capital increase in the amount of NT\$ 2,049,339,330 (including employee bonus NT\$ 164,539,880) based on earnings: The 22 July 2004 Financial-Supervisory-Securities Letter, No. 0930132871.
- Note 17: Approval for issuance of 3,629,000 (NT\$ 36,290,000) new shares based on employee share options: The 20 October 2004 Economic-Authorized-Business Letter, No. 0930119770.
- Note 18: Approval for issuance of 311,000 (NT\$ 3,110,000) new shares based on employee share options: The 24 January 2005 Economic-Authorized-Business Letter, No. 09401010910.
- Note 19: Approval for issuance of 1,143,000 (NT\$ 11,430,000) new shares based on employee share options: The 19 April 2015 Economic-Authorized-Business Letter, No. 09401066360.
- Note 20: Approval for issuance of 767,000 (NT\$7,670,000) new shares based on employee share options: The 21 July 2015 Economic-Authorized-Business Letter, No. 09401138550.
- Note 21: Approval for capital increase in the amount of NT\$ 2,092,054,300 (including employee bonus NT\$ 42,396,910) based on earnings: The 22 July 2005 Financial-Supervisory-Securities Letter, No. 0940129791.
- Note 22: Approval for issuance of 642,000 (NT\$ 6,420,000) new shares based on employee share options: The 28 October 2005 Economic-Authorized-Business Letter, No. 09401216290.
- Note 23: Approval for issuance of 362,000 (NT\$ 3,620,000) news shares based on employee share options: The 8 February 2006 Economic-Authorized-Business Letter, No. 09501022210.
- Note 24: Approval for issuance of 1,415,000 (NT\$ 14,150,000) new shares based on employee share options: The 21 April 2006 Economic-Authorized-Business Letter, No. 09501071090.
- Note 25: Approval for issuance of 778,000 (NT\$ 7,780,000) new shares based on employee share options: The 24 July 2006 Economic-Authorized-Business Letter, No. 09501156300.
- Note 26: Approval for capital increase in the amount of NT\$ 1,270,265,200 based on earnings: The 21 September 2006 Economic-Authorized-Business Letter, No. 09501211980.
- Note 27: Approval for issuance of 3,044,000 (NT\$ 30,440,000) new shares based on employee share options: The 20 October 2016 Economic-Authorized-Business Letter, No. 09501237370.
- Note 28: Approval for issuance of 2,441,000 (NT\$ 24,410,000) new shares based on employee share options and issuance of 2,188,410 (NT\$ 21,884,100) new shares based on convertible corporate bonds: The 23 January 2007 Economic-Authorized-Business Letter, No. 09601017360.
- Note 29: Approval for issuance of 2,087,000 (NT\$ 20,870,000) new shares based on employee share options and issuance of 473,169 (NT\$ 4,731,690) new shares based on convertible corporate bonds: The 10 May 2007



Economic-Authorized-Business Letter, No. 09601101980.

- Note 30: Approval for issuance of 1,930,000 (NT\$ 19,300,000) new shares based on employee share options and issuance of 153,780 (NT\$ 1,537,800) new shares based on convertible corporate bonds: The 25 July 2007 Economic-Authorized-Business Letter, No. 09601173570.
- Note 31: Approval for capital increase in the amount of NT\$ 637,714,350 (including employee bonus NT\$151,505,170) based on earnings: The 06 August 2007 Economic-Authorized-Business Letter, No. 09601187590.
- Note 32: Approval for issuance of 273,000 (NT\$ 2,730,000) new shares based on employee share options and issuance of 185,857 (NT\$ 1,858,570) new shares based on convertible corporate bonds: The 19 October 2007 Economic-Authorized-Business Letter, No. 09601257130.
- Note 33: Approval for issuance of 294,000 (NT\$ 2,940,000) new shares based on employee share options: The 17 January 2008 Economic-Authorized-Business Letter, No. 09701012630.
- Note 34: Approval for issuance of 1,753,000 (NT\$ 17,530,000) new shares based on employee share options: The 17 April 2008 Economic-Authorized-Business Letter, No. 09701092370.
- Note 35: Approval for issuance of 922,000 (NT\$ 9,220,000) new shares based on employee share options: The 31 July 2008 Economic-Authorized-Business Letter, No. 09701187370.
- Note 36: Approval for capital increase in the amount of NT\$2,744,315,080 (including employee bonus NT\$273,216,100) based on earnings: The 21 August 2008 Economic-Authorized-Business Letter, No. 09701210880.
- Note 37: Approval for issuance of 965,000 (NT\$ 9,650,000) new shares based on employee share options: The 23 October 2008 Economic-Authorized-Business Letter, No. 09701265620.
- Note 38: Approval for issuance of 80,000 (NT\$ 800,000) new shares based on employee share options and cancellation of 50,000,000 (NT\$ 500,000,000) treasury shares: The 16 January 2009 Economic-Authorized-Business Letter, No. 09801011170.
- Note 39: Approval for issuance of 62,000 (NT\$ 620,000) new shares based on employee share options and cancellation of 27,500,000 (NT\$ 275,000,000) treasury shares: The 14 April 2009 Economic-Authorized-Business Letter, No. 09801074100.
- Note 40: Approval for cancellation of 7,000,000 (NT\$ 70,000,000) treasury shares: The 19 May 2009 Economic-Authorized-Business Letter, No. 0981098500.
- Note 41: Approval for capital increase by the issuance of 137,218,233 (NT\$ 1,372,182,330) new shares based on undistributed earnings and employee bonus: The 19 August 2009 Economic-Authorized-Business Letter, No. 09801187410.
- Note 42: Approval for capital increase by the issuance of 299,000 (NT\$ 2,990,000) new shares based on employee bonus: The 22 January 2010 Economic-Authorized-Business Letter, No. 09901012630.
- Note 43: Approval for issuance of 25,000 (NT\$ 250,000) new shares based on employee share options: The 20 April 2010 Economic-Authorized-Business Letter, No. 09901078520.
- Note 44: Approval for capital increase by the issuance of 55,996,194 (NT\$ 559,961,940) new shares based on undistributed earnings: The 11 August 2010 Economic-Authorized-Business Letter, No. 09901177910.
- Note 45: Approval for issuance of 650,000 (NT\$ 6,500,000) new shares based on employee share options: The 21 October 2010 Economic-Authorized-Business Letter, No. 09901237790.
- Note 46: Approval for issuance of 306,000 (NT\$ 3,060,000) new shares based on employee share options: The 18 April 2011 Economic-Authorized-Business Letter, No. 10001075180.
- Note 47: Approval for issuance of 374,000 (NT\$ 3,740,000) new shares based on employee share options: The 15 July 2011 Economic-Authorized-Business Letter, No. 1000116580.
- Note 48: Approval for issuance of 8,203,000 (NT\$82,030,000) new shares based on employee share options: The 26 October 2011 Economic-Authorized-Business Letter, No. 10001246280.
- Note 49: Approval for issuance of 15,508,000 (NT\$ 155,080,000) new shares based on employee share options: The 18 January 2012 Economic-Authorized-Business Letter, No. 10101011620.

- Note 50: Approval for issuance of 16,137,000 (NT\$ 161,370,000) new shares based on employee share options: The 01 May 2012 Economic-Authorized-Business Letter, No. 10101077780.
- Note 51: Approval for issuance of 1,382,000 (NT\$ 13,820,000) new shares based on employee share options: The 17 July 2012 Economic-Authorized-Business Letter, No. 10101145420.
- Note 52: Approval for issuance of 1,519,000 (NT\$ 15,190,000) new shares based on employee share options: The 26 October 2012 Economic-Authorized-Business Letter, No. 10101214180.
- Note 53: Approval for issuance of 595,182 (NT\$5,951,820) new shares based on employee share options: The 22 April 2013 Economic-Authorized-Business Letter, No. 10201074260.
- Note 54: Approval for issuance of 357,109 (NT\$3,571,090) new shares based on employee share options: The 29 July 2013 Economic-Authorized-Business Letter, No. 10201144050.
- Note 55: Approval for issuance of 2,650,000 (NT\$26,500,000) new shares based on employee share options: The 21 October 2015 Economic-Authorized-Business Letter, No. 10401221220.



# POU CHEN CORPORATION

## B. Type of Shares:

April 18, 2021; Unit: shares

Type of shares	Authorized 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) Shareholder Structure:

April 18, 2021; Unit: persons; shares

Shareholder's structure Number	Governmental Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Foreigners	Total
Number of shareholders	7	51	238	96,787	798	97,881
Number of shares held	38,969,254	338,375,275	373,436,112	608,442,721	1,587,563,851	2,946,787,213
Ratio (%)	1.32%	11.48%	12.67%	20.66%	53.87%	100.00%

### (3) Distribution profile of shareholding

April 18, 2021

Interval of number of shares (shares)	Number of Shareholders (persons)	Number of shares held (shares)	Ratio (%)
1 to 999	27,548	6,389,396	0.22%
1,000 to 5,000	49,734	109,888,796	3.73%
5,001 to 10,000	10,148	78,791,359	2.67%
10,001 to 15,000	3,217	40,610,890	1.38%
15,001 to 20,000	2,095	38,005,342	1.29%
20,001 to 30,000	1,770	44,714,489	1.52%
30,001 to 40,000	859	30,486,041	1.04%
40,001 to 50,000	531	24,585,731	0.83%
50,001 to 100,000	892	64,288,776	2.18%
100,001 to 200,000	425	60,143,667	2.04%
200,001 to 400,000	245	68,711,373	2.33%
400,001 to 600,000	90	44,421,770	1.51%
600,001 to 800,000	52	36,317,310	1.23%
800,001 to 1,000,000	36	32,967,758	1.12%
More than 1,000,001	239	2,266,464,515	76.91%
Total	97,881	2,946,787,213	100.00%

## (4) List of major shareholders

April 18, 2021

Shares	Number of shares held (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
Taishin International Bank Trust Account	101,951,385	3.46
Fubon Life Insurance Co., Limited	73,711,000	2.50
Kai Tai Investments Co., Limited	60,340,000	2.05
Chinatrust Commercial Bank in custody for Beevest Securities Limited	54,826,517	1.86
JPMorgan in custody for Furstentum Liechtenstein bank	50,302,174	1.71
Citibank in custody for Norges Bank	47,009,616	1.60
Huang, Shu-Man	42,827,420	1.45



# POU CHEN CORPORATION

(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>			2019	2020	2021 (as of March 31)
Market price per share (dollars) (Note 1)	Highest price		42.50	39.80	33.45
	Lowest price		32.00	22.25	27.85
	Average price		38.29	29.14	30.65
Net value per share(dollars)	Before distribution		39.84	45.51	41.37(Note 5)
	After distribution		38.59	45.01	40.87(Note 5)
Earnings per share	Weighted average shares (thousand shares)		2,946,787	2,946,787	2,946,787 (Note 5)
	Earnings per share (dollars)		4.01	1.64	2.13(Note 5)
Dividends per share (dollars)	Cash dividends		1.25	0.50	N/A
	Share dividends	Dividends from retained earnings	0	0	N/A
		Dividends from capital earnings	0	0	N/A
	Accumulated undistributed dividend		0	0	N/A
ROI analysis	Price-earnings ratio (Note 2)		9.50	17.77	N/A
	Price-dividend ratio (Note 3)		30.63	58.27	N/A
	Cash dividend yield (Note 4)		3.26%	1.72%	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 statements for the first quarter of 2021 have 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 the future development plan, financial condition, business and operational status, and so on. 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 2020 earnings in cash dividends of NT\$0.50 per share on April 28, 2021.

## (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 24, 2021 to allocate 1.6% and 0.8% of the profit in 2020 (the profit refers to the amount of pre-tax profit before distribution of Employees' compensation, and Directors' remuneration) as employees' compensation and directors' remuneration respectively; the addressing of the discrepancy between the actual distributed amount and the estimated amount recognized as follows:

(in NT\$ thousands)

	Employees' compensation	Remuneration for Directors	Status of addressing the discrepancy
Estimated amount in the year the remuneration is recognized as expenses (A)	102,070	51,035	No discrepancy
Amount resolved at the Board of Directors' Meeting (B)	102,070	51,035	
Discrepancy (B)-(A)	0	0	

- (B) The amount of Employees' 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 Employees' 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 2019 (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)

	Employees' 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 actually distributed (B)	203,200	101,600	
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 Depositary 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:** Up to the publication 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. OPERATIONAL HIGHLIGHTS

### 5.1 Business Activities

#### (1) Scope of Business

##### A. Main Business

###### (A) Manufacturing of Shoes:

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 and Salomon as well as an original design manufacturer (ODM). The Company is primarily focused on athletic shoes, accounting for approximately 80% of overall footwear manufacturing revenue. The Company is also engaged in manufacturing of footwear components.

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

The Company has an extensive sales network across the Greater China region for its retailing and brand licensing business. The Company has always been flexible in using different store formats through different channels to provide consumers with a variety of footwear, apparel, and accessories for sports performance and sport lifestyle products, as well as sports-related services.

###### (C) Other Businesses :

The Company is also engaged in the real estate development and tourist hotel operation to create the most value for the Company.

##### B. Revenue by Product Category

(In NT\$ thousands)

Year	2019		2020	
	Revenue	Ratio	Revenue	Ratio
Primary business				
Manufacturing of shoes	185,444,582	59%	139,875,281	56%
Retailing of sporting goods and brand licensing business	126,866,572	41%	109,360,824	44%
Other	845,431	-	718,206	-
Total	313,156,585	100%	249,954,311	100%

##### C. Current 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. Planned New Product and Service

The Company is continuing to develop automation, advanced processes and production technologies. In addition, the Company is cooperating with brand customers to develop new footwear products in response to the changing market conditions more rapidly and flexibly. 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

The Company focuses on the development of manufacturing of shoes and retailing of sporting goods and brand licensing business; 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 comprehensively affected by multiple factors, including labor costs, land resources, supply chain, sustainability issues, and the target market. As the operating environment changes, the production base of footwear industries around the globe has been relocated from European countries to Asian regions. According to the World Footwear 2020 Yearbook, the total global production output of footwear in 2019 reached 24.3 billion pairs, 87.4% of which were manufactured in Asia. China remains the largest producer of footwear products in the world, accounting for 55.5% of the global output, followed by other Asian countries, India, Vietnam, and Indonesia. Regarding consumption, Asia is not only the main production base for the global footwear but also the largest footwear consumer market in the world based on its considerable population size and economic growth, accounting for 54.0% of the global total footwear consumption in 2019. At country level, China, India and United States head up the largest consumer markets, primarily because China and India have a massive population, and the United States has higher per capita income.

#### (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 2019, leading to a market scale of nearly US\$70.9 billion, with the top 5 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 the Company's retailing and brand licensing business in sporting goods. Amidst the increase in per capita income, rise in sporting self-awareness, and support for sport-friendly policies, the sports industry in China is growing rapidly, becoming a key component of economic development. According to the General Administration of Sport of China and the National Bureau of Statistics of China, the overall scale (total output) of the Chinese sports industry in 2019 was RMB2.9 trillion, and the added value of the industry was RMB1.1 trillion, increasing by 10.9% and 11.6% compared with the previous year, respectively. While the scale continues to expand, the internal structure of the industry also underwent continuous optimization. The "sports service industry", including competitions, performances, fitness leisure activities, and other areas, is characterized by group participation, a high level of concern, and a sizable market, all of which contribute to relatively strong growth trends. In 2019, the total output of this industry has made up more than half of that of the sports industry, and its added value also rose to 67.7% from 64.8% in the previous year. The added value of "sports goods and related products" continued to drop to 30.4% from 33.7% in the previous year; and the added value of "sports venues and facilities" increased to 1.9%.

## B. Relevance of upstream, midstream and downstream companies

## (A) Manufacturing of shoes

Upstream: Textile/Leather/Plastics/Petroleum/Rubber

Midstream: Footwear Manufacturers

Downstream: Brand Companies

The footwear industry is divided into three sectors: upstream material suppliers, which use different raw materials to produce various footwear components; midstream manufacturers are responsible for product development and production; and downstream brand companies, which entrust footwear manufacturers to produce, and then through retailers sell to consumers. Though each sector usually has its own operations, there is still a high degree of interdependence within the supply chain.

Because most of the cost of footwear production comes from raw materials, the Company has long been dedicating its efforts to vertically integrate upstream raw materials. Except for petroleum products, the Company produces almost all kinds of major raw materials for footwear manufacturing, including leather, synthetic leather, molds, shoe soles, adhesives, and cardboard boxes, 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 continues to improve its production technologies, operating processes, and R&D capabilities. The Company has established a development center exclusively for its major customers. From product development to product prototyping, the Company works closely with its customers and provides integrated solutions to production problems, thereby turning itself into a long-term partner to numerous brands.

With the two above-mentioned advantages, the Company, as a professional manufacturer for midstream, has established 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/Sporting Goods Manufacturers/Sporting Goods wholesalers

Midstream: Sporting Goods Retailers and Brand Licensing Agents

Downstream: Consumers

Retailing of sporting goods and brand licensing is considered as the midstream process providing distribution channels for upstream vendors, including brand companies, sporting goods manufacturers, and wholesalers to sell their products to downstream consumers. With a sales network operated by sporting goods retailers and brand licensing agents, upstream vendors are able to focus on designing, developing, and manufacturing sportswear products, which facilitate the effective and quick penetration of products into the target market for higher sell through rate and market share. For downstream consumers, a diverse range of convenient services is adopted to create various product and service experiences, attract new consumers, and increase the purchase intention of consumers.

In response to the rapid changes in consumer demand, sporting goods retailers and brand licensing agents are actively developing innovative business models to determine 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 formulate flexible procurement strategies through big data analysis in combination with complete inventory management and logistics systems to continuously diversify products and enhance service quality. Such division of specialization can effectively increase the operational efficiency of the industry.

C. Product Development Trends

(A) Digital transformation 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. However, as labor costs continue to rise and technological applications become increasingly mature, the shortening of product life cycles and the development of automated, smart manufacturing processes for the footwear industry have become the new trend. Furthermore, the impact of the COVID-19 ("the pandemic") in 2020 on the real economy around the world further accelerated the pace of digital developments.

Through the process of helping customers to initiate R&D, supply chain, and production processes, brand companies, footwear manufacturers, and footwear machinery/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 technologies to create human-machine friendly environments, wherein software and hardware programs coupled with innovative ideas can be employed to develop agile and flexible production models.

In a globally competitive business environment, smart manufacturing is a new direction introduced for the footwear industry. It reconstructs new business operations, accelerates the development process of supply chains and products, promotes competition for production technologies and industry upgrade optimization, integrates digital information on production to retail processes, improves the ability to make business decisions quickly, timely responds to market changes and consumers' needs for personalized services, and strives for the development of manufacturing services.

**(B) Product diversification**

The function of athletic shoes is to reduce sports injuries and improve sports performance. Benefited from the development of material diversification, footwear manufacturing techniques, and sports technologies, consumers shopping for shoes can 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.

Brand companies continue to develop products with better performances and also incorporate environmental concepts in athletic footwear designs to demonstrate the commitment to and recognition of sustainable development. As part of its sustainability efforts, Nike released its first pair of Nike Cosmic Unity, which is a basketball shoe with superior performance in practice made from at least 25% recycled content by weight. Embracing green fashion as its mission, adidas used the newly developed Prime green high-performance recycled material to give its classic Stan Smith series a new look.

The integration and impact of different elements, ranging from an appeal for flexibility, vibration isolation, adoption of green environmentally friendly sustainable materials, the expression of the personality of a sporting lifestyle, to the cross-border cooperation of fashion brands, have diversified the appearance of athletic shoes, 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 through precision marketing**

In response to the sale of customized and personalized products, retailers facing different consumer settings and behaviors must keep in pace with time. To ascertain the expectations of different consumer groups, retailers are more focused on technological applications, numerical figures and systematic management to acquire clear pictures of 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.

After the outbreak of COVID-19 in the early 2020, numerous physical stores had to suspend operation, causing a decline in the overall retail performance. Digital transactions, however, shot up. The pandemic had pushed consumer behaviors toward using online services rather than physical channels, and this shopping behavior became the new norm. In face of a rapidly changing and competitive environment, retailers will adopt a more aggressive approach to expanding omni-channels; integrating products, services, technologies, and social media; creating virtually and physically integrated consumption models; and striving to develop an omni-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 will continue to prompt retail industries to transform their business and shift from targeting product sales to a focus on service sales, with emphasis placed on 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 and casual/outdoor footwear, serving internationally renowned customers. To fulfill the stringent requirements of international customers regarding quality, cost, delivery date, and service, the Company continues to invest in the R&D of key



technologies and advanced manufacturing processes and endeavor to provide efficient and flexible manufacturing services. The Company places value on corporate sustainable development. With a diversity of customer portfolio and scattered production bases, the Company has accumulated rich managerial experiences and established a relatively complete supply chain system. Because of its relative advantages in business management and technical aspects, the Company is able to maintain a leading status in the footwear industry.

Meanwhile, the Company is committed to expanding its retailing of sporting goods and brand licensing businesses in the Greater China region. Because the sporting goods market in the Greater China has developed vigorously in recent years, the growth potential of this market is appealing numerous market participants, and the constant changes in consumer preference have made the market fiercely competitive. Having spent years cultivating the sporting lifestyle in Greater China, the Company has established a sizable sales network, and constantly to strengthen the operating capability of its omni-channels, to provide enriching product portfolios and featured sports services, both of which have created competitive advantages for the Company to develop its retailing of sporting goods and brand licensing business.

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

#### A. R&D Expenses

The Company's R&D expenses in 2020 and for the three months ended March 31, 2021 were NT\$5,567,161 thousand and NT\$ 1,340,906 thousand respectively.

#### B. Technology and Product Innovation Achievements

The Company continued to refine its core equipment, modularized production line, and flexible operating procedures to elevate production capacities of its factories. In 2020, 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

The Company 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 revenue generated from manufacturing of shoes.

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

## A. Short-term Business Development Plans

## ■ Manufacturing of Shoes

- (A) Continue to promote manufacturing upgrading and develop sustainable business models.
- (B) Improve flexible manufacturing capabilities for flexible changes to production allocation.
- (C) Provide value-added service for deeper brand cooperative relationship.
- (D) Integrate supply chain resources 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) Accelerate online service development to create seamless shopping experiences.
- (C) Adopt active approach to sports event planning and provide diverse sports services.

## B. Long-term Business Development Plans

## ■ Manufacturing of Shoes

- (A) Continue to provide excellent products, innovation services, and total solutions to fortify the 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) Continue to promote sporting services and competition to make sports into daily life.
- (C) Construct sporting service platform that offers the best services to consumers and brand companies.

## 5.2 Market and Sales Overview

## (1) Market Analysis

## A. Sales of Products (Services) by Region

(In NT\$ thousands)

Geographical Information \ Year	2019		2020	
	Amount	Ratio	Amount	Ratio
Asia	181,064,185	58%	161,234,039	64%
America	62,514,668	20%	41,510,485	17%
Europe	52,930,246	17%	36,873,665	15%
Others	16,647,486	5%	10,336,122	4%
Total	313,156,585	100%	249,954,311	100%

## B. Market Share

The Company is a global leader in the manufacture of athletic and casual/outdoor footwear and is also one of the few professional footwear manufacturers in the world capable of serving multiple international brands. In 2020, the Company has produced and shipped a total of 244.4 million pairs of shoes. In addition, the Company is also one of the leading sporting goods retailers and distributors in the Greater China region. As of December 31, 2020, the Company had 5,240 directly operated stores and 3,835 sub-distributors.



## C. Market Forecast and Growth

### (A) Global Footwear and Athletic Footwear Market

Footwear is a daily necessity. The continual increase in global population and disposable income can facilitate maintaining the stable growth of the global footwear market. According to World Footwear statistics, the average yearly growth rate of the footwear production worldwide in 2010 to 2019 was 2.2%, and the magnitude of growth in 2019 slowed to 0.6%, which should continue through to 2020, considering the low purchase intention caused by COVID-19. In terms of export, Vietnam Customs reported that in 2020, the exporting of footwear products in Vietnam totaled approximately US\$16.8 billion, down 8.3% from the previous year. The General Administration of Customs of China also reported that in 2020 the exporting of footwear products in China totaled approximately US\$35.4 billion, down 21.2% from the previous year. The World Federation of the Sporting Goods Industry and McKinsey & Company jointly published the Sporting Goods 2021, which showed that the CAGR of the global sports-inspired footwear and apparel market between 2014 and 2019 was 5.5% and 3.6%, respectively, higher than that of non-sports footwear and apparel market in the same period. Due to the impact of COVID-19, the global sporting goods market in 2020 is expected to decrease by 7.3% compared to the previous year. Despite the temporary impact of COVID-19 on consumption and the sporting goods market, consumers still have demands and sporting and recreational activities continue to prevail. The Company believes that after the pandemic, health awareness and sports participation will continue to increase. Though sales networks and sports categories might change, and the recovery rate of each country will also vary, the historical growth trend is expected to continue. By 2024, the global sporting goods market is expected to measure a scale of EUR379 billion, with the CAGR between 2020 and 2024 reaching 7.5%.

### (B) China's Sporting Goods Market

According to National Bureau of Statistics of China, the retailing of consumer products in Chinese society measured RMB39.1 trillion in 2020, down 3.9% from the previous year, primarily because in the first half of 2020 the consumer market was significantly affected by COVID-19. After the pandemic was brought under control and measures promoting consumption yielded results, in the third quarter of 2020, the market exhibited positive growth, returning slowly to normal levels in the fourth quarter of 2020. In 2021, consumer confidence should be able to recover and sports-related consumption is expected to continue to grow.

China has successively 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 in 2014, and the “Action Plan for Further Promotion of Sports Consumption (2019—2020)” as well as the “Opinions on Promoting the National Fitness and Sports Consumption to Promote the High-Quality Development of the Sports Industry” published in 2019. The Chinese government will continue to promote the “Fourteenth Five-Year Plan” sports development blueprint, which is expected to positive influence the continuous development of the sporting goods market in China. According to Sporting Goods 2021, the CAGR of the sporting goods market in China between 2020 and 2024 is expected to reach 14.8%, which is higher than the magnitude of growth of the global sporting goods market in the same period.



#### 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 its 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 brand customers 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 demands.
- iii. Innovation: The Company has 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 retailing end-to-end services and provide customers with comprehensive solutions

The Company is a global leader in the manufacture of athletic and casual/outdoor footwear products, and is also a leader in the retailing business in the Greater China Region. The Company provides unique strategic value to each brand in manufacturing and retailing to satisfy the different needs. In the future, the Company will continue to utilize big data analysis at the sales end and combine its five competitive advantages at the manufacturing end, identify comprehensive and customized solutions for brands, and increase the added value of products and services to create a win-win situation for the Company and brand companies.

##### (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 its five core competitive advantages. The Company will continue to invest R&D resources in four directions: design, equipment, material, and process with the goal to eventually achieve the most valuable diverse platform that orients toward smart manufacturing and innovative services.

(b) Fierce competition in Greater 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 in the Greater China Region. 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 ecosystem.

(c) The impact of COVID-19 pandemic

Since the outbreak of COVID-19, the number of confirmed cases around the world exceeds 140 million. The pandemic has also caused consumption decline, reduction of product orders, and also the suspension of international travels due to crowd control and border closures, rendering company staff unable to address problems on-site and giving rise to changes in the way people work in response to this unexpected situation.

Countermeasures: The Company immediately formulates and announces guiding principles for the prevention and control of COVID-19. The Company holds daily meetings with COVID-19 prevention and control task forces, launches and executes strategic plans in various regions, initiates off-site collaboration in different countries, and flexibly adjusts internal organization and work models to accelerate corporate digitization and digital transformation on a global scale.

(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) Main 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 other suppliers. On the other hand, materials of the upper, including synthetic leather, fabric and natural leather, 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.	2019				2020				First Quarter of 2021			
	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 2021	Relationship with the Company
1	Supplier A	40,090,725	21	None	Supplier A	28,214,168	20	None	Supplier A	9,605,181	22	None
2	Supplier B	30,322,671	16	None	Supplier B	27,786,056	19	None	Supplier B	9,729,226	22	None
	Other suppliers	120,683,892	63		Other suppliers	88,188,205	61		Other suppliers	24,884,308	56	
	Net purchase	191,097,288	100		Net purchase	144,188,429	100		Net purchase	44,218,715	100	

There were only two suppliers accounted for 10% or more of the Company's purchase in 2019, 2020 and the first quarter of 2021. The percentage of net purchase accounted for by these two suppliers remained moderate during the period. Other suppliers accounted for approximately 60% of the net purchase in total, which indicates that the Company has a stable source of supply by maintaining a mutually successful partnership with key suppliers and is able to avoid over-reliance on specific suppliers.



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

(In NT\$ thousands)

Item No.	2019				2020				First Quarter of 2021			
	Name	Amount	Percentage of net sales for the year	Relationship with the Company	Name	Amount	Percentage of net sales for the year	Relationship with the Company	Name	Amount	Percentage of net sales for the first quarter of 2021	Relationship with the Company
1	Customer A	59,641,551	19	None	Customer A	46,584,589	19	None	Customer A	13,258,552	19	None
2	Customer B	53,153,895	17	None	Customer B	43,269,724	17	None	Customer B	9,833,187	14	None
	Other customers	200,361,139	64		Other customers	160,099,998	64		Other customers	47,802,782	67	
	Net sales	313,156,585	100		Net sales	249,954,311	100		Net sales	70,894,521	100	

There were two customers accounted for 10% or more of the sales of the Company in 2019, 2020 and the first quarter of 2021. The percentage of net sales accounted for by these two customers remained steady during the period. Other customers accounted for approximately 60% of the net sales in total, 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 specific customers.

## (5) Production in 2019 and 2020

(In NT\$ thousands; pairs)

Year	2019			2020		
	Capacity	Production	Value	Capacity	Production	Value
Primary Business						
Manufacturing of shoes	-	322,421,000	151,308,226	-	244,443,000	115,006,911

Note: Production refers to footwear production in pairs

## (6) Sales in 2019 and 2020

(In NT\$ thousands; pairs)

Year	2019				2020			
	Domestic sales		International sales		Domestic sales		International sales	
Sales	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Primary Business								
Manufacturing of shoes	2,527,000	1,847,218	319,894,000	183,597,364	2,284,000	1,543,189	242,159,000	138,332,092
Retailing of sporting goods and brand licensing business		488,194		126,378,378		568,148		108,792,676
Other businesses		-		845,431		-		718,206
Total		2,335,412		310,821,173		2,111,337		247,842,974



### 5.3 Human Resources

The information for number of employees, average years of service, average age of employees and the ratio of education distribution in 2020 and up to the publication date of this annual report are as below:

Year		2019	2020	As of April 30, 2021
Number of Employees	Direct labor	221,749	190,936	197,735
	Indirect labor	97,780	81,498	80,545
	Sales and Marketing	32,062	29,633	28,026
	Total	351,591	302,067	306,306
Average age of employees		33.60	34.10	34.10
Average years of service		7.00	7.60	7.60
Education (%)	Ph.D.	0.01	0.01	0.01
	Master's degree	0.35	0.37	0.35
	Bachelor's degree	7.35	7.92	7.75
	High school diploma	39.08	40.00	40.66
	Below high school diploma	53.21	51.70	51.23

### 5.4 Environmental Protection Expenditure

Any losses suffered by the Company in the most recent fiscal year and up to the publication date of this annual report 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 2020, a fine of RMB 100,000 was imposed on a factory in China for exceeding boiler emission standards. Because it is the responsibility of the contractor, the Company has required the contractor to make improvements and strengthened the day-to-day inspection of and communication with contractors. 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

The Company offers cafeterias that provide lunch and dinner daily.

## 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) 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.

(D) Promotion of healthy living: The Company improves 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.

(E) Healthy walking app (iWorkout): A workout app is integrated for complete collection of workout-related data in order to make exercising a habit and improve physical and mental health.

G. The Company offers kindergartens and health clinics at its 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 "Labor Standards Act".



The Company's asset value of its retirement benefit plan and present value of the obligation from defined benefit pension plans are calculated by certified actuaries. In 2020, the Company set aside accrued pension liabilities for 1.67% 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 Article 56-2 of the "Labor Standards Act", the Company also calculated the pension fund deposited into the Company's designated account at Taiwan Bank to confirm the amount is sufficient to pay the retirement pension for employee who is qualified to retire in 2020.

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, it takes into consideration the business objectives and target requirements when planning training programs. The Company also evaluates 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 junior and senior 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



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 group's core thinking and core competencies is provided, such as a series of courses on accountability.
- c. Management Course: Management courses for various management levels are planned according to management duties and competencies. These courses include modules on general management, entry-level management, and mid-level to advanced management.
- d. Professional Course: Professional training courses are developed based on work contents and requirements for professional development. These courses include footwear manufacturing techniques, chemical engineering research, and molding.
- e. Self-Development Course: This course is focused on the soft power required by employees such as language training courses and in-house lecturers, and aims to encourage autonomous learning for better skills and 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.

(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 Accountant: 9 persons at the Accounting Department.
- B. US Certified Public Accountant: 1 person at the Accounting Department.
- C. Taiwan Certified Internal Auditor: 4 persons at the Accounting Department and 1 person at the Internal Audit Department.
- D. Certified Information Systems Auditor: 1 person at the Accounting Department.
- E. BS7799/ISO 27001 Lead Auditor: 1 person at the Accounting Department and 1 person at the Internal Audit Department.
- F. Project Management Professional (PMP): 4 persons at the Accounting Department.
- G. Jacksoft Certified CAATs Practitioner: 1 person at the Accounting Department.
- H. General Competency Exam for Internal Control held by the Securities and Futures Institute: 1 person at the Accounting Department and 1 person 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 guidelines of International Labor Organization (ILO), Fair Labor Association (FLA), 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 the Company's intranet.
- B. The Company's "Work Rules" outline the corporate culture, its strong commitment to ethical behavior and the rights and obligations of employees. The "Work Rules", along with other human resources policies are available on the Company's 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. It focused on the following aspects in 2020:

- 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 Company 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. A third-party occupational safety consulting company was incorporated in 2020 to strengthen the safety of new construction works.
- 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. 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. The Company has also developed a standard management mechanism for these processes, and non-periodically conducts auditing of engineering quality and maintenance works.
- F. Enhancing the ability of firefighting teams: The Company have a total of 15 firefighting teams at its production bases. The Company formulates standards for daily firefighting duties and physical training and periodically verifies them. Its firefighting teams also conducts fire prevention and vehicle deployment drills jointly with the government's fire department to strengthen their firefighting skills and emergency response.
- G. 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.
- H. 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.
- I. 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.
- J. Reinforce the activities in response to emergency: In order to equip employees with the ability of emergency response, the Company 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 the most recent year and up to the publication date of this 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:

In 2020 and up to the publication date of this annual report, the Ministry of Labor imposed a fine of NT\$90,000 on the Company's subsidiaries for violating Articles 24, 38, and 39 of the Labor Standards Act. Details are shown in the table below:

No.	Disposition date	Disposition reference number	The articles of law violated	Substance of the legal violation	Content of the disposition
1	2020.08.12	Fu-Labor-No. 1090274879	Article 24 of the Labor Standards Act	Overtime not paid as required by law	Fine of NT\$20,000
2	2020.09.18	Fu-Labor-No. 1090326514	Article 24 of the Labor Standards Act Article 38 of the Labor Standards Act Article 39 of the Labor Standards Act	Overtime not paid as required by law Special leave not paid as required by law Additional pay for work on holidays not paid as required by law	Fine of NT\$70,000

Response measures: The Company strives to safeguard the rights and interests of employees and the company. It will strengthen the promotion of relevant labor laws and regulations to employees and fully communicate applicable policies with employees.

## 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. Consolidated condensed balance sheet

(In NT\$ thousands)

Year		Financial summary within five years 【Note】					As of March 31, 2021
		2016	2017	2018	2019	2020	
Item							
Current assets		151,320,571	154,667,365	164,383,958	165,637,689	155,495,896	162,706,722
Property, plant and equipment		71,464,806	71,517,038	79,162,641	77,861,266	69,983,286	68,445,063
Intangible assets		11,954,099	12,394,627	12,054,213	10,429,135	9,832,703	9,716,854
Other assets		59,150,385	63,325,400	48,661,601	109,128,240	133,602,674	118,160,523
Total assets		293,889,861	301,904,430	304,262,413	363,056,330	368,914,559	359,029,162
Current liabilities	Before distribution	74,732,364	84,461,024	93,303,080	98,233,680	85,408,436	89,346,377
	After distribution	79,152,545	90,354,598	97,723,261	101,917,164	86,881,830	90,819,771
Non-current liabilities		56,146,793	59,063,460	58,761,627	74,953,623	82,262,921	78,887,488
Total liabilities	Before distribution	130,879,157	143,524,484	152,064,707	173,187,303	167,671,357	168,233,865
	After distribution	135,299,338	149,418,058	156,484,888	176,870,787	169,144,751	169,707,259
Equity attributable to owners of the Company	Before distribution	75,705,144	83,615,378	77,863,392	117,408,939	134,109,459	121,917,282
	After distribution	71,284,963	77,721,804	73,443,211	113,725,455	132,636,065	120,443,888
Share Capital		29,467,872	29,467,872	29,467,872	29,467,872	29,467,872	29,467,872
Capital surplus		4,540,163	4,615,341	4,600,092	4,592,397	4,389,862	4,390,371
Retained earnings	Before distribution	55,333,477	63,449,395	66,088,797	71,664,103	72,807,778	79,078,429
	After distribution	50,913,296	57,555,821	61,668,616	67,980,619	71,334,384	77,605,035
Other equity		(13,636,368)	(13,917,230)	(22,293,369)	11,684,567	27,443,947	8,980,610
Treasury shares		-	-	-	-	-	-
Non-controlling interests		87,305,560	74,764,568	74,334,314	72,460,088	67,133,743	68,878,015
Total equity	Before distribution	163,010,704	158,379,946	152,197,706	189,869,027	201,243,202	190,795,297
	After distribution	158,590,523	152,486,372	147,777,525	186,185,543	199,769,808	189,321,903

Note: The financial statements for 2016 to 2020 have been audited by independent auditors and the financial statement for first quarter of 2021 has been reviewed by independent auditors.



