



寶成工業股份有限公司

POU CHEN CORPORATION

## 2022 ANNUAL REPORT

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**Notice to readers**

*For the convenience of readers, the annual report has 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 shall prevail. .*



# POU CHEN CORPORATION

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

Name of spokesperson: Yu, Shu-Hui

Title of spokesperson: Deputy Senior Manager

Telephone number of spokesperson: (04) 24615678

E-mail address: ir@pouchen.com

Name of acting spokesperson: Chang, Yea-Fen

Title of acting spokesperson: Senior Manager

Telephone number: (04) 24615678

E-mail address: ir@pouchen.com

Name of acting spokesperson: Chou, Yin-Fen

Title of acting spokesperson: Deputy Senior Manager

Telephone number: (04) 24615678

E-mail address: ir@pouchen.com

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

Head office: No.2, Fugong Rd., Fuxing Township, Changhua County, 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, Fugong Rd., Fuxing Township, Changhua County, Taiwan

Telephone number: (04) 7695101

PCN Business Unit: No.2, Fugong Rd., Fuxing Township, Changhua County, Taiwan

Telephone number: (04) 7695171

PCAG Business Unit: No.4, Fugong Rd., Fuxing Township, Changhua County, Taiwan

Telephone number: (04)7741339

PCMS Business Unit: No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City, Taiwan

Telephone number: (04) 24615678

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>



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## I. LETTER TO SHAREHOLDERS

### 1.1 Result of Operations

Looking back at 2022, the macroeconomic environment experienced numerous fluctuations and turbulences. The economy was initially expected to recover steadily as most countries have progressively eased their COVID-19 restrictions. However, with the surge in energy and raw material prices, and the continued repetition of COVID-19 cases in some regions, Europe, the United States, and other major economies quickly raised interest rates to curb inflation, which led to further volatility in the global financial system. All of these conditions have increased the downside risks and uncertainties of the global economy.

Despite the challenging operating environment, the Company remained committed to cultivating a robust business foundation and demonstrating its resilience through steady operational performance. For the year ended December 31, 2022, the Company reported its non-consolidated operating revenue was NT\$9.3 billion and consolidated operating revenue was NT\$267.5 billion, representing an increase of 11.5% compared to NT\$239.9 billion in the previous year. The net income attributable to owners of the Company was NT\$12.6 billion, a decrease of 12.4% compared to NT\$14.4 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 retail of sporting goods and brand licensing, accounting for 69% and 31% of consolidated operating revenue in 2022, respectively. (Schedule 2)

In terms of manufacturing of shoes, global demand for footwear products remained steady throughout most of 2022, which together with a low base effect stemming from the pandemic in Vietnam in the third quarter of 2021, supported a double-digit growth in shipments for the year. In addition, our portfolio optimization strategy generated a positive effect with relatively stable high value-added orders driving continuous rise in average prices. These resulted in an increase of NT\$47.0 billion in operating revenue from manufacturing of shoes in 2022 compared with the preceding year.

Regarding retail of sporting goods and brand licensing business, despite a strong start to the year 2022 and the solid performance of its Pan-WeChat Ecosphere, the ongoing pandemic in major business locations as well as escalating control measures introduced by local governments led to lower footfall in shopping venues, disruptions in logistics and last-mile delivery, and dampened consumer sentiment. As a result, revenue from retail of sporting goods and brand licensing business dropped by NT\$19.5 billion in 2022 compared with the preceding year.

#### (2) Income from operations

The Company's consolidated gross profit for 2022 was NT\$64.6 billion, increase 11.0% from NT\$58.2 billion in the previous year, mainly attributable to the flexible capacity allocation of manufacturing business, significant improvements in production efficiency and capacity utilization, which substantially contributed to our consolidated gross profit. In 2022, our consolidated gross profit margin was 24.2%, roughly flat compared to 24.3% in the preceding year.

As the expansion of sales scale and rigorous cost control measures brought better operating efficiency, our consolidated operating expense ratio decreased to 20.2% from 23.2% in the preceding year. Our consolidated income from operations was NT\$10.6 billion, an astounding increase of 328.0% over the preceding year; the consolidated operating profit margin increased from 1.0% in the preceding year to 4.0%.



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## (3) Net income and Earnings per share

The Company's core business performance was stable in 2022, but net income attributable to owners of the Company decreased by NT\$1.8 billion in 2022 compared to the previous year due to a NT\$3.8 billion decrease in non-operating net income. The earnings per share was NT\$4.29 for 2022, a decrease of NT\$0.61 compared to NT\$4.90 in the previous year.

### Schedule 1: Consolidated Financial Statements

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

Year Item		2022		2021		+(-)%
		Amount	Ratio	Amount	Ratio	
Operating revenue		267,496,800	100%	239,884,409	100%	11.51%
Gross profit		64,606,092	24%	58,223,025	24%	10.96%
Income from operations		10,596,070	4%	2,475,709	1%	328.00%
Income before income tax		21,431,577	8%	17,156,734	7%	24.92%
Net income for the year		16,889,466	6%	16,603,443	7%	1.72%
Net income attributable to	Owners of the Company	12,644,855	5%	14,439,307	6%	(12.43%)
	Non-controlling interests	4,244,611	1%	2,164,136	1%	96.13%
Earnings per share (Basic)		4.29		4.90		

### Schedule 1-1: Separate Financial Statements

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

Year Item		2022		2021		+(-)%
		Amount	Ratio	Amount	Ratio	
Operating revenue		9,349,013	100%	8,310,049	100%	12.50%
Gross profit		5,067,926	54%	4,480,572	54%	13.11%
Income from operations		887,677	10%	505,458	6%	75.62%
Income before income tax		13,530,504	145%	13,979,229	168%	(3.21%)
Net income for the year		12,644,855	135%	14,439,307	174%	(12.43%)
Earnings per share (Basic)		4.29		4.90		

### Schedule 2: Consolidated Revenue

(In NT\$ thousands)

Year Primary Business		2022		2021	
		Amount	Ratio	Amount	Ratio
Manufacturing of shoes		184,653,213	69%	137,659,922	58%
Retail of sporting goods and brand licensing business		81,992,394	31%	101,485,349	42%
Others		851,193	-	739,138	-
Total		267,496,800	100%	239,884,409	100%



## 1.2 Research and Development

The Company's consolidated research and development expenses amounted to NT\$5.5 billion in 2022. The Company continues to develop its core footwear equipment, modularize production lines, as well as implement flexible production processes, so as to enhance and optimize the production capacity of each factory. The Company has established a R&D team and an independent product development center specifically for its major customers. From product development to product prototyping, we work closely with our customers. By adopting innovative elements and sustainable materials, we thereby develop high-quality footwear products in order to quickly and flexibly respond to market demands.

## 1.3 Corporate Sustainability

As a socially and environmentally responsible corporate citizen, the Company is committed to sustainable development and social responsibility. The Company values the rights and interests of its stakeholders, including shareholders/investors, customers, employees, suppliers, and communities. The Company has planned phased goals and implemented the following activities:

### (1) Environmental Sustainability

For effective management of environmental risks and engagement in environmental protection, we continue to implement timely improvements and introduce various pollution prevention facilities aimed at reducing the environmental impact of our manufacturing processes and promoting the benefits of resource reuse. To proactively keep up with international trends in carbon reduction and green energy development, the Company has set 2019 as the baseline year for continuously implementing low-carbon production measures and expanding the use of renewable energy. We aim to achieve the five-year target of zero carbon emissions growth by 2025. Following in the footsteps of our major customers, the Company has further formulated a target of reducing GHG emissions of 46.2% by 2030 as compared with 2019. This target has been verified by the World Resources Institute (WRI) to be in line with the standards set by Science-Based Target initiative (SBTi). It also demonstrates our commitment to sustainability, enhances the Company's reputation in the international community and among our customers, as well as ensuring sustainable energy consumption and development.

### (2) Occupational Safety and Health Management

The Company has established and implemented a top-down safety culture and dynamically aligned pandemic prevention management to ensure that our factories are able to maintain safe production activities. For 2023, in conjunction with risk prevention, the Company will continue to promote programs and measures, including infrastructure construction, ESH (environmental, health, and safety) partnership, risk mapping, behavioral safety observation, and all-employee safety capacity building. Furthermore, the Company will encourage all employees to participate in discovering hazards and implementing improvement measures thereof, so as to raise their safety awareness on identification of hazardous risks. We will also continuously enhance the prevention of occupational injuries and fire accidents to improve safety performance and reduce unnecessary risk losses, thereby achieving the goal of safety self-management.

### (3) Compliance Management

The Company proactively identifies deficiencies in daily factory operations through routine inspection mechanisms coupled with annual auditing. We keep track of improvement progress to reduce or eliminate the probability of major accidents and ensure that all factory operations conform to the Group's code of conduct, local laws and regulations, customers' standards and international regulations, so as to achieve the ultimate



goal of strengthening customer relationships. In 2023, we will continue to act in accordance with the spirit and principles of the UN's "Universal Declaration of Human Rights" and ILO's "Declaration on Fundamental Principles and Rights at Work" among other international human rights conventions, in an effort to create an environment where human rights are advocated, and the legal rights and interests of our employees are protected.

#### (4) Harmonious working environment

Through training, interviews, grievance channels, and the use of risk definitions, the Company highlights management opportunities, keeps abreast of employee concerns, and strives to quickly respond and implement risk prevention to create an effective and positive mode of communication. In 2023, the Company will continue to organize employee activities, participate in community services and motivate employees to strengthen internal solidarity and organizational identity, and to promote co-prosperity. The Company also maintains positive interactions with labor unions to forge solid employee-employer relations, build an inclusive, harmonious and friendly workplace, and create a positive organizational culture.

### 1.4 2023 Business Plan

#### (1) Operating Guidelines

The Company will actively fulfill its core values of "Professionalism, Dedication, Innovation and Service". The Company will concentrate on manufacturing of shoes and retail of sporting goods and licensing, focus on agile business strategies, strengthen the business fundamentals and keep on sharpening its competitive edge. To this end, the Company will sequentially undertake the following:

##### ■ Manufacturing of shoes

##### A. To flexibly diversify production capacities

Given the dynamic competitions in the business environment, the Company has established diverse production bases to leverage local manufacturing advantages and to reasonably diversify operational risks. Currently, our factories are spread across Indonesia, Vietnam, Mainland China, Cambodia, Bangladesh and Myanmar. In 2023, we will continuously adopt a global macro strategy to improve the capacity and efficiency of our production bases, and maximize flexibility in capacity allocation, with Indonesia, Vietnam and Mainland China as key production regions. Furthermore, we will continue to scale up production and develop a steady growth driver to support the long-term capacity demands.