# POU CHEN CORPORATION

## B. Consolidated condensed statement of comprehensive income

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

Item \ Year	Financial summary within five years 【Note】					As of March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	274,895,346	278,631,872	293,316,089	313,156,585	249,954,311	70,894,521
Gross profit	70,382,794	73,068,324	75,471,295	79,515,354	54,751,105	18,212,806
Income (loss) from operations	17,785,183	17,068,098	13,809,464	13,950,460	(2,111,078)	3,377,334
Non-operating income and expenses	8,494,619	7,749,406	6,450,919	7,571,518	8,072,404	5,831,693
Income before income tax	26,279,802	24,817,504	20,260,383	21,521,978	5,961,326	9,209,207
Net income for the period	23,001,919	21,730,590	16,371,866	18,002,774	3,919,417	8,125,255
Other comprehensive income (loss) for the period	(3,312,203)	719,523	(23,332,866)	29,821,437	13,761,868	(18,635,628)
Total comprehensive income (loss) for the period	19,689,716	22,450,113	(6,961,000)	47,824,211	17,681,285	(10,510,373)
Net income attribute to owners of the Company	13,057,050	12,921,606	10,708,646	11,828,609	4,840,184	6,275,845
Net income attribute to non-controlling interests	9,944,869	8,808,984	5,663,220	6,174,165	(920,767)	1,849,410
Total comprehensive income (loss) attribute to owners of the Company	10,946,757	12,255,237	(13,545,977)	43,908,682	20,587,697	(12,202,132)
Total comprehensive income (loss) attribute to non- controlling interests	8,742,959	10,194,876	6,584,977	3,915,529	(2,906,412)	1,691,759
Earnings per share	4.43	4.38	3.63	4.01	1.64	2.13

Note : The financial statements for 2016 to 2020 have been audited by independent auditors and the financial statement for first quarter of 2021 has been reviewed by independent auditors.

## C. Separate condensed balance sheet

(In NT\$ thousands)

Item \ Year		Financial summary within five years 【Note】				
		2016	2017	2018	2019	2020
Current assets		7,541,527	7,863,357	8,327,151	8,248,705	8,234,261
Property, plant and equipment		4,503,791	4,859,896	5,341,147	5,220,137	5,035,178
Other assets		93,482,043	102,945,217	101,152,947	148,192,278	169,581,752
Total assets		105,527,361	115,668,470	114,821,245	161,661,120	182,851,191
Current liabilities	Before distribution	10,210,516	14,887,657	23,043,635	23,446,622	17,908,547
	After distribution	14,630,697	20,781,231	27,463,816	27,130,106	19,381,941
Non-current liabilities		19,611,701	17,165,435	13,914,218	20,805,559	30,833,185
Total Liabilities	Before distribution	29,822,217	32,053,092	36,957,853	44,252,181	48,741,732
	After distribution	34,242,398	37,946,666	41,378,034	47,935,665	50,215,126
Share capital		29,467,872	29,467,872	29,467,872	29,467,872	29,467,872
Capital surplus		4,540,163	4,615,341	4,600,092	4,592,397	4,389,862
Retained earnings	Before distribution	55,333,477	63,449,395	66,088,797	71,664,103	72,807,778
	After distribution	50,913,296	57,555,821	61,668,616	67,980,619	71,334,384
Other equity		(13,636,368)	(13,917,230)	(22,293,369)	11,684,567	27,443,947
Treasury shares		-	-	-	-	-
Total equity	Before distribution	75,705,144	83,615,378	77,863,392	117,408,939	134,109,459
	After distribution	71,284,963	77,721,804	73,443,211	113,725,455	132,636,065

Note: The financial statements for 2016 to 2020 have been audited by independent auditors.



D. Separate condensed statement of comprehensive income

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

Item \ Year	Financial summary within five years 【Note】				
	2016	2017	2018	2019	2020
Operating revenue	12,294,428	11,704,905	12,062,778	11,399,477	8,219,523
Gross profit	3,834,602	3,982,222	4,610,127	4,743,554	3,925,008
Income from operations	244,462	478,923	477,899	540,529	474,916
Non-operating income and expenses	13,545,565	12,865,035	11,131,948	11,854,667	5,751,384
Income before income tax	13,790,027	13,343,958	11,609,847	12,395,196	6,226,300
Net income	13,057,050	12,921,606	10,708,646	11,828,609	4,840,184
Other comprehensive net income (loss)	(2,110,293)	(666,369)	(24,254,623)	32,080,073	15,747,513
Total comprehensive income (loss)	10,946,757	12,255,237	(13,545,977)	43,908,682	20,587,697
Earnings per share	4.43	4.38	3.63	4.01	1.64

Note : The financial statements for 2016 to 2020 have been audited by independent auditors.

(2) Auditors' Opinions from 2016 to 2020

Year \ Opinion	Accounting Firm	CPA	Audit Opinion
2016	Deloitte & Touche	WU, KER-CHANG YU, HUNG-BIN	Unqualified Opinion
2017	Deloitte & Touche	HONG, KUO-TYAN WU, KER-CHANG	Unqualified Opinion
2018	Deloitte & Touche	WU, KER-CHANG HONG, KUO-TYAN	Unqualified Opinion
2019	Deloitte & Touche	WU, KER-CHANG HONG, KUO-TYAN	Unqualified Opinion
2020	Deloitte & Touche	SHYU, WEN-YEA HONG, KUO-TYAN	Unqualified Opinion



## 6.2 Financial Analysis for the Past Five Fiscal Years

## (1) A. Consolidated financial analysis

Items \ Year		Financial summary within five years (Note)					As of March 31, 2021 (Note)
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	44.53	47.53	49.97	47.70	45.44	46.85
	Ratio of long-term Capital to property, plant and equipment	306.66	304.04	266.48	340.12	405.10	394.01
Liquidity (%)	Current ratio	202.48	183.12	176.18	168.61	182.06	182.10
	Quick ratio	134.23	114.90	107.21	103.35	118.78	117.81
	Interest earned ratio (times)	20.96	13.49	8.28	7.63	3.47	19.81
Operating performance	Accounts receivable turnover (times)	7.45	7.30	7.61	8.44	7.49	8.74
	Average collection period	49	50	48	43	48	41
	Inventory turnover (times)	4.29	4.05	3.78	3.87	3.55	4.12
	Accounts payable turnover (times)	12.77	14.37	15.01	15.58	12.39	12.40
	Average days in sales	85	90	97	94	102	88
	Property, plant and equipment turnover (times)	3.89	3.89	3.89	3.98	3.38	4.09
	Total assets turnover (times)	0.95	0.93	0.96	0.93	0.68	0.77
Profitability (%)	Return on total assets	8.38	7.84	6.13	6.17	1.59	9.35
	Return on shareholders' equity	14.47	13.52	10.54	10.52	2.00	16.58
	Pre-tax income to paid-in capital	89.18	84.21	68.75	73.03	20.22	125.00
	Net Income ratio	8.36	7.79	5.58	5.74	1.56	11.46
	Earnings per share (NT\$)	4.43	4.38	3.63	4.01	1.64	2.13
Cash flow (%)	Cash flow ratio	21.01	19.90	11.29	24.95	23.83	(0.53)
	Cash flow adequacy ratio	86.70	73.70	61.30	63.36	60.14	54.31
	Cash reinvestment ratio	3.99	4.43	1.67	5.96	4.64	(0.13)
Leverage	Operating leverage	1.49	1.56	1.76	2.12	(6.86)	2.22
	Financial leverage	1.07	1.13	1.25	1.30	0.46	1.16

Note: The financial statements for 2016 to 2020 have been audited by independent auditors and the financial statement for first quarter of 2021 has been reviewed by independent auditors.



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

## 1. Liquidity:

Reduction in interest earned ratio was mainly due to the NT\$16.395 billion decrease in earnings before interest and taxes.

Explanations are as follows:

- (1) In 2020, the impact of COVID-19 has prompted countries around the globe to introduce quarantine and control measures, compelling some of our manufacturing sites to close temporarily, which led to reduced production efficiency. Furthermore, global consumer demands fell, causing fewer orders or order cancellation from footwear manufacturing business. Besides, in response to China's pandemic prevention and control measures in early 2020, we had to temporarily close our physical retail stores from the Chinese New Year to mid-March 2020, resulting in a decrease of net operating income by NT\$16.062 billion.
- (2) Regarding non-operating income and expenses, the decrease of earnings before interest and taxes for 2020 compared to last year was mainly due to the NT\$1.154 billion increase in net loss on financial assets at fair value through profit or loss, NT\$279 million decrease in foreign currency exchange loss, and NT\$483 million increase in profit from equity-accounted investments.

## 2. Operating performance:

### (1) Decrease in accounts payable turnover:

The impact of COVID-19 in 2020 prompted the temporary closure of several factories. In addition, global consumer demands fell, causing fewer orders from brand customers, which consequently decreased the operating costs by NT\$38.438 billion.

The average accounts payables in 2020 increased by NT\$761 million compared to last year, causing a decrease in accounts payable turnover in 2020 compared to last year.

### (2) Decrease in total assets turnover:

The impact of COVID-19 in 2020 led to NT\$63.202 billion decrease in operating income.

The average total assets in 2020 increased by NT\$32.326 billion compared to last year, causing a decrease in total assets turnover in 2020 compared to last year.

## 3. Profitability:

The decrease in return on assets, return on equity, net income rate and decrease in earnings per share were mainly due to NT\$14.083 billion decrease in net income this year. Explanations are as follows:

- (1) In 2020, the impact of COVID-19 has prompted countries around the globe to introduce quarantine and control measures, compelling some of our manufacturing sites to close temporarily, which led to reduced production efficiency. Furthermore, global consumer demands fell, causing fewer orders or order cancellation from footwear manufacturing business. Besides, in response to China's pandemic prevention and control measures in early 2020, we had to temporarily close our physical retail stores from the Chinese New Year to mid-March 2020, resulting in a decrease of net operating income by NT\$16.062 billion.

Regarding non-operating income and expenses, the decrease of net income for 2020 compared to last year was mainly due to the NT\$1.154 billion increase in net loss on financial assets at fair value through profit or loss, NT\$279 million decrease in foreign currency exchange loss, NT\$483 million increase in profit from equity-accounted investments, NT\$835 million decrease in finance costs, and NT\$1.477 billion decrease in income tax expense.

- (2) Pre-tax income to paid-in capital ratio decreased primarily due to NT\$15.561 billion decrease in income before tax this year. Explanations are as follows:

Income before tax this year decreased by NT\$15.561 billion, mainly due to NT\$16.062 billion decrease in net operating income, NT\$1.154 billion increase in net loss on financial assets at fair value through profit or loss, NT\$279 million decrease in foreign currency exchange loss, NT\$483 million increase in profit from equity-accounted investments, and NT\$835 million decrease in finance cost.

## 4. Cash flow:

The cash reinvestment ratio decreased, mainly due to the NT\$4.152 billion decrease in net cash inflow from operating activities, and NT\$737 million decrease in cash dividends distributed this year.

## 5. Leverage:

### (1) Decrease in operating leverage:

Mainly due to the NT\$63.202 billion decrease in net operating revenue for the year, and NT\$48.023 billion decrease in variable operating cost and expense. Explanations are as follows:

Net operating income and operating costs decreased because the impact of COVID-19 in 2020 has prompted countries around the globe to introduce quarantine and control measures, which compelled some of our manufacturing sites to close temporarily. In addition, we had to temporarily close our physical stores from the Chinese New Year to mid-March 2020 in response to China's pandemic prevention and control measures in early 2020, and global consumer demands fell, causing fewer orders from customers.

Moreover, the implementation of multiple cost-saving plans in 2020 led to lower variable operating cost and expense compared to the last year.

### (2) Decrease in financial leverage:

Financial leverage decreased mainly due to the impact of COVID-19 in 2020, causing NT\$16.062 billion decrease in net operating income.



(1)B. Separate financial analysis

Item \ Year		Financial summary within five years (Note)				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio	28.26	27.71	32.18	27.37	26.65
	Ratio of long-term Capital to property, plant and equipment	2,116.36	2,073.72	1,718.31	2,647.71	3,275.80
Liquidity (%)	Current ratio	73.86	52.81	36.13	35.18	45.97
	Quick ratio	72.69	51.92	35.72	34.81	45.44
	Interest earned ratio (times)	41.75	43.56	37.28	34.16	16.71
Operating performance	Accounts receivable turnover (times)	7.13	6.88	6.93	6.28	4.91
	Average collection period	52	53	52	58	74
	Inventory turnover (times)	113.89	130.24	161.16	110.51	58.92
	Accounts payable turnover (times)	5.64	5.75	5.88	5.57	4.96
	Average days in sales	3	2	2	3	6
	Property, plant and equipment turnover (times)	2.82	2.50	2.36	2.15	1.60
	Total assets turnover (times)	0.12	0.10	0.10	0.08	0.04
Profitability (%)	Return on total assets	13.11	11.91	9.51	8.77	2.99
	Return on shareholders' equity	18.01	16.22	13.26	12.11	3.84
	Pre-tax income to paid-in capital	46.79	45.28	39.39	42.06	21.12
	Net Income ratio	106.20	110.39	88.77	103.76	58.88
	Earnings per share (NT\$)	4.43	4.38	3.63	4.01	1.64
Cash flow (%)	Cash flow ratio	(17.72)	(9.46)	(0.16)	1.17	(5.79)
	Cash flow adequacy ratio	(7.54)	(12.27)	(12.56)	(8.47)	(12.38)
	Cash reinvestment ratio	-	-	-	-	-
Leverage	Operating leverage	1.99	1.51	1.62	1.71	1.87
	Financial leverage	(2.60)	2.89	3.02	3.24	6.03

Note: The financial statements for 2016 to 2020 have been audited by independent auditors.

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

1. Financial structure:

The ratio of long-term capital to property, plant and equipment increased mainly due to NT\$16.701 billion increase in total equity and NT\$10.028 billion increase in non-current liabilities. Explanations are as follows:

- (1) NT\$16.701 billion increase in total equity was mainly due to NT\$15.759 billion increase in other equity and NT\$1.144 billion increase in retained earnings.
- (2) NT\$10.028 billion increase in non-current liabilities was mainly due to the NT\$10.176 billion increase in long-term borrowings for the year.

2. Liquidity:

- (1) Increase in current ratio and quick ratio was mainly due to the NT\$5.538 billion decrease in current liabilities for the year. Explanations are as follows:

NT\$5.538 billion decrease in current liabilities was mainly due to NT\$10.532 billion decrease in short-term borrowing, NT\$2.1 billion increase from paying short-term bills, NT\$2.25 billion increase in current portion of long-term borrowings, NT\$421 million decrease in accounts payable, NT\$260 million decrease in other payables, and NT\$1.359 billion increase in income tax liabilities for the year.

- (2) Reduction in interest earned ratio was mainly due to the NT\$6.146 billion decrease in earnings before interest and taxes for the year. Explanations are as follows:

NT\$6.146 billion decrease in earnings before interest and taxes for the year was mainly due to the NT\$784 million increase in foreign currency exchange loss and NT\$5.327 billion decrease in profit from equity-accounted investments.

3. Operating performance:

- (1) Decrease in accounts receivable turnover:

Mainly due to the NT\$3.18 billion decrease in net sales, causing decrease of receivable turnover this year compared to last year.

- (2) Increase in average collection days:

The increase in average collection days was mainly due to the 21.81% decrease in accounts receivable turnover.

- (3) Decrease in inventory turnover:

Mainly due to the NT\$2.361 billion decrease in cost of goods sold and NT\$13 million increase in average inventory, causing decrease in inventory turnover this year compared to previous year.

- (4) Increase in average days in sales:

The increase in average days in sales was mainly due to 46.68% decrease in inventory turnover.

- (5) Decrease in property, plant and equipment turnover:

Mainly due to the NT\$3.18 billion decrease in net sales, causing reduction of property, plant and equipment turnover this year compared to last year.

- (6) Decrease in total assets turnover:

Mainly due to the NT\$3.18 billion decrease in net sales and NT\$34.015 billion increase in average total assets, causing decrease in total assets turnover this year compared to the previous year.

4. Profitability:

- (1) Reduction in return on assets, return on equity, net income rate and decrease in earnings per share were mainly due to net income for the year decreased by NT\$6.988 billion in 2020. Explanations are as follows:

NT\$6.988 billion decrease in net income for the year was mainly due to the NT\$784 million increase in foreign currency exchange loss, NT\$5.327 billion reduction in profit from equity-accounted investments, and NT\$820 million increase in income tax expense.

- (2) Pre-tax income to paid-in capital ratio decreased primarily due to NT\$6.169 billion decrease in income before tax this year. Explanations are as follows:



NT\$6.169 billion decrease in income before tax for the year was mainly due to the NT\$784 million increase in foreign currency exchange loss and NT\$5.327 billion reduction in profit from equity-accounted investments.

5. Cash flows:

(1) Reduction in cash flow ratio:

Mainly due to the NT\$1.038 billion outflow of net cash from operating activities for the year, whereas the net cash inflow from operating activities for the previous year was NT\$276 million, causing a decrease in cash flow ratio this year compared to the previous year. Explanations are as follows:

Net cash outflow from operating activities for the year increased by NT\$1.314 billion mainly due to the NT\$6.169 billion decrease in income before tax this year adjusted by items that do not affect cash flow, which include deducting the NT\$5.327 billion share of the profit of subsidiaries and associates accounted for using the equity method, and cash inflow from account receivables decreased by NT\$399 million, cash outflow from account payables increased by NT\$188 million, cash outflow from other account payables increased by NT\$449 million, and cash outflow from income tax paid decreased by NT\$762 million.

(2) Reduction in cash flow adequacy ratio:

Mainly due to the NT\$1.223 billion increase in net cash outflow from operating activities in the past 5 years.

6. Leverage:

Financial leverage increased mainly due to the NT\$66 million decrease in net operating income for the year and NT\$22 million increase in interest expense.

1. Financial Structure

- (1) Debt ratio = total liabilities / total assets
- (2) Ratio of long-term Capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment

2. Liquidity

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities
- (3) Interest earned ratio = net income before tax and interest expense / interest expense

3. Operating performance

- (1) Accounts receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average accounts receivable (including accounts receivable and notes receivable resulted from business operation)
- (2) Average collection period = 365 / Accounts receivable turnover
- (3) Inventory turnover = cost of goods sold / average inventory
- (4) Accounts payable turnover (including accounts payable and notes payable resulted from business operation) = Costs of goods sold / average accounts payable (including accounts payable and notes payable resulted from business operation)
- (5) Average days in sales = 365 / inventory turnover
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
- (7) Total assets turnover = net sales / average total assets

4. Profitability

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

5. Cash flow

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

6. Leverage

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



### 6.3 Audit Committee's Review Report on the Most Recent Fiscal Year

#### Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2020 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:

2021 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Huan-Chung

Date: March 24, 2021



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

The Board of Directors has prepared and submitted the 2020 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:

2021 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:



---

Chen, Huan-Chung

Date: April 28, 2021



## 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

#### Write-downs of Inventory

As of December 31, 2020, the carrying amount of finished goods related to the retail segment included in the inventories was \$25,709,721 thousand. For the related disclosures, refer to Notes 4, 5 and 12 to the consolidated financial statements.

The determination of net realizable value required an evaluation of on the sales condition and quality of product 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 consolidated financial statements for the year ended December 31, 2020.

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, 2020, goodwill allocated to the manufacture and sale of footwear of the Group amounted to \$5,223,090 thousand. For the related disclosures, refer to Notes 4, 5 and 20 to the consolidated financial statements.

Management evaluated the impairment of the abovementioned assets based on their recoverable amounts. The recoverable amounts are 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 consolidated financial statements for the year ended December 31, 2020.

Our audit procedures in response to this key audit matter included evaluation of the reasonableness of the significant assumptions, evaluation model, and basic information of the impairment test used by management and recalculation of 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 the 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., is based solely on the report of other auditors. As of December 31, 2020 and 2019, the carrying amounts of the investment in Ruen Chen Investment Holding Co., Ltd. were \$75,039,348 thousand and \$49,612,043 thousand which constituted 20.34% and 13.67% of the Group's consolidated total assets, respectively. For the years ended December 31, 2020 and 2019, the profit of the associate was \$6,385,558 thousand and \$5,766,591 thousand which constituted 107.12% and 26.79% of the income which the Group recognized before income tax, respectively. As of December 31, 2020 and 2019, the carrying amounts of the investment in Nan Shan Life Insurance Co., Ltd. were \$812,298 thousand and \$548,783 thousand which constituted 0.22% and 0.15% of the Group's consolidated total assets, respectively. For the years ended December 31, 2020 and 2019, the profit of the associate was \$66,911 thousand and \$22,406 thousand which constituted 1.12% and 0.10% of the income which the Group recognized before income tax, respectively.

We have also audited the parent company only financial statements of Pou Chen Corporation as of and for the years ended December 31, 2020 and 2019 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 IFRS, IAS, IFRIC, IFRIC, and 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, 2020 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 audits resulting in this independent auditors' report are Wen-Yea, Shyu and Kenny Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2021

#### 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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 32,108,725	9	\$ 37,049,955	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,769,286	1	692,874	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 9)	16,685,548	5	17,736,334	5
Financial assets at amortized cost - current (Notes 4 and 10)	7,492,930	2	1,656,038	1
Notes receivable (Notes 4 and 11)	39	-	509	-
Accounts receivable (Notes 4, 11 and 35)	31,916,866	9	34,261,246	10
Other receivables (Notes 4 and 11)	5,312,322	1	5,115,656	1
Inventories - manufacturing and retailing (Notes 4 and 12)	45,214,271	12	54,713,419	15
Inventories - construction (Notes 4 and 12)	3,716,256	1	3,909,013	1
Non-current assets held for sale (Notes 4 and 13)	630,861	-	1,342,804	-
Other current assets (Notes 4 and 14)	8,648,792	2	9,159,841	3
Total current assets	155,495,896	42	165,637,689	46
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	997,231	-	1,353,545	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	1,050,168	-	1,222,245	-
Financial assets at amortized cost - non-current (Notes 4, 10 and 36)	3,472,325	1	5,918,089	2
Investments accounted for using the equity method (Notes 4 and 16)	97,988,994	27	72,310,784	20
Property, plant and equipment (Notes 4 and 17)	69,983,286	19	77,861,266	21
Right-of-use assets (Notes 4 and 18)	20,535,496	6	18,983,090	5
Investment properties (Notes 4 and 19)	2,827,040	1	2,841,851	1
Goodwill (Notes 4 and 20)	7,957,895	2	8,279,832	2
Other intangible assets (Notes 4 and 21)	1,874,808	-	2,149,303	1
Deferred tax assets (Notes 4 and 29)	2,757,568	1	2,167,426	1
Other non-current assets (Notes 4 and 14)	3,973,852	1	4,331,210	1
Total non-current assets	213,418,663	58	197,418,641	54
<b>TOTAL</b>	<b>\$ 368,914,559</b>	<b>100</b>	<b>\$ 363,056,330</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 22)	\$ 23,732,375	6	\$ 42,247,828	12
Short-term bills payable (Note 22)	3,360,748	1	2,547,678	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	131,348	-	47,741	-
Financial liabilities for hedging - current (Notes 4 and 8)	278	-	-	-
Notes payable (Notes 4, 23 and 35)	7,402	-	11,199	-
Accounts payable (Notes 4, 23 and 35)	16,628,923	4	14,866,337	4
Other payables (Note 24)	21,217,044	6	25,295,496	7
Current tax liabilities (Note 4)	3,051,860	1	2,093,845	-
Lease liabilities - current (Notes 4 and 18)	4,640,954	1	3,908,023	1
Current portion of long-term borrowings (Note 22)	5,888,875	2	263,796	-
Other current liabilities	6,748,629	2	6,951,737	2
Total current liabilities	85,408,436	23	98,233,680	27
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - non-current (Notes 4 and 7)	714,819	-	308,366	-
Long-term borrowings (Note 22)	66,328,779	18	60,290,054	17
Deferred tax liabilities (Notes 4 and 29)	1,461,216	-	1,627,302	1
Lease liabilities - non-current (Notes 4 and 18)	9,494,536	3	8,255,154	2
Long-term payables (Note 24)	148,032	-	152,831	-
Net defined benefit liabilities (Notes 4 and 25)	4,055,076	1	4,251,602	1
Other non-current liabilities	60,463	-	68,314	-
Total non-current liabilities	82,262,921	22	74,953,623	21
Total liabilities	167,671,357	45	173,187,303	48
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)</b>				
Share capital				
Ordinary shares	29,467,872	8	29,467,872	8
Capital surplus	4,389,862	1	4,592,397	1
Retained earnings				
Legal reserve	16,064,775	4	14,881,914	4
Special reserve	-	-	22,293,369	6
Unappropriated earnings	56,743,003	16	34,488,820	10
Total retained earnings	72,807,778	20	71,664,103	20
Other equity	27,443,947	8	11,684,567	3
Total equity attributable to owners of the Company	134,109,459	37	117,408,939	32
<b>NON-CONTROLLING INTERESTS</b>	<b>67,133,743</b>	<b>18</b>	<b>72,460,088</b>	<b>20</b>
Total equity	201,243,202	55	189,869,027	52
<b>TOTAL</b>	<b>\$ 368,914,559</b>	<b>100</b>	<b>\$ 363,056,330</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 24, 2021)

## POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 35)	\$ 249,954,311	100	\$ 313,156,585	100
OPERATING COSTS (Notes 25, 28 and 35)	<u>195,203,206</u>	<u>78</u>	<u>233,641,231</u>	<u>74</u>
GROSS PROFIT	<u>54,751,105</u>	<u>22</u>	<u>79,515,354</u>	<u>26</u>
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	31,835,128	13	37,835,986	12
General and administrative expenses	19,459,894	8	21,284,611	7
Research and development expenses	<u>5,567,161</u>	<u>2</u>	<u>6,444,297</u>	<u>2</u>
Total operating expenses	<u>56,862,183</u>	<u>23</u>	<u>65,564,894</u>	<u>21</u>
(LOSS) INCOME FROM OPERATIONS	<u>(2,111,078)</u>	<u>(1)</u>	<u>13,950,460</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 28)	639,635	-	784,118	-
Other income (Note 28)	3,435,429	2	3,289,297	1
Other gains and (losses) (Note 28)	(1,496,270)	-	(671,207)	-
Net gain (loss) on derecognition of financial assets at amortized cost	3,214	-	(3,260)	-
Finance costs (Note 28)	(2,407,297)	(1)	(3,241,955)	(1)
Share of the profit of associates and joint ventures (Notes 4 and 16)	<u>7,897,693</u>	<u>3</u>	<u>7,414,525</u>	<u>2</u>
Total non-operating income and expenses	<u>8,072,404</u>	<u>4</u>	<u>7,571,518</u>	<u>2</u>
INCOME BEFORE INCOME TAX	5,961,326	3	21,521,978	7
INCOME TAX EXPENSE (Notes 4 and 29)	<u>2,041,909</u>	<u>1</u>	<u>3,519,204</u>	<u>1</u>
NET INCOME FOR THE YEAR	<u>3,919,417</u>	<u>2</u>	<u>18,002,774</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 25)	(290,488)	-	(132,669)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(313,926)	(1)	3,129,649	1
Share of the other comprehensive (loss) income of associates and joint ventures	(174,988)	-	173,895	-

(Continued)



**POU CHEN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (4,726,138)	(2)	\$ (4,440,733)	(2)
Gain on hedging instruments	1,195	-	-	-
Share of the other comprehensive income of associates and joint ventures	<u>19,266,213</u>	<u>8</u>	<u>31,091,295</u>	<u>10</u>
Other comprehensive income for the year, net of income tax	<u>13,761,868</u>	<u>5</u>	<u>29,821,437</u>	<u>9</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 17,681,285</u>	<u>7</u>	<u>\$ 47,824,211</u>	<u>15</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 4,840,184	2	\$ 11,828,609	4
Non-controlling interests	<u>(920,767)</u>	<u>-</u>	<u>6,174,165</u>	<u>2</u>
	<u>\$ 3,919,417</u>	<u>2</u>	<u>\$ 18,002,774</u>	<u>6</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 20,587,697	8	\$ 43,908,682	14
Non-controlling interests	<u>(2,906,412)</u>	<u>(1)</u>	<u>3,915,529</u>	<u>1</u>
	<u>\$ 17,681,285</u>	<u>7</u>	<u>\$ 47,824,211</u>	<u>15</u>
<b>EARNINGS PER SHARE (Note 30)</b>				
Basic	<u>\$ 1.64</u>		<u>\$ 4.01</u>	
Diluted	<u>\$ 1.64</u>		<u>\$ 4.01</u>	

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

(With Deloitte & Touche audit report dated March 24, 2021)

(Concluded)



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

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

With Deloitte & Touche audit report dated March 24, 2021)



**POU CHEN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax for the year	\$ 5,961,326	\$ 21,521,978
Adjustments for:		
Depreciation expenses	16,127,403	15,226,379
Amortization expenses	483,716	502,692
Expected credit loss on accounts receivable	13,745	121,027
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	675,985	(478,172)
Finance costs	2,407,297	3,241,955
Net (gain) loss on derecognition of financial assets at amortized cost	(3,214)	3,260
Interest income	(639,635)	(784,118)
Dividend income	(1,006,050)	(988,097)
Compensation cost of employee share options	11,992	154,948
Share of profit of associates and joint ventures	(7,897,693)	(7,414,525)
Net loss on disposal of property, plant and equipment	482,997	562,142
Net gain recognized on disposal of the land use right	(153,880)	-
Net gain on disposal of subsidiaries, associates and joint ventures	(535,107)	(579,794)
Impairment loss	457,134	308,296
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(2,906,023)	45,280
Notes receivable	470	456
Accounts receivable	2,335,215	2,065,311
Other receivables	(171,338)	(48,756)
Inventories	9,479,131	(4,257,541)
Other current assets	511,049	(754,160)
Other operating assets	87,904	(8,860)
Notes payable	(3,797)	1,793
Accounts payable	1,762,586	87,304
Other payables	(3,094,485)	1,674,763
Other current liabilities	689,126	138,821
Net defined benefit liabilities	(487,014)	625,264
Other operating liabilities	(4,799)	1,348
Cash generated from operations	24,584,041	30,968,994
Interest paid	(2,398,509)	(3,123,008)
Income tax paid	(1,827,678)	(3,336,520)
Net cash generated from operating activities	<u>20,357,854</u>	<u>24,509,466</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through profit or loss	804,350	-
Proceeds from return of capital of financial assets at fair value through other comprehensive income	56,289	-
Purchases of financial assets at amortized cost	(13,542,939)	(10,489,138)

(Continued)

## POU CHEN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(In Thousands of New Taiwan Dollars)**

	2020	2019
Proceeds from sale of financial assets at amortized cost	\$ 9,877,178	\$ 5,618,887
Acquisition of associates and joint ventures	(963,016)	(4,459,840)
Proceeds from disposal of associates and joint ventures	134,951	91,908
Net cash inflow on disposal of subsidiaries	-	3,020,293
Proceeds from return of capital of associates under equity method	-	94,602
Proceeds from disposal of non-current assets held for sale	103,752	1,134,653
Acquisition of property, plant and equipment	(7,910,008)	(12,414,288)
Proceeds from disposal of property, plant and equipment	1,236,517	499,593
Increase in refundable deposits	(37,465)	(162,939)
Decrease in other receivables	37,781	-
Payments for intangible assets	(196,661)	(490,078)
Payments for right-of-use assets	(93,057)	(97,866)
Payments for investment properties	(240)	(1,079)
Interest received	703,010	691,998
Dividends received	2,138,774	2,013,687
Proceeds from disposal of right-of-use assets	<u>173,073</u>	<u>1,835</u>
Net cash used in investing activities	<u>(7,477,711)</u>	<u>(14,947,772)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	5,752,895
Repayments of short-term borrowings	(18,515,453)	-
Proceeds from short-term bills payable	813,000	-
Repayments of short-term bills payable	-	(321,500)
Proceeds from long-term borrowings	11,586,565	4,897,632
Increase in guarantee deposits	-	545
Decrease in guarantee deposits	(7,851)	-
Repayments of principal portion of lease liabilities	(4,610,366)	(3,980,391)
Cash dividends	(3,683,484)	(4,420,181)
Change in non-controlling interests	(2,419,933)	(4,897,130)
Unclaimed dividends by shareholders	<u>27,223</u>	<u>-</u>
Net cash used in financing activities	<u>(16,810,299)</u>	<u>(2,968,130)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(1,011,074)</u>	<u>(1,795,610)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(4,941,230)</u>	<u>4,797,954</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>37,049,955</u>	<u>32,252,001</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 32,108,725</u>	<u>\$ 37,049,955</u>

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

(With Deloitte & Touche audit report dated March 24, 2021)

(Concluded)



## POU CHEN CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

---

#### 1. GENERAL INFORMATION

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

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

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 24, 2021.

#### 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) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. 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 that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. 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”

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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.

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

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

## b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.



- d) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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 Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 per cent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.



## 5) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

## 6) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

## 7) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or



- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

8) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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 15 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.

## 1. 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 foreign exchange rate risks, including forward exchange contracts, foreign exchange options contracts, foreign exchange swap contracts, cross-currency swap contracts and interest rate swap contracts.

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

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.



## 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, estimations 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 Group considers the economic implications of the COVID-19 when making its critical accounting 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 revisions affect only that period or in the period of the revisions and future periods if the revisions affect 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	
	2020	2019
Cash on hand	\$ 19,148	\$ 20,011
Checking accounts and demand deposits	20,517,486	24,675,936
Cash equivalent (investments with original maturities of less than three months)		
Time deposits	<u>11,572,091</u>	<u>12,354,008</u>
	<u>\$ 32,108,725</u>	<u>\$ 37,049,955</u>

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2020	2019
<u>Financial assets at FVTPL</u>		
Financial assets mandatorily at FVTPL		
Hybrid financial assets		
Structured deposits (a)	\$ 578,315	\$ 598,281
Derivative financial assets (not under hedge accounting)		
Interest rate swap contracts (b)	-	11,350
Foreign exchange forward contracts (c)	76,483	169,394
Exchange rate option contracts (d)	3,276,190	6,191
Exchange rate swap contracts (e)	180,774	1,636
		(Continued)



	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Non-derivative financial assets		
Mutual funds	\$ 654,755	\$ 890,362
Contingent consideration (Note 32)	<u>-</u>	<u>369,205</u>
	<u>\$ 4,766,517</u>	<u>\$ 2,046,419</u>
Current	\$ 3,769,286	\$ 692,874
Non-current	<u>997,231</u>	<u>1,353,545</u>
	<u>\$ 4,766,517</u>	<u>\$ 2,046,419</u>
<b>Financial liabilities at FVTPL</b>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Interest rate swap contracts (b)	\$ 717,051	\$ 308,366
Forward exchange contracts (c)	117,458	-
Exchange rate option contracts (d)	10,954	2,383
Exchange rate swap contracts (e)	704	19,692
Cross-currency swap contracts (f)	<u>-</u>	<u>25,666</u>
	<u>\$ 846,167</u>	<u>\$ 356,107</u>
Current	\$ 131,348	\$ 47,741
Non-current	<u>714,819</u>	<u>308,366</u>
	<u>\$ 846,167</u>	<u>\$ 356,107</u>

(Concluded)

## 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 was assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9. As of December 31, 2020 and 2019, 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, 2020

<b>Notional Amount (In Thousands)</b>		<b>Maturity Date</b>	<b>Pay Rate (Fixed Rate %)</b>	<b>Received Rate (Floating Rate %)</b>
US\$	50,000	2021.03	Note	Note
US\$	100,000	2023.07	3.335	0.91363
US\$	150,000	2023.07	3.340	0.91438
US\$	100,000	2022.08	2.600	0.98863

(Continued)



# POU CHEN CORPORATION

Notional Amount (In Thousands)		Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
US\$	50,000	2022.08	1.930	0.23863
US\$	50,000	2022.08	1.930	0.23863
US\$	50,000	2023.03	0.720	0.23863
US\$	50,000	2023.03	0.710	0.23863
US\$	50,000	2023.03	0.648	0.23863
US\$	50,000	2023.03	0.548	0.23863
US\$	50,000	2023.03	0.515	0.23863
US\$	50,000	2023.03	0.485	0.23863

(Concluded)

## December 31, 2019

Notional Amount (In Thousands)		Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (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

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, 2020

Notional Amount (In Thousands)		Forward Exchange Rates
US\$	148,320	Sell US\$/buy IDR at 14,835 to 17,145
US\$	81,768	Sell NT\$/buy US\$ at 26.756 to 29.440

## December 31, 2019

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

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, 2020

Notional Amount (In Thousands)	Type	Buy/Sell	Maturity Date	Exchange Rate
US\$ 35,000	Put	Sell	2020.12-2021.03	US\$:RMB6.8000
US\$ 80,000	Put	Sell	2020.12-2021.12	US\$:RMB7.0500
US\$ 5,000	Call	Sell	2021.09	US\$:RMB6.5000
US\$ 5,000	Call	Sell	2021.09	US\$:RMB6.5000
US\$ 92,000	Put	Sell	2021.01-2022.11	US\$:RMB7.0000
US\$ 28,000	Call	Sell	2021.06-2021.12	US\$:HK\$7.7490
US\$ 30,000	Call	Sell	2021.02-2022.02	US\$:HK\$7.7490
US\$ 30,000	Call	Sell	2021.03-2022.03	US\$:HK\$7.7475
US\$ 18,000	Call	Sell	2021.05-2022.05	US\$:HK\$7.7335
US\$ 12,000	Call	Sell	2021.05-2022.05	US\$:HK\$7.7335
US\$ 89,000	Put	Sell	2021.03-2021.08	US\$:IDR15,600

December 31, 2019

Notional Amount (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

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, 2020

Notional Amount (In Thousands)	Maturity Date	Exchange Rate
US\$ 5,800	2021.03	US\$:NT\$28.2830
US\$ 19,000	2021.03	US\$:NT\$28.1035
US\$ 38,000	2021.03	US\$:NT\$28.0970
US\$ 15,000	2021.03	US\$:NT\$28.0970
US\$ 60,000	2021.03	US\$:NT\$28.0960
US\$ 72,600	2021.03	US\$:NT\$28.0860
US\$ 31,900	2021.03	US\$:NT\$28.0860
US\$ 43,000	2021.03	US\$:NT\$28.0860
US\$ 21,000	2021.03	US\$:NT\$28.0860
US\$ 36,000	2021.03	US\$:NT\$28.0860

(Continued)



# POU CHEN CORPORATION

Notional Amount (In Thousands)		Maturity Date	Exchange Rate
US\$	2,000	2021.03	US\$:NT\$28.1040
US\$	16,600	2021.03	US\$:NT\$28.0970
US\$	20,000	2021.03	US\$:NT\$28.0970
US\$	9,000	2021.03	US\$:NT\$28.0960
US\$	20,400	2021.03	US\$:NT\$28.0960
US\$	55,000	2021.03	US\$:NT\$28.0960
RMB	42,860	2021.03	RMB:NT\$4.2233
RMB	80,100	2021.03	US\$:RMB6.8395
RMB	100,000	2021.03	US\$:RMB6.8393
RMB	119,900	2021.03	US\$:RMB6.8395
RMB	57,509	2021.03	US\$:RMB6.6290
RMB	34,930	2021.06	US\$:RMB6.5928

(Concluded)

December 31, 2019

Notional Amount (In Thousands)		Maturity Date	Exchange 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\$	36,000	2020.02	US\$:NT\$ 30.0070
US\$	21,000	2020.02	US\$:NT\$ 30.0070
US\$	5,900	2020.02	US\$:NT\$ 30.0070
US\$	36,000	2020.02	US\$:NT\$ 30.0060
US\$	43,000	2020.03	US\$:NT\$ 29.9660
US\$	22,300	2020.03	US\$:NT\$ 29.9640

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 (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

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. DERIVATIVE FINANCIAL LIABILITY FOR HEDGING - CURRENT**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial liability - current</u>		
Fair value hedge - cross currency swap contracts	\$ 278	\$ -

The Group entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated borrowings. As the critical terms of the cross-currency swap contracts and their corresponding hedged items are the same, the managements of the Group believes that they could be used as highly effective hedging instruments. At the end of the reporting period, outstanding cross-currency swap contracts were as follows:

December 31, 2020

<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Exchange Rate</b>	<b>Interest %</b>
US\$9,200	2021.12	US\$:NT\$28.300	0.450

**9. FINANCIAL ASSETS AT FVTOCI**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Listed shares	\$ 17,540,298	\$ 18,682,365
Unlisted shares	85,946	70,805
Foreign investments		
Unlisted shares	<u>109,472</u>	<u>205,409</u>
	<u>\$ 17,735,716</u>	<u>\$ 18,958,579</u>
Current	\$ 16,685,548	\$ 17,736,334
Non-current	<u>1,050,168</u>	<u>1,222,245</u>
	<u>\$ 17,735,716</u>	<u>\$ 18,958,579</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.



**10. FINANCIAL ASSETS AT AMORTIZED COST**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Time deposits with original maturities of more than three months	\$ 7,043,368	\$ 663,276
Restricted deposits of repatriated offshore funds	134,438	-
Structured product	113,364	696,110
Repurchase agreements collateralized by bonds with original maturities of more than three months	344,488	-
Foreign investments		
Bonds	1,459,241	4,367,841
Structured products	<u>1,870,356</u>	<u>1,846,900</u>
	<u>\$ 10,965,255</u>	<u>\$ 7,574,127</u>
Current	\$ 7,492,930	\$ 1,656,038
Non-current	<u>3,472,325</u>	<u>5,918,089</u>
	<u>\$ 10,965,255</u>	<u>\$ 7,574,127</u>

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

**11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Notes receivable (including related parties)</u>		
Notes receivable - operating	<u>\$ 39</u>	<u>\$ 509</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 32,110,269	\$ 34,569,042
Less: Allowance for impairment loss	<u>(193,403)</u>	<u>(307,796)</u>
	<u>\$ 31,916,866</u>	<u>\$ 34,261,246</u>
<u>Other receivables</u>		
Tax refund receivables	\$ 1,469,645	\$ 1,618,777
Others	3,843,536	3,528,918
Less: Allowance for impairment loss	<u>(859)</u>	<u>(32,039)</u>
	<u>\$ 5,312,322</u>	<u>\$ 5,115,656</u>

a. Notes receivable

The notes receivable balances at December 31, 2020 and 2019 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, 2020

	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 19,707,475	\$ 11,850,286	\$ 552,508	\$ 32,110,269
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(11,135)</u>	<u>(182,268)</u>	<u>(193,403)</u>
Amortized cost	<u>\$ 19,707,475</u>	<u>\$ 11,839,151</u>	<u>\$ 370,240</u>	<u>\$ 31,916,866</u>

December 31, 2019

	<b>Less than 30 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>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 307,796	\$ 574,519
Add: Impairment losses recognized on receivables	9,188	68,062
Less: Amount written off	(118,391)	(224,550)
Less: Subsidiary disposed	-	(97,777)
Foreign exchange gains and losses	<u>(5,190)</u>	<u>(12,458)</u>
Balance at December 31	<u>\$ 193,403</u>	<u>\$ 307,796</u>



## 12. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Inventories - manufacturing and retailing	\$ 45,214,271	\$ 54,713,419
Inventories - construction	<u>3,716,256</u>	<u>3,909,013</u>
	<u>\$ 48,930,527</u>	<u>\$ 58,622,432</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 6,288,650	\$ 7,301,125
Work in progress	4,674,720	5,369,483
Finished goods and merchandise	<u>34,250,901</u>	<u>42,042,811</u>
	<u>\$ 45,214,271</u>	<u>\$ 54,713,419</u>

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$195,203,206 thousand and \$233,641,231 thousand, respectively.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land and buildings held for development	\$ 3,563,870	\$ 3,742,807
Land and buildings held for sale	41,494	55,314
Land held for construction site	<u>110,892</u>	<u>110,892</u>
	<u>\$ 3,716,256</u>	<u>\$ 3,909,013</u>

## 13. NON-CURRENT ASSETS HELD FOR SALE

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Assets associated with non-current assets held for sale</u>		
Investments accounted for using equity method	<u>\$ 630,861</u>	<u>\$ 1,342,804</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 \$541,433 thousand (US\$19,011 thousand) and \$1,217,278 thousand (US\$40,603 thousand) as of December 31, 2020 and 2019, respectively.
- 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 \$89,428 thousand (RMB20,412 thousand) and \$125,526 thousand (RMB29,160 thousand) as of December 31, 2020 and 2019, respectively.



## 14. OTHER ASSETS

	December 31	
	2020	2019
Prepayments	\$ 6,936,892	\$ 7,298,459
Refundable deposits	817,929	780,464
Defined benefit assets (Note 25)	43,754	43,754
Prepayments for equipment	2,922,753	3,187,694
Others	<u>1,901,316</u>	<u>2,180,680</u>
	<u>\$ 12,622,644</u>	<u>\$ 13,491,051</u>
Current	\$ 8,648,792	\$ 9,159,841
Non-current	<u>3,973,852</u>	<u>4,331,210</u>
	<u>\$ 12,622,644</u>	<u>\$ 13,491,051</u>

## 15. SUBSIDIARIES

## a. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership	
			December 31	
			2020	2019
Wealthplus Holdings Limited ("Wealthplus")	British Virgin Islands	Investing in footwear, electronic and peripheral products	100.00%	100.00%
Win Fortune Investments Limited	British Virgin Islands	Investing activities	100.00%	100.00%
Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	100.00%	100.00%
Pou Shine Investments Co., Ltd.	ROC	Investing activities	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	ROC	Design and manufacture of footwear products	100.00%	100.00%
Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	99.81%	99.81%
Barits Development Corporation	ROC	Import and export of shoe related materials and investing activities	99.62%	99.62%

The information of major subsidiaries of Wealthplus is as follows:

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership	
			December 31	
			2020	2019
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	50.04%	50.04%
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	31.12%	31.12%
Crown Master Investments Limited	British Virgin Islands	Investment holding	-	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%
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, 2020 and 2019 the ownership percentage both were 1.07%). Investing is its primary operation activities.



# POU CHEN CORPORATION

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31	
			2020	2019
Vantage Capital Investments Ltd.	British Virgin Islands	Investment holdings	-	100.00%
Pearl Dove International Ltd.	British Virgin Islands	Investment holdings	100.00%	100.00%

The information of Barits Development Corporation's subsidiaries is as follows:

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31	
			2020	2019
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%
Yue Hong Realty Development Co., Ltd.	ROC	Development of real estate	100.00%	100.00%
Wang Yi Construction Co., Ltd.	ROC	Construction	89.75%	89.75%
Pou Yui Development Co., Ltd.	ROC	Rental and sale of real estate	75.00%	75.00%

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	2020	2019
Yue Yuen Industrial (Holdings) Limited	48.89%	48.89%
Pou Sheng International (Holdings) Limited	37.81%	37.80%

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 Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2020	2019	2020	2019
Yue Yuen Industrial (Holdings) Limited	\$ (1,465,332)	\$ 4,544,881	\$ 53,341,738	\$ 59,284,190
Pou Sheng International (Holdings) Limited	481,950	1,407,876	13,675,299	12,167,173

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current assets	\$ 120,609,716	\$ 134,660,339
Non-current assets	120,200,012	127,150,345
Current liabilities	(66,491,381)	(73,624,773)
Non-current liabilities	<u>(51,359,235)</u>	<u>(53,680,531)</u>
Equity	<u>\$ 122,959,112</u>	<u>\$ 134,505,380</u>
Equity attributable to:		
Owners of the Company	\$ 56,103,415	\$ 62,334,857
Non-controlling interests of Yue Yuen	53,341,738	59,284,190
Non-controlling interests of Yue Yuen's subsidiaries	<u>13,513,959</u>	<u>12,886,333</u>
	<u>\$ 122,959,112</u>	<u>\$ 134,505,380</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	<u>\$ 249,276,778</u>	<u>\$ 312,346,215</u>
Net (loss) income	\$ (2,459,579)	\$ 10,878,199
Other comprehensive income (loss)	<u>2,176,192</u>	<u>(456,667)</u>
Total comprehensive (loss) income	<u>\$ (283,387)</u>	<u>\$ 10,421,532</u>
Net (loss) income attributable to:		
Owners of the Company	\$ (1,527,731)	\$ 4,711,498
Non-controlling interests of Yue Yuen	(1,465,331)	4,544,881
Non-controlling interests of Yue Yuen's subsidiaries	<u>533,483</u>	<u>1,621,820</u>
	<u>\$ (2,459,579)</u>	<u>\$ 10,878,199</u>
Total comprehensive (loss) income attributable to:		
Owners of the Company	\$ (881,045)	\$ 4,578,978
Non-controlling interests of Yue Yuen	(846,975)	4,417,837
Non-controlling interests of Yue Yuen's subsidiaries	<u>1,444,633</u>	<u>1,424,717</u>
	<u>\$ (283,387)</u>	<u>\$ 10,421,532</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 15,641,001	\$ 21,088,068
Investing activities	(5,917,239)	(6,547,304)
Financing activities	<u>(13,588,078)</u>	<u>(10,151,867)</u>
Net cash (outflow) inflow	<u>\$ (3,864,316)</u>	<u>\$ 4,388,897</u>
Dividends paid to:		
Non-controlling interests of Yue Yuen	<u>\$ 2,122,838</u>	<u>\$ 4,692,974</u>
Non-controlling interests of Yue Yuen's subsidiaries	<u>\$ 14,766</u>	<u>\$ 275,298</u>



16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in associates	\$ 89,961,240	\$ 64,849,487
Investments in joint ventures	<u>8,027,754</u>	<u>7,461,297</u>
	<u>\$ 97,988,994</u>	<u>\$ 72,310,784</u>

a. Investments in associates

	December 31	
	2020	2019
Material associate		
Ruen Chen Investment Holding Co., Ltd.	\$ 75,039,348	\$ 49,612,043
Associates that are not individually material	<u>14,921,892</u>	<u>15,237,444</u>
	<u>\$ 89,961,240</u>	<u>\$ 64,849,487</u>

1) Material associate

	Proportion of Ownership and Voting Rights (%)	
	December 31	
Name of Associate	2020	2019
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	
	2020	2019
Assets	\$ 5,160,470,282	\$ 4,846,936,411
Liabilities	(4,734,749,393)	(4,562,716,753)
Non-controlling interests	<u>(50,227,590)</u>	<u>(35,862,882)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 375,493,299</u>	<u>\$ 248,356,776</u>
Proportion of the Group	20.00%	20.00%

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Equity attributable to the Group	\$ 75,098,660	\$ 49,671,355
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 75,039,348</u>	<u>\$ 49,612,043</u> (Concluded)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	<u>\$ 579,075,147</u>	<u>\$ 622,318,319</u>
Net income	\$ 35,695,200	\$ 32,004,407
Other comprehensive income	<u>104,899,215</u>	<u>173,096,475</u>
Total comprehensive income	<u>\$ 140,594,415</u>	<u>\$ 205,100,882</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>2020</b>	<b>2019</b>
Eagle Nice (International) Holdings Limited	36.09	36.09
San Fang Chemical Industry Co., Ltd.	44.72	44.72
Elitegroup Computer Systems Co., Ltd.	19.50	19.50
Brandblack Inc.	31.25	-
Full Pearl International Ltd.	40.04	40.04
Haicheng Information Technology Co., Ltd.	-	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
Supplyline Logistics Ltd.	-	49.00
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	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.



## POU CHEN CORPORATION

- c) The Group holds less than 20% interest of Nan Pao Resins Chemical Co., Ltd. ("Nan Pao") but the Group has the power to appoint one out of the eight directors of Nan Pao.; therefore, the Group is 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 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>2020</b>	<b>2019</b>
The Group's share of:		
Net income	\$ 880,666	\$ 875,282
Other comprehensive income	<u>453,001</u>	<u>17,991</u>
Total comprehensive income	<u>\$ 1,333,667</u>	<u>\$ 893,273</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>Name of Associate</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Eagle Nice (International) Holdings Limited	<u>\$ 2,764,925</u>	<u>\$ 2,245,787</u>
Prosperous Industrial (Holdings) Ltd.	<u>\$ 324,105</u>	<u>\$ 353,905</u>
San Fang Chemical Industry Co., Ltd.	<u>\$ 4,084,434</u>	<u>\$ 4,211,869</u>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 2,820,902</u>	<u>\$ 1,489,262</u>
Nan Pao Resins Chemical Co., Ltd.	<u>\$ 3,353,018</u>	<u>\$ 3,194,684</u>

### b. Investments in joint ventures

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Joint ventures that are not individually material	<u>\$ 8,027,754</u>	<u>\$ 7,461,297</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 Voting Rights (%)	
	December 31	
	2020	2019
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
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	55.00
Prime Glorious Limited	49.00	-
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	
	2020	2019
The Group's share of:		
Net income	\$ 631,470	\$ 772,652
Other comprehensive income (loss)	<u>250,769</u>	<u>(62,125)</u>
Total comprehensive income	<u>\$ 882,239</u>	<u>\$ 710,527</u>

## 17. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
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>
Accumulated depreciation and impairment								
Balance at January 1, 2019	\$ (5,241)	\$ (33,313,198)	\$ (27,944,301)	\$ (877,770)	\$ (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>

(Continued)



# POU CHEN CORPORATION

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>								
Balance at January 1, 2020	\$ 2,545,042	\$ 84,994,756	\$ 50,021,954	\$ 1,278,154	\$ 7,996,407	\$ 262,512	\$ 3,007,148	\$ 150,105,973
Additions	-	2,353,461	2,151,105	52,498	701,887	23,596	2,021,798	7,304,345
Disposal	-	(2,055,508)	(3,824,669)	(115,462)	(353,602)	(8,788)	-	(6,358,029)
Reclassification - other	196,926	3,010,559	2,764	1,570	-	20	(3,083,528)	128,311
Effects of exchange rate changes	-	(3,190,932)	(2,440,751)	(48,199)	(248,938)	(16)	(144,546)	(6,073,382)
Urban renewal	(5,943)	-	-	-	-	-	-	(5,943)
Balance at December 31, 2020	<u>\$ 2,736,025</u>	<u>\$ 85,112,336</u>	<u>\$ 45,910,403</u>	<u>\$ 1,168,561</u>	<u>\$ 8,095,754</u>	<u>\$ 277,324</u>	<u>\$ 1,800,872</u>	<u>\$ 145,101,275</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	\$ (5,241)	\$ (35,756,172)	\$ (30,250,419)	\$ (877,151)	\$ (5,175,660)	\$ (180,064)	\$ -	\$ (72,244,707)
Depreciation expenses	-	(5,158,722)	(4,625,719)	(108,850)	(916,834)	(25,582)	-	(10,835,707)
Disposal	-	1,454,926	2,812,177	103,026	265,653	8,675	-	4,644,457
Reclassification - other	-	28,959	-	-	-	-	-	28,959
Effects of exchange rate changes	-	1,420,504	1,638,555	35,973	193,961	16	-	3,289,009
Balance at December 31, 2020	<u>\$ (5,241)</u>	<u>\$ (38,010,505)</u>	<u>\$ (30,475,406)</u>	<u>\$ (847,002)</u>	<u>\$ (5,632,880)</u>	<u>\$ (196,955)</u>	<u>\$ -</u>	<u>\$ (75,117,989)</u>
Carrying amounts at December 31, 2020	<u>\$ 2,730,784</u>	<u>\$ 47,101,831</u>	<u>\$ 15,484,997</u>	<u>\$ 321,559</u>	<u>\$ 2,462,874</u>	<u>\$ 80,369</u>	<u>\$ 1,800,872</u>	<u>\$ 69,983,286</u>

(Concluded)

- 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.

## 18. LEASE ARRANGEMENTS

- Right-of-use assets

	December 31	
	2020	2019
<b>Carrying amounts</b>		
Land	\$ 6,661,570	\$ 6,667,555
Buildings	13,854,609	12,298,223
Machinery	6,452	5,182
Transportation equipment	7,491	6,554
Other equipment	<u>5,374</u>	<u>5,576</u>
	<u>\$ 20,535,496</u>	<u>\$ 18,983,090</u>



	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 7,413,092</u>	<u>\$ 7,678,670</u>
Depreciation charge for right-of-use assets		
Land	\$ 149,065	\$ 151,654
Buildings	5,102,733	4,149,894
Machinery	7,381	5,387
Transportation equipment	4,878	4,341
Other equipment	<u>823</u>	<u>438</u>
	<u>\$ 5,264,880</u>	<u>\$ 4,311,714</u>

## b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ 4,640,954	\$ 3,908,023
Non-current	<u>9,494,536</u>	<u>8,255,154</u>
	<u>\$ 14,135,490</u>	<u>\$ 12,163,177</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	1.23%-5.00%	1.34%-5.00%
Buildings	1.34%-5.50%	1.34%-5.50%
Machinery	0.90%-3.07%	3.07%
Transportation equipment	1.25%-4.50%	1.34%-4.50%
Other equipment	1.34%	1.34%

## c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 770,401</u>	<u>\$ 1,409,800</u>
Expenses relating to low-value asset leases	<u>\$ 2,243</u>	<u>\$ 2,533</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 5,656,669</u>	<u>\$ 8,409,159</u>
Total cash outflow for leases	<u>\$ 11,647,833</u>	<u>\$ 14,281,468</u>



**19. INVESTMENT PROPERTIES**

	<b>2020</b>	<b>2019</b>
<u>Cost</u>		
Balance at January 1	\$ 3,665,277	\$ 3,123,486
Additions	32,240	1,079
Reclassification	29,582	579,051
Effects of exchange rate changes	<u>(77,183)</u>	<u>(38,339)</u>
Balance at December 31	<u>\$ 3,649,916</u>	<u>\$ 3,665,277</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ (823,426)	\$ (811,465)
Depreciation expenses	(26,816)	(26,507)
Reclassification	(10,709)	(4,072)
Effects of exchange rate changes	<u>38,075</u>	<u>18,618</u>
Balance at December 31	<u>\$ (822,876)</u>	<u>\$ (823,426)</u>
Carrying amounts at December 31	<u>\$ 2,827,040</u>	<u>\$ 2,841,851</u>

- 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, 2020 and 2019 were \$4,845,589 thousand and \$5,198,009 thousand, respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2020 and 2019 was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 421,164	\$ 779,076
Year 2	383,197	539,687
Year 3	344,116	469,378
Year 4	277,423	337,465
Year 5	265,438	267,834
Year 6 onwards	<u>697,267</u>	<u>692,323</u>
	<u>\$ 2,388,605</u>	<u>\$ 3,085,763</u>

**20. GOODWILL**

	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 8,507,409	\$ 9,096,924
Disposal of subsidiaries	-	(347,127)
Effects of exchange rate changes	<u>(287,242)</u>	<u>(242,388)</u>
Balance at December 31	<u>\$ 8,220,167</u>	<u>\$ 8,507,409</u>
<u>Accumulated impairment</u>		
Balance at January 1	\$ (227,577)	\$ (230,178)
Recognized impairment losses	(46,511)	(3,020)
Effects of exchange rate changes	<u>11,816</u>	<u>5,621</u>
Balance at December 31	<u>\$ (262,272)</u>	<u>\$ (227,577)</u>
Carrying amounts at December 31	<u>\$ 7,957,895</u>	<u>\$ 8,279,832</u>

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

	<u>December 31</u>	
	2020	2019
<u>Goodwill</u>		
Manufacturing and marketing of footwear materials	\$ 5,223,090	\$ 5,498,182
Manufacturing and marketing of sports apparel	9,854	10,373
Retailing business - retail and distribution of sportswear products	2,322,572	2,332,954
Others	<u>402,379</u>	<u>438,323</u>
	<u>\$ 7,957,895</u>	<u>\$ 8,279,832</u>

The Group has evaluated the recoverable amount of these cash-generating units for the years ended December 31, 2020 and 2019, 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:

	<u>December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Discount Rate</u>	<u>Growth Rate</u>	<u>Discount Rate</u>	<u>Growth Rate</u>
Manufacturing and marketing of footwear materials	13%-17%	2%	13%-17%	2%
Manufacturing and marketing of sports apparel	13%-17%	1%	13%-17%	1%
Retailing business - retail and distribution of sportswear products	13%-17%	3%	13%-17%	3%



# POU CHEN CORPORATION

Other key assumptions for calculating the evaluated value in use included a sales budget, gross margins and other related cash inflow and outflow patterns. The evaluated amount was based on these cash-generating units' historical performance and the management's expectation of the market development.

## 21. OTHER INTANGIBLE ASSETS

	Patents	Trademarks	Computer Software	Customer Relationships	Brand Names	Licensing Agreements	Non-compete Agreements	Total
<b>Cost</b>								
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>
<b>Accumulated amortization and impairment</b>								
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>
<b>Cost</b>								
Balance at January 1, 2020	\$ -	\$ 22	\$ 956,859	\$ -	\$ 2,011,958	\$ 432,971	\$ 682,525	\$ 4,084,335
Additions	68	37	196,556	-	-	-	-	196,661
Disposal	-	(22)	-	-	-	-	-	(22)
Effects of exchange rate changes	-	-	(5)	-	35,099	7,529	11,874	54,497
Balance at December 31, 2020	<u>\$ 68</u>	<u>\$ 37</u>	<u>\$ 1,153,410</u>	<u>\$ -</u>	<u>\$ 2,047,057</u>	<u>\$ 440,500</u>	<u>\$ 694,399</u>	<u>\$ 4,335,471</u>
<b>Accumulated amortization and impairment</b>								
Balance at January 1, 2020	\$ -	\$ (22)	\$ (27,233)	\$ -	\$ (1,285,512)	\$ (314,820)	\$ (307,445)	\$ (1,935,032)
Disposal	-	22	-	-	-	-	-	22
Amortization expenses	(9)	(4)	(41,439)	-	(360,882)	(43,449)	(36,123)	(481,906)
Effects of exchange rate changes	-	-	-	-	(31,078)	(6,503)	(6,166)	(43,747)
Balance at December 31, 2020	<u>\$ (9)</u>	<u>\$ (4)</u>	<u>\$ (68,672)</u>	<u>\$ -</u>	<u>\$ (1,677,472)</u>	<u>\$ (364,772)</u>	<u>\$ (349,734)</u>	<u>\$ (2,460,663)</u>
Carrying amounts at December 31, 2020	<u>\$ 59</u>	<u>\$ 33</u>	<u>\$ 1,084,738</u>	<u>\$ -</u>	<u>\$ 369,585</u>	<u>\$ 75,728</u>	<u>\$ 344,665</u>	<u>\$ 1,874,808</u>

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	3-20 years
Customer relationships	8 years
Brand names	5 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

**22. BORROWINGS**

## a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unsecured borrowings</u>		
Credit borrowings	<u>\$ 23,732,375</u>	<u>\$ 42,247,828</u>

The range of effective interest rate on bank borrowings was 0.55%-5.00% and 0.66%-5.00% per annum as of December 31, 2020 and 2019, respectively.

## b. Short-term bills payable

December 31, 2020

	<b>Annual Interest Rate (%)</b>	<b>Amount</b>
Commercial papers	0.24-0.70	\$ 3,361,500
Less: Unamortized discount on bills payable		<u>(752)</u>
		<u>\$ 3,360,748</u>

December 31, 2019

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

## c. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unsecured borrowings</u>		
Bank loans	\$ 72,344,609	\$ 60,758,044
Less: Long-term expenses for syndicated loan	(126,955)	(204,194)
Less: Current portion	<u>(5,888,875)</u>	<u>(263,796)</u>
	<u>\$ 66,328,779</u>	<u>\$ 60,290,054</u>



# POU CHEN CORPORATION

Maturity date and range of annual interest rate:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Maturity date</u>		
Long-term borrowings	2022.01.15- 2026.07.15	2021.01.15- 2026.07.15
Current portion of long-term borrowings	2021.01.15- 2021.10.15	2020.01.15- 2020.10.15
<u>Range of interest rate</u>	0.23%-2.50%	0.91%-2.65%

## 23. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Notes payable (including related parties)</u>		
Operating	\$ 2,095	\$ 4,236
Non-operating	<u>5,307</u>	<u>6,963</u>
	<u>\$ 7,402</u>	<u>\$ 11,199</u>
Accounts payable (including related parties)	<u>\$ 16,628,923</u>	<u>\$ 14,866,337</u>

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

## 24. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Payables for salaries	\$ 10,538,005	\$ 12,205,156
Payables for purchase of property, plant and equipment	1,855,773	2,726,377
Compensation due to directors and supervisors	114,033	168,575
Employee compensation payables	647,883	777,250
Interest payables	126,610	239,973
Payables for annual leave	1,069,886	1,165,164
Others	<u>7,012,886</u>	<u>8,165,832</u>
	<u>\$ 21,365,076</u>	<u>\$ 25,448,327</u>
Current	\$ 21,217,044	\$ 25,295,496
Non-current	<u>148,032</u>	<u>152,831</u>
	<u>\$ 21,365,076</u>	<u>\$ 25,448,327</u>

**25. 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 \$3,220,119 thousand and \$3,220,931 thousand as of December 31, 2020 and 2019, respectively. Movements in the net defined benefit liability were as follows:

Present Value of Defined Benefit Obligation	December 31	
	2020	2019
Balance at January 1	\$ 3,220,931	\$ 2,547,595
Current service cost	333,313	227,807
Past service (gain) loss	(450,031)	14,846
Net interest expense	246,675	232,044
Others	(7,512)	11,661
Recognized in profit or loss	122,445	486,358
Remeasurement		
Actuarial loss arising from changes in demographic assumptions	62,428	7,975
Actuarial loss arising from changes in financial assumptions	239,488	198,048
Actuarial loss arising from experience adjustments	204,743	60,650
Effect of exchange rate changes of remeasurement	3,702	23,804
Recognized in other comprehensive income	510,361	290,477
Benefits paid	(388,451)	(175,070)
Effect of exchange rate changes on foreign plans	(245,167)	71,571
Balance at December 31	\$ 3,220,119	\$ 3,220,931

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	
	2020	2019
Discount rate	7.10%-7.80%	8.00%-8.25%
Expected rate of salary increase	5.00%-8.00%	6.00%-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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	\$ (89,290)	\$ (90,484)
0.25% decrease	\$ 105,830	\$ 107,525
Expected rate of salary increase		
0.25% increase	\$ 111,193	\$ 113,621
0.25% decrease	\$ (97,135)	\$ (97,000)

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 in the 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>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 608,646	\$ 787,994
Fair value of plan assets	<u>(348,738)</u>	<u>(483,488)</u>
Net defined benefit liability	<u>\$ 259,908</u>	<u>\$ 304,506</u>



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

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 732,737</u>	<u>\$ (457,439)</u>	<u>\$ 275,298</u>
Current service cost	11,096	-	11,096
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>
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>
Balance at January 1, 2020	<u>\$ 787,994</u>	<u>\$ (483,488)</u>	<u>\$ 304,506</u>
Current service cost	2,482	-	2,482
Past service cost	7,535	-	7,535
Net interest expense (income)	6,383	(3,960)	2,423
Others	<u>(8,215)</u>	<u>-</u>	<u>(8,215)</u>
Recognized in profit or loss	<u>8,185</u>	<u>(3,960)</u>	<u>4,225</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(17,003)	(17,003)
Actuarial loss arising from changes in demographic assumptions	114	-	114
Actuarial loss arising from changes in financial assumptions	16,575	-	16,575
Actuarial loss arising from experience adjustments	(30,502)	-	(30,502)
Effect of exchange rate changes of remeasurement	<u>142</u>	<u>-</u>	<u>142</u>
Recognized in other comprehensive income (loss)	<u>(13,671)</u>	<u>(17,003)</u>	<u>(30,674)</u>
Contributions from the employer	-	(5,467)	(5,467)
Benefits paid	(148,779)	148,779	-
Others	<u>(25,083)</u>	<u>12,401</u>	<u>(12,682)</u>
Balance at December 31, 2020	<u>\$ 608,646</u>	<u>\$ (348,738)</u>	<u>\$ 259,908</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	
	2020	2019
Discount rate	0.50%	0.75%
Expected rate of salary increase	2.00%-3.25%	2.00%-3.25%

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 will increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	<u>\$ (17,759)</u>	<u>\$ (21,369)</u>
0.25% decrease	<u>\$ 18,439</u>	<u>\$ 22,195</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 17,818</u>	<u>\$ 21,522</u>
0.25% decrease	<u>\$ (17,257)</u>	<u>\$ (20,851)</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	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 24,066</u>	<u>\$ 23,235</u>
The average duration of the defined benefit obligation	10-13.9 years	10.3-12.3 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>2020</b>	<b>2019</b>
Defined benefit liability	\$ 575,049	\$ 726,165
Less: Defined benefit assets (Note 14)	<u>(43,754)</u>	<u>(43,754)</u>
	<u>\$ 531,295</u>	<u>\$ 682,411</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>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 1,324,789	\$ 1,549,362
Fair value of plan assets	<u>(793,494)</u>	<u>(866,951)</u>
Net defined benefit liability	<u>\$ 531,295</u>	<u>\$ 682,411</u>

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

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liability</b>
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>
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

(Continued)



# POU CHEN CORPORATION

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Actuarial loss arising from changes in financial assumptions	\$ 65,174	\$ -	\$ 65,174
Actuarial loss arising from experience adjustments	(10,084)	-	(10,084)
Recognized in other comprehensive income (loss)	58,968	(29,309)	29,659
Contributions from the employer	-	(17,746)	(17,746)
Benefits paid	(64,515)	64,515	-
Others	473	-	473
Balance at December 31, 2019	<u>\$ 1,549,362</u>	<u>\$ (866,951)</u>	<u>\$ 682,411</u>
Balance at January 1, 2020	<u>\$ 1,549,362</u>	<u>\$ (866,951)</u>	<u>\$ 682,411</u>
Current service cost	9,887	-	9,887
Past service cost	9,018	-	9,018
Net interest expense (income)	11,249	(5,869)	5,380
Recognized in profit or loss	<u>30,154</u>	<u>(5,869)</u>	<u>24,285</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(27,812)	(27,812)
Actuarial loss arising from changes in demographic assumptions	1,203	-	1,203
Actuarial loss arising from changes in financial assumptions	37,444	-	37,444
Actuarial loss arising from experience adjustments	(95,294)	-	(95,294)
Recognized in other comprehensive income (loss)	<u>(56,647)</u>	<u>(27,812)</u>	<u>(84,459)</u>
Contributions from the employer	-	(91,311)	(91,311)
Benefits paid	(198,449)	198,449	-
Others	369	-	369
Balance at December 31, 2020	<u>\$ 1,324,789</u>	<u>\$ (793,494)</u>	<u>\$ 531,295</u> (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>2020</b>	<b>2019</b>
Operating costs	\$ 51	\$ 63
Selling and marketing expenses	15	13
General and administrative expenses	13,976	32,989
Research and development expenses	<u>10,243</u>	<u>9,938</u>
	<u>\$ 24,285</u>	<u>\$ 43,003</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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.50%	0.750%
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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	<u>\$ (37,547)</u>	<u>\$ (44,212)</u>
0.25% decrease	<u>\$ 39,108</u>	<u>\$ 46,072</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 37,861</u>	<u>\$ 44,712</u>
0.25% decrease	<u>\$ (36,550)</u>	<u>\$ (43,139)</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>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 13,346</u>	<u>\$ 17,774</u>
The average duration of the defined benefit obligation	8.1-11.6 years	8.9-11.7 years



## 26. EQUITY

### a. Share capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	\$ 45,000,000	\$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,946,787	2,946,787
Shares issued	\$ 29,467,872	\$ 29,467,872

### b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
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	109,637	339,730
<u>May only be used to offset a deficit</u>		
Recognized from share of changes in net assets of associates and joint ventures	132,299	131,964
Others	27,223	-
	<u>\$ 4,389,862</u>	<u>\$ 4,592,397</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 28 (h).

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 2019 and 2018 had been approved in the shareholders' meetings on June 19, 2020 and June 13, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2019</b>	<b>For Year 2018</b>	<b>For Year 2019</b>	<b>For Year 2018</b>
Legal reserve	\$ 1,182,861	\$ 1,070,864	\$ -	\$ -
Special reserve	(22,293,369)	8,376,139	-	-
Cash dividends	3,683,484	4,420,181	1.25	1.50

d. Other equity item

1) Exchange differences on translation foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (2,498,149)	\$ (312,124)
Exchange differences arising on translation of foreign operations	(2,992,022)	(2,157,188)
Share of exchange differences of associates and joint ventures accounted for using equity method	<u>(1,198)</u>	<u>(28,837)</u>
Balance at December 31	<u>\$ (5,491,369)</u>	<u>\$ (2,498,149)</u>



# POU CHEN CORPORATION

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 13,759,473	\$ (8,483,931)
Unrealized (loss) gain from equity instruments	(290,513)	2,947,208
Cumulative unrealized (loss) gain of equity instruments transferred to retained earnings due to disposal	(152,062)	1,706,234
Share of gain from associates and joint ventures accounted for using equity method	<u>10,988,183</u>	<u>17,589,962</u>
Balance at December 31	<u>\$ 24,305,081</u>	<u>\$ 13,759,473</u>

## 3) Cash flow hedges

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ -	\$ -
Gain on changes in the fair value of hedging instruments	<u>1,195</u>	<u>-</u>
Balance at December 31	<u>\$ 1,195</u>	<u>\$ -</u>

## 4) Others

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 423,243	\$ (13,497,314)
Share of loss from associates and joint ventures accounted for using equity method	<u>8,205,797</u>	<u>13,920,557</u>
Balance at December 31	<u>\$ 8,629,040</u>	<u>\$ 423,243</u>

## e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 72,460,088	\$ 74,334,314
Share of non-controlling interests		
Net (loss) income	(920,767)	6,174,165
Exchange differences arising on translation of foreign operations	(1,734,116)	(2,283,545)
Unrealized (loss) gain on financial assets at FVTOCI	(61,057)	140,500
Accumulated loss from disposal of equity instruments shifted to retained earnings	(523)	-
Others	160	99
Actuarial loss arising from defined benefit plans	(190,632)	(115,690)
Change in non-controlling interests	<u>(2,419,410)</u>	<u>(5,789,755)</u>
Balance at December 31	<u>\$ 67,133,743</u>	<u>\$ 72,460,088</u>



**27. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Sales revenue	\$ 249,327,893	\$ 312,418,165
Revenue from entertainment and resort	406,700	527,994
Others	<u>219,718</u>	<u>210,426</u>
	<u><b>\$ 249,954,311</b></u>	<u><b>\$ 313,156,585</b></u>

**28. NET PROFIT FROM CONTINUING OPERATIONS**

Net profit from continuing operations consisted of the following:

## a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income		
Cash in bank	\$ 351,206	\$ 477,064
Repurchase agreements collateralized by bonds	12,795	16,984
Financial assets at FVTPL	347	14,439
Financial assets at amortized cost	270,778	249,711
Others	<u>4,509</u>	<u>25,920</u>
	<u><b>\$ 639,635</b></u>	<u><b>\$ 784,118</b></u>

## b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income from operating lease	\$ 521,812	\$ 571,010
Dividend income	1,006,050	988,097
Others	<u>1,907,567</u>	<u>1,730,190</u>
	<u><b>\$ 3,435,429</b></u>	<u><b>\$ 3,289,297</b></u>

## c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net loss on disposal of property, plant and equipment	\$ (482,997)	\$ (562,142)
Net foreign exchange loss	(422,597)	(702,081)
Net gain on disposal of subsidiaries, associates and joint ventures	535,107	579,794
Net (loss) gain on financial assets at FVTPL	(675,985)	478,172
Recognized of impairment loss	(457,134)	(308,296)
Gain from disposal of land right use	153,880	-
Others	<u>(146,544)</u>	<u>(156,654)</u>
	<u><b>\$ (1,496,270)</b></u>	<u><b>\$ (671,207)</b></u>



# POU CHEN CORPORATION

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank borrowings	\$ 1,773,009	\$ 2,685,982
Interest on short-term bills payable	17,140	18,857
Lease liability	608,021	479,585
Other interest expense	<u>9,127</u>	<u>57,531</u>
	<u>\$ 2,407,297</u>	<u>\$ 3,241,955</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 10,835,707	\$ 10,888,158
Right for use assets	5,264,880	4,311,714
Investment properties	26,816	26,507
Other intangible assets	481,906	500,841
Other prepaid expense	<u>1,810</u>	<u>1,851</u>
	<u>\$ 16,611,119</u>	<u>\$ 15,729,071</u>
An analysis of depreciation by function		
Operating costs	\$ 6,373,409	\$ 6,452,752
Operating expenses	9,748,516	8,769,178
Non-operating expenses	<u>5,478</u>	<u>4,449</u>
	<u>\$ 16,127,403</u>	<u>\$ 15,226,379</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 483,716</u>	<u>\$ 502,692</u>

f. Direct operating expenses from investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses from investment properties that generated rental income	<u>\$ 48,201</u>	<u>\$ 46,394</u>

## g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 58,012,833	\$ 69,330,299
Post-employment benefits		
Defined contribution plans	9,193,003	7,774,972
Defined benefit plans	<u>150,955</u>	<u>514,699</u>
	9,343,958	8,289,671
Share-based payments		
Equity-settled	11,992	154,948
Termination benefits	<u>18,526</u>	<u>8,115</u>
	<u>\$ 67,387,309</u>	<u>\$ 77,783,033</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 43,876,590	\$ 51,288,221
Operating expenses	<u>23,510,719</u>	<u>26,494,812</u>
	<u>\$ 67,387,309</u>	<u>\$ 77,783,033</u>

As of December 31, 2020 and 2019, there were 302,067 and 351,591 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

## h. 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, 2020 and 2019 which were approved by the Company's board of directors on March 24, 2021 and March 31, 2020, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Employees' compensation	1.6%	1.6%
Remuneration of directors and supervisors	0.8%	0.8%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Employees' compensation	\$ 102,070	\$ -	\$ 203,200	\$ -
Remuneration of directors	51,035	-	101,600	-



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 years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration to of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 29. INCOME TAXES

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

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 1,440,733	\$ 3,344,868
Income tax expense of unappropriated earnings	1,370,055	-
Adjustments for prior year	6,889	-
Foreign taxes paid	6	-
Repatriation of offshore funds	<u>25,992</u>	<u>-</u>
	<u>2,843,675</u>	<u>3,344,868</u>
Deferred tax		
In respect of the current year	(802,347)	169,211
Adjustments for prior year	<u>581</u>	<u>5,125</u>
	<u>(801,766)</u>	<u>174,336</u>
Income tax expense recognized in profit or loss	<u>\$ 2,041,909</u>	<u>\$ 3,519,204</u>

In July 2019, the president of the ROC announced of The Management, Utilization, and Taxation of Repatriated Offshore Funds Act. Within two years from the enforcement of this Act, profit-seeking enterprises may assess tax under this Act by the approval of the tax authority. Instead of assessing tax in accordance with the legal tax rate of 20%, the tax rate of the fund repatriated for the first year from the enforcement of this Act is 8% and the tax rate of the fund repatriated for the second year from the date following the last day of the first year from the enforcement of this Act is 10%. If profit-seeking enterprises complete the plan of substantive investment, an application for a 50% refund of the tax paid under this Act should be submitted to the tax authority-in-charge.