##### B. To accelerate digital transformation

The Company will continue to advance its long-term smart manufacturing strategies by formulating data thinking, introducing real-time data management and remote monitoring system, delivering timely and effective production information, and implementing precise control of factory operations. These efforts are aimed to maximize the performance of our production lines. In addition, through process re-engineering, we aim to achieve digital prototyping and production simulations, optimized production scheduling, and flexible line change-overs. Moreover, we will further integrate other digital tools such as Distributed Resource Scheduler (DRS) system, Robotic Process Automation (RPA) to continuously enhance internal operating processes and improve operating efficiency.

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

In response to customers' increasingly flexible procurement strategies, the Company will expand its investment in cutting-edge technologies and smart manufacturing, leverage core strengths and





competitive advantages, provide professional integrated solutions that cover innovative development, process transformation, flexible production, and diversified products, and expand the business model of high value-added services. The Company will continue to build its competitive edges and focus on higher level of extended services to help customers achieve product innovation. This will be helpful in strengthening and deepening our mutually beneficial long-term partnerships as we strive to become their preferred strategic partner.

**D. To effectively improve supply chain resilience**

To fully exert the synergy of vertical integration, the Company has built a comprehensive and high efficient supply chain system by linking upstream, midstream and downstream operations in the footwear manufacturing process. With an focus on local supply and flexible delivery, we are committed to providing fast and innovative services that reflect market demand in a timely manner. Through resource and knowledge sharing, as well as technical cooperation, we continue to improve product quality and cost efficiency. We will place emphasis our suppliers' capabilities in innovative research and development, flexible production, and sustainable development. More importantly, we will continuously enhance communication and collaboration between the upstream and downstream counterparts, and optimize their operating efficiency and effectiveness, so as to elevate the overall value of the supply chain.

■ **Retail of Sporting Goods and Brand Licensing**

**A. To precisely cultivate brick-and-mortar retail stores**

For consumers who seek in-person experience of products and services, physical stores remain a crucial and irreplaceable touch point. The Company will continue to drive structural upgrades to its brick-and mortar stores, dynamically assess their efficiency, and plan for the overall development of all business operations. In addition, we strive to combine offline networks and social media, membership programs and sporting services to create a unique customer journey. We will also implement a refined retail management system to improve the operational efficiency of our sales channels by facilitating more precise marketing strategies through data analysis.

**B. To actively develop digital channels**

In response to changing consumer behavior, shopping is no longer confined to specific spaces. The Company will continue to incorporate its online channels into the overall sales network by covering the operation of third-party platforms such as Tmall, JD, and Vipshop. Furthermore, better sales quality and shorter sales cycles will be achieved through the expanding Pan-WeChat Ecosphere, which has become an effective sales channel capable of driving profitability. In 2023, the Company will continue to invest and allocate more resources to the Pan-WeChat Ecosphere and improve its digital operations to drive further sales growth.

**C. To continuously strengthen operational capabilities**

The Company will continue to expand and reinforce its product-sharing platform and enhance its Omni-Hub program with brand partners to efficiently share products inventory to optimize its inventory mix and product portfolio. This will improve the efficiency of inventory management and use of working capital, thus providing consumers with higher-quality services. In addition, we plan to work with our brand partners further to create a multiple membership service by connecting digital stores, thereby creating the best consumer experience. Meanwhile, the Company will also continue to



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introduce and upgrade its business intelligence platform and other digital tools to build capacity for digital innovation and business growth.

## (2) Prospects

The global economic outlook is complicated and unpredictable. In 2022, major economies have raised interest rates to curb inflation, which has led to dramatic fluctuations in international financial market and a shift in consumer demand toward a more conservative stance. In 2023, the Company will still be confronted with constricted monetary policies, as well as increasing inventory levels, global supply chain restructuring, and other uncertainties that will increase the risk of a macroeconomic downside. Consequently, many international forecast organizations expect a slowdown in economic growth for these reasons.

Despite the current operating environment with many challenges and uncertainties, public health awareness continues to rise in the post-COVID-19 era. Nevertheless, the population participating in sports activities will also continue to grow. As a result, the Company is confident in the long-term development of the sports industry in which we operate. In terms of manufacturing of shoes, the Company will continue to implement diversified allocation of production capacity, accelerate the promotion of new technological applications and process transformation, and collaborate with suppliers in depth to construct a resilient supply chain system, thereby providing customers with better quality and more efficient manufacturing services. As for retail of sporting goods and brand licensing, the Company will take further steps to integrate physical stores and digital channels in conjunction with membership programs and sporting services. All of these serve as an effort to comprehensively Leverage of customer journey and create a seamless shopping experience. Furthermore, the Company will continue to improve its operational and management efficiency through a well-established data analytics and product sharing platforms.

Convinced that risks and opportunities are two sides of the same coin, the Company will place emphasis on sound management, follow the blueprint toward sustainable development, strengthen risk management, and cultivate operational resilience and capability. The Company will endeavor toward optimizing its interests based on differentiated competitive advantages, and strive to attain long-term stable business growth.

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.



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- (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 Retail 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.



## POU CHEN CORPORATION

- (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.

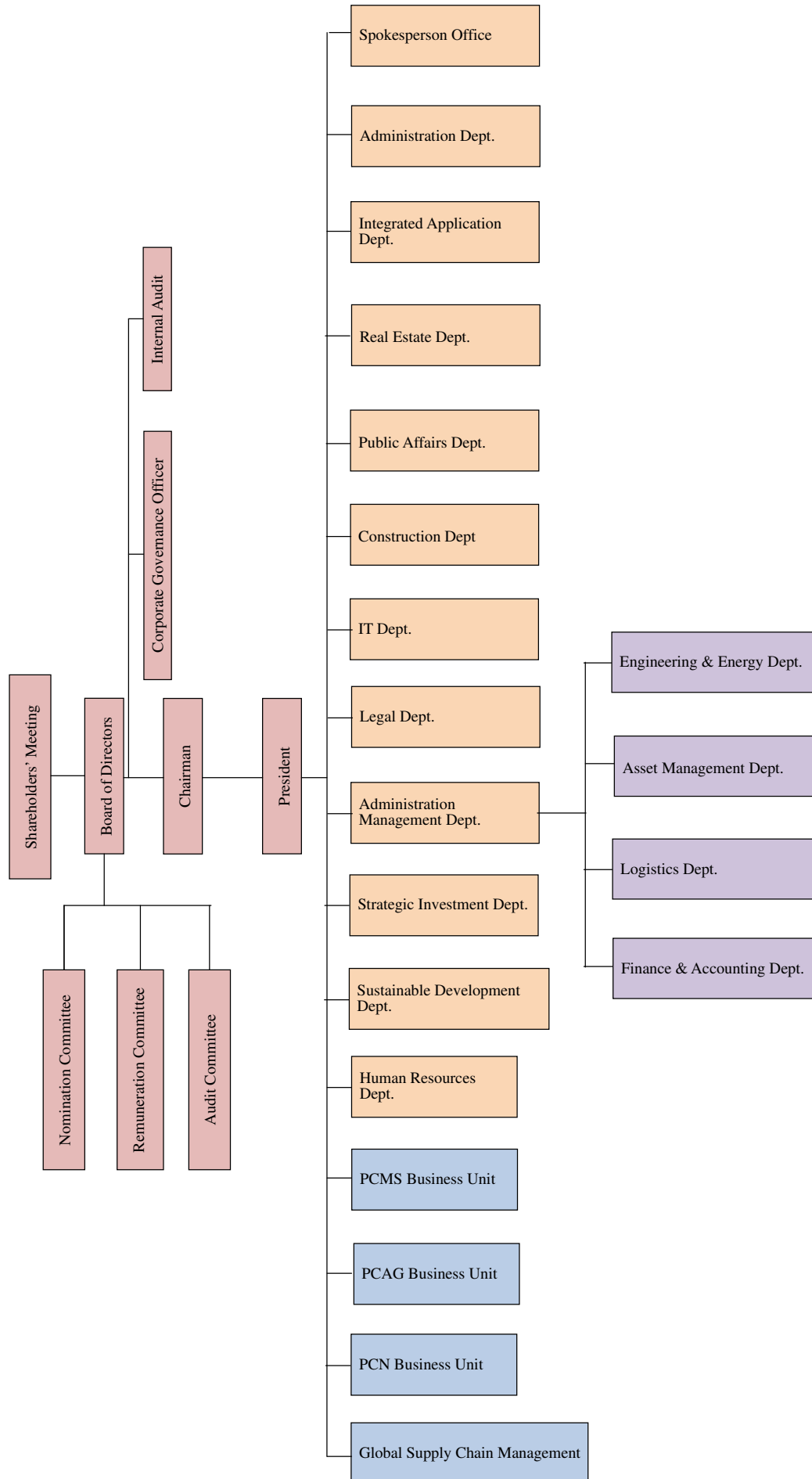


Date: May 15, 2023

### III. CORPORATE GOVERNANCE REPORT

#### 3.1 Organization

(1) Organization structure







(2) Business conducted by each major department

Name of department		Business conducted by the department
Global Supply Chain Management		Management of the group's procurement operating procedures, integration of supply chain resources (items related to footwear raw materials, jigs, general equipment affairs, and engineering category, etc.), supplier management, and procurement contracting service; research, development, and sale of plastic raw materials and leather materials; the allocation of idle machines and disposal of wastes/scrap; and establishment of new business models for the group and development of innovative products..
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 Sustainability-related policies.
Strategic Investment Department		Group strategic planning, budget and business management analysis, pre-investment assessment and post-investment management.
Administration Management Department	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.
	Engineering & Energy Department	Construction license and land/building drawings maintenance and update.
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.
Construction Department		Contracting, managing, supervising and checking of the construction, reconstruction, extension, renovation, decoration and fixing of buildings.
Public Affairs Department		Planning and management of and consultation on public affairs.
Real Estate Department		Management of real estate affairs.
Integrated Application Department		Group resource integration, which provides integrated applications in automation, digitization and intelligentization.
Administration Department		Land and building's management, factory management and maintenance, vehicle management and general affairs management.
Spokesperson Office		Planning and management of and consultation on public affairs.
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