In April 2020, the Ministry of Finance approved the Company's repatriation of \$324,901 thousand (US\$10,870 thousand). In May 2020, the Company paid \$25,992 thousand at the applicable tax rate of 8%.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

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>2020</b>	<b>2019</b>
Income before income tax	<u>\$ 5,961,326</u>	<u>\$ 21,521,978</u>
Income tax expense calculated at the statutory rate	\$ 1,192,265	\$ 4,304,395
Tax effect of adjusting items		
Tax-exempt income	(193,783)	(193,395)
Investment income recognized under equity method	(1,579,539)	(1,482,905)
Others	1,245,441	885,984
Income tax on unappropriated earnings	1,370,055	-
Adjustments for prior years' income tax	<u>7,470</u>	<u>5,125</u>
Income tax expense recognized in profit or loss	<u>\$ 2,041,909</u>	<u>\$ 3,519,204</u>

As the status of 2021 appropriations of earnings is uncertain, the potential income tax consequences of 2020 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year	<u>\$ (10,762)</u>	<u>\$ (132,935)</u>
Total income tax recognized in other comprehensive income	<u>\$ (10,762)</u>	<u>\$ (132,935)</u>

c. Deferred tax assets and liabilities

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax assets</u>		
Temporary differences		
Others	<u>\$ 2,757,568</u>	<u>\$ 2,167,426</u>
<u>Deferred tax liabilities</u>		
Temporary differences		
Land value increment tax	\$ 86,547	\$ 86,547
Others	<u>1,374,669</u>	<u>1,540,755</u>
	<u>\$ 1,461,216</u>	<u>\$ 1,627,302</u>

d. Income tax assessments

The tax returns of the Company through 2018, have been assessed by the tax authorities.



### 30. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019 were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<u>Net income (in thousand dollars)</u>		
Earnings used in the computation of earnings per share	\$ <u>4,840,184</u>	\$ <u>11,828,609</u>
<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>5,143</u>	<u>6,430</u>
Weighted average number of Ordinary shares used in the computation of diluted earnings per share	<u>2,951,930</u>	<u>2,953,217</u>
<u>Earnings per share (in dollars)</u>		
Basic earnings per share	<u>\$1.64</u>	<u>\$4.01</u>
Diluted earnings per share	<u>\$1.64</u>	<u>\$4.01</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.

### 31. 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, 2020 and 2019 was as follows:

	<b>Number of Shares (In Thousands)</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	1,312	1,387
Options granted	16	60
Options cancelled	(200)	(60)
Options exercised	<u>(88)</u>	<u>(75)</u>
Balance at December 31	<u>1,040</u>	<u>1,312</u>

Information about the employee share options on the grant date during the years ended December 31, 2020 and 2019, was as follows:

	<b>Granted on October 15 2020</b>	<b>Granted on November 21, 2018</b>
Grant date share price	HK\$ 13.38	HK\$ 23.10
Number of shares (in thousand shares)	16	60

Yue Yuen recognized \$20,688 thousand and \$38,657 thousand compensation cost for the years ended December 31, 2020 and 2019, 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.



# POU CHEN CORPORATION

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, 2020 and 2019 was as follows:

	<u>For the Year Ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<b>Number of Shares Purchasable (In Thousands)</b>	<b>Weighted- average Exercise Price (HK\$)</b>	<b>Number of Shares Purchasable (In Thousands)</b>	<b>Weighted- average Exercise Price (HK\$)</b>
<b>Employee Share Options</b>				
Balance at January 1	10,872	\$ 2.44	28,244	\$ 1.75
Options cancelled	(9,331)	2.49	(6,206)	1.47
Options exercised	<u>(375)</u>	1.05	<u>(11,166)</u>	1.23
Balance at December 31	<u>1,166</u>	2.49	<u>10,872</u>	2.44
Exercisable options at December 31	<u>1,166</u>	2.49	<u>2,708</u>	2.29

Information about outstanding employee share options as of December 31, 2020 and 2019, was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Range of exercise price (HK\$)	\$2.494	\$1.05-\$2.494
Weighted-average remaining contractual life (years)	0.67	2.80

Pou Sheng recognized \$(21,217) thousand and \$8,103 thousand in compensation (gains) costs for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 was as follows:

	<b>Number of Shares (In Thousands)</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	42,743	43,843
Options granted	1,500	14,576
Options cancelled	(10,638)	(2,389)
Options exercised	<u>(14,008)</u>	<u>(13,287)</u>
Balance at December 31	<u>19,597</u>	<u>42,743</u>

Information about the employee share options on the grant date during the years ended December 31, 2020 and 2019, was as follows:

	<b>Granted on March 31, 2020</b>	<b>Granted on November 15, 2019</b>	<b>Granted on March 23, 2019</b>
Grant date share price	HK\$ 1.83	HK\$ 2.82	HK\$ 1.67
Number of shares (in thousand shares)	1,500	750	13,826

Pou Sheng recognized \$12,521 thousand and \$80,569 thousand compensation cost for the years ended December 31, 2020 and 2019, respectively.

c. Information about Texas Clothing Holdings 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 five months ended May 31 2019 were as follows:

	<b>For the Five Months Ended May 31, 2019</b>	
	<b>Number of Shares Purchasable (In Thousands)</b>	<b>Weighted- average Exercise Price (US\$)</b>
<b>Employee Share Options</b>		
Balance at January 1	817	\$ 20.01
Options cancelled	<u>(817)</u>	-
Balance at the end of the period	<u>-</u>	-
Exercisable options at the end of the period	<u>-</u>	-



# POU CHEN CORPORATION

From January 1 to May 31, 2019, TCHC recognized the above share award plan as expense of \$27,619 thousand.

## 32. DISPOSAL OF SUBSIDIARIES

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	(393,934)
	<u>\$ 3,952,449</u>

#### a. 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	<u>\$ 4,521,479</u>

#### b. 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	<u>\$ 580,833</u>

#### c. 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>
	<u>\$ 3,020,293</u>

### 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, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 3,533,447	\$ -	\$ 3,533,447
Structured deposits	-	578,315	-	578,315
Mutual funds	<u>308,477</u>	<u>-</u>	<u>346,278</u>	<u>654,755</u>
	<u>\$ 308,477</u>	<u>\$ 4,111,762</u>	<u>\$ 346,278</u>	<u>\$ 4,766,517</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 17,540,298	\$ -	\$ -	\$ 17,540,298
Domestic unlisted shares	-	-	85,946	85,946
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>109,472</u>	<u>109,472</u>
	<u>\$ 17,540,298</u>	<u>\$ -</u>	<u>\$ 195,418</u>	<u>\$ 17,735,716</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 846,167</u>	<u>\$ -</u>	<u>\$ 846,167</u>
Hedging financial liabilities				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ 278</u>



# POU CHEN CORPORATION

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	\$ -	\$ 356,107	\$ -	\$ 356,107

- 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$ 4,766,517	\$ 2,046,419
Financial assets at amortized cost (Note 1)	81,121,136	84,781,957
Financial assets at FVTOCI	17,735,716	18,958,579
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	846,167	356,107
Financial liabilities at amortized cost (Note 2)	137,361,229	145,732,121

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>2020</b>	<b>2019</b>
USD	\$ (14,234)	\$ (14,967)
RMB	(73,628)	(103,447)
HKD	(2,548)	(2,182)
VND	9,837	9,497
IDR	777	283



b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

The carrying amounts of the Group's financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial liabilities	\$ 74,683,708	\$ 97,853,535

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 \$746,837 thousand and \$978,535 thousand during the years ended December 31, 2020 and 2019, 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, 2020 and 2019 would have decreased by \$6,548 thousand and \$8,904 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, 2020 and 2019 would have decreased by \$175,457 thousand and \$187,013 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 sufficient level of cash and cash equivalents 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, 2020 and 2019, 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, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 20,541,374	\$ 8,340,735	\$ 8,987,195	\$ 125,286	\$ 55,862
Lease liability	479,193	1,367,099	3,333,770	8,427,992	2,298,476
Floating interest rate liabilities	11,189,164	2,675,644	1,496,801	59,311,773	10,326
Fixed interest rate liabilities	3,765,284	2,315,452	12,279,432	7,487,964	-
Financial guarantee contracts	82,617,573	-	-	-	-
	<u>\$ 118,592,588</u>	<u>\$ 14,698,931</u>	<u>\$ 26,097,198</u>	<u>\$ 75,353,015</u>	<u>\$ 2,364,664</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 19,358,328	\$ 10,015,585	\$ 10,832,018	\$ 114,233	\$ 62,601
Lease liability	154,496	889,905	3,294,083	7,817,606	1,311,513
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>\$ 73,732,799</u>	<u>\$ 1,398,236</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.



# POU CHEN CORPORATION

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ 77,580	\$ 228,751	\$ 410,720	\$ -
Forward exchange contracts	-	14,035	103,423	-	-
Exchange rate swap contracts	-	704	-	-	-
Exchange rate option contracts	-	-	-	10,954	-
Cross-currency swap contracts	-	-	278	-	-
	<u>\$ -</u>	<u>\$ 92,319</u>	<u>\$ 332,452</u>	<u>\$ 421,674</u>	<u>\$ -</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap 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>

## 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
Kounshan Baowei Information Technology Co., Ltd.	Joint ventures
Vipshop Holdings Limited	Other related parties



## b. Operating revenue

Account Items	Related Party Categories	For the Year Ended December 31	
		2020	2019
Sales	Associates	\$ 78,337	\$ 112,838
	Joint ventures	11,615,072	488,416
	Other related parties	<u>600,663</u>	<u>2,696,855</u>
		<u>\$ 12,294,072</u>	<u>\$ 3,298,109</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	
	2020	2019
Associates	\$ 2,668,884	\$ 3,086,632
Joint ventures	<u>5,338,452</u>	<u>4,746,539</u>
	<u>\$ 8,007,336</u>	<u>\$ 7,833,171</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	
		2020	2019
Notes receivable, accounts receivable	Associates	\$ 17,306	\$ 14,135
	Joint ventures	1,880,054	32,065
	Other related parties	<u>-</u>	<u>541,131</u>
		<u>\$ 1,897,360</u>	<u>\$ 587,331</u>

No bad debt expense had been recognized for the years ended December 31, 2020 and 2019 for the amounts owed by related parties.

## e. Payables to related parties

Account Items	Related Party Categories	December 31	
		2020	2019
Notes payable, accounts payable	Associates	\$ 584,579	\$ 732,041
	Joint ventures	<u>970,266</u>	<u>1,021,262</u>
		<u>\$ 1,554,845</u>	<u>\$ 1,753,303</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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 147,571	\$ 234,917

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets at amortized cost	\$ 51,465	\$ 52,085

### 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**

<b>Currencies</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
USD	\$ 1,596	\$ 1,381
EUR	59	117
IDR	2,883,836	13,350,662
VND	5,185,381	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. OTHERS

Since the outbreak of the COVID-19 pandemic in late January of 2020, branded customers have decreased or cancelled their orders, which affected the production and shipment of Yue Yuen. In addition, the retail stores of Pou Sheng in China suspended the operations starting from the Lunar New Year to the middle of March. As the epidemic condition in China has gradually eased, Pou Sheng’s sales performance has begun to recover since the second quarter of 2020. With the adjustment of capacity allocation and the recovery of global retail activities, Yue Yuen’s capacity utilization has gradually returned to normal since the fourth quarter 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, 2020

	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 61,707	28.480	\$ 1,757,417
NTD	2,818,743	1	2,818,743
RMB	1,779,911	4.377	7,790,673
HKD	75,794	3.673	278,393
VND	666,736,937	0.00111	740,078
IDR	90,939,409	0.00203	184,607
Non-monetary items			
USD	8,963	28.480	255,266
NTD	868,555	1	868,555
RMB	983,650	4.377	4,305,436
<u>Financial liabilities</u>			
Monetary items			
USD	11,813	28.480	336,435
NTD	1,546,164	1	1,546,164
RMB	106,539	4.377	466,322
HKD	6,996	3.673	25,695
VND	1,650,485,585	0.00111	1,832,039
IDR	129,766,503	0.00203	263,426



# POU CHEN CORPORATION

December 31, 2019

	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (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
Non-monetary items			
NTD	956,032	1	956,032
RMB	689,212	4.289	2,956,029
<u>Financial liabilities</u>			
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

For the years ended December 31, 2020 and 2019, net foreign exchange losses were \$422,597 thousand and \$702,081 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).
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of shareholders, the number of shares owned, and percentage of ownership of each shareholder (Table 11).

#### 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, 2020

	<b>Manufacturing of Shoes</b>	<b>Retailing of Sporting Goods and Brand Licensing Business</b>	<b>Others</b>	<b>Total</b>
Revenues from external customers	\$ 139,875,281	\$ 109,360,824	\$ 718,206	\$ 249,954,311
Segment income	\$ 12,171,448	\$ 4,703,732	\$ 473,636	\$ 17,348,816
Administrative cost, remuneration of directors and supervisors				(19,459,894)
Rental income				521,812
Interest income				639,635
Dividend income				1,006,050

(Continued)



# POU CHEN CORPORATION

	Manufacturing of Shoes	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Other income				\$ 1,907,567
Net loss on disposal of property, plant and equipment				(482,997)
Gain from disposal of land use right				153,880
Net foreign exchange loss				(422,597)
Net gain on disposal of subsidiaries and associates				535,107
Net loss arising on financial assets designated as at FVTPL				(675,985)
Impairment loss				(457,134)
Other loss				(146,544)
Net gain on derecognition of financial assets at amortized cost				3,214
Finance costs				(2,407,297)
Share of the profit of associates and joint ventures				<u>7,897,693</u>
Income before income tax				<u>\$ 5,961,326</u> (Concluded)

For the year ended December 31, 2019

	Manufacturing of Shoes	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
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 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, plant and equipment				(562,142)
Net foreign exchange loss				(702,081)
Net gain on disposal of subsidiaries and associates				579,794
Net gain arising on financial assets designated as at FVTPL				478,172
Impairment loss				(308,296)
Other loss				(156,654)
Net loss on derecognition of financial assets at amortized cost				(3,260)
Finance costs				(3,241,955)
Share of the profit of associates and joint ventures				<u>7,414,525</u>
Income before income tax				<u>\$ 21,521,978</u>

- 1) Sales between segments were made at market price.
- 2) Segment profit represented the profit before income tax earned by each segment without allocation of administration costs, remuneration of directors, rental income, interest income, dividend income, other income, net loss on disposal of property, plant and equipment, gain from disposal of land use right, net foreign exchange loss, net gain on disposal of subsidiaries, associates and joint ventures, net (loss) gain on financial instruments, 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 External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Asia	\$ 161,234,039	\$ 181,064,185
USA	41,510,485	62,514,668
Europe	36,873,665	52,930,246
Others	<u>10,336,122</u>	<u>16,647,486</u>
	<u>\$ 249,954,311</u>	<u>\$ 313,156,585</u>

d. Information about major customers

Revenue recognized from the manufacture of shoes in 2020 and 2019, amounted to \$139,875,281 thousand and \$185,444,582 thousand, respectively. Except as detailed in the following table, no other single customer contributed 10% or more to the Group's revenue for both 2020 and 2019.

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
Customer A	\$ 46,584,589	19	\$ 59,641,551	19
Customer B	<u>43,269,724</u>	<u>17</u>	<u>53,153,895</u>	<u>17</u>
	<u>\$ 89,854,313</u>	<u>36</u>	<u>\$ 112,795,446</u>	<u>36</u>



# POU CHEN CORPORATION

TABLE 1

## POU CHEN CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral	Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
0	Pou Chen Corporation	Pou Yi Development Co., Ltd.	Accounts receivable from related parties	Yes	\$ 205,000	\$ -	\$ -	-	2	\$ -	Operating capital	\$ -	\$ -	\$ 13,410,946	\$ 53,643,784	
1	Dong Guan Baoguo Electronic Technology Co., Ltd.	Kaishan Yanyang Electronics Technology Co., Ltd.	Accounts receivable from related parties	Yes	(RMB 24,789 3,100,000)	(RMB 11,380 2,600,000)	(RMB 11,380 2,600,000)	4.35	2	-	Operating capital	-	-	134,109,459	134,109,459	
2	Great Pacific Investments Limited	Sure Elite Investment Limited	Accounts receivable from related parties	Yes	(US\$ 3,623 20,000)	-	-	-	2	-	Operating capital	-	-	43,936,865	43,936,865	
		PT. Pou Yuen Indonesia	Accounts receivable from related parties	Yes	(US\$ 30,000,000)	-	-	-	2	-	Operating capital	-	-	43,936,865	43,936,865	
		Pro Ragex Industrial Company Limited	Accounts receivable from related parties	Yes	(US\$ 212,639 46,000,000)	102,528 3,600,000	102,528 3,600,000	1.25-3.00	2	-	Operating capital	-	-	17,574,746	17,574,746	
		Sahar Link International Inc.	Accounts receivable from related parties	Yes	(US\$ 7,100,000)	(US\$ 3,600,000)	(US\$ 3,600,000)	3.00	2	-	Operating capital	-	-	43,936,865	43,936,865	
3	Orion Asia Limited	Orion Vietnam Co., Ltd.	Accounts receivable from related parties	Yes	(US\$ 15,125 500,000)	(US\$ 14,240 500,000)	(US\$ 14,240 500,000)	2.00	2	-	Operating capital	-	-	466,903	466,903	
4	Precious Full Investment Limited	Pou Li Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 786,500 26,000,000)	-	-	-	2	-	Operating capital	-	-	12,270,152	12,270,152	
		Pou Hung Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 36,000,000)	-	-	-	2	-	Operating capital	-	-	12,270,152	12,270,152	
		Pou Phong Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 1,391,500)	-	-	-	2	-	Operating capital	-	-	12,270,152	12,270,152	
		Powick Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 46,000,000)	-	-	-	2	-	Operating capital	-	-	12,270,152	12,270,152	
		Yue De Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 1,452,000 48,000,000)	-	-	-	2	-	Operating capital	-	-	12,270,152	12,270,152	
5	Pou Yuen Industrial (Holdings) Ltd.	Pou Chen Vietnam Enterprise Ltd.	Accounts receivable from related parties	Yes	(US\$ 605,000 20,000,000)	341,760 12,000,000	(US\$ 341,760 12,000,000)	3.00	2	-	Operating capital	-	-	25,587,595	25,587,595	
		Phuyuen Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 104,500)	(US\$ 19,500,000)	(US\$ 19,500,000)	1.30-3.00	2	-	Operating capital	-	-	25,587,595	25,587,595	
		Pou Sung Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 8,698,480)	(US\$ 4,158,080)	(US\$ 4,158,080)	1.30-2.70	2	-	Operating capital	-	-	25,587,595	25,587,595	
6	Prime Asia (S.E. Asia) Leather Corporation	Prime Asia (Vietnam) Co., Ltd.	Accounts receivable from related parties	Yes	(US\$ 535,425 17,700,000)	504,096 17,700,000	(US\$ 504,096 17,700,000)	1.50	2	-	Operating capital	-	-	1,611,878	1,611,878	
7	Yue Yuen Industrial (Holdings) Limited	Prime Asia Leather Corporation	Accounts receivable from related parties	Yes	(US\$ 535,425 32,000,000)	504,096 17,700,000	(US\$ 504,096 17,700,000)	-	2	-	Operating capital	-	-	44,381,569	44,381,569	
		Pou Li Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 26,000,000)	(US\$ 19,000,000)	(US\$ 19,000,000)	1.30-2.60	2	-	Operating capital	-	-	44,381,569	44,381,569	
		PT. Shocunary Javanisa Inc.	Accounts receivable from related parties	Yes	(US\$ 44,000,000)	(US\$ 22,000,000)	(US\$ 22,000,000)	1.00-2.50	2	-	Operating capital	-	-	44,381,569	44,381,569	
		Powick Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 792,275)	(US\$ 783,200)	(US\$ 783,200)	1.75	2	-	Operating capital	-	-	44,381,569	44,381,569	
		PT. Salara Cita Indonesia	Accounts receivable from related parties	Yes	(US\$ 27,800,000)	(US\$ 27,800,000)	(US\$ 27,800,000)	1.00	2	-	Operating capital	-	-	44,381,569	44,381,569	
		Pou Phong Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 974,555)	(US\$ 952,656)	(US\$ 952,656)	1.25-1.75	2	-	Operating capital	-	-	44,381,569	44,381,569	
		Pou Hung Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 33,450,000)	(US\$ 33,450,000)	(US\$ 33,450,000)	1.25-1.30	2	-	Operating capital	-	-	44,381,569	44,381,569	
		Yue De Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 2,893,220)	(US\$ 1,022,280)	(US\$ 1,022,280)	2.50	2	-	Operating capital	-	-	44,381,569	44,381,569	
		PT. Pou Chen Indonesia	Accounts receivable from related parties	Yes	(US\$ 86,000,000)	(US\$ 36,000,000)	(US\$ 36,000,000)	1.25	2	-	Operating capital	-	-	44,381,569	44,381,569	
		Phuyuen Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 54,000,000)	(US\$ 44,500,000)	(US\$ 44,500,000)	1.00-1.30	2	-	Operating capital	-	-	44,381,569	44,381,569	
		PT. Nikomas Genshang	Accounts receivable from related parties	Yes	(US\$ 3,294,400)	(US\$ 1,765,760)	(US\$ 1,765,760)	1.00-1.30	2	-	Operating capital	-	-	44,381,569	44,381,569	
		Phuyuen Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 11,000,000)	(US\$ 6,200,000)	(US\$ 6,200,000)	1.00-2.50	2	-	Operating capital	-	-	44,381,569	44,381,569	
		PT. Clestar Indonesia	Accounts receivable from related parties	Yes	(US\$ 5,929,700)	(US\$ 2,363,840)	(US\$ 2,363,840)	1.30-3.00	2	-	Operating capital	-	-	44,381,569	44,381,569	
		PT. Pou Yuen Indonesia	Accounts receivable from related parties	Yes	(US\$ 220,000,000)	(US\$ 121,000,000)	(US\$ 121,000,000)	1.00-3.00	2	-	Operating capital	-	-	44,381,569	44,381,569	
8	Top Galaxy Group Limited	Yue Yuen (Asia) Footwear Co., Ltd.	Accounts receivable from related parties	Yes	(US\$ 7,385,430 250,000,000)	3,616,960 127,000,000	(US\$ 3,616,960 127,000,000)	2.92	2	-	Operating capital	-	-	3,764,002	3,764,002	
9	Pou Hung Industrial Co., Ltd.	Grand Pacific Investments Ltd.	Accounts receivable from related parties	Yes	(US\$ 363,900 675,450)	(US\$ 341,760 12,000,000)	(US\$ 341,760 12,000,000)	-	2	-	Operating capital	-	-	76,261,650	76,261,650	
10	Idea (Macao Commercial Offshore) Limited	Tech Mastery Vietnam Company Limited	Accounts receivable from related parties	Yes	(US\$ 579,330 19,000,000)	145,408 5,000,000	(US\$ 145,408 5,000,000)	1.30	2	-	Operating capital	-	-	598,159	598,159	
11	Shuangyue Yuen Industry Co., Ltd.	Yue Jing (Jishu) Footwear Co., Ltd.	Accounts receivable from related parties	Yes	(RMB 83,164,626 40,000,000)	(RMB 83,164,626 40,000,000)	(RMB 83,164,626 40,000,000)	3.33	2	-	Operating capital	-	-	1,608,506	1,608,506	
		Dong Guan Pou Chen Footwear Company Limited	Accounts receivable from related parties	Yes	(RMB 175,000)	(RMB 175,000)	(RMB 175,000)	3.00	2	-	Operating capital	-	-	1,608,506	1,608,506	

(Continued)



No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Revenues for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
12	Dong Guan Yue Yuan Footwear Products Company Limited	Yang Xin Pui Shui Sporting Goods Co., Ltd. Yang Xin Pui Ju Shoes Manufacturing Co., Ltd.	Accounts receivable From related parties Accounts receivable From related parties	Yes Yes	\$ (RMB 35,000,000) \$ (RMB 40,000,000)	\$ 153,945 (RMB 35,000,000) 175,080 (RMB 40,000,000)	\$ - -	3.33 3.33	2 2	\$ - -	- Operating capital	\$ - -	- -	\$ - -	\$ 579,550 579,550	\$ 579,550 579,550	
13	Pou Chen Technology Co., Ltd.	Yue Deart Technology Corporation	Accounts receivable From related parties	Yes	200,000	-	-	-	2	-	- Operating capital	-	-	-	475,330	475,330	
14	Pou Chen Enterprise Co., Ltd.	Yue Yuan Industrial (Holdings) Limited I-Tech Sporting Enterprise Ltd.	Accounts receivable From related parties Accounts receivable From related parties	Yes Yes	\$ 797,440 (US\$ 28,000,000) 860,000	\$ 797,440 (US\$ 28,000,000) 800,000	\$ 93,024 (US\$ 13,800,000)	0.50 0.94	2 2	- -	- Operating capital	- -	-	-	1,988,511 1,988,511	1,988,511 1,988,511	
15	Dong Guan Ju Yuan Shoe Materials Product Company Limited	Yang Xin Pui Ju Yuan Shoes Manufacturing Co., Ltd.	Accounts receivable From related parties	Yes	\$ 30,458 (RMB 7,000,000)	-	-	-	2	-	- Operating capital	-	-	-	41,682	41,682	
16	Dongguan Yuhong Shoes Industry Co., Ltd.	Dongguan Xinghai Consulting Co., Ltd. Yu Xing (Jishui) Footwear Co., Ltd. Shangguo Yuen Industry Co., Ltd. Yang Xin Pui Ju Shoes Manufacturing Co., Ltd. Dongguan Yuhong Shoes Industry Co., Ltd.	Accounts receivable From related parties Accounts receivable From related parties Accounts receivable From related parties Accounts receivable From related parties	Yes Yes Yes Yes Yes	\$ 215,400 (RMB 50,000,000) \$ 30,653 (RMB 7,000,000) \$ 199,425 (RMB 25,000,000) \$ 131,370 (RMB 30,000,000) \$ 408,481 (RMB 139,000,000)	- 30,639 (RMB 7,000,000) 199,425 (RMB 25,000,000) 131,310 (RMB 30,000,000) 408,403 (RMB 139,000,000)	- -	- 3.05 3.05 3.33 3.05	2 2 2 2	- -	- Operating capital Operating capital Operating capital Operating capital	- -	-	-	1,609,232 1,609,232 1,609,232 1,609,232	1,609,232 1,609,232 1,609,232 1,609,232	
17	Dongguan De Chang Zhi Xin Co., Ltd.	Dong Guan Yue Yuan Footwear Products Company Limited	Accounts receivable From related parties	Yes	\$ 17,514 (RMB 4,000,000)	\$ 17,514 (RMB 4,000,000)	-	3.05	2	-	- Operating capital	-	-	-	41,539	41,539	
18	Dongguan Xinghai Consulting Co., Ltd.	Dong Guan Yue Yuan Footwear Products Company Limited	Accounts receivable From related parties	Yes	\$ 30,639 (RMB 7,000,000)	\$ 30,639 (RMB 7,000,000)	-	3.05	2	-	- Operating capital	-	-	-	68,184	68,184	
19	Bao Hong (Yangpu) Shoes Co., Ltd.	Shangguo Yuen Industry Co., Ltd.	Accounts receivable From related parties	Yes	\$ 262,440 (RMB 60,000,000)	\$ 262,420 (RMB 60,000,000)	-	3.33	2	-	- Operating capital	-	-	-	1,037,509	1,037,509	
20	Yue Yuan (Anhui) Footwear Co., Ltd.	Dong Guan Pui Chen Footwear Company Limited	Accounts receivable From related parties	Yes	\$ 218,850 (RMB 50,000,000)	\$ 218,850 (RMB 50,000,000)	-	3.00	2	-	- Operating capital	-	-	-	2,086,419	2,086,419	
21	Bai Jin Pui Yuan Footwear Development Co., Ltd.	Yu Xing (Jishui) Footwear Co., Ltd.	Accounts receivable From related parties	Yes	\$ 26,262 (RMB 6,000,000)	\$ 26,262 (RMB 6,000,000)	-	3.33	2	-	- Operating capital	-	-	-	293,785	293,785	
22	Yuhong Yuhong Shoes Industrial Co., Ltd.	Dong Guan Pui Chen Footwear Company Limited Yuen (Yi Feng) Mold Co., Ltd.	Accounts receivable From related parties Accounts receivable From related parties	Yes Yes	\$ 33,703 (RMB 7,000,000) \$ 30,639 (RMB 7,000,000)	\$ 33,703 (RMB 7,000,000) 30,639 (RMB 7,000,000)	- -	3.00 3.33	2 2	- -	- Operating capital Operating capital	- -	-	-	69,256 69,256	69,256 69,256	
23	Yuhua Yuen Industry Co., Ltd.	Dong Guan Pui Chen Footwear Company Limited	Accounts receivable From related parties	Yes	\$ 131,310 (RMB 30,000,000)	\$ 131,310 (RMB 30,000,000)	-	3.00	2	-	- Operating capital	-	-	-	609,291	609,291	
24	Jiangxi Uniscent Consulting Co., Ltd.	Dong Guan Pui Chen Footwear Company Limited	Accounts receivable From related parties	Yes	\$ 21,885 (RMB 5,000,000)	\$ 21,885 (RMB 5,000,000)	-	3.00	2	-	- Operating capital	-	-	-	30,439	30,439	
25	Onico Asia Limited	Onico De Brasil Industria E Comercio De Maquinas Ltd	Accounts receivable From related parties	Yes	\$ 127,896 (US\$ 4,400,000)	\$ 125,312 (US\$ 4,400,000)	\$ 45,568 (US\$ 1,600,000)	1.00	2	-	- Operating capital	-	-	-	142,515	142,515	
26	Wallpaper Holdings Limited	Treasure Chain International Limited Allied Charm Ho Hing Limited Pon Yui Development Co., Ltd. Yue Hong Realty Development Co., Ltd. Pou Shing Investments Co., Ltd. Baris Development Corp	Accounts receivable From related parties Accounts receivable From related parties Accounts receivable From related parties Accounts receivable From related parties	Yes Yes Yes Yes Yes Yes	\$ 2,066,604 (RMB 603,000,000) \$ 4,227 (US\$ 120,000) 400,000 500,000 1,300,000	- -	- -	- -	2 2 2 2 2	- -	- Operating capital Operating capital Operating capital Operating capital Operating capital	- -	-	-	43,357,779 144,525,929 43,357,779 43,357,779 43,357,779	43,357,779 144,525,929 43,357,779 43,357,779 43,357,779	
27	Pou Sheng (China) Investment Co., Ltd.	Qingdao Pou Sheng International Sport Product Co., Ltd.	Loan receivable	Yes	\$ 1,482,576 (RMB 338,565,000)	\$ 1,481,899 (RMB 338,565,000)	\$ 31,514 (RMB 7,200,000)	4.35	2	-	- Operating capital	-	-	-	1,507,495	1,507,495	
28	Yue Cheng Kun Shan Sports Co., Ltd.	Kunshan Booswe Information Technology Co., Ltd.	Loan receivable	Yes	\$ 1,155,528 (RMB 264,000,000)	\$ 1,155,528 (RMB 264,000,000)	\$ 1,155,528 (RMB 264,000,000)	4.35	2	-	- Operating capital	-	-	-	1,169,671	1,169,671	

Note 1: The Company is coded as follows:

- The Company is coded "9".
  - 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.

(Continued)



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

- a. The maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:
- 1) Business relationship: Each of the financing amount shall not exceed the amount of our business relationship. Business relationship means higher amount of the purchases from or sales to both sides in the current year or in the future year and shall not exceed 10% of the Company's net worth.
  - 2) The need for short-term financing: Each of the financing amount shall not exceed 10% of the Company's net worth.
- b. The total maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:
- 1) Business relationship: Each of the financing amount shall not exceed 10% of the Company's net worth.
  - 2) Among domestic 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.
  - 3) Among foreign companies which the Company holds 100% voting rights directly and indirectly, when financing is necessary, the amount is not limited by the above information. However, the limit amount of financing to others during one year shall not exceed the borrowers' net worth.

Note 4: Dongguan Division (Electronic Technology Co., Ltd. for subsidiaries in which POU CHEN holds 100% voting rights directly and indirectly. The financing amount and each of the financing amount shall not exceed 100% of total equity of POU CHEN's consolidated financial statement. When YUE YOUNG Industrial (Holdings) Limited appears in financial statement, the financing amount shall not exceed 40% of total equity in the Year. Year's consolidated financial statements. Foreign companies on which YUE YOUNG Industrial (Holdings) Limited holds 100% voting rights directly and indirectly. The financing amount shall not exceed 100% of total equity of YUE YOUNG's consolidated financial statement. If the lender or the borrower is registered in Taiwan, the financing amount shall not exceed 40% of total equity of lender's financial statement. Great Pacific Investments Limited for joint ventures or joint operation. The financing amount shall not exceed 40% of total equity of lender's financial statement. For subsidiaries in which POU SHENG International (Holdings) Limited holds not 100% voting rights directly. The financing amount shall not exceed 40% of total equity of lender's financial statement.

(Continued)

**POU CHEN CORPORATION AND SUBSIDIARIES**

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated)

[illegible]

(Continued)

(Continued)

Note 1: The Company is coded as follows:

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

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

- a. Business relationship
- b. A company in which the Company directly and indirectly holds more than 50% of the voting shares
- c. A company in which the Company 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 fulfills 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. The aggregate amount of endorsements/guarantees provided by Yue Yuen Industrial (Holdings) Limited shall not exceed 150% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 60% of the Company's net worth. The aggregate amount of endorsements/guarantees provided by the Pon Sheng International (Holdings) Limited shall not exceed 400% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 200% of the Company's net worth. The aggregate amount of endorsements/guarantees provided by Pon Sheng (China) Investment Co., Ltd shall not exceed 400% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 200% 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".