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	
Chairman	R.O.C.	Chuan Mou Investments Co., Limited	-	2022.06.15	3	2022.06.15	163,425,022	5.55%	163,425,022	5.55%	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	2022.06.15	3	1992.08.08	366,452	0.01%	366,452	0.01%	0	0.00%	0	0.00%	Director, Nan Shan Life Insurance Co., Limited Executive Director, Yue Yuen Industrial (Holdings) Limited President of the Administration Management Department of the Company Statistics Department, National Chung Hsing University	Note 2	N/A	N/A	N/A	None
Director	R.O.C.	Tsai, Pei-Chun	Female	2022.06.15	3	2016.06.15	4,177,779	0.14%	4,177,779	0.14%	0	0.00%	0	0.00%	Director, Mega Financial Holding Co., Ltd. Managing Director and Executive Director, Yue Yuen Industrial (Holdings) Limited Non-executive Director, Pou Sheng International (Holdings) Limited Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	Note 3	Director	Tsai, Min-Chieh	Sisters	None
	R.O.C.	Tzong Ming Investments Co., Limited	-	2022.06.15	3	2013.06.14	6,340,933	0.22%	6,340,933	0.22%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	None
Director	R.O.C.	Representative: Tsai, Min-Chieh	Female	2022.06.15	3	2013.06.14	3,471,485	0.12%	3,471,485	0.12%	0	0.00%	0	0.00%	Director, Nan Shan Life Insurance Co., Limited Financial Analytics, Bloomberg News (USA) Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	Note 4	Director	Tsai, Pei-Chun	Sisters	None
	R.O.C.																			



# 2022 ANNUAL REPORT



Title	Nationality or registration area	Name	Gender Age	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.	Ever Green Investments Corporation	-	2022.06.15	3	2007.04.24	23,216,045	0.79%	23,216,045	0.79%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	None
	R.O.C.	Representative: Lu, Chin-Chu	Male 50-69	2022.06.15	3	2011.03.07	1,070,470	0.04%	1,070,470	0.04%	73,300	0.00%	0	0.00%	Director, Nan Pao Resins Chemical Co., Limited Director, Evermore Chemical Industry Co., Limited Chairman and Executive Director, Yue Yuen Industrial (Holdings) Limited Director, San Fang Chemical Industry Co., Limited President of the Company Master Degree in Business Administration, National Chung Hsing University	Note 5	N/A	N/A	N/A	None
Director	R.O.C.	Sheachang Enterprise Corporation	-	2022.06.15	3	2003.10.03	4,413,010	0.15%	4,413,010	0.15%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	None
	R.O.C.	Representative: Wu, Pan-Tsu	Male 50-69	2022.06.15	3	2020.07.10	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Vice President, Corporate Banking Division, Taishin Bank Vice President, Business Department, BNP Paribas Vice President, Business Department, Chase Manhattan Bank Chairman and Executive Director, Pou Sheng International (Holdings) Limited President of Retail Department Director, Nan Shan Life Insurance Co., Limited Director, Elitegroup Computer Systems Co., Limited Banking and Insurance Department, Tamkang University	Note 6	N/A	N/A	N/A	None



# POU CHEN CORPORATION

Title	Nationality or registration area	Name	Gender	Age	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	
Director	R.O.C.	Shun Tai Investments Co., Limited	-	-	2022.06.15	3	2022.06.15	24,367,867	0.83%	24,367,867	0.83%	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	50-69	2022.06.15	3	2016.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Vice President, HTC Corporation Vice President of the Company Director, Elitegroup Computer Systems Co., Limited Director, Nan Shan Life Insurance Co., Limited Master of Laws, National Taiwan University	Note 7	N/A	N/A	N/A	None
Independent Director	R.O.C.	Chen, Huan-Chung	Male	50-69	2022.06.15	3	2018.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Vice President, E.Sun Bills Finance Corporation Supervisor of the Company Partner, Wang Tong & Co., CPAs Non-executive Director, Pou Sheng International (Holdings) Limited Industrial Management Department, National Taiwan University of Science and Technology	Note 8	N/A	N/A	N/A	None
Independent Director	R.O.C.	Hsu, Chu-Sheng	Male	50-69	2022.06.15	3	2022.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	General Manager, General Electric International Inc., Taiwan Branch (USA) President, IBM Taiwan Corporation Adjunct professor, Leadership Program at National Taiwan University Adjunct professor, Institute of Technology Management at National Tsing Hua University Independent Director, Energy Technology Inc. Independent Director, Alexander Marine Co., Ltd. Independent Director, Fubon Bank (China) Master of Computer Science, Stevens Institute of Technology	Note 9	N/A	N/A	N/A	None



# 2022 ANNUAL REPORT



Title	Nationality or registration area	Name	Gender	Age	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	
Independent Director	R.O.C.	Chang, Shih-Chieh	Male	50-69	2022.06.15	3	2022.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Independent Director, Taiwan Life Insurance Co., Ltd. Independent Director, TLG Insurance Co., Ltd. Director, CTBC Business School Independent Director, CTBC Life Insurance Co., Ltd. Independent Director, CTBC Bank Co., Ltd. Independent Director, CTBC Financial Holding Co., Ltd. Independent Director, China Development Financial Holding Co., Ltd. Member, Financial Supervisory Commission Non-member director, Securities Investment Trust & Consulting Association of the R.O.C. Member, Financial Ombudsman Institution Director, Taiwan Insurance Institute Director, Taiwan Insurance Guaranty Fund Chairman, Insurance Anti-Fraud Institute Member, Labor Funds Supervisory Committee, Ministry of Labor Chairman, Pan-Asia Risk and Insurance Management Association CEO, EMBA, College of Commerce, National Chengchi University Professor, Department of Risk Management and Insurance, National Chengchi University Consultant, Financial White Papers, Taiwan Financial Services Roundtable Co., Ltd. Consultant, Securities Investment Trust &	Note 10	N/A	N/A	N/A	None



# POU CHEN CORPORATION

Title	Nationality or registration area	Name	Gender	Age	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	
																Consulting Association of The R.O.C. Member, Financial Stability Board of Central Bank (R.O.C.) Chairman, Risk Management Society of Taiwan Ph.D., Department of Statistics, University of Wisconsin-Madison, USA					



- 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, Footwear and Recreation Technology Research Institute, Windsor Entertainment 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: Chairman of PC Holdings Limited; Director of Chung Ming Investments Co., Limited, Tzong Ming Investments 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, Zhongao 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: Director of PC Brothers Corporation, Red Magnet Developments 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, Ruen Chen Investment Holding Co., Limited, Nan Shan Life Insurance Co., Limited
- Note 8: Independent Non-executive Director of Pou Sheng International (Holdings) Limited and Partner of Wang Tong & Co., CPAs.
- Note 9: Independent Director of inergy Technology Inc., Alexander Marine Co., Ltd., Fubon Bank (China)
- Note 10: Independent Director of China Development Financial Holding Co., Ltd.



# POU CHEN CORPORATION

## B. Major shareholders of the institutional shareholders

April 17, 2023

Name of institutional shareholder	Major shareholders of the institutional shareholders	
	Shareholder	Ratio (%)
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
Tzong Ming Investments Co., Limited	Taishin International Bank Trust Account by 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	Taishin International Bank Trust Account by 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
Shun Tai Investments Co., Limited	Chuan Mou Investments Co., Limited	36.14
	Seawind Management Limited	45.83
	Goal Score Investments Limited	18.03





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

April 17, 2023

Name of institutional shareholder	Major shareholders of the institutional shareholder	
	Shareholder	Ratio (%)
Santarem Pte. Limited	Sitori Trading Limited	100.00
Seawind Management Limited	Prime Grill Investments Limited	100.00
Yu Chi Investments Co., Limited	Taishin International Bank Trust Account by Huang, Shu-Man	0.20
	Seawind Management Limited	0.80
	Goal Score Investments Limited	99.00
Yu Jie Investments Co., Limited	Seawind Management Limited	1.67
	Goal Score Investments Limited	98.33
Goal Score Investments Limited	Sitori Trading Limited	100.00



# POU CHEN CORPORATION

## D. Professional Qualification of Directors and Independence of Independent Directors

Name	Requirements	Professional Qualification, Experience and Independence of Independent Directors(Note 1)	Number of other public companies in which the person holds a concurrent position as an independent director
Chuan Mou Investments Co., Limited Representative: Chan, Lu-Min		1. Mr. Chan has about 40 years of finance and accounting management experience. 2. Chairman of the Board of Directors, President of the Administration Management Department of the Company and Executive Director of Yue Yuen Industrial (Holdings) Limited. 3. Mr. Chan was Director of Nan Shan Life Insurance Co., Limited.	0
Tsai, Pei-Chun		1. Ms. Tsai has about 20 years of experience in the manufacturing of shoes and retailing of sporting goods and brand licensing. 2. Managing Director and Executive Director of Yue Yuen Industrial (Holdings) Limited and Non-executive Director of Pou Sheng International (Holdings) Limited.	0
Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh		3. Ms. Tsai was Director of Mega Financial Holding Company Limited. 1. Ms. Tsai has about 10 years of financial experiences. 2. Ms. Tsai was Financial Analytics in Bloomberg News (USA) and Director of Nan Shan Life Insurance Co., Limited.	0
Ever Green Investments Corporation Representative: Lu, Chin-Chu		1. Mr. Lu has about 40 years of experience in the manufacturing of footwear and footwear materials production management. 2. President of the Company, Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited and Director of San Fang Chemical Industry Co., Limited. 3. Mr. Lu was Director of Nan Pao Resins Chemical Co., Limited and Evermore Chemical Industry Co., Limited.	0
Shechang Enterprise Corporation Representative: Wu, Pan-Tsu		1. Mr. Wu has about 40 years of financial experiences. 2. Mr. Wu was President of Retail Department of the Company, Chairman and Executive Director of Pou Sheng International (Holdings) Limited, Director of Nan Shan Life Insurance Co., Limited and Elitegroup Computer Systems Co., Limited.	0
Shun Tai Investments Co., Limited Representative: Ho, Yue-Ming		1. Mr. Ho has about 20 years of legal experience. 2. Vice President of Legal Department of the Company, Director of Elitegroup Computer Systems Co., Limited and Nan Shan Life Insurance Co., Limited. 3. Mr. Ho was Vice President of HTC Corporation.	0
Chen, Huan-Chung		1. Mr. Chen owned a CPA and Securities Analyst License. 2. Independent Non-executive Director of Pou Sheng International (Holdings) Limited. 3. Mr. Chen was Vice President of E.Sun Bills Finance Corporation. He is Partner of Wang Tong & Co., CPAs, who has about 30 years experience of accounting, auditing, management of investment and financial analysis. 4. Mr. Chen, his spouse and relative within the second degree of kinship are not an employee of the company or any of its affiliates, not having a marital relationship, or a relative within the second degree of kinship to any other director of the company and also not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.	1
Hsu, Chu-Sheng		1. Adjunct professor of Leadership Program at National Taiwan University and Institute of Technology Management at National Tsing Hua University. 2. Independent Director of Inergy Technology Inc., Alexander Marine Co., Ltd. and Fubon Bank (China). 3. Mr. Hsu was General Manager of General Electric International Inc., Taiwan Branch (USA) and President of IBM Taiwan Corporation. He has about 30 years experience of business management, leadership of multinational corporation and organization change. 4. Mr. Hsu, his spouse and relative within the second degree of kinship are not an employee of the company or any of its affiliates, not having a marital relationship, or a relative within the second degree of kinship to any other director of the company and also not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.	2
Chang, Shih-Chieh		1. Professor of Department of Risk Management and Insurance, National Chengchi University. 2. Independent Director of China Development Financial Holding Co., Ltd. and Chairman of Risk Management Society of Taiwan. 3. Mr. Chang was Independent Director of CTBC Financial Holding Co., Ltd., Member of Financial Supervisory Commission, Chairman of Insurance Anti-Fraud Institute and Member, Labor Funds Supervisory Committee, Ministry of Labor. He has about 20 years experience of management of risk, financial and insurance. 4. Mr. Chang, his spouse and relative within the second degree of kinship are not an employee of the company or any of its affiliates, not having a marital relationship, or a relative within the second degree of kinship to any other director of the company and also not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.	1

(Note 1): The Directors and Independent Directors of the Company are not been a person of any conditions defined in Article 30 of the Company Law.



# E. Diversity policy and Independence of the Company's Board

## (A) Diversity policy of the Company's Board

(a) 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. The Company has elected nine directors (including three independent directors) at June, 2022, two of which are female directors. All members of the board have professional knowledge, skills, and competency in multiple disciplines including industry, accounting, technology, business management, and law. Our directors' practical experience and professionalism are diverse and complementary. Relevant implementation status is as follows:

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 and corporate governance
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	Male		V	Banking and Insurance Department, Tankang University	V		Finance and insurance
Ho, Yue-Ming	Male		V	Master of Laws, National Taiwan University	V		Legal and administrative management
Chen, Huan-Chung	Male		V	Industrial Management Department, National Taiwan University of Science and Technology	V		Accounting, auditing, and Investment analysis
Hsu, Chu-Sheng	Male		V	Master of Computer Science, Stevens Institute of Technology	V	V	Business management, leadership and organization change
Chang, Shih-Chieh	Male		V	Ph.D., Department of Statistics, University of Wisconsin-Madison, USA	V	V	Management of risk, financial and insurance

(B) Independence of the Company's Board: The 24th term Board of Directors of the Company comprises nine directors, three of whom are independent directors (33%) as required by law. Spousal or familial relationship within the second degree of kinship does not exist among more than half of the company's directors. The term of all independent directors does not exceed nine years.



# 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	Executive Director, Yue Yuen Industrial (Holdings) Limited; Statistics Department, National Chung Hsing University	Note 2	N/A	N/A	N/A	None
President	R.O.C.	Lu, Chin-Chu	Male	2006.07.27	1,070,470	0.04	73,300	0.00	0	0.00	Chairman and Executive Director, Yue Yuen Industrial (Holdings) Limited; Master Degree in Business Administration, National Chung Hsing University	Note 3	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	Manning Director, China International Capital Corporation Limited; Executive Director, Yue Yuen Industrial (Holdings) Limited; Master of Business Administration Degree in Finance and Entrepreneurial Management, Wharton School of University of Pennsylvania, USA	Note 4	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	Director, Nan Pao Resins Chemical Co., Limited; Director, Evermore Chemical Industry Co., Limited; Lu Kang Senior High School	Note 5	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	Director, Nan Pao Resins Chemical Co., Limited; Director, San Fang Chemical Industry Co., Limited; South Fields College, UK	Note 6	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	Vice President, HTC Corporation; Master of Laws, National Taiwan University	Note 7	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	Executive Director, Yue Yuen Industrial (Holdings) Limited; Master Degree of Science, University of Wisconsin, Madison, USA	Note 8	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	IT Director, RT-Mart; Master Degree in Computer Science and Engineering Department, National Chiao Tung University	N/A	N/A	N/A	N/A	None
Vice President	R.O.C.	Minston Chao	Male	2020.08.14	0	0.00	0	0.00	0	0.00	Vice President of The Wyatt Company; PHD in Human Resource Management, National Sun Yat-sen University	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	Executive Director and chief financial officer, Yue Yuen Industrial (Holdings) Limited; Director, Nan Pao Resins Chemical Co., Limited; Accounting Department, Chung Yuan Christian University	Note 9	N/A	N/A	N/A	None
Vice President	R.O.C.	Yang, Hsiao-Tung	Male	2022.08.12	0	0.00	0	0.00	0	0.00	Executive Vice President, Want Want China Times Media Group; Master of Communication, State University of New York	Note 10	N/A	N/A	N/A	None
Executive Senior Manager	R.O.C.	Liao, Yuang-Whang	Male	2022.08.12	0	0.00	0	0.00	0	0.00	Investment director in private equity for Asia region, Citibank Hong Kong; Master of Philosophy, University of Cambridge	Note 11	N/A	N/A	N/A	None
Financial Officer	R.O.C.	Chang, Yea-Fen	Female	2012.10.31	119,687	0.00	0	0.00	0	0.00	Senior Manager of Finance Department of the Company; Master in Business Administration, Texas A&M University, USA	Note 12	N/A	N/A	N/A	None
Accounting Officer	R.O.C.	Wu, Hui-Chi	Female	2015.12.25	0	0.00	5,000	0.00	0	0.00	Senior Manager of Accounting Department of the Company; Master in Accounting, Golden Gate University, USA	Note 13	N/A	N/A	N/A	None
Corporate Governance Officer	R.O.C.	Huang, Chao-Fen	Female	2022.08.12	0	0.00	0	0.00	0	0.00	Manager, Capital Market Department of Taiwan International Securities Co., Ltd.; Accounting Department, Providence University	N/A	N/A	N/A	N/A	None



# POU CHEN CORPORATION

- 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, Footwear and Recreation Technology Research Institute, Windsor Entertainment 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, Zhongao 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: Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.
- Note 5: Chairman of Dah-Chen Shoe Materials Ltd. ; Director of Zhongshan Poushun Paper Products Manufacturing Co., Limited, Zhongshan Hwa Ching Foam Co., Ltd., Jiang Xi Hwa Ching Foam Limited, Dong Guan Yue Guan Paper Products Co., Limited, Dong Guan Yu Yuen Mold Co., Ltd., Just Lucky Investments Limited, Natural Options Limited, Pou Ming Paper Products Manufacturing Company Limited, Upsize Limited, Rise Bloom International Limited, Prosperlink Limited, Prosper Day Limited; Commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.
- Note 6: Director and commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.
- Note 7: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited, Elitegroup Computer Systems Co., Limited, Hua Jian Industrial Holding Co., Limited, Ruen Chen Investment Holding Co., Limited, Nan Shan Life Insurance Co., Limited
- Note 8: 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, Cruiser Ventures Limited, Explorer Enterprises Ltd., Future Motive Investments Ltd.
- 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, Elitegroup Computer Systems Co., Limited, Evermore Chemical Industry Co., Limited, Yangzhou Baoyi Shoes Manufacturing Co., Ltd., Venture Well Holdings Limited, Hua Jian Industrial Holdings Co., Limited, Ka Yuen (Vietnam) Rubber Factory Ltd., Cruiser Ventures Ltd., Explorer Enterprises Ltd. ; Commissioner of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.



Note 10: Director of Elitegroup Computer Systems Co., Limited, Nan Shan Life Insurance Co., Limited, Venture Well Holdings Limited, Hua Jian Industrial Holdings Co., Limited, Zhongao Multiplex Management Group Co., Limited, the subsidiaries of Yue Yuen Industrial (Holdings) Limited. Supervisor of Ruen Chen Investment Holding Co., Limited.

Fortune Investments Limited, Golden Brands Developments Limited, Pearl Dove International Limited; Supervisor of Pou Yii Development Co., Limited, Pou Chien Technology Co., Limited, I-Tech Sporting Enterprise Limited.

Note 11: Chairman of Dah Sheng Vietnam Co., Ltd.; Non-executive Director of Prosperous Industrial (Holdings) Limited; Executive Director of Pou Sheng International (Holdings) Limited.; Director of San Fang Chemical Industry Co., Limited, Nan Pao Resins Chemical Co., Limited, the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Yue Cheng (Kun Shan) Sports Co., Ltd., Guizhou Pou-Sheng Sport Products Co., Ltd., Bao Sheng Dao Ji (BeiJing) Trading Company Ltd., Taicang YYSPO RTS Business Trading Co., Ltd., Dongguan Yu Xiang Shoes Material Co., Ltd, Pou Sheng International Sports Development Company Limited, Ka Yuen Rubber Factory Limited, Top Units Developments Limited, Mostwell Limited, Ka Yuen Trading Limited, Raidant Lion Limited, Time Swift Investments Limited, Radiant Ally Holdings Limited, Active Creation Co., Ltd., Mega Sky International Limited, Go eastern Limited; Representative of Prime Asia Leather Corporation, Taiwan Branch (British Virgin Islands), Radiant Lion Limited, Taiwan Branch (British Virgin Islands); Commissioner of PT. Ka Yuen Indonesia, PT. DahSheng.

Note 12: Chairman of Pou Hui Investments Co., Limited; Director of Pou Yi Investments Co., Limited.