(Continued)



# POU CHEN CORPORATION

TABLE 3

## POU CHEN CORPORATION AND SUBSIDIARIES

### MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020			Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value
Pou Chen Corporation	Ordinary shares Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	191,730,486	\$ 5,713,568	1.41	\$ 5,713,568
	Taiwan Pailho Limited		Financial assets at FVTOCI - current	615,473	45,545	0.21	45,545
	Zhiyuan Venture Capital Co., Ltd.		Financial assets at FVTOCI - non-current	6,000,000	62,993	10.71	62,993
	New Loulan Corporation., Ltd.		Financial assets at FVTOCI - non-current	100,000	798	4.00	798
	Structured product CIB Callable Structured Deposit		Financial assets at amortized cost - non-current	-	113,364	-	113,364
Wealthplus Holdings Limited	Fund CID Greater China Venture Capital Fund II, L.P.		Financial assets mandatorily at FVTPL - current	-	36,023	-	36,023
					(US\$ 1,264,866)		(US\$ 1,264,866)
	Ordinary shares Golden Brands Developments Ltd.		Financial assets at FVTOCI - non-current	17,086,572	67,977	5.88	67,977
	Great Team Backend Foundry, Inc.		Financial assets at FVTOCI - non-current	1,624,353	41,495	5.69	(US\$ 2,386,833)
					(US\$ 1,456,985)		(US\$ 41,495)
	Bonds First Abu Dhabi Bank		Financial assets at amortized cost - current	-	22,101	-	22,101
	Natwest Markets PL		Financial assets at amortized cost - non-current	-	776,022	-	(US\$ 776,022)
					438,022		438,022
	Societe Generale Perpetual Bond (EUR)		Financial assets at amortized cost - non-current	-	(US\$ 15,380,000)	-	(US\$ 15,380,000)
	Swedbank Perpetual Bond		Financial assets at amortized cost - non-current	-	106,435	-	(US\$ 3,737,187)
	BNP Paribas Perpetual Bond		Financial assets at amortized cost - non-current	-	146,380	-	(US\$ 3,737,187)
	Societe Generale Perpetual Bond (USD)		Financial assets at amortized cost - non-current	-	(US\$ 5,139,753)	-	(US\$ 5,139,753)
					180,026		180,026
	UBS Perpetual Bond		Financial assets at amortized cost - non-current	-	(US\$ 6,321,124)	-	(US\$ 6,321,124)
					120,147		120,147
Win Fortune Investments Limited	HSBC Holdings Perpetual Bond		Financial assets at amortized cost - non-current	-	(US\$ 4,218,637)	-	(US\$ 4,218,637)
	ING Groep Perpetual Bond		Financial assets at amortized cost - non-current	-	133,464	-	133,464
					(US\$ 4,686,242)		(US\$ 4,686,242)
	Bills Deutsche Bank-Anleihe		Financial assets at amortized cost - non-current	-	59,573	-	59,573
					(US\$ 2,091,756)		(US\$ 2,091,756)
			Financial assets at amortized cost - non-current	-	253,093	-	253,093
					(US\$ 8,886,684)		(US\$ 8,886,684)
			Financial assets at amortized cost - non-current	-	1,870,356	-	1,870,356
					(US\$ 65,672,600)		(US\$ 65,672,600)
	Fund Prodigy Strategic Investment Fund XXI Segregated Portfolio		Financial assets mandatorily at FVTPL - non-current	36,100	108,662	-	108,662
Pou Shine Investments Co., Ltd.	Ordinary shares Taiwan Pailho Limited		Financial assets at FVTOCI - current	775,170	57,363	0.26	57,363
	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	125,123,044	3,728,667	0.92	3,728,667

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Shares	Carrying Amount	Percentage of Ownership	
Pou Yuen Technology Co., Ltd.	Ordinary shares Mega Financial Holding Company Ltd.		Financial assets at FV/TOCI - current	17,039,372	\$ 507,773	0.13	\$ 507,773
Baris Development Corporation	Ordinary shares Mega Financial Holding Company Ltd. Shen Yu Co., Ltd. Environment In Assistant Engineering Corp.		Financial assets at FV/TOCI - current Financial assets at FV/TOCI - non-current Financial assets at FV/TOCI - non-current	133,720,943 32,000 20,000	3,984,884 320 -	0.98 1.07 1.00	3,984,884 320 -
Song Ming Investments Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	5,468,170	68,539	-	68,539
Pro Arch International Development Enterprise Inc.	Ordinary shares Mega Financial Holding Company Ltd.		Financial assets at FV/TOCI - current	49,416,125	1,472,601	0.36	1,472,601
Pou Chin Development Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	446,248	5,593	-	5,593
Wang Yi Construction Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	1,289,955	16,169	-	16,169
Windsor Entertainment Co., Ltd.	Fund Mega Diamond Money Market Fund		Financial assets mandatorily at FVTPL - current	201,087	2,520	-	2,520
	Ordinary shares Taichung International Entertainment Corporation		Financial assets mandatorily at FVTPL - current	752,142	9,515	-	9,515
Pou Yui Development Co., Ltd.	Ordinary shares Mega Financial Holding Company Ltd.		Financial assets at FV/TOCI - non-current	3	8,040	0.09	8,040
Pan Asia Insurance Services Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets at FV/TOCI - current	40,069,450	1,194,070	0.29	1,194,070
Yue Yuen Industrial (Holdings) Limited	Fund Cathay Taiwan Money Market Fund BPEA Asia Private Equity		Financial assets mandatorily at FVTPL - current Financial assets mandatorily at FVTPL - current Financial assets mandatorily at FVTPL - non-current	478,966 34,085,272 -	6,003 (US\$ 91,476 3,211,930) (US\$ 310,255 10,893,777)	- - -	6,003 91,476 (US\$ 3,211,930) (US\$ 310,255 10,893,777)
	Ordinary shares Evermore Chemical Industry Co., Ltd.		Financial assets at FV/TOCI - non-current	8,081,281	140,070	8.13	140,070
	Taiwan Pailho Limited		Financial assets at FV/TOCI - non-current	9,528,228	(US\$ 4,918,179) 714,680	3.20	(US\$ 4,918,179) 714,680
	Keg Big Dome Sports Co., Ltd.		Financial assets at FV/TOCI - non-current	-	(US\$ 25,094,113) 13,795	11.76	(US\$ 25,094,113) 13,795
	Structured product JP Morgan Credit Linked Note		Financial assets mandatorily at FVTPL - non-current	-	(US\$ 484,377) 578,315	-	(US\$ 484,377) 578,315

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 \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020  
(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		Number of Shares	Amount
Yue Yuen Industrial (Holdings) Limited	Galaxy Taiwan Money Market Fund	Financial assets measured at fair value through profit and loss - current	-	None	32,355,291	\$ 404,431 (US\$ 13,490,029)	128,095,974	\$ 1,624,698 (US\$ 56,845,071) (Note 1)	153,251,118	\$ 1,937,653 (US\$ 67,123,170)	\$ -	7,200,147	\$ 91,476 (US\$ 3,211,930)
	Prime Glorious Limited	Investments accounted for using equity method	-	None	-	-	11,662,000	337,227 (US\$ 11,840,849) (Note 2)	-	-	-	11,662,000	337,227 (US\$ 11,840,819)
	Hua Jian Industrial Holding Co., Limited	Non-current assets held for sale	-	None	-	1,133,304 (US\$ 37,802,000)	-	-	-	1,121,511 (US\$ 36,525,000)	470,715 (US\$ 15,665,000)	-	482,508 (US\$ 16,942,000)
Barits Development Corporation	Global Brands Manufacture Ltd.	Financial assets measured at fair value through other comprehensive income - current	-	None	34,448,000	590,783	-	213,567 (Note 1)	34,448,000	804,350	-	-	-

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

Note 2: Include acquisition, investment profit (loss) for using equity method and share of other comprehensive income (loss).



TABLE 5

## POU CHEN CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

(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	2020.01-2020.12	\$ 3,049,152 (US\$ 107,062,913)	Accumulated payment as of December 31, 2020 \$ 2,316,359 (US\$ 81,332,839)	-	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, 2020  
(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, 2020	Sale	\$ (8,136,210)	(99)	D/A 45 days	-	-	\$ 1,747,626	100
	San Fang Chemical Industry Co., Ltd.	Both Pou Chen Enterprise Co., Ltd. and Yue Dean Technology Corporation are the directors of the company	Purchase	100,882	2	D/A 45 days	-	-	(11,467)	(1)
	Cohen Enterprises Inc.	Investee accounted for by the equity method	Sale	(202,005)	-	D/A 45 days	-	-	1,111	-
	Pou Chen Corporation	The parent company	Purchase	(US\$ (6,830,000))	6	D/A 45 days	-	-	(US\$ 39,000)	(10)
	Ka Yuen Rubber Factory Limited	Investee accounted for by the equity method	Purchase	(US\$ 275,418,306)	1	D/A 45 days	-	-	(US\$ (61,363,274))	(1)
	Twinways Investments Limited	Investee accounted for by the equity method	Purchase	(US\$ 41,270,000)	1	D/A 45 days	-	-	(US\$ (249,399))	(2)
	Cohen Enterprises Inc.	Investee accounted for by the equity method	Purchase	(US\$ 35,359,000)	-	D/A 45 days	-	-	(US\$ (292,461))	-
	Top Units Developments Ltd.	Investee accounted for by the equity method	Purchase	(US\$ 11,913,000)	-	D/A 45 days	-	-	(US\$ (41,666))	(1)
	San Fang Chemical Industry Co., Ltd.	Investee accounted for by the equity method	Purchase	(US\$ 16,744,000)	1	D/A 45 days	-	-	(US\$ (1,463,000))	(1)
	Eastlion Industrial Ltd.	Investee accounted for by the equity method	Purchase	(US\$ 51,237,000)	1	D/A 45 days	-	-	(US\$ (4,763,000))	(1)
Pou Sheng International (Holdings) Limited	Great Skill Industrial Limited	Investee accounted for by the equity method	Purchase	(US\$ 30,818,000)	-	D/A 45 days	-	-	(US\$ (251,478))	(1)
	Kounshan Baowei Information Technology Co., Ltd.	Investee accounted for by the equity method	Purchase	(US\$ 910,207)	-	D/A 45 days	-	-	(US\$ (8,830,000))	(1)
	Kounshan Baowei Information Technology Co., Ltd.	Investee accounted for by the equity method	Purchase	(US\$ 453,479)	-	D/A 45 days	-	-	(US\$ (227,584))	-
	Vipshop Holdings Limited	Other related parties	Purchase	(US\$ 15,300,000)	5	D/A 60 days	-	-	(US\$ (79,687))	11
			Sale	(11,307,846)	1	D/A 60 days	-	-	1,867,491	(1)
			Purchase	(US\$ (383,021,000))	-	D/A 60 days	-	-	(US\$ 65,572,000)	-
			Sale	(US\$ 56,718,000)	-	D/A 60 days	-	-	(US\$ (119,474))	-
			Sale	(US\$ (599,920))	-	D/A 60 days	-	-	(US\$ (4,195,000))	-
				(US\$ (19,988,000))	-		-	-	-	-

TABLE 7

## POU CHEN CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2020  
(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, 2020	\$ 1,747,626	5	\$ -	-	\$ 1,134,046	\$ -
Pou Sheng International (Holdings) Limited	Kounshan Baowei Information Technology Co., Ltd.	Investee accounted for by the equity method	1,867,491	12	-	-	277,858	-



TABLE 8

POU CHEN CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details		
				Financial Statement Accounts	Amount	Payment Terms % of Total Sales or Assets (Note 3)
0	Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited Yue Yuen Industrial (Holdings) Limited	a a	Operating revenue Accounts receivable	\$ 8,136,210 1,747,626	D/A 45 days D/A 45 days 3 -

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, 2020. For profit or loss items, cumulative amounts are shown as a percentage to the consolidated total operating revenue for the nine months ended December 31, 2020.

TABLE 9

## POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020		Net Income (Loss) of the Investee		Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	Carrying Amount	%			
Pou Chen Corporation	Wealthplus Holding Ltd.	British Virgin Islands	Investing in footwear, electronic and peripheral products	\$ 295,429 (US\$ 9,222,000)	\$ 295,429 (US\$ 9,222,000)	9,222,000	\$ 74,385,844 (US\$ 2,611,862,508)	100.00	\$ (528,630) (US\$ (15,862,995))	\$ (513,004) (US\$ (15,334,087))	
	Win Fortune Investments Limited	British Virgin Islands	Investing activities	3,230 (US\$ 100,000)	3,230 (US\$ 100,000)	100,000	1,960,393 (US\$ 68,834,037)	100.00	(43,673) (US\$ (1,456,375))	(43,337) (US\$ (1,456,375))	
	Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	500,000 (US\$ 1,246,667)	400,000 (US\$ 1,124,667)	15,000,000	125,293 (US\$ 3,754,451)	100.00	(42,301) (US\$ 245,097)	(39,634) (US\$ 245,097)	
	Pou Shine Investments Co., Ltd.	ROC	Investing activities	5,000	5,000	133,094,460	16,731	100.00	6,219	6,219	
	Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	2,117,292	2,117,088	-	8,863,622	99.49	335,511	334,031	
	Baris Development Corp.	ROC	Import and export of shoe-related materials and investing activities	966,449	966,449	251,668,150	322,281	97.82	22,763	6,073	
	Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	2,643,184	2,643,184	20,000,000	216,188	100.00	(23,856)	(23,953)	
	Pro Arch International Development Enterprise Inc.	ROC	Design and manufacture of footwear products	40,320	40,320	7,875,000	171,428	15.00	60,563	9,084	The Company and its associate hold 90.00%
	Pou Yi Development Co., Ltd.	ROC	Rental and sale of real estate	7,700	7,700	601,755	-	7.82	(3,696)	171	The Company and its associate hold 97.57%
	Wang Yi Construction Co., Ltd.	ROC	Construction	3,364,570	3,364,570	70,066,949	1,384,678	12.57	62,084	7,804	The Company and its associate hold 19.50% and serve as director
Wealthplus Holdings Limited	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	380,115	380,115	75	-	30.00	39,915	-	The Company and its associate hold 50.00% (Note)
	Techview International Technology Inc.	ROC	Development and sales of TFT-LCD display	15,230,000	15,230,000	3,900,600,000	75,039,348	20.00	31,927,790	6,385,558	
	Ruen Chen Investment Holding Co., Ltd.	ROC	Investment holding	24,199,976 (US\$ 747,132,133)	24,199,976 (US\$ 747,132,133)	806,836,663	55,472,638 (US\$ 1,947,775,214)	50.04	(2,791,063) (US\$ (90,791,000))	(1,495,680) (US\$ (48,875,581))	The subsidiary in which the Company holds 51.1% indirectly at December 31, 2020
	Yue Yuen Industrial (Holdings) Ltd.	Hong Kong	Manufacturing and sale of athletic and casual footwear and sports apparel	-	129,720 (US\$ 4,000,000)	-	-	-	-	-	
	Silver Island Trading Ltd.	British Virgin Islands	Sale of electronic components	230,305 (US\$ 7,101,621)	230,305 (US\$ 7,101,621)	6,966,030	71,223 (US\$ 2,500,824)	31.55	12,097 (US\$ 414,441)	3,818 (US\$ 130,777)	
	Venture Well Holdings Ltd.	British Virgin Islands	Sale of electronic components	404,026 (US\$ 12,691,118)	404,026 (US\$ 12,691,118)	17,307,172	1,190,502 (US\$ 41,801,330)	1.07	(2,791,063) (US\$ (90,791,000))	(32,080) (US\$ (1,048,355))	The subsidiary in which the Company holds 51.1% indirectly at December 31, 2020
	Yue Yuen Industrial (Holdings) Ltd.	Hong Kong	Manufacturing and sale of athletic and casual footwear and sports apparel	2,583	2,583	323,370	11,347	0.13	335,511	429	Subsidiary
	Baris Development Corporation	ROC	Import and export of shoe-related materials and investing activities	373,347	373,347	11,457,179	226,423	2.06	62,084	1,276	The Company and its associate hold 19.50% and serve as director
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	34,296	34,296	12	-	4.80	39,915	-	The Company and its associate hold 50.00%
	Techview International Technology Inc.	ROC	Development and sales of TFT-LCD display	189,920	189,920	12,821,208	406,149	0.09	36,051,175	33,455	The Company and its associate hold 18.09%
Win Fortune Investments Limited	Nan Shan Life Insurance Company, Ltd.	ROC	Sale of life insurance	1,218,879 (US\$ 89,712)	1,218,879 (US\$ 89,712)	120,486,400 (US\$ 6,910,750)	2,441,744 (US\$ 76,642)	100.00 89.75	130,909 (US\$ (3,317))	130,909 (US\$ (3,317))	The Company and its associate hold 97.57%
	Song Ming Investments Co., Ltd.	ROC	Investing activities	200,000	200,000	199,350	199,350	100.00	(119)	(119)	
	Wang Yi Construction Co., Ltd.	ROC	Construction	240,000	240,000	158,539	158,539	100.00	(8,492)	(8,492)	
	Pou Chin Development Co., Ltd.	ROC	Agency of land demarcation	348,159	348,159	24,109,451	476,452	4.32	62,084	2,686	The Company and its associate hold 19.50% and serve as director
	Pou Hong Realty Development Co., Ltd.	ROC	Development of real estate	128,610	128,610	19	-	7.60	39,915	-	The Company and its associate hold 50.00%
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	189,920	189,920	12,821,208	406,149	0.09	36,051,175	33,455	The Company and its associate hold 18.09%
	Techview International Technology Inc.	ROC	Development and sales of TFT-LCD display								
	Nan Shan Life Insurance Company, Ltd.	ROC	Sale of life insurance								

(Continued)



# POU CHEN CORPORATION

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2020	December 31, 2019	As of December 31, 2020	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Wang Yi Construction Co., Ltd.	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	\$ 30,838	\$ 30,838	Shares	\$ 18,264	\$ 62,084	\$	103
Song Ming Investments Co., Ltd.	Pou Yi Development Co., Ltd.	ROC	Rental and sale of real estate	262,500	262,500	75.00	857,138	60,563	45,422	The Company and its associate hold 19.50% and serve as director
	Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	21,240	21,240	1.99	13,700	22,763	453	The Company and its associate hold 90.00%
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	21,725	21,725	0.38	42,443	62,084	239	The Company and its associate hold 19.50% and serve as director
Pou Yuen Technology Co., Ltd.	Pearl Dove International Limited	British Virgin Islands	Investment holding	77,796	-	100.00	21,450	(2,313)	(2,313)	
	Vantage Capital Investments Limited	British Virgin Islands	Investment holding	2,573,883	215,342	-	753,158	(84,295)	(78,615)	
	Techview International Technology Inc.	ROC	Development and sales of TFT-LCD display	128,597	6,523,222	7.60	-	(513)	(513)	
								(17,045)	(17,045)	
Yue Yuen Industrial (Holdings) Limited	Eagle Nice (International) Holdings Limited	British Cayman Islands	Manufacturing of wearing apparel and clothing accessories	1,297,712	1,297,712	36.09	2,260,375	1,124,774	409,540	
	Full Pearl International Ltd.	British Virgin Islands	Sale of women's shoes	381,878	40,015,775	40.04	397,721	38,626,689	13,940,372	
	Ohenrich Holdings Limited	Bermuda	Manufacturing and sale of footwear	1,226,424	12,226,424	45.00	13,864,935	(237,825)	(2,912)	
	Pine Wood Industries Limited	British Virgin Islands	Manufacturing and sale of fabric	1,339,783	1,339,783	37.00	2,319,732	94,719	42,623	
	Prosperous Industrial (Holdings) Ltd.	British Cayman Islands	Manufacturing and sale of gym bags	42,210,159	42,210,159	22.50	81,451,277	3,350,340	1,507,653	
	Supplyline Logistics Ltd	Hong Kong	Logistics service provider	92,393	92,393	49.00	201,735	12,637	4,676	
	Sun Fang Chemical Industry Co., Ltd.	ROC	Manufacturing and sale of synthetic leather	2,696,757	8,010,938	44.72	4,347,904	(257,972)	115,365	
	Nan Pao Resins Chemical Co., Ltd.	ROC	Manufacturing and sale of chemical materials	539,797	83,192,794	17.59	1,684,829	8,816,997	3,942,961	
	Just Lucky Investments Limited	British Virgin Islands	Property management	26,207	16,873,924	38.30	55,023	1,291,229	227,127	
	Natural Options Limited	British Virgin Islands	Manufacturing of foam	808,130	808,130	38.30	1,931,989	(340,891)	7,724,246	
	Rise Bloom International Limited	Hong Kong	Investment holding	11,144	11,144	38.30	6,479	228	130,408	
	Prosperlink Limited	Samoa	Investment holding	24,312	343,638	38.00	227,487	7,918	3,033	
	Pou Ming Paper Products Manufacturing Co., Ltd.	British Virgin Islands	Manufacturing of paper products	17,432	760,000	38.00	1,554,784	(22,193)	(265)	
	Brandblack Inc.	USA	Investment holding	66,937	570,000	20.00	9,801	16,214	458	
	Best Focus Holdings Ltd.	British Virgin Islands	Manufacturing and sale of shoe box	68,762	2,163,800	31.25	344,149	557,625	11,525	
	Great Skill Industrial Limited	British Virgin Islands	Manufacturing and sale of plastic shoe material injection crepe	68,882	5,000,000	-	92,746	(1,440,364)	(450,114)	
	Junbo Power Enterprises Limited	British Virgin Islands	Manufacturing and sale of footwear	2,597,42	2,130,000	50.00	501,374	15,574	(5,705)	
	Ka Yuen Rubber Factory Limited	British Virgin Islands	Manufacturing and sale of rubber sole	564,782	8,000,000	50.00	171,604,422	346	(198,604)	
	Willpower Industries Limited	British Virgin Islands	Manufacturing and sale of paper products	221,001	17,500,000	44.84	23,619,331	2,647,030	80,171	
	Prime Glorious Limited	British Virgin Islands	Investment holding	352,484	6,950,000	49.00	36,201,760	397,085	2,706,165	
	Blessland Enterprises Limited	British Virgin Islands	Manufacturing and sale of male	1,166,000	39,852	-	11,840,819	13,524,505	178,053	
	Cohen Enterprises Inc.	British Virgin Islands	Manufacturing and sale of footwear leather products	623,276	1,232,414	50.00	527,256	(6,143)	(3,072)	
	Twinsway Investments Limited	British Virgin Islands	Manufacturing and sale of footwear accessory injection crepe	551,432	20,215,015	50.00	1,064,515	200,198	(98,960)	
	Top Units Developments Ltd.	British Virgin Islands	Manufacturing of footwear accessories	17,500,000	17,500,000	49.00	37,383,414	6,827,206	3,413,603	
				14,079,196	14,079,196		23,302,157	255,911	125,397	
								8,670,461	4,248,526	

(Concluded)

TABLE 10

## POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, U.S. 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Great Team Backend Foundry, Inc.	Processing and manufacturing of transistors	\$ 2,642,140 (US\$ 88,116,600)	b	\$ -	-	\$ -	\$ -	\$ -	2.01	\$ -	\$ 129,869 (RMB 29,670,733)	\$ -	(Note 3)
Yue-Shen (Taicang) Footwear Co., Ltd.	Finished shoes, semi-finished products, components and production and marketing of moulds	554,646 (US\$ 17,100,000)	b	-	-	-	-	(RMB 18,800 4,459,629)	31.79	(RMB 5,976 1,417,716) b, 1)	(RMB 250,883 57,318,547)	-	
Dongguan Yunning Electronic Technology Co., Ltd.	Production and marketing of over 17 inches color-image monitor, motherboards and other products	475,745 (US\$ 14,500,000)	b	-	-	-	-	(RMB 3,682 859,226)	100.00	(RMB 3,682 859,226) b, 1)	(RMB 313,115 71,536,521)	-	
Dongguan Gaocheng Precision Injection Molding Technology Co., Ltd.	Mould, plastic case for mobile phones	395,526 (US\$ 12,055,034)	b	-	-	-	-	(RMB 664 154,385)	100.00	(RMB 664 154,385) b, 2)	(RMB 51,321 11,725,089)	-	
Yue Cheng (Kun Shan) Sports Co., Ltd.	Operating sporting goods and equipment, spare parts production and marketing business	435,402 (US\$ 14,200,000)	b	-	-	-	-	(RMB 199,406 46,545,641)	31.79	(RMB 63,391 14,796,859) b, 1)	(RMB 968,141 221,188,199)	-	
Zhongshan Bao Ji Clothing Co., Ltd.	Production and marketing of sportswear	82,025 (US\$ 2,500,000)	b	-	-	-	-	(RMB 19 4,438)	48.68	(RMB 9 2,160) b, 1)	(RMB 6,090 1,391,438)	-	
Dongguan Baoqiao Electronic Technology Co., Ltd.	Production and marketing of other optical appliances and instruments	147,645 (US\$ 4,500,000)	b	-	-	-	-	(RMB 41,724 9,733,445)	100.00	(RMB 41,724 9,733,445) b, 2)	(RMB 191,702 43,797,633)	-	
Poudshan Paper Products Manufacturing Co., Ltd.	Production and sale of shoe inner boxes, cartons	68,901 (US\$ 2,100,000)	b	-	-	-	-	(RMB (4,219) (938,988))	10.22	(RMB (4,219) (938,988)) b, 1)	(RMB 4,948 1,130,410)	-	
Beijing Advazone Electronic Limited Company	Development and production of computer software	512,019 (US\$ 16,100,000)	b	-	-	-	-	(RMB 1,237 291,597)	32.00	(RMB 396 93,311) b, 2)	(RMB 34,254 7,825,853)	-	
Pouhong Footwear Industrial Ltd.	Production and operation of leisure shoes, sports shoes	49,215 (US\$ 1,500,000)	b	-	-	-	-	(RMB (812) (172,047))	51.11	(RMB (415) (87,933)) b, 1)	(RMB 42,981 9,819,828)	-	
Shangqiao Yisen Industry Co., Ltd.	Production and sale of finished shoes, semi-finished products, components and moulds	945,204 (US\$ 30,390,000)	b	-	-	-	-	(RMB 119,110 28,150,780)	51.11	(RMB 60,877 14,387,864) b, 1)	(RMB 885,083 202,212,314)	-	
Bao Hong (Yangzhou) Shoes Co., Ltd.	Production of needles, woven garments, footwear and sales of self-produce products	2,591,184 (US\$ 86,291,730)	b	-	-	-	-	(RMB (67,679) (15,805,456))	51.11	(RMB (34,591) (8,078,169)) b, 1)	(RMB 494,913 113,071,188)	-	
Dong Guan Yu Yuen Mold Co., Ltd.	Production and sale of moulds for non-metallic products	62,011 (US\$ 1,890,000)	b	-	-	-	-	(RMB (6,457) (1,504,064))	51.11	(RMB (3,300) (768,727)) b, 1)	(RMB 39,155 8,945,551)	-	
Zhong Shan Glory Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	951,490 (US\$ 29,000,000)	b	-	-	-	-	(RMB (65,864) (15,508,752))	23.00	(RMB (15,149) (3,567,013)) b, 2)	(RMB 456,862 104,377,998)	-	

(Continued)



# 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
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	\$ -	\$ -	\$ -	\$ -	\$ 359 (RMB 84,349)	23.00	\$ 83 (RMB 19,400)	\$ 10,132 (RMB 2,314,757)	-	
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	-	-	-	-	91,624 (RMB 21,422,686)	20.34	18,636 (RMB 4,357,374)	622,342 (RMB 142,184,621)	-	
ShangGao Yisen Ka Yuen Industry Co., Ltd.	Production and sale of footwear products	77,432 (US\$ 2,360,000)	b	-	-	-	-	57,401 (RMB 13,379,684)	25.56	14,672 (RMB 3,419,847)	41,426 (RMB 9,464,481)	-	
Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	Retail business of sports goods and accessories	1,988,061 (US\$ 65,000,000)	b	-	-	-	-	(350,012) (RMB 82,008,886)	31.79	(111,269) (RMB 26,089,699)	974,827 (RMB 222,715,879)	-	
Qingdao Pou-Sheng International Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	94,800 (RMB 20,000,000)	b	-	-	-	-	291,153 (RMB 68,224,305)	22.89	66,645 (RMB 15,616,543)	261,487 (RMB 59,741,094)	-	
Guizhou Pou-Sheng Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	322,886 (US\$ 10,000,000)	b	-	-	-	-	63,376 (RMB 14,869,025)	31.79	20,147 (RMB 4,726,863)	150,739 (RMB 34,438,891)	-	
Nanning Pou-Kung Sport Products Co., Ltd.	Retail business of sports goods and accessories	42,653 (US\$ 1,300,000)	b	-	-	-	-	(19,673) (RMB 4,691,589)	31.79	(6,254) (RMB 1,491,456)	(669) (RMB 152,809)	-	
Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	Retail business of sports goods and accessories	1,567,250 (US\$ 50,000,000)	b	-	-	-	-	1,026,527 (RMB 240,665,937)	31.79	326,333 (RMB 76,507,701)	2,123,157 (RMB 485,071,175)	-	
Diodite (China) Sports Good Co., Ltd.	Retail and wholesale business of sporting goods and accessories	639,800 (US\$ 20,000,000)	b	-	-	-	-	1,629 (RMB 380,366)	31.79	518 (RMB 120,918)	45,295 (RMB 10,348,400)	-	
Taichang YYSPO RTS Business Trading Co., Ltd.	Retail business of sports goods and accessories series products	164,050 (US\$ 5,000,000)	b	-	-	-	-	11,312 (RMB 2,635,915)	31.79	3,596 (RMB 837,957)	135,008 (RMB 30,844,801)	-	
Yangzhou Baoyi Shoes Manufacturing Co., Ltd.	Vulcanized shoes, sports shoes, leisure shoes and other footwear manufacturing, marketing	729,906 (US\$ 22,456,800)	b	-	-	-	-	125,872 (RMB 29,561,261)	25.56	32,173 (RMB 7,555,838)	255,336 (RMB 58,335,832)	-	
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 (RMB 200,000,000)	b	-	-	-	-	16,320 (RMB 3,747,006)	31.79	51,888 (RMB 1,191,173)	457,428 (RMB 104,507,155)	-	
YYSPO RTS (Chengdu) Business Trading Co., Ltd.	Retail business of sports goods and accessories	689,194 (US\$ 22,400,000)	b	-	-	-	-	(33,035) (RMB 7,621,833)	31.79	(10,502) (RMB 2,422,981)	146,814 (RMB 33,542,161)	-	
Fujian Baomin Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	147,645 (US\$ 4,500,000)	b	-	-	-	-	292 (RMB 68,110)	28.61	83 (RMB 19,486)	69,032 (RMB 15,771,566)	-	
Guangzhou Pou-Yuen Trading Co., Ltd.	Retail business of sports goods and accessories	710,251 (US\$ 23,310,000)	b	-	-	-	-	27,599 (RMB 6,480,128)	31.79	8,774 (RMB 2,060,033)	251,772 (RMB 57,521,485)	-	
Dragon Light (China) Sporting Goods Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	2,111,340 (US\$ 66,000,000)	b	-	-	-	-	235,639 (RMB 54,620,508)	31.79	74,910 (RMB 17,363,859)	483,139 (RMB 110,381,406)	-	

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Sheng Dao (Yang Zhou) Sporting Goods Dev Co., Ltd.	Shopping mall management and property management	\$ 2,111,340 (US\$ 66,000,000)	b	\$ -	\$ -	\$ -	\$ -	\$ 29,710 (RMB 6,907,155)	31.79	\$ 9,445 (RMB 2,195,785) b, 1)	\$ 685,921 (RMB 156,710,357)	\$ -	-
Zhong Shan O Li Su Shoe Making Machine Ltd.	Manufacturing shoes and boots or repairing machinery	181,314 (US\$ 5,900,000)	b	-	-	-	-	(8,954) (RMB (2,084,922))	51.11	(4,576) (RMB (1,065,604)) b, 2)	11,052 (RMB 2,525,111)	-	-
Shanxi Pusheng Trading Co., Ltd.	Engaged in wholesale, retail and import and export business of sports goods, fitness equipment and sportswear	2,012,320 (US\$ 66,000,000)	b	-	-	-	-	392,573 (RMB 92,816,860)	31.79	124,799 (RMB 29,506,480) b, 1)	2,535,022 (RMB 579,168,902)	-	-
Taichang Yue-Shen Sporting Goods Co., Ltd.	Engaged in the production and sales of shoe products, semi-finished products, moulds and related sports goods.	393,720 (US\$ 12,000,000)	b	-	-	-	-	(43,808) (RMB (10,265,628))	31.79	(13,926) (RMB (3,263,443)) b, 1)	490,065 (RMB 111,963,753)	-	-
Hangzhou Pou-Hung Sport Products Co., Ltd.	Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories	67,308 (RMB 14,200,000)	b	-	-	-	-	-	15.90	- b, 1)	-	-	-
Yangzhou Yijian Software Tech Co., Ltd.	Integration of software and hardware sales service systems (excluding IC design)	35,803 (US\$ 1,170,000)	b	-	-	-	-	30 (RMB 6,952)	51.11	15 (RMB 3,553) b, 1)	8 (RMB 1,816)	-	-
Rui Jin Pou Yuan Footwear Development Co., Ltd.	Production and sale of sports shoes, leisure shoes and semi-finished products	356,697 (US\$ 12,000,000)	b	-	-	-	-	(32,210) (RMB (7,671,755))	51.11	(16,463) (RMB (3,921,034)) b, 1)	132,991 (RMB 30,384,106)	-	-
Yang Xin Pou Jia Shoes Manufacturing Co., Ltd.	Production and sale of shoes uppers, footwear and garments	1,676,476 (US\$ 55,517,000)	b	-	-	-	-	(265,372) (RMB (61,973,923))	51.11	(135,632) (RMB (31,674,872)) b, 1)	774,489 (RMB 176,945,064)	-	-
Jiangxi Province Yuan Shoe Co., Ltd.	Production and sale of footwear products and semi-finished products	918,125 (US\$ 30,000,000)	b	-	-	-	-	172,702 (RMB 39,640,127)	51.11	88,268 (RMB 20,260,069) b, 1)	72,788 (RMB 16,629,546)	-	-
Dongguan Yu Xiang Shoes Material Co., Ltd.	Production and sale of footwear products	295,820 (US\$ 9,500,000)	b	-	-	-	-	43,600 (RMB 10,103,380)	51.11	22,284 (RMB 5,163,838) b, 1)	283,547 (RMB 64,781,112)	-	-
Chen Zhou Glory Shoes Ind., Ltd.	Production and sale of sports shoes, leisure shoes and leather shoes and semi-finished products	59,610 (US\$ 2,000,000)	b	-	-	-	-	(172) (RMB (39,680))	23.00	(40) (RMB (9,126)) b, 2)	9 (RMB 2,097)	-	-
Jiang Xi Hwa Chang Foam Ltd.	Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products	63,600 (US\$ 2,000,000)	b	-	-	-	-	1,289 (RMB 307,362)	19.42	250 (RMB 59,690) b, 1)	15,989 (RMB 3,653,010)	-	-
Yue Yuen (Anfu) Footwear Co., Ltd.	Production and marketing of finished shoes, semi-finished products and components and modules	1,763,350 (US\$ 60,000,000)	b	-	-	-	-	113,406 (RMB 26,715,640)	51.11	57,962 (RMB 13,654,364) b, 1)	1,126,134 (RMB 257,284,407)	-	-
Dong Guan Bao Yu Shoes Co., Ltd.	Production and sale of sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished footwear and footwear materials	66,780 (US\$ 2,100,000)	b	-	-	-	-	-	51.11	- b, 1)	36,053 (RMB 8,236,989)	-	-

(Continued)



# 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Kun Shan Pou-chi Sports Co., Ltd.	Wholesale, commission agency, import and export business of sports goods, sports equipment, clothing, shoes, caps and packaging and related design, technical consultation and service	\$ 399,539 (US\$ 13,500,000)	b	\$ -	-	\$ -	\$ -	\$ 483,852 (RMB 112,580,180)	31.79	\$ 153,817 (RMB 35,789,239) b, 1)	\$ 479,355 (RMB 109,516,892)	\$ -	
Dongguan De Chang Zi Xin Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US\$ 350,000)	b	-	-	-	-	5,540 (RMB 1,209,504)	51.11	2,832 (RMB 669,237) b, 1)	24,160 (RMB 5,519,730)	-	
Zhong Shan Bao Song Zi Xin Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US\$ 350,000)	b	-	-	-	-	3,932 (RMB 925,237)	51.11	2,010 (RMB 472,889) b, 1)	22,973 (RMB 5,248,660)	-	
Yiyang Yujing Shoes Industrial Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	743,983 (US\$ 24,000,000)	b	-	-	-	-	79,900 (RMB 18,287,686)	51.11	40,837 (RMB 9,346,836) b, 1)	64,509 (RMB 14,738,156)	-	
Jiangxi Unisistec Consulting Co., Ltd.	Business management consultation, marketing planning and other services	10,442 (US\$ 350,000)	b	-	-	-	-	2,763 (RMB 647,428)	51.11	1,412 (RMB 330,900) b, 1)	16,986 (RMB 3,880,704)	-	
Yu Xing (Jishui) Footwear Co., Ltd.	Production and sale of sports shoes	183,840 (US\$ 6,400,000)	b	-	-	-	-	-	51.11	-	43,499 (RMB 9,938,048)	-	
Dongguan Xinglai Consulting Co., Ltd.	Business management consultation, marketing planning and other services	41,945 (US\$ 1,400,000)	b	-	-	-	-	3,816 (RMB 893,857)	51.11	1,950 (RMB 456,850) b, 1)	36,681 (RMB 8,380,337)	-	
Yang Xin Zhang Yuan Shoe Co., Ltd.	Production and sale of footwear products	61,029 (US\$ 2,100,000)	b	-	-	-	-	(1,536) (RMB 358,757)	25.56	(393) (RMB 91,698) b, 1)	6,658 (RMB 1,521,059)	-	
YangXin Pou Jia Ka Yuan Shoes Manufacturing Co., Ltd.	Production and sale of rubber soles	72,990 (US\$ 2,500,000)	b	-	-	-	-	(18,107) (RMB 4,228,612)	25.56	(4,628) (RMB 1,080,833) b, 1)	(13,249) (RMB 3,027,015)	-	
Pou Sheng (China) Investment Co., Ltd.	Business of investment, technical services and wholesale, import and export sports goods, sportswear, sports shoes and leisure shoes	4,550,741 (US\$ 152,922,400)	b	-	-	-	-	44,757 (RMB 10,453,111)	31.79	14,228 (RMB 3,323,044) b, 1)	1,219,025 (RMB 278,307,079)	-	
Yichun Yisen Industry Co., Ltd.	Production and sale of footwear and mold products	410,130 (US\$ 14,000,000)	b	-	-	-	-	30,919 (RMB 7,351,334)	51.11	15,803 (RMB 3,757,267) b, 1)	358,520 (RMB 81,909,981)	-	
Zhong Xiang Yue-Shan Sporting Goods Co., Ltd.	Production, processing of shoes, semi-finished products, moulds and related sporting goods, sales of self-produce products	94,380 (US\$ 3,250,000)	b	-	-	-	-	12,583 (RMB 2,893,112)	51.11	6,431 (RMB 1,478,670) b, 1)	418 (RMB 95,392)	-	
Zhang Shan Shi Bi Fu Material Co., Ltd.	Production and operation of knitted fabrics and carbon fiber shoes, especially for shoes, sports shoes, etc.	43,290 (US\$ 1,395,000)	b	-	-	-	-	(8,607) (RMB 2,005,114)	24.92	(2,145) (RMB 499,674) b, 1)	8,825 (RMB 2,016,182)	-	
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 (RMB 263,827,800)	b	-	-	-	-	(28,937) (RMB 6,173,975)	51.11	(14,790) (RMB 3,155,519) b, 1)	758,009 (RMB 173,179,969)	-	