Note 13: Chairman of Pou Yuen Technology Co., Limited, Barits Development Corporation, Song Ming Investments Co., Limited, Pro Arch International Development Enterprise Inc., Lai Chia Investments Co., Limited; Director of Windsor Entertainment Co., Limited, Global Biotech Inc., Pou Hui Investments Co., Limited, Wealthplus Holdings Limited and its subsidiaries, Win



# 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 NT\$ thousands)																
Title	Name	Directors' Remuneration				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 4)		Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 4)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Salary (A)	Pension (B) (Note 1)	Remuneration (C) (Note 2)		Allowance (D)	Salary, bonus and special fees etc. (E)	Pension (F) (Note 1)	Employee compensation (G) (Note 3)		The Company's consolidated financial statements	The Company's 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	
Chairman	Chuan Mau Investments Co., Limited (Note 5) Representative: Chun, Lu-Min															
	PC Brothers Corporation (Note 6) Representative: Chun, Lu-Min															
Director	Tsai, Pei-Chun															
Director	Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh															
Director	Ever Green Investments Corporation Representative: Liu, Chin-Chiu	0	10,416	0	0	110,906	900	900	14,702	56,762	13,260	7,066	0	1.16	1.58	2,180
Director	Shanchang Enterprise Corporation Representative: Wu, Pan-Tsu															
Director	Shun Tai Investments Co., Limited (Note 5) Representative: Ho, Yue-Ming															
	Lai Chia Investments Co., Limited (Note 6) Representative: Ho, Yue-Ming															
Independent Director	Chen, Huan-Chung															
Independent Director	Hsu, Chu-Sheng (Note 5)															
Independent Director	Chang, Shih-Chieh (Note 5)	4,100	5,242	0	0	0	115	115	0	0	0	0	0	0.03	0.04	0
Independent Director	Chen, Bor-Liang (Note 6)															
Independent Director	Chiu, Tien-I (Note 6)															
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: Director, Wu, Pan-Tsu, NT\$2,340thousands.																



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	Chan, Lu-Min, Tsai, Min-Chieh, Lu, Chin-Chu, Wu, Pan-Tsu, Ho, Yue-Ming, Chen, Bor-Liang, Chiu, Tien-I, Hsu, Chu-Sheng, Chang, Shih-Chieh Lai Chia Investments Co., Limited	Chan, Lu-Min, Tsai, Min-Chieh, Lu, Chin-Chu, Wu, Pan-Tsu, Ho, Yue-Ming, Chen, Bor-Liang, Chiu, Tien-I, Hsu, Chu-Sheng, Chang, Shih-Chieh Lai Chia Investments Co., Limited	Tsai, Min-Chieh, Chen, Bor-Liang, Chiu, Tien-I, Hsu, Chu-Sheng, Chang, Shih-Chieh Lai Chia Investments Co., Limited	Tsai, Min-Chieh, Chen, Bor-Liang, Chiu, Tien-I, Hsu, Chu-Sheng, Chang, Shih-Chieh Lai Chia Investments Co., Limited
NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (excluded)	Sheachang Enterprise Corporation, Tsai, Pei-Chun, Chen, Huan-Chung	Sheachang Enterprise Corporation	Sheachang Enterprise Corporation, Tsai, Pei-Chun, Chen, Huan-Chung	Sheachang Enterprise Corporation,
NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (excluded)	Tzong Ming Investments Co., Limited	Tzong Ming Investments Co., Limited, Chen, Huan-Chung	Tzong Ming Investments Co., Limited	Tzong Ming Investments Co., Limited, Chen, Huan-Chung
NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (excluded)			Ho, Yue-Ming	
NT\$ 5,000,000 (included) ~ NT\$ 10,000,000 (excluded)	Shun Tai Investments Co., Limited	Shun Tai Investments Co., Limited	Chan, Lu-Min, Lu, Chin-Chu Shun Tai Investments Co., Limited	Ho, Yue-Ming Shun Tai Investments Co., Limited
NT\$ 10,000,000 (included) ~ NT\$ 15,000,000 (excluded)	Ever Green Investments Corporation	Ever Green Investments Corporation, Tsai, Pei-Chun	Ever Green Investments Corporation	Ever Green Investments Corporation, Tsai, Pei-Chun
NT\$ 15,000,000 (included) ~ NT\$ 30,000,000 (excluded)			Wu, Pan-Tsu	Chan, Lu-Min, Lu, Chin-Chu, Wu, Pan-Tsu
NT\$ 30,000,000 (included) ~ NT\$ 50,000,000 (excluded)	PC Brothers Corporation Chuan Mou Investments Co., Limited	PC Brothers Corporation Chuan Mou Investments Co., Limited	PC Brothers Corporation Chuan Mou Investments Co., Limited	PC Brothers Corporation Chuan Mou Investments Co., Limited
NT\$ 50,000,000 (included) ~ NT\$ 100,000,000 (excluded)				
Over NT\$ 100,000,000 (included)				
Total	18 persons	18 persons	18 persons	18 persons

Note 1: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in 2022.

Note 2: Resolved by the Board of Directors on March 16, 2023.

Note 3: As of the date of publication of the annual report, the amount of employee remuneration distribution has not yet been determined, and the proposed amount for this year is tentatively estimated based on the actual distribution of last year.

Note 4: The calculation is based on the net income of the Company's 2022 separate financial statements. (NT\$ 12,644,855 thousand).

Note 5: Elected as a director on June 15, 2022.

Note 6: Retired as a director on June 15, 2022.



# POU CHEN CORPORATION

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

(In NT\$ thousands)

Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 3)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
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, Nai-Yung													
Vice President	Chang, Chia-Li	32,632	96,244	13,260	13,260	14,038	39,052	20,290	0	20,290	0	0.63	1.34	6,045
Vice President	Ho, Yue-Ming													
Vice President	Hu, Chia-Ho													
Vice President	Chiu, Hui-Yao													
Vice President	Minston Chao													
Vice President	Shih, Chih-Hung													
Vice President	Yang, Hsiao-Tung (Note 5)													



Range of Remuneration	Name of Presidents and Vice Presidents	
	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)	Yang, Hsiao-Tung	
NT\$ 3,500,000 (included)~ NT\$ 5,000,000 (excluded)	Ho, Yue-Ming	
NT\$ 5,000,000 (included)~ NT\$ 10,000,000 (excluded)	Lu, Chin-Chu, Chan, Lu-Min, Liu, Hong-Chih, Tsai, Nai-Yung, Chang, Chia-Li, Hu, Chia-Ho, Chiu, Hui-Yao, Minston Chao, Shih, Chih-Hung	Ho, Yue-Ming, Tsai, Nai-Yung, Chiu, Hui-Yao, Minston Chao, Yang, Hsiao-Tung
NT\$ 10,000,000 (included)~ NT\$ 15,000,000 (excluded)	Wu, Pan-Tsu	Chang, Chia-Li, Hu, Chia-Ho, Shih, Chih-Hung
NT\$ 15,000,000 (included)~ NT\$ 30,000,000 (excluded)		Lu, Chin-Chu, Chan, Lu-Min, Wu, Pan-Tsu, 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 2022.

Note 2: As of the date of publication of the annual report, the amount of employee remuneration distribution has not yet been determined, and the proposed amount for this year is tentatively estimated based on the actual distribution of last year.

Note 3: The calculation is based on the net income of the Company's 2022 separate financial statements. (NT\$ 12,644,855 thousand).

Note 4: Retired as an officer on June 30, 2022

Note 5: Assigned as an officer on August 12, 2022.



# POU CHEN CORPORATION

## (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)
Officers	Chairman and President of Administration Management Department	Chan, Lu-Min	0	21,552	21,552	0.17
	President	Lu, Chin-Chu				
	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				
	Vice President	Shih, Chih-Hung				
	Vice President	Yang, Hsiao-Tung				
	Executive Senior Manager	Liao, Yuang-Whang				
	Financial Officer	Chang, Yea-Fen				
	Accounting Officer	Wu, Hui-Chi				
	Corporate Governance Officer	Huang, Chao-Fen				

Note 1: As of the date of publication of the annual report, the amount of employee remuneration distribution has not yet been determined, and the proposed amount for this year is tentatively estimated based on the actual distribution of last year.

Note 2: The calculation is based on the net income of the Company's 2022 separate financial statements. (NT\$ 12,644,855 thousand).



- (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 (%)			
	2022		2021	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	0.91%	1.01%	0.83%	0.88%
Presidents and Vice Presidents	0.63%	1.34%	0.53%	1.09%

The Company proposed director's remuneration and officer's compensation according to the Article. 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.

The director's remuneration structure of the Company includes remuneration, director's remuneration appropriated according to the annual profits and attendance fee. The independent director will not participate the distribution of directors' remuneration, but will received monthly fixed remuneration and attendance fees. The remuneration of individual directors is determined by the decision-making risks they undertake and the results of performance evaluation. The distribution of director remuneration is mainly based on the equity represented by each director in the current session and the results of performance evaluation. The items of performance evaluation include the supervision of the Company's affair, attendance of the Board meeting and shareholders' meeting and directors' training standard, etc.

The officer's remuneration structure of the Company includes fixed monthly salary, variable salaries (performance bonus, employees' compensation, year-end bonus and others), pension calculated according to law and employee benefits. The fixed monthly salary is determined with reference to the job content, rights and responsibilities, decision-making risks, and the salary level in the industry market. The variable salary is determined based on the company's operating performance and the achievement of the manager's key performance indicators. The key performance indicators are divided by department included Profit center revenue target, achievement rate of gross profit rate increase and profit rate increase, carbon reduction actions, number of interest rate cuts in financial operations, and real effective interest rate control compliance status, etc.

The remuneration of directors and officers of the Company not only referring to past operating performance but also adjusted by strategic performance goals remuneration distribution standards, structures and future risk factors to avoid behaviors that exceed company risks in pursuit of remuneration. In addition, the company's remuneration committee regularly evaluates the remuneration policy and system of directors and officers, and submits the recommendations to the board of directors for resolution.



# POU CHEN CORPORATION

## 3.4 Implementation of Corporate Governance

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

Seven meetings of the Board of Directors were held in 2022. The attendance status of the Directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Chairman	Chuan Mou Investments Co., Limited Representative: Chan, Lu-Min	4	0	100.00	Newly elected on 2022.06.15. Shall attend (board of directors' meetings) four times
Chairman	PC Brothers Corporation Representative: Chan, Lu-Min	3	0	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend (board of directors' meetings) three times.
Director	Tsai, Pei-Chun	7	0	100.00	Re-elected. Appointed on 2022.06.15
Director	Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh	6	1	85.71	Re-elected. Appointed on 2022.06.15
Director	Ever Green Investments Corporation Representative: Lu, Chin-Chu	7	0	100.00	Re-elected. Appointed on 2022.06.15
Director	Sheachang Enterprise Corporation Representative: Wu, Pan-Tsu	7	0	100.00	Re-elected. Appointed on 2022.06.15
Director	Shun Tai Investments Co., Limited Representative: Ho, Yue-Ming	4	0	100.00	Newly elected on 2022.06.15. Shall attend (board of directors' meetings) four times
Director	Lai Chia Investments Co., Limited Representative: Ho, Yue-Ming	3	0	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend (board of directors' meetings) three times.
Independent Director	Chen, Bor-Liang	3	0	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend (board of directors' meetings) three times.
Independent Director	Chiu, Tien-I	3	0	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend (board of directors' meetings) three times.
Independent Director	Chen, Huan-Chung	7	0	100.00	Re-elected. Appointed on 2022.06.15
Independent Director	Hsu, Chu-Sheng	4	0	100.00	Newly elected on 2022.06.15. Shall attend (board of directors' meetings) four times
Independent Director	Chang, Shih-Chieh	4	0	100.00	Newly elected on 2022.06.15. Shall attend (board of directors' meetings) four times



Other matters to be specified:

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

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

Meeting Dates	Sessions	Contents of resolutions	Opinions of all independent directors	Actions taken by the Company in response to opinions of independent directors
2022.03.16	18th meeting of the 23rd Board of Directors	1. Discussed the amendments to the Company's "Procedures for Acquisition and Disposal of Assets" 2. 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.
2022.04.28	19th meeting of the 23rd Board of Directors	1. Release the newly appointed Directors of the Company from non-competition. 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2022.05.13	20th meeting of the 23rd Board of Directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2022.08.12	2nd meeting of the 24th Board of Directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2022.11.11	3rd meeting of the 24th Board of Directors	1. Discussed independence assessment and appointment of the Company's CPA and approved the CPA's remuneration. 2. Acquire the right-of-use assets of real estate from the Company's related party. 3. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2022.12.26	4th meeting of the 24th Board of Directors	1. Discussed the amendments to the Company's "Internal Control System" and "Internal Audit Systems." 2. Discussed the line of credit for the Company to make and remove 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 :

Meeting Dates	Contents of resolutions	Name of Directors	Reasons for the recusal	Participation in the voting shall be noted
2022.03.16 18th meeting of the 23rd Board of Directors	Reviewed the 2021 annual bonus for the officers of the Company.	Chan,Lu-Min, Lu,Chin-Chu, Wu, Pan-Tsu, Ho,Yue-Ming	The Directors are stakeholders of this proposal.	Recused from discussion and voting of this proposal.
	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Pei-Chun, Tsai,Min-Chieh, Ho,Yue-Ming		
2022.04.28 19th meeting of the 23rd Board of Directors	Release the newly appointed Directors of the Company from non-competition.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Pei-Chun, Tsai,Min-Chieh, Wu, Pan-Tsu, Ho,Yue-Ming Chen, Huan-Chung		
2022.05.13 20th meeting of the 23rd Board of Directors	Discussed the retirement pension for the Company's officer.	Wu, Pan-Tsu		
	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Pei-Chun, Tsai,Min-Chieh, Ho,Yue-Ming		
2022.06.15 1st meeting of the 24th Board of Directors	Appointed the 5th Remuneration Committee members.	Chen, Huan-Chung, Hsu, Chu-Sheng, Chang, Shih-Chieh		
2022.08.12 2nd meeting of the 24th Board of Directors	Appointed the 2nd Nomination Committee members.	Chan,Lu-Min, Chen, Huan-Chung, Hsu, Chu-Sheng,		
	Discussed the remuneration for Independent Directors.	Chen, Huan-Chung, Hsu, Chu-Sheng, Chang, Shih-Chieh		
	Discussed the transportation allowances for Directors.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Min-Chieh, Wu, Pan-Tsu, Ho,Yue-Ming		
	Discussed the matters pertaining to the amount of the Company's 2021 distribution for directors' remuneration.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Pei-Chun, Tsai,Min-Chieh, Wu, Pan-Tsu, Ho,Yue-Ming		
	Discussed the 2021 Employees' Compensation for the Company's officers.	Chan,Lu-Min, Lu,Chin-Chu, Ho,Yue-Ming		
	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Pei-Chun, Tsai,Min-Chieh, Ho,Yue-Ming		
2022.11.11 3rd meeting of the 24th Board of Directors	Appointed the director as consultant.	Wu, Pan-Tsu		
	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Pei-Chun, Tsai,Min-Chieh, Ho,Yue-Ming		
2022.12.26 4th meeting of the 24th Board of Directors	Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.	Chan,Lu-Min, Lu,Chin-Chu, Tsai,Pei-Chun, Tsai,Min-Chieh, Ho,Yue-Ming		



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, 2022 to December 31, 2022	The Board	Internal 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 by individual Board members	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 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 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, business 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 2022, the independent directors were appointed as members of the latest Remuneration Committee.
- (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.
- (4) The Nomination Committee was set up on November, 2021, more than half of the members are Independent Director of the Company, who assist the board of directors to strengthen management mechanisms and improve corporate governance.

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, 2022, 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 2022 for an attendance rate of 100%.
- (3) The Company obtained approval from the Board of Directors on April 2019 to appoint accounting officer as corporate governance officer to be in charge of corporate governance and appointed the full-time corporate governance officer on August 12, 2022 by the Board.
- (4) The Company has established the Standard Operating Procedures for Handling Director Requests to assist director performance and improve board functionality.
- (5) 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 etc. was incorporated.



## (2) Operational status of the Audit Committee

The Audit Committee of the Company consists of three independent directors. The main function by the Audit Committee is to assist the Board of Directors in monitoring the Company's quality and integrity of accounting, auditing, financial reporting process and financial controls. Six meetings of the Audit Committee were held in 2022. The deliberations by the committee included Paragraph 6 of Audit Committee Charter. The attendance rate is as follow:

Title	Name	Professional Qualification, Experience	Attendance in person	Attendance Rate (%)	Notes
Convener	Chen, Huan-Chung	1. Mr. Chen owned a CPA and Securities Analyst License. 2. Independent Non-executive Director of Pou Sheng International (Holdings) Limited. 3. Mr. Chen was Vice President of E.Sun Bills Finance Corporation. He is Partner of Wang Tong & Co., CPAs, who has about 30 years experience of accounting, auditing, management of investment and financial analysis.	6	100.00	Re-elected Shall attend the meetings six times.
Member	Hsu, Chu-Sheng	1. Adjunct professor of Leadership Program at National Taiwan University and Institute of Technology Management at National Tsing Hua University. 2. Independent Director of inergy Technology Inc., Alexander Marine Co., Ltd. and Fubon Bank (China). 3. Mr. Hsu was General Manager of General Electric International Inc., Taiwan Branch (USA) and President of IBM Taiwan Corporation. He has about 30 years experience of management, leadership of multinational corporation and organization change.	3	100.00	Newly elected on 2022.06.15. Shall attend the meetings three times
Member	Chang, Shih-Chieh	1. Professor of Department of Risk Management and Insurance, National Chengchi University. 2. Independent Director of China Development Financial Holding Co., Ltd. and Chairman of Risk Management Society of Taiwan. 3. Mr. Chang was Independent Director of CTBC Financial Holding Co., Ltd., Member of Financial Supervisory Commission, Chairman of Insurance Anti-Fraud Institute and Member, Labor Funds Supervisory Committee, Ministry of Labor. He has about 20 years experience of management of risk, financial services industry and insurance.	3	100.00	Newly elected on 2022.06.15. Shall attend the meetings three times
Member	Chen, Bor-Liang	1. Mr. Chen was Professor of Business Administration Department, National Taichung University of Science and Technology about 8 years, Professor of Applied Mathematics Department, Tunghai University about 5 years and Independent Director of Global Brands Manufacture Limited.	3	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend the meetings three times.
Member	Chiu, Tien-I	1. Mr. Chiu is a certified lawyer. 2. Managing Partner, Chiu & Chien, Attorneys at Law and Adjunct Assistant Professor of Financial and Economic Law Department, Chung Yuan Christian University. 3. Mr. Chiu was Director of Global Brands Manufacture Limited.	3	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend the meetings three times.



Other matters to be specified:					
1. Where any of the following circumstances occurs with respect to the operation of the Audit Committee, meeting dates, sessions, contents of resolutions, resolutions adopted by the Audit Committee, and actions taken by the Company in response to the opinion of the Audit Committee shall be noted.					
(1) Matters prescribed under Article 14-5 of the Securities and Exchange Act:					
Meeting Dates	Sessions	Contents of resolutions	Do an independent director has a dissenting, qualified opinion or major suggestion	Resolutions adopted by the Audit Committee	Actions taken by the Company in response to the opinion of the Audit Committee
2022.03.16	15th meeting of the 2nd audit committee	1. Discussed the Company's 2021 Business and Financial Reports. 2. Discussed the Company's 2021 "Effectiveness Assessment of Internal Control System" and "Statement of Internal Control System". 3. Discussed the amendments to the Company's "Procedures for Acquisition and Disposal of Assets". 4. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries	None	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.04.28	16th meeting of the 2nd audit committee	1. Discussed the Company's 2021 profit distribution plan. 2. Release the newly appointed Directors of the Company from non-competition. 3. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	None	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.05.13	17th meeting of the 2nd audit committee	1. Discussed the Company's Financial Reports for the first quarter of 2022. 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	None	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.08.12	1st meeting of the 3rd audit committee	1. Discussed the Company's Financial Reports for the second quarter of 2022. 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	None	Approved as proposed.	None. Submitted to the Board of Directors for approval.



Meeting Dates	Sessions	Contents of resolutions	Do an independent director has a dissenting, qualified opinion or major suggestion	Resolutions adopted by the Audit Committee	Actions taken by the Company in response to the opinion of the Audit Committee
2022.11.11	2nd meeting of the 3rd audit committee	1. Discussed the independence assessment and appointment of the Company's CPA and approved the CPA's remuneration. 2. Discussed the Company's Financial Reports for the third quarter of 2022. 3. Acquire the right-of-use assets of real estate from the Company's related party. 4. Discussed the appointment of director as consultant. 5. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	None	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.12.26	3rd meeting of the 3rd audit committee	1. Discussed the amendments to the Company's "Internal Control System" and "Internal Audit Systems." 2. Discussed the Company's Internal Audit Plan for 2023. 3. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	None	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:

Meeting Dates	Contents of resolutions	Name of Directors	Reasons for the recusal	Participation in the voting shall be noted
2022.04.28 16th meeting of the 2nd audit committee	Release the newly appointed Directors of the Company from non-competition	Chen, Huan-Chung	The Directors are stakeholders of this proposal.	Recused from discussion and voting of this proposal.