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Dongguan Yusheng Shoe Industry Co., Ltd.	Production and sale of finished shoes, semi-finished shoes and mold products and engaged in research and development of shoes, finished shoes, mold products	\$ 1,469,176 (RMB 319,970,250)	b	\$ -	\$ -	\$ -	\$ -	\$ (67,131) (RMB (15,677,562))	51.11	\$ (34,311) (RMB (8,012,802)) b, 1)	\$ 817,860 (RMB 186,853,917)	\$ -	-
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 (RMB 217,720,430)	b	-	-	-	-	(52,490) (RMB (12,110,438))	51.11	(26,828) (RMB (6,189,645)) b, 1)	269,116 (RMB 61,484,156)	-	-
Jilin Xinliangwei Sports Goods Company Limited	Sports goods sales	196,160 (RMB 40,000,000)	b	-	-	-	-	-	15.90	- b, 1)	-	-	-
Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.	Prepare for research and development of shoe materials and composite materials	114,804 (RMB 23,000,000)	b	-	-	-	-	(7,505) (RMB (1,752,600))	25.56	(1,918) (RMB (447,965)) b, 1)	37,004 (RMB 8,454,216)	-	-
Dong Guan Jia Yuan Shoe Materials Products Company Limited	Prepare shoe material	108,805 (RMB 21,600,000)	b	-	-	-	-	(91,096) (RMB (21,121,375))	51.11	(46,559) (RMB (10,795,135)) b, 1)	6,008 (RMB 1,372,729)	-	-
Dong Guan Yue Guan Paper Products Co., Ltd.	Production and sale of cartons and engaged in research and development of cartons	48,693 (RMB 10,000,000)	b	-	-	-	-	(1,208) (RMB (276,179))	10.22	(123) (RMB (28,225)) b, 1)	4,362 (RMB 996,636)	-	-
Kun Shan YYSports E-Commerce Co., Ltd.	Network technology development, technical consultation, technical services and retail and wholesale of sports goods, sports equipment	89,367 (US\$ 3,000,000)	b	-	-	-	-	279,198 (RMB 64,907,792)	31.79	88,757 (RMB 20,634,187) b, 1)	94,943 (RMB 21,691,299)	-	-
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	-	-	-	-	(4,118) (RMB (959,275))	6.80	(280) (RMB (65,231)) b, 1)	3,528 (RMB 806,056)	-	-
Kun Shan Taisong Trading Co., Ltd.	Wholesale and retail of clothing, footwear, glasses and watches	790,110 (US\$ 26,500,000)	b	-	-	-	-	(61,284) (RMB (14,302,412))	31.79	(19,482) (RMB (4,546,737)) b, 1)	(141,588) (RMB (32,348,169))	-	-
Shanghai Pou-Lo Sport Culture Co., Ltd.	Management consultants, wholesale of sports goods and equipment, other sports services and other art performance assistant services	16,993 (US\$ 500,000)	b	-	-	-	-	(115) (RMB (28,339))	26.08	(30) (RMB (7,391)) b, 1)	1,407 (RMB 321,398)	-	-
Kun Shan Pou-Han Sport Culture Development Co., Ltd.	Management consultants, wholesale of sports goods and equipment, other sports services and other art performance assistant services	48,278 (US\$ 1,500,000)	b	-	-	-	-	(5,518) (RMB (1,331,397))	26.08	(1,439) (RMB (347,228)) b, 1)	9,642 (RMB 2,202,945)	-	-
Yisen (YiFeng) Mould Co., Ltd.	Production and sale of mould products	479,284 (US\$ 14,850,000)	b	-	-	-	-	(39,349) (RMB (9,166,304))	51.11	(20,111) (RMB (4,684,898)) b, 1)	159,304 (RMB 36,395,715)	-	-
Zhu Hai Yu Yuan Industrial Co., Ltd.	Processing, production and sale of footwear products	1,408 (RMB 300,000)	b	-	-	-	-	(4,544) (RMB (1,055,902))	51.11	(2,323) (RMB (539,672)) b, 1)	9,062 (RMB 2,070,283)	-	-
Yang Xin Pou Shou Sporting Goods Co., Ltd.	Processing, production and sale of footwear products	236,574 (US\$ 7,800,000)	b	-	-	-	-	(54,944) (RMB (13,303,610))	51.11	(28,082) (RMB (6,799,475)) b, 1)	56,029 (RMB 12,800,761)	-	-

(Continued)



# POU CHEN CORPORATION

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Changsha YYSPO RTS Sport Products Co., Ltd.	Sales of sports goods and equipment	\$ 22,825 (RMB 5,000,000)	b	\$ -	\$ -	\$ -	\$ -	\$ -44,245 (RMB 10,359,668)	31.79	\$ 14,066 (RMB 3,293,338) b, 1)	\$ 21,959 (RMB 5,016,919)	\$ -	
Henan YYSPO RTS Sport Products Co., Ltd.	Retail business of sports goods and accessories	9,130 (RMB 2,000,000)	b	-	-	-	-	93,232 (RMB 21,858,785)	31.79	29,638 (RMB 6,948,908) b, 1)	169,914 (RMB 38,819,709)	-	
Shenyang Pou-Yi Trading Co., Ltd.	Retail business of sports goods and accessories	182,600 (RMB 40,000,000)	b	-	-	-	-	(38,024) (RMB 8,891,607))	31.79	(12,088) (RMB 2,826,642)) b, 1)	(2,111) (RMB 482,338))	-	
Zhejiang shengdao Sporting-goods Co., Ltd.	Retail business of sports goods and accessories	228,250 (RMB 50,000,000)	b	-	-	-	-	449,433 (RMB 104,966,304)	31.79	142,875 (RMB 33,368,788) b, 1)	598,321 (RMB 136,696,500)	-	
Mudanjiang YYSPO RTS 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	-	-	-	-	(5,275) (RMB 1,231,078))	31.79	(1,677) (RMB 391,360)) b, 1)	2,320 (RMB 530,082)	-	
Widvision Investment (Shenzhen) Co., Ltd.	Business management consulting, economic information consulting and market management planning	13,833 (RMB 3,000,000)	b	-	-	-	-	9,113 (RMB 2,143,532)	100.00	9,113 (RMB 2,143,532) b, 1)	19,390 (RMB 4,430,000)	-	
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	-	-	-	-	(24,351) (RMB 5,685,438))	31.79	(7,741) (RMB 1,807,401)) b, 1)	(11,790) (RMB 2,693,681))	-	
Kuo Yuan Tannery	Production, processing, sales, research and development of shoe materials, import and export goods or technic	176,844 (RMB 41,047,490)	b	-	-	-	-	(70,263) (RMB 16,651,507))	25.56	(17,959) (RMB 4,256,125)) b, 1)	27,020 (RMB 6,173,143)	-	
Akenz (Shanghai) Trading Co., Ltd.	Management consultants, wholesale of sports goods and equipment, other sports services and other art performance assistant services	134,914 (RMB 31,300,000)	b	-	-	-	-	(45,809) (RMB 10,697,830))	28.29	(13,751) (RMB 3,211,293)) b, 1)	21,604 (RMB 4,935,817)	-	
Yangzhou Yutong Garment Co., Ltd.	Engaged in the processing and production of apparel, apparel accessories, and selling self-produced products	588,725 (US\$ 19,749,000)	b	-	-	-	-	(40,718) (US\$ 9,450,214))	51.11	(20,811) (RMB 4,830,004)) b, 1)	350,694 (RMB 80,121,961)	-	
Yifeng Kun Ching Foam Ltd.	Production, sales, processing of plastic foam and foam daily products	8,994 (US\$ 300,000)	b	-	-	-	-	784 (US\$ 184,339)	19.42	152 (RMB 35,799) b, 1)	3,272 (RMB 747,513)	-	
Zhongshan Hua Ching Foam Co., Ltd.	Production of foam products	29,980 (US\$ 1,000,000)	b	-	-	-	-	19,475 (US\$ 4,565,300)	19.58	3,813 (RMB 893,866) b, 1)	16,086 (RMB 3,675,028)	-	
Hubei Poushou Sports Goods Trading Company Limited	Management consultants, wholesale of sports goods, sports equipment, clothing, shoes, caps and accessories and advertising design agency	4,191 (RMB 1,000,000)	b	-	-	-	-	(3,943) (RMB 910,729))	31.79	(922) (RMB 212,786)) b, 1)	124 (RMB 28,379)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ -	\$ 20,700,489 (US\$ 71,770,089)	\$ 120,745,921

(Continued)

Note 1: Methods of investments have following types:

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

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

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

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

Note 3: Financial assets at FVTOCI

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

(Concluded)



TABLE 10-1

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, U.S. Dollars and Renminbi)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment Investment from (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Kunshan Yuanying Electronics Technology Co., Ltd.	Manufacturing and sale of alloy	\$ 85,936 (US\$ 2,620,000)	b	\$ -	\$ -	\$ -	\$ -	\$ (5,626) (RMB 1,314,052))	100.00	\$ (5,626) (RMB 1,314,052)) b, 2)	\$ 65,947 (RMB 15,066,784)	\$ -	
Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020													
\$ -	-	Investment Amount Authorized by Investment Commission, MOEA		Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)									
		\$ 164,330 (US\$ 5,770,000)		\$ 413,294									

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.

**TABLE 11****POU CHEN CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
PC Brothers Corporation	213,280,710	7.24
Chuan Mou Investments Co., Limited	163,425,022	5.55

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.



## 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

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

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



Management evaluated the impairment of the abovementioned assets based on their recoverable amounts. The recoverable amounts are 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 assessment of goodwill of investments accounted for using the equity method as a key audit matter of the financial statements for the year ended December 31, 2020.

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

### **Other Matter**

Certain investments accounted for using the equity method in the Company's financial statements for the years ended December 31, 2020 and 2019 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, 2020 and 2019, the carrying amounts of the investments were \$75,850,094 thousand and \$50,159,779 thousand which constituted 41.48% and 31.03% of the Company's total assets, respectively. For the years ended December 31, 2020 and 2019, the profit of the associate which the Company recognized amounted to \$6,452,341 thousand and \$5,788,953 thousand which constituted 103.63% and 46.70% 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, 2020 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 audits resulting in this independent auditors' report are Wen-Yea Shyu and Kenny Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2021

### 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

## POU CHEN CORPORATION

**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 365,489	-	\$ 153,716	-
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	120,828	-	1,636	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 9)	5,759,113	3	5,918,837	4
Financial assets at amortized cost - current (Notes 4 and 10)	134,438	-	177,366	-
Notes receivable (Notes 4 and 11)	19	-	462	-
Accounts receivable (Notes 4 and 11)	1,880	-	2,153	-
Accounts receivable from related parties (Notes 4, 11 and 30)	1,698,354	1	1,622,531	1
Other receivables (Notes 4, 11 and 30)	54,112	-	275,971	-
Inventories (Notes 4 and 12)	69,731	-	59,226	-
Other current assets (Notes 4 and 13)	30,297	-	36,807	-
Total current assets	8,234,261	4	8,248,705	5
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	63,791	-	52,984	-
Financial assets at amortized cost - non-current (Notes 4 and 10)	113,364	-	111,500	-
Investments accounted for using the equity method (Notes 4 and 14)	166,240,256	91	144,982,393	90
Property, plant and equipment (Notes 4 and 15)	5,035,178	3	5,220,137	3
Right-of-use asset (Notes 4 and 16)	118,371	-	49,480	-
Investment properties (Notes 4 and 17)	1,884,398	1	1,935,772	1
Intangible assets (Notes 4 and 18)	1,083,212	1	929,272	1
Deferred tax assets (Notes 4 and 26)	47,626	-	86,419	-
Other non-current assets (Notes 4 and 13)	30,734	-	44,458	-
Total non-current assets	174,616,930	96	153,412,415	95
<b>TOTAL</b>	<b>\$ 182,851,191</b>	<b>100</b>	<b>\$ 161,661,120</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 9,377,291	5	\$ 19,909,700	12
Short-term bills payable (Note 19)	2,099,687	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	704	-	26,739	-
Financial liabilities for hedging - current (Notes 4 and 8)	278	-	-	-
Notes payable (Notes 4 and 20)	6,173	-	10,024	-
Accounts payable (Notes 4 and 20)	624,913	-	1,051,378	1
Accounts payable to related parties (Notes 4, 20 and 30)	28,196	-	22,812	-
Other payables (Note 21)	1,687,351	1	1,947,502	1
Current tax liabilities (Notes 4 and 26)	1,368,814	1	9,370	-
Lease liabilities - current (Notes 4 and 16)	31,050	-	31,359	-
Current portion of long-term borrowings (Note 19)	2,513,796	2	263,796	-
Other current liabilities	170,294	-	173,942	-
Total current liabilities	17,908,547	10	23,446,622	14
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 19)	29,495,510	16	19,319,306	12
Deferred tax liabilities (Notes 4 and 26)	646,685	1	711,547	1
Lease liabilities - non-current (Notes 4 and 16)	91,071	-	23,491	-
Net defined benefit liabilities (Notes 4 and 22)	567,040	-	704,713	-
Other non-current liabilities (Note 14)	32,879	-	46,502	-
Total non-current liabilities	30,833,185	17	20,805,559	13
Total liabilities	48,741,732	27	44,252,181	27
<b>EQUITY (Notes 4 and 23)</b>				
Share capital				
Ordinary shares	29,467,872	16	29,467,872	18
Capital surplus	4,389,862	2	4,592,397	3
Retained earnings				
Legal reserve	16,064,775	9	14,881,914	9
Special reserve	-	-	22,293,369	14
Unappropriated earnings	56,743,003	31	34,488,820	22
Total retained earnings	72,807,778	40	71,664,103	45
Other equity	27,443,947	15	11,684,567	7
Total equity	134,109,459	73	117,408,939	73
<b>TOTAL</b>	<b>\$ 182,851,191</b>	<b>100</b>	<b>\$ 161,661,120</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 24, 2021)

## POU CHEN CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)	\$ 8,219,523	100	\$ 11,399,477	100
OPERATING COSTS (Notes 25 and 30)	<u>4,294,515</u>	<u>52</u>	<u>6,655,923</u>	<u>58</u>
GROSS PROFIT	<u>3,925,008</u>	<u>48</u>	<u>4,743,554</u>	<u>42</u>
OPERATING EXPENSES (Notes 22 and 25)				
Selling and marketing expenses	30,108	-	64,217	1
General and administrative expenses	1,984,045	24	2,525,205	22
Research and development expenses	<u>1,435,939</u>	<u>18</u>	<u>1,613,603</u>	<u>14</u>
Total operating expenses	<u>3,450,092</u>	<u>42</u>	<u>4,203,025</u>	<u>37</u>
INCOME FROM OPERATIONS	<u>474,916</u>	<u>6</u>	<u>540,529</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 25)	15,610	-	30,923	-
Other income (Notes 25 and 30)	566,630	7	565,980	5
Other gains and (losses) (Note 25)	(808,773)	(10)	(69,475)	(1)
Finance costs (Note 25)	(396,194)	(5)	(373,715)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 14)	<u>6,374,111</u>	<u>78</u>	<u>11,700,954</u>	<u>103</u>
Total non-operating income and expenses	<u>5,751,384</u>	<u>70</u>	<u>11,854,667</u>	<u>104</u>
INCOME BEFORE INCOME TAX	6,226,300	76	12,395,196	109
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,386,116</u>	<u>17</u>	<u>566,587</u>	<u>5</u>
NET INCOME FOR THE YEAR	<u>4,840,184</u>	<u>59</u>	<u>11,828,609</u>	<u>104</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 22)	94,922	1	103,567	1
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(148,916)	(2)	905,317	8
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(473,503)	(6)	2,137,241	18

(Continued)



# POU CHEN CORPORATION

## POU CHEN CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Gain on hedging instruments	\$ 1,195	-	\$ -	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	<u>16,273,815</u>	<u>198</u>	<u>28,933,948</u>	<u>254</u>
Other comprehensive income for the year, net of income tax	<u>15,747,513</u>	<u>191</u>	<u>32,080,073</u>	<u>281</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 20,587,697</u>	<u>250</u>	<u>\$ 43,908,682</u>	<u>385</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 1.64</u>		<u>\$ 4.01</u>	
Diluted	<u>\$ 1.64</u>		<u>\$ 4.01</u>	

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

(With Deloitte & Touche audit report dated March 24, 2021)

(Concluded)

## POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	Retained Earnings					Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain on Hedging Instruments	Others	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 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 23)	-	-	1,070,864	-	(1,070,864)	-	-	-	-	-
Legal reserve	-	-	-	8,376,139	(8,376,139)	-	-	-	-	-
Special reserve	-	-	-	-	(4,420,181)	-	-	-	-	(4,420,181)
Cash dividends	-	-	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 23)	-	(3,539)	-	-	-	-	-	-	-	(3,539)
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	-	-	-	(76,149)	-	-	-	-	(76,149)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries and associates (Notes 4 and 23)	-	-	-	-	(1,706,234)	-	1,706,234	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 23)	-	(4,156)	-	-	-	-	140,890	-	-	136,734
BALANCE AT DECEMBER 31, 2019	29,467,872	4,592,397	14,881,914	22,293,369	34,488,820	(2,498,149)	13,759,473	-	423,243	117,408,939
Appropriation of 2019 earnings (Note 23)	-	-	1,182,861	-	(1,182,861)	-	-	-	-	-
Legal reserve	-	-	-	(22,293,369)	22,293,369	-	-	-	-	-
Special reserve	-	-	-	-	(3,683,484)	-	-	-	-	(3,683,484)
Cash dividends	-	-	1,182,861	(22,293,369)	17,427,024	-	-	-	-	(3,683,484)
Net income for the year ended December 31, 2020	-	-	-	-	4,840,184	-	-	-	-	4,840,184
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	(163,929)	(2,993,220)	10,697,670	1,195	8,205,797	15,747,513
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	4,676,255	(2,993,220)	10,697,670	1,195	8,205,797	20,587,697
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 23)	-	(230,093)	-	-	-	-	-	-	-	(230,093)
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	-	-	-	(1,158)	-	-	-	-	(1,158)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries and associates (Notes 4 and 23)	-	-	-	-	152,062	-	(152,062)	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 23)	-	335	-	-	-	-	-	-	-	335
Unclaimed dividends by shareholders	-	27,223	-	-	-	-	-	-	-	27,223
BALANCE AT DECEMBER 31, 2020	\$ 29,467,872	\$ 4,389,862	\$ 16,064,775	\$ -	\$ 56,743,003	\$ (5,491,369)	\$ 24,305,081	\$ 1,195	\$ 8,629,040	\$ 134,109,459

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated March 24, 2021)



# POU CHEN CORPORATION

## POU CHEN CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 6,226,300	\$ 12,395,196
Adjustments for:		
Depreciation expenses	374,060	360,481
Amortization expenses	40,925	27,227
Expected credit (gain) loss recognized on accounts receivable	(48,234)	48,534
Net gain on fair value changes of financial instruments at FVTPL	(217,870)	(169,942)
Finance costs	396,194	373,715
Interest income	(15,610)	(30,923)
Dividend income	(327,788)	(327,542)
Share of the profit of subsidiaries and associates	(6,374,111)	(11,700,954)
Net loss on disposal of property, plant and equipment	1,215	788
Gain on lease modifications	(28)	(10)
Unrealized loss on foreign currency exchange	4,028	3,229
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	108,693	164,294
Notes receivable	443	388
Accounts receivable	273	(1,026)
Accounts receivable from related parties	(58,469)	341,812
Other receivables	51,790	21,826
Inventories	(10,505)	(7,134)
Other current assets	6,515	17,611
Other operating assets	15,147	(16,888)
Financial liability held for trading	(36,049)	-
Notes payable	(3,851)	2,346
Notes payable to related parties	-	(74)
Accounts payable	(426,465)	(172,833)
Accounts payable to related parties	5,384	(60,064)
Other payables	(253,112)	195,672
Other current liabilities	(3,648)	(3,184)
Net defined benefit liabilities	(53,532)	4,642
Cash (used in) generated from operations	(598,305)	1,467,187
Interest paid	(398,218)	(387,467)
Income tax paid	(41,959)	(803,914)
Net cash (used in) generated from operating activities	(1,038,482)	275,806
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of financial assets at amortized cost	(755,653)	(295,493)
Proceeds from sale of financial assets at amortized cost	795,816	692,670
Acquisition of associates and joint ventures	(170,204)	(4,080,000)
Proceeds from return of capital of associates under equity method	-	50,000
Acquisition of property, plant and equipment	(124,135)	(401,353)
Proceeds from disposal of property, plant and equipment	36,053	40,707
		(Continued)



**POU CHEN CORPORATION**
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(In Thousands of New Taiwan Dollars)**

	2020	2019
Decrease (increase) in refundable deposits	\$ 805	\$ (990)
Loans to related parties	175,000	14,000
Payments for intangible assets	(196,118)	(448,076)
Proceeds from disposal of intangible asset	1,253	-
Payments for investment properties	(240)	-
Increase in prepayments for equipment	(4,453)	(3,289)
Interest received	16,079	32,491
Dividends received	<u>1,184,001</u>	<u>781,270</u>
Net cash generated from (used in) investing activities	<u>958,204</u>	<u>(3,618,063)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments of) proceeds from short-term borrowings	(10,533,973)	5,255,700
Proceeds from short-term bills payable	2,100,000	-
Proceeds from long-term borrowings	66,640,000	19,890,000
Repayments of long-term borrowings	(54,213,796)	(17,406,898)
Repayments of principal portion of lease liabilities	(30,468)	(17,394)
Cash dividends	(3,683,484)	(4,420,181)
(Decrease) increase in guarantee deposits	(13,451)	116
Other financing activities	<u>27,223</u>	<u>-</u>
Net cash generated from financing activities	<u>292,051</u>	<u>3,301,343</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>211,773</b>	<b>(40,914)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>153,716</u></b>	<b><u>194,630</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 365,489</u></b>	<b><u>\$ 153,716</u></b>

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

(With Deloitte & Touche audit report dated March 24, 2021)

(Concluded)



**POU CHEN CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(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 24, 2021.

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

- a. Initial application of the amendments to 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 IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

- 1) Amendments to IFRS 3 “Definition of a Business”

The Company applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. 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 that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. 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”

Upon retrospective application of the amendments, the Company complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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.

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

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the financial statements do not include immaterial information that may obscure material information.

## b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of  
interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- 1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- 2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.



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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

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

2) Amendments to 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.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.



5) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Company will restate its comparative information when it initially applies the aforementioned amendments.

6) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

7) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

8) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impacts, 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 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 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 29: 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 29.

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 risks and foreign exchange rate risks, including foreign exchange 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

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.

## 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 for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and 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, estimations 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 Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect 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	
	2020	2019
Cash on hand	\$ 465	\$ 637
Checking accounts and demand deposits	<u>365,024</u>	<u>153,079</u>
	<u>\$ 365,489</u>	<u>\$ 153,716</u>



# POU CHEN CORPORATION

## 7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts (a)	\$ 120,828	\$ 1,636
<u>Financial liabilities at FVTPL - current</u>		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts (a)	\$ 704	\$ 19,692
Cross-currency swap contracts (b)	-	7,047
	<u>\$ 704</u>	<u>\$ 26,739</u>

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

### December 31, 2020

<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Rate</b>
US\$ 5,800	2021.03	US\$:NT\$ 28.2830
US\$ 19,000	2021.03	US\$:NT\$ 28.1035
US\$ 38,000	2021.03	US\$:NT\$ 28.0970
US\$ 15,000	2021.03	US\$:NT\$ 28.0970
US\$ 60,000	2021.03	US\$:NT\$ 28.0960
US\$ 72,600	2021.03	US\$:NT\$ 28.0860
US\$ 31,900	2021.03	US\$:NT\$ 28.0860
US\$ 43,000	2021.03	US\$:NT\$ 28.0860
US\$ 21,000	2021.03	US\$:NT\$ 28.0860
US\$ 36,000	2021.03	US\$:NT\$ 28.0860
US\$ 2,000	2021.03	US\$:NT\$ 28.1040
US\$ 16,600	2021.03	US\$:NT\$ 28.0970
US\$ 20,000	2021.03	US\$:NT\$ 28.0970
US\$ 9,000	2021.03	US\$:NT\$ 28.0960
US\$ 20,400	2021.03	US\$:NT\$ 28.0960
US\$ 55,000	2021.03	US\$:NT\$ 28.0960
RMB 42,860	2021.03	RMB:NT\$ 4.2233

### December 31, 2019

<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Rate</b>
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

(Continued)

Notional Amount (In Thousands)	Maturity Date	Rate
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
(Concluded)		

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 year, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2019

Notional Amount (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. DERIVATIVE FINANCIAL LIABILITY FOR HEDGING - CURRENT

	December 31	
	2020	2019
<u>Financial liability - current</u>		
Fair value hedge - cross currency swap contracts	\$ 278	\$ -

The Company entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated borrowings. The aforementioned cross-currency swap contracts share the same features with relative financial liabilities, therefore the managements of the Company believes that they could be used as highly effective hedging instruments. At the end of the reporting period, outstanding cross-currency swap contracts were as follows:

December 31, 2020

Notional Amount (In Thousands)	Maturity Date	Exchange Rate	Interest %
US\$ 9,200	2021.12	US\$:NT\$ 28.300	0.450



**9. FINANCIAL ASSETS AT FVTOCI**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Domestic investments		
Listed shares	\$ 5,759,113	\$ 5,918,837
<u>Non-current</u>		
Domestic investments		
Unlisted shares	\$ 63,791	\$ 52,984

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.

**10. FINANCIAL ASSETS AT AMORTIZED COST**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Time deposits with original maturity of more than 3 months	\$ -	\$ 177,366
Restricted deposits of repatriated offshore funds	134,438	-
	<u>\$ 134,438</u>	<u>\$ 177,366</u>
Foreign investments		
Structured products	<u>\$ 113,364</u>	<u>\$ 111,500</u>
Current	\$ 134,438	\$ 177,366
Non-current	<u>113,364</u>	<u>111,500</u>
	<u>\$ 247,802</u>	<u>\$ 288,866</u>

**11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Notes receivable (including related parties)</u>		
At amortized cost		
Notes receivable - operating	\$ 19	\$ 462

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Accounts receivable	\$ 1,700,234	\$ 1,642,038
Less: Allowance for doubtful accounts	<u>-</u>	<u>(17,354)</u>
	<u>\$ 1,700,234</u>	<u>\$ 1,624,684</u>
<u>Other receivables (including related parties)</u>		
Tax refund receivables	\$ 16,006	\$ 38,786
Others	38,106	268,365
Less: Allowance for doubtful accounts	<u>-</u>	<u>(31,180)</u>
	<u>\$ 54,112</u>	<u>\$ 275,971</u> (Concluded)

## a. Notes receivable

The notes receivable balances at December 31, 2020 and 2019 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, 2020

	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 1,065,374	\$ 495,198	\$ 139,662	\$ 1,700,234
Loss allowance (lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,065,374</u>	<u>\$ 495,198</u>	<u>\$ 139,662</u>	<u>\$ 1,700,234</u>



# POU CHEN CORPORATION

December 31, 2019

	<b>Less than 30 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>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 17,354	\$ -
Add: Impairment losses recognized on receivable	-	17,354
Less: Impairment losses reversal	<u>(17,354)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 17,354</u>

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 62,607	\$ 48,022
Supplies	348	196
Work in progress	554	814
Finished goods	4,868	7,470
Merchandise	569	2,724
Goods in transit	<u>785</u>	<u>-</u>
	<u>\$ 69,731</u>	<u>\$ 59,226</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$4,294,515 thousand and \$6,655,923 thousand, respectively.

The cost of goods sold included inventory write-downs for the years ended December 31, 2020 and 2019 was \$342 thousand and \$7,313 thousand, respectively.

## 13. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Prepayments	\$ 22,331	\$ 21,168
Supplies inventory	2,852	5,507
Temporary payments	945	3,408
Value-added tax retained	<u>4,169</u>	<u>6,724</u>
	<u>\$ 30,297</u>	<u>\$ 36,807</u>

(Continued)



	December 31	
	2020	2019
<u>Non-current</u>		
Prepayments	\$ 12,528	\$ 27,675
Prepayments for equipment	5,518	3,289
Refundable deposits	3,819	4,625
Others	<u>8,869</u>	<u>8,869</u>
	<u>\$ 30,734</u>	<u>\$ 44,458</u>
		(Concluded)

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 89,816,230	\$ 93,993,902
Investments in associates	<u>76,424,026</u>	<u>50,988,491</u>
	<u>\$ 166,240,256</u>	<u>\$ 144,982,393</u>

##### a. Investments in subsidiaries

	December 31	
	2020	2019
Unlisted companies	<u>\$ 89,816,230</u>	<u>\$ 93,993,902</u>

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

Name of Subsidiary	December 31	
	2020	2019
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 6 (Information on investees).
- 2) The Company holds less than 50% interest in Pou Yui and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yui and Wang Yi; therefore, the Company has control over Pou Yui and Wang Yi. Furthermore, the carrying amount of investment in Wang Yi is negative for the year ended December 31, 2020 and 2019. Therefore, the Company recognized \$15,261 thousand and \$15,433 thousand, respectively, in "other non-current liabilities".



# POU CHEN CORPORATION

- 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, 2020 and 2019 was based on the subsidiaries' financial statements audited by their auditors for the same years.

b. Investments in associates

	December 31	
	2020	2019
Material associates		
Ruen Chen Investment Holding Co., Ltd.	\$ 75,039,348	\$ 49,612,043
Associates that are not individually material	<u>1,384,678</u>	<u>1,376,448</u>
	<u>\$ 76,424,026</u>	<u>\$ 50,988,491</u>

1) Material associates

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Ruen Chen Investment Holding Co., Ltd.	20%	20%

- a) For the information of material associate's nature of business, business location and registered country, please refer to Table 6 (Information on investees).
- b) The summarized financial information below represents amounts shown in the material associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Ruen Chen Investment Holding Co., Ltd.

	December 31	
	2020	2019
Assets	\$ 5,160,470,282	\$ 4,846,936,411
Liabilities	(4,734,749,393)	(4,562,716,753)
Non-controlling interests	<u>(50,227,590)</u>	<u>(35,862,882)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 375,493,299</u>	<u>\$ 248,356,776</u>
Proportion of the Company	20.00%	20.00%
Equity attributable to the Company	\$ 75,098,660	\$ 49,671,355
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 75,039,348</u>	<u>\$ 49,612,043</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	<u>\$ 579,075,147</u>	<u>\$ 622,318,319</u>
Net income	\$ 35,695,200	\$ 32,004,407
Other comprehensive income	<u>104,899,215</u>	<u>173,096,475</u>
Total comprehensive income	<u>\$ 140,594,415</u>	<u>\$ 205,100,882</u>

## 2) Associates that are not individually material

	<b>Proportion of Ownership and Voting Rights December 31</b>	
<b>Name of Associate</b>	<b>2020</b>	<b>2019</b>
Elitegroup Computer Systems Co., Ltd.	12.57%	12.57%
Techview International Technology Inc.	30.00%	30.00%

- a) For the information of associates' nature of business, business location and registered country, please refer to Table 6 (Information on investees).
- b) The summarized financial information below represents amounts shown in the associates that are not individually material which financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of:		
Net income	\$ 7,804	\$ 5,755
Other comprehensive income (loss)	<u>212</u>	<u>(17,313)</u>
Total comprehensive income (loss)	<u>\$ 8,016</u>	<u>\$ (11,558)</u>

- c) The Company holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Company has the power to appoint two out of the nine directors of Elitegroup Computer Systems Co., Ltd.; therefore, the Company is able to exercise significant influence over Elitegroup Computer Systems Co., Ltd.
- d) Fair values (Level 1) of investments in associates that are not individually material with available published price quotation are summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 1,818,237</u>	<u>\$ 959,917</u>



## 15. 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, 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>
<b>Accumulated depreciation</b>								
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>
<b>Cost</b>								
Balance at January 1, 2020	\$ 1,660,726	\$ 4,882,792	\$ 808,683	\$ 170,417	\$ 385,445	\$ 157,753	\$ 118,156	\$ 8,183,972
Additions	-	9,259	48,253	6,840	23,807	14,653	15,899	118,711
Disposals	-	(2,270)	(13,711)	(15,565)	(13,669)	(1,775)	-	(46,990)
Transfers from prepayments for equipment	-	-	654	1,570	-	-	-	2,224
Reclassified	-	110,894	2,110	-	-	-	(113,004)	-
Transfers to investment property	-	-	-	-	-	-	(2,776)	(2,776)
Urban renewal	(5,942)	-	-	-	-	-	-	(5,942)
Balance at December 31, 2020	<u>\$ 1,654,784</u>	<u>\$ 5,000,675</u>	<u>\$ 845,989</u>	<u>\$ 163,262</u>	<u>\$ 395,583</u>	<u>\$ 170,631</u>	<u>\$ 18,275</u>	<u>\$ 8,249,199</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2020	\$ -	\$ 1,986,850	\$ 460,367	\$ 129,024	\$ 296,949	\$ 90,645	\$ -	\$ 2,963,835
Disposals	-	(652)	(11,476)	(13,724)	(13,427)	(1,328)	-	(40,607)
Depreciation expenses	-	129,706	91,736	12,478	37,724	19,149	-	290,793
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,115,904</u>	<u>\$ 540,627</u>	<u>\$ 127,778</u>	<u>\$ 321,246</u>	<u>\$ 108,466</u>	<u>\$ -</u>	<u>\$ 3,214,021</u>
Carrying amounts at December 31, 2020	<u>\$ 1,654,784</u>	<u>\$ 2,884,771</u>	<u>\$ 305,362</u>	<u>\$ 35,484</u>	<u>\$ 74,337</u>	<u>\$ 62,165</u>	<u>\$ 18,275</u>	<u>\$ 5,035,178</u>

- Except for depreciation expenses recognized the Company had neither significant disposal nor impairment of properties in 2020 and 2019.
- 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.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 99,746	\$ 9,496
Buildings	13,251	34,397
Transportation equipment	-	11
Other equipment	<u>5,374</u>	<u>5,576</u>
	<u>\$ 118,371</u>	<u>\$ 49,480</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 100,128</u>	<u>\$ 27,945</u>
Depreciation charge for right-of-use assets		
Land	\$ 9,044	\$ 6,023
Buildings	18,999	19,016
Transportation equipment	11	68
Other equipment	<u>823</u>	<u>439</u>
	<u>\$ 28,877</u>	<u>\$ 25,546</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ 31,050	\$ 31,359
Non-current	<u>91,071</u>	<u>23,491</u>
	<u>\$ 122,121</u>	<u>\$ 54,850</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	1.228%-1.34%	1.34%
Buildings	1.34%	1.34%
Transportation equipment	1.34%	1.34%
Other equipment	1.34%	1.34%



c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 301	\$ 853
Expenses relating to low-value asset leases	\$ -	\$ -
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ -	\$ -
Total cash outflow for leases	\$ 31,673	\$ 19,046

The Company has elected to exempt from recognizing right-of-use assets and lease liabilities for the leases which qualify as short-term leases and low-value asset leases.

**17. INVESTMENT PROPERTIES**

	<b>2020</b>	<b>2019</b>
<u>Cost</u>		
Balance at January 1	\$ 2,662,890	\$ 2,660,423
Additions	240	-
Reclassified	2,776	4,091
Urban renewal	-	(1,624)
Balance at December 31	\$ 2,665,906	\$ 2,662,890
<u>Accumulated depreciation</u>		
Balance at January 1	\$ 727,118	\$ 674,826
Depreciation expenses	54,390	53,916
Urban renewal	-	(1,624)
Balance at December 31	\$ 781,508	\$ 727,118
Carrying amounts at December 31	\$ 1,884,398	\$ 1,935,772

- Except for depreciation expenses recognized, the Company had neither significant disposal nor impairment of properties in 2020 and 2019.
- The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 and 2019 was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 123,670	\$ 120,071
Year 2	119,574	51,750
Year 3	118,052	11,595
Year 4	112,669	10,531
Year 5	112,012	5,148
Year 6 onwards	63,505	33,185
	\$ 649,482	\$ 232,280

- 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 management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Investment property	<u>\$ 3,318,727</u>	<u>\$ 3,240,903</u>

## 18. INTANGIBLE ASSETS

	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Balance at January 1	\$ 956,499	\$ -
Acquisitions	196,118	956,499
Disposal	<u>(1,379)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,151,238</u>	<u>\$ 956,499</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1	\$ 27,227	\$ -
Amortization expenses	40,925	27,227
Disposal	<u>(126)</u>	<u>-</u>
Balance at December 31	<u>\$ 68,026</u>	<u>\$ 27,227</u>
Carrying amounts at December 31	<u>\$ 1,083,212</u>	<u>\$ 929,272</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

<u>Items</u>	<u>Estimated Useful Life</u>
Computer software	10-20 years



## 19. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unsecured borrowings</u>		
Credit borrowings	\$ <u>9,377,291</u>	\$ <u>19,909,700</u>

The range of effective interest rate on bank borrowings was 0.55%-0.78% and 0.67%-2.28% per annum as of December 31, 2020 and 2019, respectively.

### b. Short-term bills payables

	<b>Annual Interest Rate (%)</b>	<b>Amount</b>
<u>December 31, 2020</u>		
Commercial papers	0.24-0.29	\$ 2,100,000
Less: Unamortized discount on bills payable		<u>(313)</u>
		\$ <u>2,099,687</u>

### c. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unsecured borrowings</u>		
Bank loans	\$ 32,009,306	\$ 19,583,102
Less: Current portion	<u>(2,513,796)</u>	<u>(263,796)</u>
	\$ <u>29,495,510</u>	\$ <u>19,319,306</u>

Range of maturity dates and interest rates:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Maturity date</u>		
Long-term borrowings	2022.01.15- 2026.07.15	2021.01.15- 2026.07.15
Current portion of long-term borrowings	2021.01.15- 2021.10.15	2020.01.15- 2020.10.15
<u>Range of interest rate</u>	0.68%-1.60%	0.91%-1.60%



**20. NOTES PAYABLE AND ACCOUNTS PAYABLE**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Notes payable (including related parties)</u>		
Operating	\$ 865	\$ 3,061
Non-operating	<u>5,308</u>	<u>6,963</u>
	<u>\$ 6,173</u>	<u>\$ 10,024</u>
Accounts payable (including related parties)	<u>\$ 653,109</u>	<u>\$ 1,074,190</u>

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

**21. OTHER PAYABLES**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Payables for salaries	\$ 393,407	\$ 293,130
Payables for purchase of property, plant and equipment	27,446	32,869
Compensation due to directors and supervisors	51,035	101,600
Employee compensation payables	646,013	772,290
Interest payables	33,768	35,383
Payables for annual leave	112,750	118,209
Others	<u>422,932</u>	<u>594,021</u>
	<u>\$ 1,687,351</u>	<u>\$ 1,947,502</u>

**22. RETIREMENT BENEFIT PLANS****Defined Contribution Plan**

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

**Defined Benefit Plan**

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.



# POU CHEN CORPORATION

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 1,296,010	\$ 1,520,908
Fair value of plan assets	<u>(728,970)</u>	<u>(816,195)</u>
Net defined benefit liability	<u>\$ 567,040</u>	<u>\$ 704,713</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
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>
Balance at January 1, 2020	<u>\$ 1,520,908</u>	<u>\$ (816,195)</u>	<u>\$ 704,713</u>
Service cost	9,534	-	9,534
Past service cost	9,018	-	9,018
Net interest expense (income)	<u>11,073</u>	<u>(5,853)</u>	<u>5,220</u>
Recognized in profit or loss	<u>29,625</u>	<u>(5,853)</u>	<u>23,772</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(27,698)	(27,698)
Actuarial loss arising from changes in demographic assumptions	1,186	-	1,186
Actuarial loss arising from changes in financial assumptions	36,946	-	36,946
Actuarial loss arising from experience adjustments	<u>(94,575)</u>	<u>-</u>	<u>(94,575)</u>
Recognized in other comprehensive income (loss)	<u>(56,443)</u>	<u>(27,698)</u>	<u>(84,141)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Contributions from the employer	\$ -	\$ (77,673)	\$ (77,673)
Benefits paid	(198,449)	198,449	-
Others	<u>369</u>	<u>-</u>	<u>369</u>
Balance at December 31, 2020	<u>\$ 1,296,010</u>	<u>\$ (728,970)</u>	<u>\$ 567,040</u> (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>2020</b>	<b>2019</b>
Operating costs	\$ 51	\$ 63
Selling and marketing expenses	15	13
General and administrative expenses	13,858	11,778
Research and development expenses	<u>9,848</u>	<u>9,784</u>
	<u>\$ 23,772</u>	<u>\$ 21,638</u>

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

- 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.
- 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.
- 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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.50%	0.750%
Expected rate of salary increase	2.00%	2.00%



# POU CHEN CORPORATION

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (37,049)</u>	<u>\$ (43,680)</u>
0.25% decrease	<u>\$ 38,592</u>	<u>\$ 45,520</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 37,362</u>	<u>\$ 44,177</u>
0.25% decrease	<u>\$ (36,066)</u>	<u>\$ (42,620)</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>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 13,305</u>	<u>\$ 17,526</u>
The average duration of the defined benefit obligation	11.6 years	11.7 years

## 23. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2020</b>	<b>2019</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>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
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	109,637	339,730
		(Continued)

	December 31	
	2020	2019
<u>May only be used to offset a deficit</u>		
Recognized from share of changes in net assets of associates	\$ 132,299	\$ 131,964
Other	<u>27,223</u>	<u>-</u>
	<u>\$ 4,389,862</u>	<u>\$ 4,592,397</u>
		(Concluded)

\* 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 25 (h).

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.



# POU CHEN CORPORATION

The appropriations of earnings for 2019 and 2018 approved in the shareholders' meetings on June 20, 2020 and June 13, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For Year 2019</b>	<b>For Year 2018</b>
Legal reserve	\$ 1,182,861	\$ 1,070,864
Special reserve	\$ (22,293,369)	\$ 8,376,139
Cash dividends	\$ 3,683,484	\$ 4,420,181
Dividends per share (NT\$)	\$ 1.25	\$ 1.5

d. Other equity item

1) Exchange differences on translation foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (2,498,149)	\$ (312,124)
Exchange differences arising on translation of foreign subsidiaries and associates	<u>(2,993,220)</u>	<u>(2,186,025)</u>
Balance at December 31	<u>\$ (5,491,369)</u>	<u>\$ (2,498,149)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 13,759,473	\$ (8,483,931)
Unrealized (loss) gain from equity instruments	(148,916)	905,316
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(152,062)	1,706,234
Share from associates and joint ventures accounted for using equity method	<u>10,846,586</u>	<u>19,631,854</u>
Balance at December 31	<u>\$ 24,305,081</u>	<u>\$ 13,759,473</u>

3) Cash flow hedge

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ -	\$ -
Gains on changes in fair value of cash flow hedge	<u>1,195</u>	<u>-</u>
Balance at December 31	<u>\$ 1,195</u>	<u>\$ -</u>

## 4) Others

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 423,243	\$ (13,497,314)
Share from associates and join ventures accounted for using the equity method	<u>8,205,797</u>	<u>13,920,557</u>
Balance at December 31	<u>\$ 8,629,040</u>	<u>\$ 423,243</u>

**24. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from the products	\$ 5,126,472	\$ 8,304,034
Revenue from the rendering of services	<u>3,093,051</u>	<u>3,095,443</u>
	<u>\$ 8,219,523</u>	<u>\$ 11,399,477</u>

**25. NET PROFIT FROM CONTINUING OPERATIONS**

Net profit from continuing operations consisted of the following:

## a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income		
Cash in bank	4,886	12,349
Repurchase agreements collateralized by bonds	2,118	4,959
Financial assets at amortized cost	7,322	11,419
Others	<u>1,284</u>	<u>2,196</u>
	<u>\$ 15,610</u>	<u>\$ 30,923</u>

## b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income (Note 30)		
Rental income from operating lease		
Investment properties	\$ 121,869	\$ 118,324
Others	<u>18,914</u>	<u>22,058</u>
	<u>140,783</u>	<u>140,382</u>
Dividends income	<u>327,788</u>	<u>327,542</u>
Others	<u>98,059</u>	<u>98,056</u>
	<u>\$ 566,630</u>	<u>\$ 565,980</u>



# POU CHEN CORPORATION

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net loss on disposal of property, plant and equipment	\$ (1,215)	\$ (788)
Net foreign exchange (loss) gain	(966,662)	(182,435)
Net gain arising on financial assets designated as at FVTPL	183,552	174,020
Net (loss) gain arising on financial liabilities designated as at FVTPL	34,318	(4,078)
Others	<u>(58,766)</u>	<u>(56,194)</u>
	<u><b>\$ (808,773)</b></u>	<u><b>\$ (69,475)</b></u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank borrowings	\$ 393,008	\$ 372,380
Interest on short-term bills payable	2,247	499
Lease liability	904	800
Other interest expense	<u>35</u>	<u>36</u>
	<u><b>\$ 396,194</b></u>	<u><b>\$ 373,715</b></u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 290,793	\$ 281,019
Investment properties	54,390	53,916
Right-of-use assets	28,877	25,546
Intangible assets	<u>40,925</u>	<u>27,227</u>
	<u><b>\$ 414,985</b></u>	<u><b>\$ 387,708</b></u>
An analysis of depreciation by function		
Operating costs	\$ 4,470	\$ 5,336
Operating expenses	315,200	301,229
Non-operating expenses	<u>54,390</u>	<u>53,916</u>
	<u><b>\$ 374,060</b></u>	<u><b>\$ 360,481</b></u>
An analysis of amortization by function		
Operating expenses	<u><b>\$ 40,925</b></u>	<u><b>\$ 27,227</b></u>



## f. Direct expenses with investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses from investment properties that generate rental income	\$ 69,541	\$ 69,776
Direct operating expenses from investment properties that did not generate rental income	<u>65</u>	<u>65</u>
	<u>\$ 69,606</u>	<u>\$ 69,841</u>

## g. Employee benefits expense

	<b>2020</b>			<b>2019</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	\$ -	\$ 17,302	\$ 17,302	\$ -	\$ 7,070	\$ 7,070
Remuneration of directors and supervisors	-	55,880	55,880	-	106,445	106,445
Others	<u>11,542</u>	<u>2,018,230</u>	<u>2,029,772</u>	<u>15,926</u>	<u>2,376,359</u>	<u>2,392,285</u>
	<u>11,542</u>	<u>2,091,412</u>	<u>2,102,954</u>	<u>15,926</u>	<u>2,489,874</u>	<u>2,505,800</u>
Labor and health insurance	<u>1,346</u>	<u>220,834</u>	<u>222,180</u>	<u>1,388</u>	<u>225,954</u>	<u>227,342</u>
Post-employment benefit						
Defined contribution plans	635	114,457	115,092	663	112,782	113,445
Defined benefit plans	<u>50</u>	<u>23,722</u>	<u>23,772</u>	<u>63</u>	<u>21,575</u>	<u>21,638</u>
	<u>685</u>	<u>138,179</u>	<u>138,864</u>	<u>726</u>	<u>134,357</u>	<u>135,083</u>
Other employee benefits	<u>416</u>	<u>47,627</u>	<u>48,043</u>	<u>506</u>	<u>68,387</u>	<u>68,893</u>
Total employee benefits expense	<u>\$ 13,989</u>	<u>\$ 2,498,052</u>	<u>\$ 2,512,041</u>	<u>\$ 18,546</u>	<u>\$ 2,918,572</u>	<u>\$ 2,937,118</u>

As of December 31, 2020 and 2019, there were 3,219 and 3,327 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, 2020 and 2019, the average employee benefits and average salaries and wages were \$764 thousand, \$852 thousand, \$637 thousand and \$722 thousand, respectively. The average salaries and wages decrease 11.8%. Distribution of employees' compensation by way of cash.

## h. 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 more than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. Distribution of employees' compensation by way of cash dividend or stock dividend should be approved by the Company's board of directors. The employees' compensation shall distribute to employees who meet certain conditions. 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.



# POU CHEN CORPORATION

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019 which were approved by the Company's board of directors on March 24, 2021 and March 31, 2020, respectively, were as follows:

## Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation	1.6%	1.6%
Remuneration of directors and supervisors	0.8%	0.8%

## Amount

	<u>For the Year Ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Shares</u>	<u>Cash</u>	<u>Shares</u>
Employees' compensation	\$ 102,070	\$ -	\$ 203,200	\$ -
Remuneration of directors and supervisors	51,035	-	101,600	-

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, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 26. INCOME TAXES

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

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ -	\$ 85,095
Tax on undistributed profit	1,370,055	-
Adjustments for prior years' income tax	5,351	10,293
Foreign tax sparing	6	-
Repatriation offshore funds	25,992	-
	<u>1,401,404</u>	<u>95,388</u>
Deferred tax		
In respect of the current period	<u>(15,288)</u>	<u>471,199</u>
Income tax expense recognized in profit or loss	<u>\$ 1,386,116</u>	<u>\$ 566,587</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>2020</b>	<b>2019</b>
Income before income tax	\$ 6,226,300	\$ 12,395,196
Income tax expense calculated at the statutory rate	\$ 1,245,260	\$ 2,479,040
Tax effect of adjusting items		
Tax-exempt income	(65,558)	(65,508)
Investment income recognized under equity method	(1,274,822)	(1,715,191)
Others	105,830	(142,047)
Tax on undistributed profit	1,370,055	-
Adjustments for prior years' income tax	5,351	10,293
Income tax expense recognized in profit or loss	\$ 1,386,116	\$ 566,587

July 2019, the president of the ROC announced of The Management, Utilization, and Taxation of Repatriated Offshore Funds Act. Within two years from the enforcement of this Act, profit-seeking enterprises may assess tax under this Act by the approval of the tax authority. Instead of assessing tax in accordance with the legal tax rate of 20%, the tax rate of the fund repatriated for the first year from the enforcement of this Act is 8% and the tax rate of the fund repatriated for the second year from the date following the last day of the first year from the enforcement of this Act is 10%. If profit-seeking enterprises complete the plan of substantive investment, an application for a 50% refund of the tax paid under this Act should be submitted to the tax authority-in-charge.

In April 2020, the Ministry of Finance approved the Company's repatriation of \$324,901 thousand (US\$10,870 thousand). In May 2020, the Company paid \$25,992 thousand income tax at the applicable tax rate of 8%.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

As the appropriation of earnings for 2021 is still uncertain, the potential income tax consequences of 2020 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year	\$ (10,781)	\$ (132,862)
Total income tax recognized in other comprehensive income	\$ (10,781)	\$ (132,862)



# POU CHEN CORPORATION

## c. Deferred tax assets and liabilities

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax assets</u>		
Temporary differences		
Payables for annual leave	\$ 22,550	\$ 23,642
Defined benefit obligations	44,501	44,501
Others	<u>(19,425)</u>	<u>18,276</u>
	<u>\$ 47,626</u>	<u>\$ 86,419</u>
<u>Deferred tax liabilities</u>		
Temporary differences		
Land value increment tax	\$ 86,547	\$ 86,547
Unappropriated earnings of subsidiaries	<u>560,138</u>	<u>625,000</u>
	<u>\$ 646,685</u>	<u>\$ 711,547</u>

## d. Income tax assessments

The tax returns of the Company through 2018 have been assessed by the tax authorities.

## 27. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Net income (in thousand dollars)</u>		
Earnings used in the computation of earnings per share	<u>\$ 4,840,184</u>	<u>\$ 11,828,609</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>5,143</u>	<u>6,430</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>2,951,930</u>	<u>2,953,217</u>
<u>Earnings per share (in dollars)</u>		
Basic earnings per share	<u>\$1.64</u>	<u>\$4.01</u>
Diluted earnings per share	<u>\$1.64</u>	<u>\$4.01</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.

## 28. CAPITAL MANAGEMENT

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

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments 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, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 120,828	\$ -	\$ 120,828
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 5,759,113	\$ -	\$ -	\$ 5,759,113
Domestic unlisted shares	-	-	63,791	63,791
	\$ 5,759,113	\$ -	\$ 63,791	\$ 5,822,904
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 704	\$ -	\$ 704
Derivative financial liabilities for hedging	-	-	278	278
	\$ -	\$ 704	\$ 278	\$ 982



# POU CHEN CORPORATION

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

- 2) There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.
- 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 all counterparties.
- 5) Valuation techniques and assumptions applied for Level 3 fair value measurement is as follows:

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

## c. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$ 120,828	\$ 1,636
Financial assets at amortized cost (Note 1)	2,371,475	2,348,324
Financial assets at FVTOCI	5,822,904	5,971,821

(Continued)

	December 31	
	2020	2019
<u>Financial liabilities</u>		
FVTPL		
Held for trading	\$ 704	\$ 26,739
Derivative financial liabilities for hedging	278	-
Financial liability at amortized cost (Note 2)	45,850,535	42,555,588
		(Concluded)

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's revenues and part of payments are denominated in foreign currency, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing currency forward 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 33.

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>2020</b>	<b>2019</b>
USD	\$ (56,466)	\$ (61,735)
RMB	(87)	(56)

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 position of fixed and floating rate borrowings, and entering 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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash flow interest rate risk		
Financial liabilities	\$ 30,561,322	\$ 30,102,802

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 \$305,613 thousand and \$301,028 thousand during the years ended December 31, 2020 and 2019, 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 purposes 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, 2020 would have decreased by \$57,591 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, 2019 would have decreased by \$59,188 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 sufficient level of cash and cash equivalents 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.

### 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, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Lease liability	\$ 465,675 3,636	\$ 774,623 9,601	\$ 1,123,953 19,095	\$ - 46,436	\$ - 49,466
Floating interest rate liabilities	4,553,449	2,162,016	990,347	22,845,184	10,326
Fixed interest rate liabilities	-	-	6,285,275	6,640,000	-
	<u>\$ 5,022,760</u>	<u>\$ 2,946,240</u>	<u>\$ 8,418,670</u>	<u>\$ 29,531,620</u>	<u>\$ 59,792</u>

#### December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Lease liability	\$ 663,028 10,343	\$ 767,769 4,352	\$ 1,631,990 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>



# POU CHEN CORPORATION

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, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contracts	\$ -	\$ 704	\$ -	\$ -	\$ -
Cross-currency swap contracts	-	-	278	-	-
	<u>\$ -</u>	<u>\$ 704</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ -</u>

### December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 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>

## 30. TRANSACTIONS WITH RELATED PARTIES

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

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

Names of the Related Parties	Relationships
Yue Yuen Industrial (Holdings) Limited	Subsidiaries
Barits Development Corporation	Subsidiaries
Pan Asia Insurance Services Co., Ltd.	Subsidiaries
Pou Yui Development Co., Ltd.	Subsidiaries
Pou Shine Investments Co., Ltd.	Subsidiaries
Pou Chin Development Co., Ltd.	Subsidiaries
Song Ming Investments Co., Ltd.	Subsidiaries
Wang Yi Construction Co., Ltd.	Subsidiaries
Windsor Entertainment Co., Ltd.	Subsidiaries
Pro Arch International Development Enterprise Inc.	Subsidiaries

(Continued)

<b>Names of the Related Parties</b>	<b>Relationships</b>
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

<b>Account Items</b>	<b>Related Parties Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Sales and service revenue	Yue Yuen	\$ 8,136,210	\$ 11,290,744
	Subsidiaries	9,886	5,450
	Associates	<u>19,595</u>	<u>31,362</u>
		<u>\$ 8,165,691</u>	<u>\$ 11,327,556</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

<b>Account Items</b>	<b>Related Parties Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Purchases	Subsidiaries	\$ 3,273	\$ 1,099
	Associates	172,037	230,042
	Other related parties	<u>-</u>	<u>99</u>
		<u>\$ 175,310</u>	<u>\$ 231,240</u>

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



# POU CHEN CORPORATION

## d. Rental income

Account Items	Related Parties Categories	For the Year Ended December 31	
		2020	2019
Rent income	Windsor	\$ 105,594	\$ 105,577
	Yue Yuen	14,017	14,153
	Subsidiaries	1,090	810
	Associates	180	180
	Other related parties	<u>23</u>	<u>3,107</u>
		<u>\$ 120,904</u>	<u>\$ 123,827</u>

## e. Receivables from related parties

Account Items	Related Parties Categories	For the Year Ended December 31	
		2020	2019
Notes receivable and accounts receivable	Yue Yuen	\$ 1,694,739	\$ 1,603,882
	Subsidiaries	2,223	931
	Associates	<u>1,392</u>	<u>17,718</u>
		<u>\$ 1,698,354</u>	<u>\$ 1,622,531</u>

## f. Payables to related parties

Account Items	Related Parties Categories	For the Year Ended December 31	
		2020	2019
Notes payable and accounts payable	Subsidiaries	\$ 3,396	\$ 449
	Associates	<u>24,800</u>	<u>22,363</u>
		<u>\$ 28,196</u>	<u>\$ 22,812</u>

## g. Loans to related parties

Account Items	Related Parties Categories	For the Year Ended December 31	
		2020	2019
Other receivables	Pou Yii	<u>\$ -</u>	<u>\$ 175,000</u>

## h. Endorsement guarantee

Please refer to Table 2 (Financing provided to others) of Note 34 in the financial statement.

## i. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	<u>\$ 105,326</u>	<u>\$ 162,443</u>

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

### 31. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

- a. Because of the Company's investment in Nan Shan Life Insurance Co., Ltd. is made 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 Commercial Bank, and the trust period is ten years.
- b. 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.

### 32. OTHERS

Since the outbreak of the COVID-19 pandemic in late January of 2020, branded customers have decreased or cancelled their orders, which affected the production and shipment of Yue Yuen. In addition, the retail stores of Pou Sheng in China suspended the operations starting from the Lunar New Year to the middle of March. As the epidemic condition in China has gradually eased, Pou Sheng's sales performance has begun to recover since the second quarter of 2020. With the adjustment of capacity allocation and the recovery of global retail activities, Yue Yuen's capacity utilization has gradually returned to normal since the fourth quarter of 2020.

### 33. 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			
<u>December 31, 2020</u>			
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 49,609	28.480	\$ 1,412,864
RMB	396	4.377	1,732
Non-monetary items			
USD	8,963	28.480	255,266
RMB	25,900	4.377	113,364
<u>Financial liabilities</u>			
Monetary items			
USD	9,955	28.480	283,519
JPY	4,284	0.276	1,184
Non-monetary items			
USD	25	28.480	704



December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<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

### 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (Note 29)
- 10) Information on investees (Table 6)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party: (None).

c. Information of major shareholders

The name of major shareholders, number of shares, and percentage of ownership of shareholders with ownership of 5% or greater (Table 8).



TABLE 1

## POU CHEN CORPORATION

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3)	Aggregate Financing Limit (Notes 3)	Note
													Item	Value			
0	Pou Chen Corporation	Pou Yi Development Co., Ltd.	Loan receivable	Yes	\$ 205,000	\$ -	\$ -	-	2	\$ -	- Operating capital	\$ -	-	\$ -	\$ 13,410,946	\$ 53,643,784	

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, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Name	Relationship (Note 2)											
0	Pou Chen Corporation	Wealthplus Holding Ltd. Pro Arch International Development Enterprise Inc. Pou Yi Development Co., Ltd. Pou Yuen Technology Co., Ltd. Yue Hong Realty Development Co., Ltd. Pou Shine Investments Co., Ltd. Barits Development Corp.	b b b b b b b b b b	\$ 134,109,459 134,109,459 134,109,459 134,109,459 134,109,459 134,109,459 134,109,459 134,109,459 134,109,459	\$ 27,468,300 104,744 300,000 300,000 550,000 1,700,000 8,915,000	\$ 24,635,200 84,557 300,000 300,000 550,000 1,700,000 8,408,800	\$ 105,060 84,557 51,000 32,100 106,500 217,500 2,114,500	- - - - - - -	18 - - - - 1 6	\$ 268,218,918 268,218,918 268,218,918 268,218,918 268,218,918 268,218,918 268,218,918	Y Y Y Y Y Y Y	N N N N N N N	N N N N N N N	

Note 1: The Company is coded as follows:

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

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

- a. Business relationship.  
b. A company in which the Company directly and indirectly holds more than 50% of the voting shares.  
c. A company that directly and indirectly holds more than 50% of the voting shares in the Company.  
d. A company in which the Company directly and indirectly holds more than 50% 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 "N".



TABLE 3

## POU CHEN CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020			Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value
Pou Chen Corporation	Ordinary shares						
	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	191,730,486	\$ 5,713,568	1.41	\$ 5,713,568
	Taiwan Pailho Limited		"	615,473	45,545	0.21	45,545
	Zhiyuan Venture Capital Co., Ltd.		Financial assets at FVTOCI - non-current	6,000,000	62,993	10.71	62,993
	New Loulan Corporation., Ltd.		"	100,000	798	4.00	798
	Structured products						
	CIB Callable Structured Deposit		Financial assets at amortized cost - non-current	-	113,364	-	113,364

TABLE 4

## POU CHEN CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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 San Fang Chemical Industry Co., Ltd.	The subsidiary in which the Company holds 51.11% indirectly at December 31, 2020 Both Pou Chien Enterprise Co., Ltd. and Yue Dean Technology Corporation are the directors of the company	Sale	\$ (8,136,210)	(99)	D/A 45 days	-	-	\$ 1,694,739	99
			Purchase	100,882	2	D/A 45 days	-	-	(11,467)	(1)



TABLE 5

POU CHEN CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2020  
(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, 2020	\$ 1,694,739	5	\$ -	-	\$ 1,134,046	\$ -

TABLE 6

## POU CHEN CORPORATION

## INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020		Net Income (Loss) of the Investee		Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount			
Pou Chen Corporation	Wealthplus Holding Ltd.	British Virgin Islands	Investing in footwear, electronic and peripheral products	\$ 296,429	\$ 295,429	9,222,000	100.00	\$ 74,385,844	\$ (528,630)	\$ (513,004)	
	Win Fortune Investments Limited	British Virgin Islands	Investing activities	(US\$ 9,222,000)	(US\$ 9,222,000)	100,000	100.00	(US\$ 2,116,862,508)	(US\$ (15,862,995))	(US\$ (15,334,087))	
	Windcor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	(US\$ 100,000)	(US\$ 100,000)	15,000,000	100.00	(US\$ 68,834,037)	(US\$ (43,673))	(US\$ (43,337))	
	Pou Shine Investments Co., Ltd.	ROC	Investing activities	500,000	400,000	100,000	100.00	125,293	(US\$ (1,467,720))	(US\$ (1,456,375))	
	Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	1,124,667	1,124,667	133,094,460	100.00	3,754,451	245,097	245,097	
	Barris Development Corp.	ROC	Import and export of shoe-related materials and investing activities	5,000	5,000	-	100.00	16,731	6,219	6,219	
	Pou Yuen Technology Co., Ltd.	ROC	Design and manufacture of footwear products	2,117,292	2,117,088	251,668,150	99.49	8,863,622	335,511	334,031	
	Pro Arch International Development Enterprise Inc.	ROC	Rental of real estate	966,449	966,449	28,437,147	97.82	322,280	22,763	6,073	
	Pou Yi Development Co., Ltd.	ROC	Real estate rental and sale	2,643,184	2,643,184	20,000,000	100.00	216,188	(23,856)	(23,953)	
	Wang Yi Construction Co., Ltd.	ROC	Construction	40,320	40,320	7,875,000	15.00	171,428	60,563	9,084	The Company and its associate hold 90.00%
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	7,700	7,700	601,755	7.82	-	(3,696)	171	The Company and its associate hold 97.57%
	Techview International Technology Inc.	ROC	Development and sales of TFT-LCD display	3,364,570	3,364,570	70,066,949	12.57	1,384,678	62,084	7,804	The Company and its associate hold 19.50% and serve as director
	Ruen Chen Investment Holding Co., Ltd.	ROC	Investment holding	380,115	380,115	75	30.00	-	39,915	-	The Company and its associate hold 50.00%
				15,230,000	15,230,000	3,900,600,000	20.00	75,039,348	31,927,790	6,385,558	Note

Note: The Company received a request by the FSC to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.



# POU CHEN CORPORATION

TABLE 7

## POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, U.S. 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Great Team Backend Foundry, Inc.	Processing and manufacturing of transistors	\$ 2,642,140 (US\$ 88,116,600)	b	\$ -	\$ -	\$ -	\$ -	\$ -	2.01	\$ -	\$ 129,869 (RMB 29,670,733)	\$ -	(Note 3)
Yue-Shen (Taichang) Footwear Co., Ltd.	Finished shoes, semi-finished products, components and production and marketing of moulds	554,646 (US\$ 17,100,000)	b	-	-	-	-	(RMB 18,800 4,459,629)	31.79	(RMB 5,976 1,417,716) b, 1)	(RMB 250,883 57,318,547)	-	
Dongguan Yuning Electronic Technology Co., Ltd.	Production and marketing of over 17 inches color-image monitor, motherboards and other products	475,745 (US\$ 14,500,000)	b	-	-	-	-	(RMB 3,682 859,226)	100.00	(RMB 3,682 859,226) b, 1)	(RMB 313,115 71,536,521)	-	
Dongguan Gaochang Precision Injection Molding Technology Co., Ltd.	Mould, plastic case for mobile phones	395,526 (US\$ 12,055,034)	b	-	-	-	-	(RMB 664 154,385)	100.00	(RMB 664 154,385) b, 2)	(RMB 51,321 11,725,089)	-	
Yue-Cheng (Kun Shan) Sports Co., Ltd.	Operating sporting goods and equipment, spare parts production and marketing business	435,402 (US\$ 14,200,000)	b	-	-	-	-	(RMB 190,406 46,545,641)	31.79	(RMB 63,391 14,796,859) b, 1)	(RMB 968,141 221,188,199)	-	
Zhongshan Bao Ji Clothing Co., Ltd.	Production and marketing of sportswear	82,025 (US\$ 2,500,000)	b	-	-	-	-	(RMB 19 4,438)	48.68	(RMB 9 2,160) b, 1)	(RMB 6,090 1,391,438)	-	
Dongguan Baoqiao Electronic Technology Co., Ltd.	Production and marketing of other optical appliances and instruments	147,645 (US\$ 4,500,000)	b	-	-	-	-	(RMB 41,724 9,733,445)	100.00	(RMB 41,724 9,733,445) b, 2)	(RMB 191,702 43,797,633)	-	
Poishun Paper Products Manufacturing Co., Ltd.	Production and sale of shoe inner boxes, cartons	68,901 (US\$ 2,100,000)	b	-	-	-	-	(RMB (4,219) (958,988))	10.22	(RMB (431) (98,009)) b, 1)	(RMB 4,948 1,130,410)	-	
Beijing Advazone Electronic Limited Company	Development and production of computer software	512,019 (US\$ 16,100,000)	b	-	-	-	-	(RMB 1,237 291,597)	32.00	(RMB 396 93,311) b, 2)	(RMB 34,254 7,825,853)	-	
Puohong Footwear Industrial Ltd.	Production and operation of leisure shoes, sports shoes	49,215 (US\$ 1,500,000)	b	-	-	-	-	(RMB (812) (172,047))	51.11	(RMB (415) (87,933)) b, 1)	(RMB 42,981 9,819,828)	-	
Shangqiao Yisen Industry Co., Ltd.	Production and sale of finished shoes, semi-finished products, components and moulds	945,204 (US\$ 30,390,000)	b	-	-	-	-	(RMB 119,110 28,150,780)	51.11	(RMB 60,877 14,387,864) b, 1)	(RMB 885,083 202,212,314)	-	
Bao Hong (Yangzhou) Shoes Co., Ltd.	Production of needles, woven garments, footwear and sales of self-produced products	2,591,184 (US\$ 86,291,730)	b	-	-	-	-	(RMB (67,679) (15,805,456))	51.11	(RMB (34,591) (8,078,169)) b, 1)	(RMB 494,913 113,071,188)	-	
Dong Guan Yu Yuen Mold Co., Ltd.	Production and sale of moulds for non-metallic products	62,011 (US\$ 1,890,000)	b	-	-	-	-	(RMB (6,457) (1,504,064))	51.11	(RMB (33,300) (768,727)) b, 1)	(RMB 39,155 8,945,551)	-	
Zhong Shan Glory Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	951,490 (US\$ 29,000,000)	b	-	-	-	-	(RMB (65,864) (15,508,752))	23.00	(RMB (151,49) (3,567,013)) b, 2)	(RMB 456,862 104,377,998)	-	

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
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	\$ -	\$ -	\$ -	\$ -	\$ 359 (RMB 84,349)	23.00	\$ 83 (RMB 19,400)	\$ 10,132 (RMB 2,314,757)	\$ -	
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	-	-	-	-	91,624 (RMB 21,422,686)	20.34	18,636 (RMB 4,357,374)	622,342 (RMB 142,184,621)	-	
ShangGao Yuen Ka Yuen Industry Co., Ltd.	Production and sale of footwear products	77,432 (US\$ 2,360,000)	b	-	-	-	-	57,401 (RMB 13,379,684)	25.56	14,672 (RMB 3,419,847)	41,426 (RMB 9,464,481)	-	
Bao Sheng Duo Ji (Beijing) Trading Company Ltd.	Retail business of sports goods and accessories	1,988,063 (US\$ 65,000,000)	b	-	-	-	-	(350,012) (RMB 82,068,886)	31.79	(111,269) (RMB 26,089,699)	974,827 (RMB 222,715,879)	-	
Qingdao Pou-Sheng International Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	94,800 (RMB 20,000,000)	b	-	-	-	-	291,153 (RMB 68,224,305)	22.89	66,645 (RMB 15,616,543)	261,487 (RMB 59,741,094)	-	
Guizhou Pou-Sheng Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	322,886 (US\$ 10,000,000)	b	-	-	-	-	63,376 (RMB 14,869,025)	31.79	20,147 (RMB 4,726,863)	150,739 (RMB 34,438,891)	-	
Nanning Pou-Kung Sport Products Co., Ltd.	Retail business of sports goods and accessories	42,653 (US\$ 1,300,000)	b	-	-	-	-	(19,673) (RMB 4,691,589)	31.79	(6,254) (RMB 1,491,456)	(669) (RMB 152,809)	-	
Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	Retail business of sports goods and accessories	1,567,250 (US\$ 50,000,000)	b	-	-	-	-	1,026,527 (RMB 240,665,937)	31.79	326,333 (RMB 76,507,701)	2,123,157 (RMB 485,071,175)	-	
Diadite (China) Sports Good Co., Ltd.	Retail and wholesale business of sporting goods and accessories	639,800 (US\$ 20,000,000)	b	-	-	-	-	1,629 (RMB 380,366)	31.79	518 (RMB 120,918)	45,295 (RMB 10,348,400)	-	
Taicang YYSPTS Business Trading Co., Ltd.	Retail business of sports goods and accessories series products	164,050 (US\$ 5,000,000)	b	-	-	-	-	11,312 (RMB 2,635,915)	31.79	3,596 (RMB 837,957)	135,008 (RMB 30,844,801)	-	
Yangzhou Baoyi Shoes Manufacturing Co., Ltd.	Vulcanized shoes, sports shoes, leisure shoes and other footwear manufacturing, marketing	729,906 (US\$ 22,456,800)	b	-	-	-	-	125,872 (RMB 29,561,261)	25.56	32,173 (RMB 7,555,858)	255,336 (RMB 58,335,832)	-	
Dalian YYSPTS 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	-	-	-	-	16,320 (RMB 3,747,006)	31.79	5,188 (RMB 1,191,173)	457,428 (RMB 104,507,155)	-	
YYSPTS (Chengdu) Business Trading Co., Ltd.	Retail business of sports goods and accessories	689,194 (US\$ 22,400,000)	b	-	-	-	-	(33,035) (RMB 7,621,833)	31.79	(10,502) (RMB 2,422,981)	146,814 (RMB 33,542,161)	-	
Fujian Baomin Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	147,645 (US\$ 4,500,000)	b	-	-	-	-	292 (RMB 68,110)	28.61	83 (RMB 19,486)	69,032 (RMB 15,771,566)	-	
Guangzhou Pou-Yuen Trading Co., Ltd.	Retail business of sports goods and accessories	710,251 (US\$ 23,310,000)	b	-	-	-	-	27,599 (RMB 6,480,128)	31.79	8,774 (RMB 2,060,033)	251,772 (RMB 57,521,485)	-	
Dragon Light (China) Sporting Goods Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	2,111,340 (US\$ 66,000,000)	b	-	-	-	-	235,639 (RMB 54,620,508)	31.79	74,910 (RMB 17,363,859)	483,139 (RMB 110,381,406)	-	

(Continued)



# 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Shen Dao (Yang Zhou) Sporting Goods Dev Co., Ltd.	Shopping mall management and property management	\$ 2,111,340 (US\$ 66,000,000)	b	\$ -	\$ -	\$ -	\$ -	\$ 29,710 (RMB 6,907,155)	31.79	\$ 9,445 (RMB 2,195,785) b, 1)	\$ 685,921 (RMB 156,710,357)	\$ -	
Zhong Shan O Li Su Shoe Making Machine Ltd.	Manufacturing shoes and boots or repairing machinery	181,314 (US\$ 5,900,000)	b	-	-	-	-	(8,954) (RMB (2,084,922))	51.11	(4,576) (RMB (1,065,604)) b, 2)	11,052 (RMB 2,525,111)	-	
Shaanxi Pousheng Trading Co., Ltd.	Engaged in wholesale, retail and import and export business of sports goods, fitness equipment and sportswear	2,012,320 (US\$ 66,000,000)	b	-	-	-	-	392,573 (RMB 92,816,860)	31.79	124,799 (RMB 29,506,480) b, 1)	2,535,022 (RMB 579,168,902)	-	
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 (US\$ 12,000,000)	b	-	-	-	-	(43,808) (RMB (10,265,628))	31.79	(13,926) (RMB (3,263,443)) b, 1)	490,065 (RMB 111,963,753)	-	
Hangzhou Pou-Hung Sport Products Co., Ltd.	Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories	67,308 (RMB 14,200,000)	b	-	-	-	-	-	15.90	-	-	-	
Yangzhou Yijian Software Tech Co., Ltd.	Integration of software and hardware sales service systems (excluding IC design)	35,803 (US\$ 1,170,000)	b	-	-	-	-	30 (RMB 6,952)	51.11	15 (RMB 3,553) b, 1)	8 (RMB 1,816)	-	
Rui Jin Pou Yuen Footwear Development Co., Ltd.	Production and sale of sports shoes, leisure shoes and semi-finished products	356,697 (US\$ 12,000,000)	b	-	-	-	-	(32,210) (RMB (7,671,755))	51.11	(16,463) (RMB (3,921,034)) b, 1)	132,991 (RMB 30,384,106)	-	
Yang Xia Pou Jia Shoes Manufacturing Co., Ltd.	Production and sale of shoes uppers, footwear and garments	1,676,476 (US\$ 55,517,000)	b	-	-	-	-	(265,372) (RMB (61,973,923))	51.11	(135,632) (RMB (31,674,872)) b, 1)	774,489 (RMB 176,945,064)	-	
Jiangxi Province Yuni Shoe Co., Ltd.	Production and sale of footwear products and semi-finished products	918,125 (US\$ 30,000,000)	b	-	-	-	-	172,702 (RMB 39,640,127)	51.11	88,268 (RMB 20,260,069) b, 1)	72,788 (RMB 16,629,546)	-	
Dongguan Yu Xiang Shoes Material Co., Ltd.	Production and sale of footwear products	205,820 (US\$ 9,500,000)	b	-	-	-	-	43,600 (RMB 10,103,380)	51.11	22,284 (RMB 5,103,838) b, 1)	283,547 (RMB 64,781,112)	-	
Chen Zhou Glory Shoes Ind., Ltd.	Production and sale of sports shoes, leisure shoes and leather shoes and semi-finished products	59,610 (US\$ 2,000,000)	b	-	-	-	-	(172) (RMB (39,680))	23.00	(40) (RMB (9,126)) b, 2)	9 (RMB 2,097)	-	
Jiang Xi Hwa Ching Foam Ltd.	Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products	63,600 (US\$ 2,000,000)	b	-	-	-	-	1,289 (RMB 307,362)	19.42	250 (RMB 59,690) b, 1)	15,989 (RMB 3,653,010)	-	
Yue Yuen (Anfu) Footwear Co., Ltd.	Production and marketing of finished shoes, semi-finished products and components and modules	1,763,350 (US\$ 60,000,000)	b	-	-	-	-	113,406 (RMB 26,715,640)	51.11	57,962 (RMB 13,654,364) b, 1)	1,126,134 (RMB 257,284,407)	-	
Dong Guan Bao Yu Shoes Co., Ltd.	Production and sale of sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished footwear and footwear materials	66,780 (US\$ 2,100,000)	b	-	-	-	-	-	51.11	-	36,053 (RMB 8,236,989)	-	
Kun Shan Pou-chi Sports Co., Ltd.	Wholesale, commission agency, import and export business of sports goods, sports equipment, clothing, shoes, caps and packaging and related design, technical consultation and service	399,539 (US\$ 13,500,000)	b	-	-	-	-	483,852 (RMB 112,580,180)	31.79	153,817 (RMB 35,789,239) b, 1)	479,355 (RMB 109,516,892)	-	

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Revaluation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Dongguan De Chang Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	\$ 10,290 (US\$ 350,000)	b	\$ -	\$ -	\$ -	\$ -	\$ 5,540 (RMB 1,309,504)	51.11	\$ 2,832 (RMB 669,287) b, 1	\$ 24,160 (RMB 5,519,730)	\$ -	
Zhong Shan Bao Song Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US\$ 350,000)	b	-	-	-	-	3,932 (RMB 925,237)	51.11	2,010 (RMB 472,889) b, 1	22,973 (RMB 5,248,660)	-	
Yiyang Yujing Shoes Industrial Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	743,983 (US\$ 24,000,000)	b	-	-	-	-	79,900 (RMB 18,287,686)	51.11	40,837 (RMB 9,346,836) b, 1	64,509 (RMB 14,738,156)	-	
Jiangxi Uniscien Consulting Co., Ltd.	Business management consultation, marketing planning and other services	10,442 (US\$ 350,000)	b	-	-	-	-	2,763 (RMB 647,428)	51.11	1,412 (RMB 330,900) b, 1	16,986 (RMB 3,880,704)	-	
Yu Xing (Jishui) Footwear Co., Ltd.	Production and sale of sports shoes	183,840 (US\$ 6,400,000)	b	-	-	-	-	-	51.11	-	43,499 (RMB 9,938,048)	-	
Dongguan Xingtao Consulting Co., Ltd.	Business management consultation, marketing planning and other services	41,945 (US\$ 1,400,000)	b	-	-	-	-	3,816 (RMB 893,857)	51.11	1,950 (RMB 456,850) b, 1	36,681 (RMB 8,380,337)	-	
Yang Xin Zhang Yuan Shoe Co., Ltd.	Production and sale of footwear products	61,029 (US\$ 2,100,000)	b	-	-	-	-	(1,536) (RMB 358,757)	25.56	(923) (RMB 91,698) b, 1	6,658 (RMB 1,521,059)	-	
YangXin Pou Jia Yuan Shoes Manufacturing Co., Ltd.	Production and sale of rubber soles	72,990 (US\$ 2,500,000)	b	-	-	-	-	(18,107) (RMB 4,228,612)	25.56	(4,628) (RMB 1,080,833) b, 1	(13,249) (RMB 3,027,015)	-	
Pou Shang (China) Investment Co., Ltd.	Business of investment, technical services and wholesale, import and export sports goods, sportswear, sports shoes and leisure shoes	4,550,741 (US\$ 152,922,400)	b	-	-	-	-	44,757 (RMB 10,453,111)	31.79	14,228 (RMB 3,323,044) b, 1	1,219,025 (RMB 278,507,079)	-	
Yichun Yisen Industry Co., Ltd.	Production and sale of footwear and mold products	410,130 (US\$ 14,000,000)	b	-	-	-	-	30,919 (RMB 7,351,334)	51.11	15,803 (RMB 3,757,267) b, 1	358,520 (RMB 81,909,981)	-	
Zhong Xiang Yue-Shen Sporting Goods Co., Ltd.	Production, processing of shoes, semi-finished products, moulds and related sporting goods, sales of self-produce products	94,380 (US\$ 3,250,000)	b	-	-	-	-	12,583 (RMB 2,893,112)	51.11	6,431 (RMB 1,478,670) b, 1	418 (RMB 95,392)	-	
Zhang Shan Shi Bi Fu Material Co., Ltd.	Production and operation of knitted fabrics and carbon fiber shoes, especially for shoes, sports shoes, etc.	43,290 (US\$ 1,395,100)	b	-	-	-	-	(8,607) (RMB 2,005,114)	24.92	(2,145) (RMB 499,674) b, 1	8,825 (RMB 2,016,182)	-	
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 (RMB 263,827,800)	b	-	-	-	-	(28,937) (RMB 6,173,975)	51.11	(14,790) (RMB 3,155,519) b, 1	758,009 (RMB 173,179,969)	-	
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 (RMB 319,970,250)	b	-	-	-	-	(67,131) (RMB 15,677,562)	51.11	(34,311) (RMB 8,012,802) b, 1	817,860 (RMB 186,853,917)	-	

(Continued)



# 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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
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 (RMB 217,720,430)	b	-	\$ -	-	\$ -	\$ (52,490) (RMB 12,110,438)	51.11	\$ (26,828) (RMB 6,189,645) b, 1)	\$ 269,116 (RMB 61,484,156)	\$ -	
Jilin Xinliangwei Sports Goods Company Limited	Sports goods sales	196,160 (RMB 40,000,000)	b	-	-	-	-	-	15.90	b, 1)	-	-	
Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.	Prepare for research and development of shoe materials and composite materials	114,804 (RMB 23,000,000)	b	-	-	-	-	(7,505) (RMB 1,752,600)	25.56	(1,918) (RMB 447,565) b, 1)	37,004 (RMB 8,454,216)	-	
Dong Guan Jia Yuan Shoe Materials Products Company Limited	Prepare shoe material	108,805 (RMB 21,600,000)	b	-	-	-	-	(91,086) (RMB 21,121,375)	51.11	(46,559) (RMB 10,795,135) b, 1)	6,008 (RMB 1,372,729)	-	
Dong Guan Yue Guan Paper Products Co., Ltd.	Production and sale of cartoons and engaged in research and development of cartoons	48,693 (RMB 10,000,000)	b	-	-	-	-	(1,208) (RMB 276,179)	10.22	(123) (RMB 28,225) b, 1)	4,362 (RMB 996,636)	-	
Kun Shan YYSPO RTS E-Commerce Co., Ltd.	Network technology development, technical consultation, technical services and retail and wholesale of sports goods, sports equipment	89,367 (US\$ 3,000,000)	b	-	-	-	-	279,198 (RMB 64,907,792)	31.79	88,757 (RMB 20,634,187) b, 1)	94,943 (RMB 21,691,299)	-	
Hunan Huajiang 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	-	-	-	-	(4,118) (RMB 959,275)	6.80	(280) (RMB 65,231) b, 1)	3,528 (RMB 806,056)	-	
Kun Shan Taisong Trading Co., Ltd.	Wholesale and retail of clothing, footwear, glasses and watches	790,110 (US\$ 26,500,000)	b	-	-	-	-	(61,284) (RMB 14,302,412)	31.79	(19,482) (RMB 4,546,737) b, 1)	(141,588) (RMB 32,348,169)	-	
Shanghai Pou-Lo Sport Culture Co., Ltd.	Management consultants, wholesale of sports goods and equipment, other sports services and other art performance assistant services	16,093 (US\$ 500,000)	b	-	-	-	-	(115) (RMB 28,339)	26.08	(30) (RMB 7,391) b, 1)	1,407 (RMB 321,398)	-	
Kun Shan Pou-Han Sport Culture Development Co., Ltd.	Management consultants, wholesale of sports goods and equipment, other sports services and other art performance assistant services	48,278 (US\$ 1,500,000)	b	-	-	-	-	(5,518) (RMB 1,331,397)	26.08	(1,439) (RMB 347,228) b, 1)	9,642 (RMB 2,202,945)	-	
Yisen (Yifeng) Mould Co., Ltd.	Production and sale of mould products	479,284 (US\$ 14,850,000)	b	-	-	-	-	(39,349) (RMB 9,166,304)	51.11	(20,111) (RMB 4,684,898) b, 1)	159,304 (RMB 36,395,715)	-	
Zhu Hai Yu Yuan Industrial Co., Ltd.	Processing, production and sale of footwear products	1,408 (RMB 300,000)	b	-	-	-	-	(4,544) (RMB 1,055,902)	51.11	(2,323) (RMB 539,672) b, 1)	9,062 (RMB 2,070,283)	-	
Yang Xin Pou Shou Sporting Goods Co., Ltd.	Processing, production and sale of footwear products	236,574 (US\$ 7,800,000)	b	-	-	-	-	(54,944) (RMB 13,303,610)	51.11	(28,082) (RMB 6,799,475) b, 1)	56,029 (RMB 12,800,761)	-	
Changsha YYSPO RTS Sport Products Co., Ltd.	Sales of sports goods and equipment	22,825 (RMB 5,000,000)	b	-	-	-	-	44,245 (RMB 10,359,668)	31.79	14,066 (RMB 3,293,338) b, 1)	21,959 (RMB 5,016,919)	-	

(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Heran YYSPO RTS Sport Products Co., Ltd.	Retail business of sports goods and accessories	\$ 9,130 (RMB 2,000,000)	b	\$ -	\$ -	\$ -	\$ -	\$ 93,232 (RMB 21,858,785)	31.79	\$ 29,638 (RMB 6,948,908) b, 1)	\$ 169,914 (RMB 38,819,709)	\$ -	
Shenyang Pou-Yi Trading Co., Ltd.	Retail business of sports goods and accessories	182,600 (RMB 40,000,000)	b	-	-	-	-	(38,024) (RMB 8,891,607)	31.79	(12,088) (RMB 2,826,642) b, 1)	(2,111) (RMB 482,338)	-	
Zhejiang shengdao Sporting-goods Co., Ltd.	Retail business of sports goods and accessories	228,250 (RMB 50,000,000)	b	-	-	-	-	449,433 (RMB 104,966,304)	31.79	142,875 (RMB 33,368,788) b, 1)	598,321 (RMB 136,696,500)	-	
Midjiang YYSPO RTS 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	-	-	-	-	(5,275) (RMB 1,231,078)	31.79	(1,677) (RMB 391,360) b, 1)	2,320 (RMB 530,082)	-	
Widvision Investment (Shenzhen) Co., Ltd.	Business management consulting, economic information consulting and market management planning	13,833 (RMB 3,000,000)	b	-	-	-	-	9,113 (RMB 2,143,532)	100.00	9,113 (RMB 2,143,532) b, 1)	19,390 (RMB 4,430,000)	-	
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	-	-	-	-	(24,351) (RMB 5,685,438)	31.79	(7,741) (RMB 1,807,401) b, 1)	(1,179) (RMB 2,693,681)	-	
Kuo Yuan Tannery	Production, processing, sales, research and development of shoe materials, import and export goods or technique	176,844 (RMB 41,047,490)	b	-	-	-	-	(70,263) (RMB 16,651,507)	25.56	(17,959) (RMB 4,256,125) b, 1)	27,020 (RMB 6,173,143)	-	
Alenz (Shang Hai) Trading Co., Ltd.	Management consultants, wholesale of sports goods and equipment, other sports services and other art performance assistant services	134,914 (RMB 31,300,000)	b	-	-	-	-	(45,809) (RMB 10,697,830)	28.29	(13,751) (RMB 3,211,293) b, 1)	21,604 (RMB 4,935,817)	-	
Yangzhou Yuhong Garment Co., Ltd.	Engaged in the processing and production of apparel, apparel accessories, and selling self-produced products	588,725 (US\$ 19,749,000)	b	-	-	-	-	(40,718) (US\$ 9,450,214)	51.11	(20,811) (RMB 4,830,004) b, 1)	350,694 (RMB 80,121,961)	-	
Yifeng Kun Ching Foam Ltd.	Production, sales, processing of plastic foam and foam daily products	8,994 (US\$ 300,000)	b	-	-	-	-	784 (US\$ 184,339)	19.42	152 (RMB 35,799) b, 1)	3,272 (RMB 747,513)	-	
Zhongshan Hwa Ching Foam Co., Ltd.	Production of foam products	29,980 (US\$ 1,000,000)	b	-	-	-	-	19,475 (US\$ 4,565,300)	19.58	3,813 (RMB 893,886) b, 1)	16,086 (RMB 3,675,028)	-	
Hubei Poshou Sports Goods Trading Company Limited	Management consultants, wholesale of sports goods, sports equipment, clothing, shoes, caps and accessories and advertising design agency	4,191 (RMB 1,000,000)	b	-	-	-	-	(3,943) (RMB 910,729)	31.79	(922) (RMB 212,786) b, 1)	124 (RMB 28,379)	-	

(Continued)



Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ -	\$ 20,700,489 (US\$ 717,770,089)	\$ 120,745,921

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:

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

Note 3: Financial assets at FVTOCI

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

(Continued)

**TABLE 8****POU CHEN CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
PC Brothers Corporation	213,280,710	7.24
Chuan Mou Investments Co., Limited	163,425,022	5.55

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.



**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 Publication date of this 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 MANAGEMENT

### 7.1 Financial Conditions

(In NT\$ thousands)

Item \ Year	2019	2020	Difference	
			Amount	Percentage
Current Assets	165,637,689	155,495,896	(10,141,793)	(6.12%)
Non-Current Assets	197,418,641	213,418,663	16,000,022	8.10%
Total Assets	363,056,330	368,914,559	5,858,229	1.61%
Current Liabilities	98,233,680	85,408,436	(12,825,244)	(13.06%)
Non-Current Liabilities	74,953,623	82,262,921	7,309,298	9.75%
Total Liabilities	173,187,303	167,671,357	(5,515,946)	(3.18%)
Share Capital	29,467,872	29,467,872	-	-
Capital Surplus	4,592,397	4,389,862	(202,535)	(4.41%)
Retained Earnings	71,664,103	72,807,778	1,143,675	1.60%
Other Equity	11,684,567	27,443,947	15,759,380	134.87%
Non-Controlling Interests	72,460,088	67,133,743	(5,326,345)	(7.35%)
Total Equity	189,869,027	201,243,202	11,374,175	5.99%
<p>(1) Analysis of changes in financial ratios:</p> <p>Other equity increased by NT\$15.759 billion mainly due to the NT\$19.042 billion share of loss of associates and joint ventures accounted for using the equity method, the NT\$291 million unrealized loss on financial assets at fair value through other comprehensive profit or loss, and the NT\$2.993 billion exchange loss on translation of foreign financial statements.</p> <p>(2) Impact: no material impact.</p> <p>(3) Action plan(s) for the future: N/A.</p>				



7.2 Financial Performance

(In NT\$ thousands)

Item \ Year	2019	2020	Difference	
			Amount	Percentage
Operating Revenue	313,156,585	249,954,311	(63,202,274)	(20.18%)
Operating Costs	233,641,231	195,203,206	(38,438,025)	(16.45%)
Operating Expenses	65,564,894	56,862,183	(8,702,711)	(13.27%)
Income (Loss) from Operations	13,950,460	(2,111,078)	(16,061,538)	(115.13%)
Non-operating Income and Expenses	7,571,518	8,072,404	500,886	6.62%
Income Before Income Tax	21,521,978	5,961,326	(15,560,652)	(72.30%)
Income Tax Expense	3,519,204	2,041,909	(1,477,295)	(41.98%)
Net Income For the Year	18,002,774	3,919,417	(14,083,357)	(78.23%)
Other Comprehensive Net Income	29,821,437	13,761,868	(16,059,569)	(53.85%)
Total Comprehensive Income For the Year	47,824,211	17,681,285	(30,142,926)	(63.03%)

(1) Analysis of changes in financial ratios :

A. Decrease in net profit before tax for the year:

Net profit before tax for the year decreased by NT\$15.561 billion mainly due to (1) the NT\$16.062 billion reduction in net operating income, which is mainly due to the impact of COVID-19 has prompted countries around the globe to introduce quarantine and control measures, compelling some of our manufacturing sites to close temporarily, which led to reduced production efficiency in 2020. Furthermore, global consumer demands fell, causing fewer orders or order cancellation from footwear manufacturing businesses. In response to China's pandemic prevention and control measures in early 2020, the Company had to temporarily close the sporting goods and brand licensing retail stores from the 2020 Chinese New Year to mid-March. (2) Non-operating income and expenditure increased by NT\$501 million, mainly due to the NT\$1.154 billion increase in net loss on financial assets at fair value through profit or loss, NT\$279 million decrease in foreign currency exchange loss, NT\$483 million increase in profit from equity-accounted investments, and NT\$835 million decrease in finance costs.

B. Decrease in income tax expense:

Income tax expense decreased by NT\$1.477 billion, mainly due to the recognition of deferred income tax assets within the borders of Vietnam and Indonesia and decrease in orders caused by COVID-19, which reduced some of the company's profits compared to the previous year, resulting in a decrease in income tax expense for 2020.

C. Decrease in other comprehensive income:

Other comprehensive income decreased by NT\$16.06 billion mainly due to (1) the share of profit of associates and joint ventures accounted for using the equity method decreased by NT\$12.174 billion, which is mainly due to the decrease 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 Group compared to the corresponding period last year; (2) Unrealized revaluation loss on investments in equity instruments that are measured at fair value through the statement of other comprehensive income increased by NT\$3.444 billion, mainly due to the drop in the prices of the shares of Mega Financial Holdings and Paiho Group held by the Group in 2020, whereas the stocks prices increased in the corresponding period last year, which caused the unrealized revaluation loss on investments in equity instruments that are measured at fair value through the statement of other comprehensive income, and it was unrealized revaluation income compared to the corresponding period last year; (3) exchange loss on translation of foreign financial statements increased by NT\$285 million, primarily because the functional currency in foreign operations is USD, and the exchange rate of USD to NTD this year appreciated by 5%, up 2.39% from the previous year, which caused an increase in the year's exchange loss on translation of foreign financial statements for the year, compared to the corresponding period last year, when the subsidiary converted USD to NTD.



(2) Sales conditions forecast :

The whole world may still affect the fluctuation of future sales by COVID-19. Nevertheless, supported by a recovery in global demands and the government's stimulus plans, the Group remains cautiously optimistic about future sales conditions.

The primary goal of our footwear manufacturing business will be to grow a "value-based economy", and we will take advantage of sports and leisure trends to seek more high-quality orders and improve our product portfolios. With respect to retailing of sporting goods and brand licensing business, the Company will keep adopting omni-channel expansion strategies to further improve sales capability, thereby preparing us for the gradual increase in consumer health awareness, sports participation rate, and sports and leisure trends.

(3) Impact on future financial operations of the Company: no material impact.

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



### 7.3 Cash Flow

Analysis and discussion of changes in cash flow over the fiscal year, improvement plan(s) for inadequate liquidity and cash liquidity forecast analysis and discussion for the next year as follows:

(1) Analysis of changes in cash flow in 2020

(In NT\$ thousands)

Cash and Cash Equivalents at the Beginning of the Year	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Effects of exchange rate changes on the balance of cash held in foreign currencies	Cash and Cash Equivalents at the End of the Year
37,049,955	20,357,854	(7,477,711)	(16,810,299)	(1,011,074)	32,108,725

A. Operating activities:

Net cash inflow from operating activities is NT\$20.358 billion, mainly due to the NT\$5.961 billion operating income before tax adjusted by items that do not affect cash flow. These items include adding NT\$16.127 billion depreciation expenses and NT\$2.407 billion finance costs, deducting the NT\$7.898 billion share of the profit of associates and joint ventures accounted for using the equity method and NT\$1.006 billion dividend income, and the cash inflow from NT\$2.335 billion decrease in account receivables and NT\$9.479 billion decrease in inventory, and the cash outflow from NT\$3.094 billion decrease in other payables, NT\$2.399 billion in interest paid, and NT\$1.828 billion in income tax paid.

B. Investing activities:

Net cash outflow from investing activities is NT\$7.478 billion, mainly due to the NT\$6.673 billion cash outflow for acquisition and disposal of property, plant, and equipment; NT\$3.666 billion cash outflow from acquisition and disposal of financial assets carried at cost after amortization; NT\$828 million cash outflow from acquisition and disposal of equity-accounted investments; NT\$804 million cash inflow from disposal of financial assets at fair value through profit or loss; NT\$2.139 billion cash inflow from collection of dividends; and NT\$703 million cash inflow from collection of interest.

C. Financing activities:

Net cash outflow from financing activities is NT\$16.81 billion, mainly due to the NT\$18.515 billion cash outflow for paying short-term borrowings, NT\$4.61 billion cash outflow for paying lease liability principals, NT\$3.683 billion cash outflow for distribution of cash dividends by Pou Chen Corporation, NT\$2.42 billion cash outflow for distribution of cash dividends to several shareholders by Yue Yuen Industrial (Holdings) Limited, NT\$11.587 billion cash inflow proceeds from long-term borrowings, and NT\$813 million cash inflow proceeds from short-term bills.

(2) Improvement plan(s) for inadequate liquidity: N/A.

## (3) Liquidity forecast analysis for the next year

(In NT\$ thousands)

Cash Balance Amount at the Beginning of the Year	Net Cash Provided by Operating Activities	Net Cash Provided by Investing and Financing Activities	Cash Surplus (Deficit)	Measures for Managing Cash Deficit	
				Investment Plans	Financing Plans
32,108,725	15,061,889	(14,082,941)	33,087,673	-	-

## 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 investment 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 2020, is NT\$7.898 billion, an increase of NT\$483 million compared to the NT\$7.415 billion in 2019. This increase is mainly attributed to the NT\$619 million increase in investment income recognized by Ruen Chen Investment Co., Ltd. and the NT\$145 million decrease in investment income recognized by Zhong Ao Multiplex Management Group Co., 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 up to the publication date of this annual report is as follows:

##### (1) Risk Management Structure and Functions

While facing the internationalization of business operations, the impact of global economic changes, and the complicated challenges that arise with it, the Company ensures the sustainable development of the company by focusing its attention on corporate risk management to conduct risk assessment of economic, environmental, and social issues. The Risk Management Regulations established in 2015 have been approved by the Board of Directors. The Board of Directors is the highest governing body of risk management and plans to develop applicable risk management strategies. From various functional managements to daily operation management units are responsible for reducing potential business discontinuity risks by identifying every level of risk that may critically influence corporate operations and formulating plans in response to the identified risks. At the end of every year, the implementation of risk



management activities is summarized and used as the basis for next year's strategic management, performance evaluation, and audit planning. In 2020, the status of risk management operations for the year was reported to the Board of Directors in December. 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 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. 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. B. Responsible for adjusting risk categories due to changes in conditions and recommending responses. C. Responsible for providing executive summaries of implementation of risk management processes. D. Responsible for performance assessment and coordination of adjusted risk categories.
Individual departments and business units	Responsible for day-to-day risk management practices.

Five major risks to the company were identified:

- A. Business management risks: Consideration for the impacts and effects of domestic and foreign economy, science and technologies, environment, consumer markets for sporting goods, and various other factors.
- B. Strategic investment risks: The effects of short-term investments on the fluctuation of market prices for securities, and on the operational management of long-term investments.
- C. Credit management risks: The risks of a loss resulting from counterparty's failure to repay a loan or meet contractual obligations.
- D. Operational management risks: The risks of losses to the company caused by negligence in the internal control of operating processes and improper or incorrect information systems.

E. Legal risks: The risks of financial or reputational loss resulting from failure to restrict counterparty's contract performance due to incomplete contract, false authorization, incomplete laws or regulations, legal invalidity of counterparty, or other factors.

The Company extensively analyzes the efficiency and effectiveness of business goals, the reliability of financial reporting, and the degree of influence of compliance matters, as well as risk events that are likely to cause damage. Using risk matrix diagrams, functional units identify key risks, then comprehensively assess the degree of influence on organizational units and the probability of loss from damage, and propose plans in response to identified risks. These efforts serve to ensure the identification and management of every operational risks, prevent possible losses within the scope of bearable risk, increase shareholder equity, and thereby optimize the allocation of company resources.

(2) Impact of Interest Rate/Exchange Rate Fluctuations and Inflation on the Company's Profitability and Future Action Plans

A. Interest Rate Fluctuation

The year 2020 was very challenging given the unprecedented and unpredictable shock of Covid-19 that resulted in a record-large global recession. In numerous countries and territories around the world, enforced lockdowns, close cross boarder and encompassing stay-at-home orders, curfews, quarantines, and similar societal restrictions to prevent the spread of the pandemic. Those measures caused the global consumption demands to halt, and international crude oil and raw material prices were also heavily affected. As such, many countries around the world implemented a series of relief measures amid the panic-driven atmosphere. In 2020, the US Federal Reserve stepped in with a broad array of actions, including quantitative easing and cutting federal funds rate to a range of 0.00% to 0.25%. The Fed offered forward guidance on the future path of the key interest. The rate will remain low until 2023, when the labor market conditions have reached levels consistent with the Committee's assessment of maximum employment, and inflation has risen on track to moderately. Taiwan Central Bank also adopted a series of substantial easing monetary stimulus measures to keep economic growth. Low-interest rate will lead to benefit to the Company's and its consolidated Companies' floating rate loans. On the other hand, it also affects the Company's interest earned on the cash and fixed income investment products.

The Company periodical assesses and compares the costs of funding sources. In addition to allocating positions for different durations, the Company entered into interest rate swap, cross-currency swap transactions and raised fixed-rate loans to reduce interest rate fluctuations on its cost of funds and lower its financing cost. The Company will continue to observe interest rate trends and flexibly apply financial instruments to reduce its overall funding costs. To ensure the safety and liquidity of funds, the Company mainly places funds to time deposits, repurchase bonds, mutual funds, and investment-grade bonds/notes to preserve the principal and support liquidity requirements.

Major economic research institutions forecasted global trade growth rate of 2021 would be superior to that in 2020. As a low base period, forecast expected that Taiwan's economic growth would be substantial in 2021. Chung-Hua Institution for Economic Research, Taiwan Institute of Economic Research and International Monetary Fund estimated the economic growth rates of Taiwan in 2021 are 3.73%, 4.30% and 4.70% respectively. Taiwan Central Bank shall continue to maintain an easing monetary policy, as central banks in major countries maintain easing and zero-interest-rate policies and couple with mild inflation. The Company will pay constant attention to changes in global economic environments to manage its interest rate risk timely.

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. In the future, under an uncertain economic environment, exchange rate fluctuations will become more intense and unpredictable. The company will closely monitor the changes in the financial market and, according to its natural hedging policy, offset foreign currency assets and liabilities position to reduce the Company's total exposures to the foreign exchange rate. Furthermore, the Company used foreign currency derivative contracts to protect against currency exchange rate risks to lower the effect of foreign currency exchange rate movements on its profit and loss.

## C. Inflation

In 2020, food and industrial raw materials prices had increased, and coupled with soaring freight costs; the Company can't ignore the pressure of cost-driven inflation. The Company will continue to keep abreast of changes in raw materials supply and prices, ensure the sources of raw materials supplies, control raw materials inventories, and flexibly adjust its business strategy to lower the effects of raw materials supplies' fluctuation on operations.

## (3) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements or Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss)

A. The Company focuses on its core business and does not engage in any high-risk or high-leverage 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 its affiliates' operation, the Company has established guidelines on the "Operational Procedures for Loaning of Company Funds" and "Operational Procedures for Making Endorsements and Guarantees", which comply with relevant rules and regulations issued by 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 guidelines.

## (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 106. The future R&D expenses are estimated to account for 3% of the Company's annual revenue generated from manufacturing of shoes.

## (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 of Corporate Governance Evaluation by Taiwan Stock Exchange in 2021. 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 20th and 14th in the manufacturing industry in 2020 and 2019. 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 up to the publication date of this 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 customers 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's Directors and shareholders holding more than 10% of the outstanding shares did not transferred significant number of shares in the most recent year and up to the publication date of this Annual Report.



(12) Impact of Change in Ownership, Associated Risks and Action Plans

Management of the Company has been stable in the latest fiscal year and up to the publication date of this 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 up to the publication date of this 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**

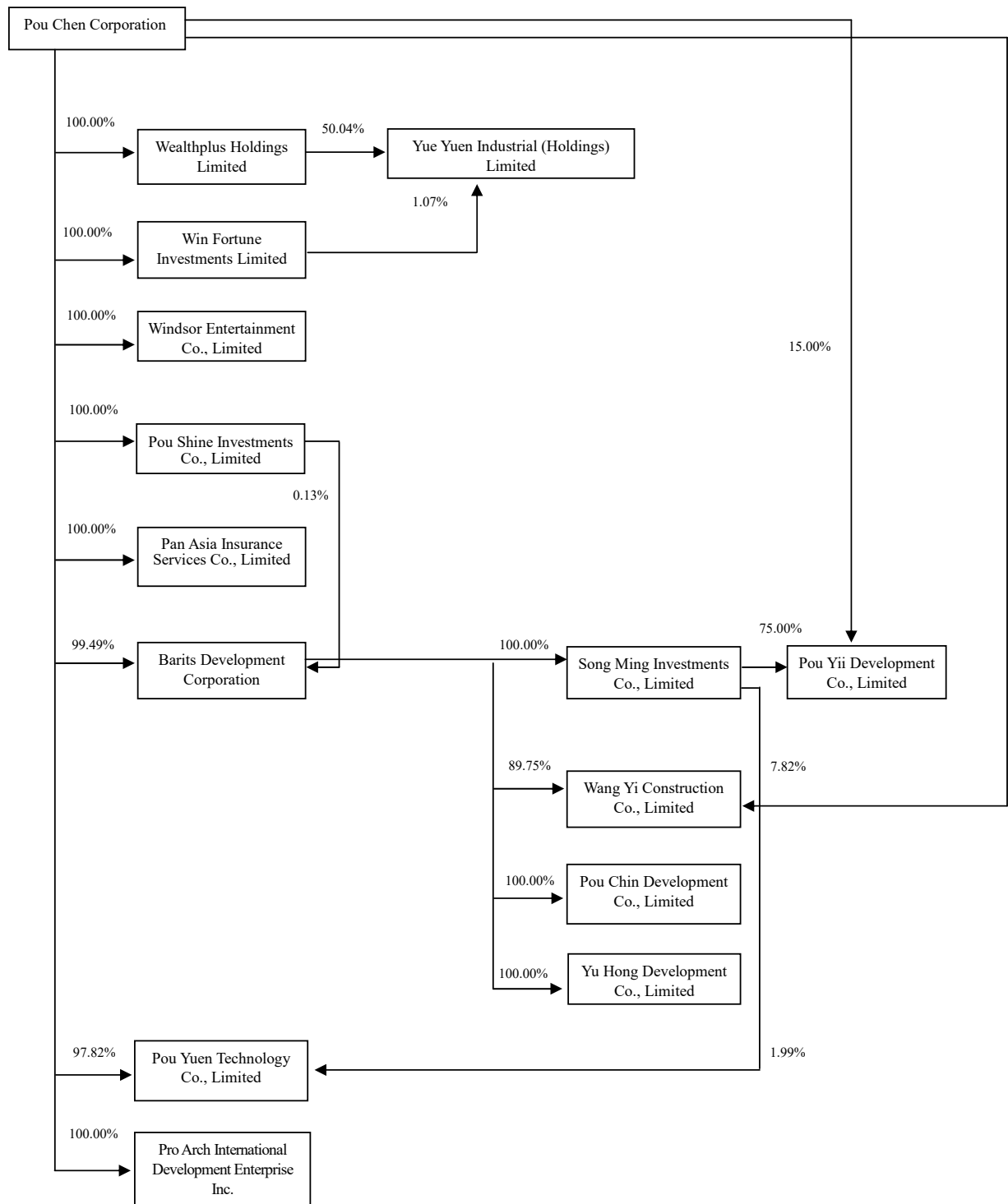


## VIII. SPECIAL DISCLOSURE

## 8.1 Affiliated Enterprises

## (1) Consolidated Results of Operations

## A. Group Organizational Chart





B. Affiliates 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	150,000	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 Yui 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	22F, C-BONS International Center, 108 Wai Yip Street, Kwun 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 Affiliates

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	Ho, Yue-Ming	-	-
	Director	Ho, Ming-Kun	-	-
	Director	Chan, Lu-Min	-	-
	Director	Lu, Chin-Chu	-	-
	Director	Ho, Ming-Kun	-	-
Win Fortune Investments Limited	Chairman	Pou Chen Corporation, represented by Lu, Chin-Chu	15,000,000	100.00
	Director	Pou Chen Corporation, represented by Chan, Lu-Min	15,000,000	100.00
	Director	Pou Chen Corporation, represented by Ho, Ming-Kun	15,000,000	100.00
	Supervisor	Pou Chen Corporation, represented by Wu, Huei-Ju	15,000,000	100.00
Pou Shine Investments Co., Limited	Chairman	Pou Chen Corporation, represented by Chan, Lu-Min	133,094,460	100.00
Pan Asia Insurance Services Co., Limited	Chairman	Pou Chen Corporation, represented by Young, Hung - Bin	-	100.00
	Director	Pou Chen Corporation, represented by Wu, Hui-Chi	-	100.00
	Director	Pou Chen Corporation, represented by Chuang, Shao - Jung	-	100.00
	Chairman	Pou Chen Corporation, represented by Ho, Ming-Kun	251,668,150	99.49
	Director	Pou Chen Corporation, represented by Chan, Lu-Min	251,668,150	99.49
	Director	Pou Chen Corporation, represented by Hsiao, Hsiu-Chen	251,668,150	99.49
Barits Development Corporation				

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
	Chairman	Barits Development Corporation, represented by Ho, Ming-Kun	120,486,400	100.00
	Chairman	Barits Development Corporation, represented by Su, Po-Wei	6,910,750	89.75
Wang Yi Construction Co., Limited	Director	Barits Development Corporation, represented by Lin, Ding	6,910,750	89.75
	Director	Yeh, Sheng-Fa	-	-
	Supervisor	Yu, Ming-Ju	-	-
Pou Yii Development Co., Limited	Chairman	Song Ming Investments Co., Limited, represented by Wu, Chin-Tiao	39,375,000	75.00
	Director	Song Ming Investments Co., Limited, represented by Hsiao, Hsiu-Chen	39,375,000	75.00
	Director	Song Ming Investments Co., Limited, represented by Shih, Ching-Yi	39,375,000	75.00
Pou Chin Development Co., Limited	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
	Chairman	Barits Development Corporation, represented by Chan, Lu-Min	24,000,000	100.00
Yu Hong Development Co., Limited	Executive Director and Chairman	Lu, Chin-Chu	-	-
	Executive Director and Managing Director	Tsai, Pei-Chun	-	-
	Executive Director	Chan, Lu-Min	-	-
Yue Yuen Industrial (Holdings) Limited	Executive Director	Lin, Cheng-Tien	-	-
	Executive Director		-	-



Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Executive Director	Hu, Chia-Ho	-	-
	Executive Director	Yu Huan-Chang	-	-
	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	Chen Chia-Shen	-	-

## F. Financial Highlights of Affiliates

(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	\$ 74,611,230	\$ 248,978	\$ 74,362,252	\$ 165,927	\$ 112,851	(\$ 528,630)	N/A
Win Fortune Investments Limited	3,230	1,934,787	51	1,934,736	-	( 31,248)	( 43,673)	N/A
Windsor Entertainment Co., Limited	150,000	748,208	629,788	118,420	406,700	( 37,870)	( 42,301)	N/A
Pou Shine Investments Co., Limited	1,330,945	4,459,155	717,841	3,741,314	251,833	251,075	245,097	N/A
Pan Asia Insurance Services Co., Limited	5,000	34,378	17,647	16,731	30,956	7,920	6,219	N/A
Barits Development Corporation	2,529,513	12,323,889	3,489,182	8,834,707	90,437	( 30,282)	335,511	N/A
Pou Yuen Technology Co., Limited	290,700	721,505	32,682	688,823	16,588	10,888	22,763	N/A
Pro Arch International Development Enterprise Inc.	200,000	316,158	100,179	215,979	93,802	( 20,710)	( 23,856)	N/A
Song Ming Investments Co., Limited	1,204,864	2,455,363	126	2,455,237	131,258	130,909	130,909	N/A
Wang Yi Construction Co., Limited	77,000	86,826	1,431	85,395	-	( 4,150)	( 3,696)	N/A
Pou Yui Development Co., Limited	525,000	1,441,079	298,228	1,142,851	2,779	( 6,149)	60,563	N/A
Pou Chin Development Co., Limited	200,000	203,641	4,292	199,349	3,921	( 197)	( 119 )	N/A
Yu Hong Development Co., Limited	240,000	665,291	506,752	158,539	-	( 337)	( 8,492 )	N/A
Yue Yuen Industrial (Holdings) Limited	1,666,437	242,731,338	118,155,773	124,575,565	249,276,777	( 2,738,794)	( 2,791,062 )	( 1.73)

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 24, 2021

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, 2020 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 138

B. Consolidated Income Statements: see page 139~140.

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, Pou Shine Investments Co., Limited, Wang Yi Construction Co., Limited, Pou Chin Development Co., Limited, Pou Yii Development Co., Limited, Song Ming Investments Co., Limited, Yu Hong Development Co., Limited, Pou Yuen Technology Co., Limited	The Company's annual net profits should be appropriated as follows: 1. For paying taxes. 2. For offsetting deficits. 3. For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC. 4. The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.
Pro Arch International Development Enterprise Inc., Windsor Entertainment Co., Limited, Pan Asia Insurance Services Co., Limited	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 chairman 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 Table 8 of Note 40 in the accompanying notes to the Consolidated Financial Statements.
  - b. Financing provides to others: Please refer to Table 1 of Note 40 in the accompanying notes to the Consolidated Financial Statements.
  - c. Endorsements and guarantees provided: Please refer to Table 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 unrecognized liabilities: Please refer to Note 37 in the accompanying notes to the Consolidated Financial Statements.
  - f. Significant events after reporting period: N/A.
  - g. Marketable securities held and bills: Please refer to Table 3 and Table 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 Publication date of this 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 up to the publication date of this 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

# POU CHEN CORPORATION

Chan, Lu-Min  
*Chairman*