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 2022 are listed below:

Date	Communication Method	Party Communicated	Matters Communicated	Results
2022.03.16	Audit Committee Meeting	Chief Internal Auditor	Effectiveness of the internal control system for 2021	After thorough communication and discussion, the Audit Committee approved the effectiveness assessment for 2021, and submitted it to the Board for resolution.
2022.08.12	Forum	CPAs	1. Key audit matters in the Company's financial statements. 2. Basis for recognition of investee companies in the Company's financial statements. 3. Division of audit responsibility among the Company and its overseas subsidiaries.	After fully communicated and discussed; independent directors had no further comments on the explanations by the auditors and internal audit officers.
		Internal Audit Team	Explain the Company's audit business and procedure for report submission.	
2022.11.11	Forum	CPAs	1. Explanation of the Group's investment structure, identification of member companies, and financial statement audit plans. 2. Explanation of CPA firm audit quality indicators.	After fully communicated and discussed; independent directors had no further comments on important member company identification and financial statement audit plans explained by the auditors.



Date	Communication Method	Party Communicated	Matters Communicated	Results
2022.11.11	Audit Committee Meeting	CPAs	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 resolution.
2022.12.26	Forum	Chief Internal Auditor	1. Explanation and introduced the organization and duties of audit team. 2. Explanation of internal audit procedures and summary reports. 3. Division of responsibility in the supervision and management of subsidiaries.	Thorough communication with the Chief internal auditor on risk assessment and control implementation of internal control system.
			Amendments to the Company's "Internal Control System" and "Internal Audit System".	After thorough communication and discussion, the Audit Committee approved the amendments, and submitted to the Board for resolution.
	Audit Committee Meeting	Chief Internal Auditor	The internal audit plan for 2023.	After thorough communication and discussion, the Audit Committee approved the plan, and submitted it to the Board for resolution.





(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	
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		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		No Discrepancy.
ii. Does the Company possess the list of its major shareholders as well as the beneficial owners of those shares?	V		No Discrepancy.
iii. Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		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.
ii. Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	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	
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		<p>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.</p> <p>The performance evaluation of the 24th 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 2022. The results of such evaluation were all “Excellent” and submitted to the Board of Directors’ meeting on March 16, 2023. The evaluation results will be used as a reference for the remuneration and nomination of individual directors.</p>	No Discrepancy.
iv. Does the Company regularly evaluate the independence of CPAs?	V		<p>iv. The Audit Committee annually evaluates the independence and competence of the Company’s auditors. It requires the auditors to provide the Statement of Objectivity and Audit Quality Indicators (AQIs), and implements evaluations based on the independent assessment criteria with five main dimensions and 13 AQIs.</p> <ol style="list-style-type: none"> <li>1. Has no direct or indirect major financial stake in the Corporation.</li> <li>2. No business relationship with the company or the directors and officers of the company that affects independence.</li> <li>3. Did not serve as a director of the company or any position that had a direct and significant impact on the audit work during the audit period.</li> <li>4. Does not have a direct blood relative, direct marriage or second degree of blood relative with the company’s managing director</li> <li>5. Does not accepted gifts or gifts of great value from the company, directors, officers or major shareholders</li> </ol>	No Discrepancy.



Evaluation Item	Operational status		Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	
			It is confirmed that the auditors have no other financial interests or business relationship with the Company apart from the audit fees and tax case handling fees, nor do the auditors violate the independence principle. With reference to the AQIs, it is confirmed that the auditors and their firms are above the industry-wide average in terms of audit experience and training hours. In addition, digital audit tools will be continually introduced in the next three years to improve audit quality. The evaluation results last year was approved by the Audit Committee on March 16, 2023, and the evaluation of the auditors' independence and competence was reported to and passed by the Board of Directors on the same date.
IV. Does the Company appoint a suitable number of designated personnel and supervisor to be in charge of corporate governance related affairs (including but not limited to furnishing information required for business execution by directors, assisting directors and 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)?	V		No Discrepancy.  The Boards appoints accounting officer as a corporate governance officer on April 30, 2019 and appoints full-time corporate governance officer on August 12, 2022. The newly appointed officer is qualified of been the corporate governance officer, who has many years of experience in financial accounting, stock affairs and auxiliary corporate governance. The Corporate Governance Officer attended 18 hours of corporate governance courses for the year, the details of the course please refer to page 53.  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.
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and properly	V		No Discrepancy.  The Company has set up a stakeholder section and publicly disclosed the contact email address (ir@pouchen.com) on the Company's website. There will be specified personnel responsible for responding to stakeholders' concerns, and further transferring to competent



Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TW/SE/TPEX Listed Companies" and the reasons
	Yes	No	Summaries	
respond to stakeholders' concerns on corporate social responsibilities?			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 2022. 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 and quarterly financial report has been disclosed and filed within the prescribed time limit following board and committee 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 as of 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>Yes, 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, The Company cares about the employees' health; doctors are hired to provide proper medical care to the company's employees.</p> <p>iii. Investor relations: The Company has set up the position of spokesperson and contact person for investor relations 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. Continuing education, training for Directors and officers:</p>		



Evaluation Item		Operational status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons	
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	2022.04.26	2022.04.26	Corporate Operating and Sustainable Development Association	Regulations of the Shareholders’ Meeting and Analysis of Practical Disputes	3
		2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	3
Director	Tsai, Pei-Chun	2022.04.22	2022.04.22	Center for Corporate Sustainability	Taishin Bank at 30 Sustainable Net Zero Summit - Commitment to Net Zero in Pursuit of Sustainability 2030	3
		2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	3
Representative of juristic-person director	Tsai, Min-Chieh	2022.04.22	2022.04.22	Center for Corporate Sustainability	Taishin Bank at 30 Sustainable Net Zero Summit - Commitment to Net Zero in Pursuit of Sustainability 2030	3
		2022.10.12	2022.10.12	Securities & Futures Institute	2022 Insider Equity Transaction Legal Compliance Publicity Briefing	3
Representative of juristic-person director (President)	Lu, Chin-Chu	2022.06.22	2022.06.22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainable Operation Workshop	3
		2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	3





Evaluation Item	Operational status		Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons	
Title	Name	Date of training		Duration
		From	To	
Representative of juristic-person director	Wu, Pan-Tsu	2022.04.22	2022.04.22	3
		2022.05.06	2022.05.06	3
		2022.08.12	2022.08.12	3
		2022.09.22	2022.09.22	1
		2022.09.29	2022.09.29	1.5
		2022.11.10	2022.11.10	1
		2022.12.06	2022.12.06	1.5
		2022.05.12	2022.05.12	3
		2022.05.17	2022.05.17	3
		2022.06.24	2022.06.24	1.5
Representative of juristic-person director (Vice President)	Ho, Yue-Ming	2022.04.22	2022.04.22	3
		2022.05.06	2022.05.06	3
		2022.08.12	2022.08.12	3
		2022.09.22	2022.09.22	1
		2022.09.29	2022.09.29	1.5
		2022.11.10	2022.11.10	1
		2022.12.06	2022.12.06	1.5
		2022.05.12	2022.05.12	3
		2022.05.17	2022.05.17	3
		2022.06.24	2022.06.24	1.5



Evaluation Item	Operational status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons			
	Title	Name	Date of training		Host by	Name of the course	Duration
From			To				
Representative of juristic-person director (Vice President)		Ho, Yue-Ming	2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	3
			2022.09.22	2022.09.22	Taiwan Corporate Governance Association	Ethical Contract Signing in Fair Customer Treatment - Insurance Industry Case Study	1
			2022.09.29	2022.09.29	Taiwan Corporate Governance Association	The latest related issues for IFRS7 17(1)	1.5
			2022.11.10	2022.11.10	Taiwan Insurance Institute	Anti-money laundering and countering terrorism financing of the securities and futures sector workshop	1
			2022.12.06	2022.12.06	Taiwan Corporate Governance Association	The latest related issues for IFRS7 17(2)	1.5
Independent Director		Chen, Huan-Chung	2022.04.22	2022.04.22	Center for Corporate Sustainability	Taishin Bank at 30 Sustainable Net Zero Summit - Commitment to Net Zero in Pursuit of Sustainability 2030	3
Independent Director		Hsu, Chu-Sheng	2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	3
			2022.06.22	2022.06.22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainable Operation Workshop	3
Independent Director		Chang, Shih-Chieh	2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	3
			2022.04.08	2022.04.08	Securities & Futures Institute	The Net Zero Trend: On the Practice of the Board’s ESG Decisioning	2
			2022.04.08	2022.04.08	Securities & Futures Institute	Global Technological Risks and Information Security Governance Strategies	2
			2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	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
Independent Director	Chang, Shih-Chieh	2022.09.12	2022.09.12	Taiwan Academy of Banking and Finance	Information Security Governance Lectures - Key Information Security Regulations & Standards and Their Compliance in the Financial Industry	3
		2022.11.07	2022.11.07	Taiwan Corporate Governance Association	Challenges and Impact on the Insurance Industry under IFRS 17	3
		2022.10.17	2022.10.18	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12
Deputy Accounting Officer	Wu, Hui-Chi	2022.08.18	2022.08.19	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12
Corporate governance officer	Huang, Chao-Fen	2022.08.12	2022.08.12	Taiwan Corporate Governance Association	Experience Sharing of Anti-corruption and Bribing Risk Management	3
		2022.09.16	2022.09.16	Corporate Operating and Sustainable Development Association	Regulations of the Shareholders' Meeting and Analysis of Practical	3
		2022.09.30	2022.09.30	Corporate Operating and Sustainable Development Association	Independent Director and the Committee	3
		2022.10.05	2022.10.05	Corporate Operating and Sustainable Development Association	Digital Transformation into an Innovative Future of Risk Management	3
		2022.10.12	2022.10.12	Securities & Futures Institute	2022 Insider Equity Transaction Legal Compliance Publicity Briefing	3
		2022.11.24	2022.11.24	Corporate Operating and Sustainable Development Association	Disclosure of material information and director liability cases of the Company	3



Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
<p>vii. Implementation of risk management policies and risk assessment standards: The company has always adopted a global diversified layout and is an important partner of dozens of international brands. In view of the constant competition and challenges in the business environment, 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. 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 2022, the status of risk management operations for the year was reported to the Board of Directors in December.</p> <p>viii. 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.</p> <p>ix. Liability insurance provided for directors: The Company has purchased liability insurance for all directors.</p> <p>x. 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 refusal 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 independent directors to effectively protect the interest of the Company. The Company has established the Guidelines to the Management of Related Party Transactions to ensure that related parties of the Company can avoid conflicts of interest.</p>		
<p>IX. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed:</p> <p>According to the result of the 9th Corporate Governance Evaluation announced by Taiwan Stock Exchange at the end of April 2023, the Company was ranked within 6% to 20% of the listed companies.</p> <p>The Company implemented the strengthening plan according to the result of the Corporate Governance Evaluation in 2021:</p> <ol style="list-style-type: none"> <li>1. Appointed full-time corporate governance officer in 2022.</li> <li>2. Added regulations that insiders are not allowed to trade the company's stocks during the closed period of 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report</li> <li>3. The quarterly financial reports have been reviewed by audit committee and discussed by the board of Directors started from 2022.</li> </ol>		



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

##### A. Information of the members of the Remuneration Committee

Title	Requirements Name	Professional Qualification and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Note
Independent Director Convener	Hsu, Chu-Sheng	1. Adjunct professor of Leadership Program at National Taiwan University and Institute of Technology Management at National Tsing Hua University. 2. Independent Director of inergy Technology Inc., Alexander Marine Co., Ltd. and Fubon Bank (China). 3. Mr. Hsu was General Manager of General Electric International Inc., Taiwan Branch (USA) and President of IBM Taiwan Corporation. He has about 30 years experience of management, leadership of multinational corporation and organization change.	During the two years prior to their appointment and their service terms, the members of the Company's Remuneration Committee were not involved in any violations of the independence principle as required in Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange, nor were they involved in any of the circumstances specified in Article 30 of the Company Act.	2	
Independent Director Member	Chen, Huan-Chung	1. Mr. Chen owned a CPA and Securities Analyst License. 2. Independent Non-executive Director of Pou Sheng International (Holdings) Limited. 3. Mr. Chen was Vice President of E.Sun Bills Finance Corporation. He is Partner of Wang Tong & Co., CPAs, who has about 30 years experience of accounting, auditing, management of investment and financial analysis.		0	
Independent Director Member	Chang, Shih-Chieh	1. Professor of Department of Risk Management and Insurance, National Chengchi University. 2. Independent Director of China Development Financial Holding Co., Ltd. and Chairman of Risk Management Society of Taiwan. 3. Mr. Chang was Independent Director of CTBC Financial Holding Co., Ltd., Member of Financial Supervisory Commission, Chairman of Insurance Anti-Fraud Institute and Member, Labor Funds Supervisory Committee, Ministry of Labor. He has about 20 years experience of management of risk, financial services industry and insurance.		1	



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 5th Remuneration Committee after elected 24th Board of Directors on June 15, 2022. The term of the Committee is from June 15, 2022 to June 14, 2025. Four meetings of the Remuneration Committee were held in 2022. The attendance status is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Convener	Hsu, Chu-Sheng	2	0	100.00	Newly appointed on 2022.06.15. Shall attend the meetings two times.
Member	Chen, Huan-Chung	2	0	100.00	Newly appointed on 2022.06.15. Shall attend the meetings two times.
Member	Chang, Shih-Chieh	2	0	100.00	Newly appointed on 2022.06.15. Shall attend the meetings two times.
Convener	Chen, Bor-Liang	2	0	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend the meetings two times.
Member	Chiu, Tien-I	2	0	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend the meetings two times.
Member	Shen, Wan-Fa	2	0	100.00	Term expired. Tenure expired on 2022.06.15. Shall attend the meetings two times.

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 2022, the Company's Remuneration Committee conducted such performance evaluation on August 12.

2. Discussion and resolutions adopted by the Remuneration Committee in 2022:

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
2022.03.16	11th meeting of the 4th Remuneration Committee	1. Reviewed the amount of the Company's 2021 distribution for directors' remuneration and employees' compensation. 2. Reviewed the 2021 annual bonus for the officers of the Company.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.05.13	12th meeting of the 4th Remuneration Committee	1. Reviewed the remuneration for the Company's new officers. 2. Reviewed the retirement pension for the Company's officer.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.08.12	1st meeting of the 5th Remuneration Committee	1. Discussed the Company's regulations governing remunerations of directors and officers. 2. Discussed the remuneration for Independent Directors. 3. Discussed the transportation allowances for Directors. 4. Discussed matters pertaining to the amount of the Company's 2021 distribution for directors' remuneration. 5. Discussed matters pertaining to rewards for officers of the Company 6. Discussed the 2021 Employees' Compensation for the Company's officers. 7. Discussed the remuneration for the Company's new officers.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.11.11	2nd meeting of the 5th Remuneration Committee	1. Reviewed the 2022 adjustments to remunerations for the Company's officers.	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



# POU CHEN CORPORATION

## (5) Composition, duties and operational status of the Nomination Committee

A. Clarify the qualification and duties of the Nomination Committee: The Nomination Committee been appointed three directors (including independent directors) by the Boards on August 12, 2022. The term of the Committee is from August 12, 2022 to June 14, 2025. The convener, Chairman Chan, Lu-Min possesses an expertise in financial accounting, business management, and corporate governance. Committee members, Chen, Huan-Chung and Hsu, Chu-Sheng (both independent directors) also have an expertise in "accounting, auditing, management of investment and financial analysis" and "management, leadership of multinational corporation and organization change." All members have years of experience serving as a director of a listed/registered company, and all of them satisfied the professional requirement of the Committee. The Committee operates in accordance with the "Nominating Committee Charter". The duties of the Committee are to faithfully perform the following duties and responsibilities, and to submit its recommendations to the Board of Directors for discussion.

- (1) To lay down the criteria required for the members of the Board, and to identify, evaluate and nominate candidates for directors accordingly.
- (2) To establish and develop the organizational structure of the Board and each committee, and to conduct performance evaluation, and assess the independence of independent directors.

(3) To establish and periodically review the director development plan and director succession plan.

B. Two meetings of the Nomination Committee were held in 2022. The professional qualification and attendance status is as follows:

Title	Requirements Name	Professional Qualification and Experience	Times to Attended	Attendance in person	Attendance Rate (%)	Note
Convener	Chan, Lu-Min	1. Mr. Chan has about 40 years of finance and accounting management experience. 2. Chairman of the Board of Directors, President of the Administration Management Department of the Company and Executive Director of Yue Yuen Industrial (Holdings) Limited. 3. Mr. Chan was Director of Nan Shan Life Insurance Co., Limited.	2	2	100.00	Re-elected. Shall attend (Nomination Committee) two times
Member	Chen, Huan-Chung	1. Mr. Chen owned a CPA and Securities Analyst License. 2. Independent Non-executive Director of Pou Sheng International (Holdings) Limited. 3. Mr. Chen was Vice President of E.Sun Bills Finance Corporation. He is Partner of Wang Tong & Co., CPAs, who has about 30 years experience of accounting, auditing, management of investment and financial analysis.	2	2	100.00	Re-elected. Shall attend (Nomination Committee) two times
Member	Hsu, Chu-Sheng	1. Adjunct professor of Leadership Program at National Taiwan University and Institute of Technology Management at National Tsing Hua University. 2. Independent Director of inergy Technology Inc., Alexander Marine Co., Ltd. and Fubon Bank (China). 3. Mr. Hsu was General Manager of General Electric International Inc., Taiwan Branch (USA) and President of IBM Taiwan Corporation. He has about 30 years experience of management, leadership of multinational corporation and organization change.	-	-	-	Newly elected on August 12, 2022
Member	Chen, Bor-Liang	1. Mr. Chen was Professor of Business Administration Department, National Taichung University of Science and Technology about 8 years, Professor of Applied Mathematics Department, Tunghai University about 5 years and Independent Director of Global Brands Manufacture Limited.	2	2	100.00	Tenure expired on 2022.06.15. Shall attend (Nomination Committee) two times





C. Discussion and resolutions adopted by the Nomination Committee in 2022:

Meeting Dates	Sessions	Contents of resolutions	Resolutions adopted by the Nomination Committee	Actions taken by the Company in response to the opinion of the Nomination Committee
2022.03.16	3rd meeting of the 1st Nomination Committee	1. Discussed the amendments to the Company's "Director succession plan". 2. Discussed the election of all Directors, including three independent Directors, of the Company. 3. Advised the list of director's candidates.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
2022.04.28	4th meeting of the 1st Nomination Committee	Changes to the nomination of independent director candidate.	Approved as proposed.	None. Submitted to the Board of Directors for approval.
<p>I. If the Board of Directors rejects or amends the suggestions submitted by the Nomination 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 Nomination Committee's opinions (if the Board of Directors approved a remuneration plan better than that suggested by the Nomination Committee, the reasons and the difference shall be elaborated): N/A.</p> <p>II. If any member has expressed opposition or reservation with respect to the resolution of the Nomination 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 Nomination Committee and actions taken in response to the member's opinions: N/A</p>				

(6) Performance of Sustainable Development, discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons.

Evaluation Item	Operational status		Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		No Discrepancy.  I. The Company has established a Sustainable Development Department responsible for managing employee relations and compliance, environmental sustainability, and occupational safety and health. The Department is tasked with setting the Company's sustainability-related policies and management regulations to ensure compliance, as well as planning and promoting various sustainable actions. In addition, the Department is responsible for providing assistance to the Company in improving sustainable development management through training, counseling, auditing, and other means.  The Sustainable Development Department reports to executive management on the planning, progress, and effectiveness of sustainable development every six months. Additionally, the Department reports issues related to climate change and greenhouse gas management to the board of directors on a quarterly basis. Moreover, the Department submits implementation results of sustainable development initiatives and future work plans to the board of directors at least once a year.  The board of directors reviews the current year's progress in implementation, the consistency of future plans with the management policy and strategic direction, as well as the rationality of target value setting. When necessary, the board of directors proposes a review and urges the management team to make timely adjustments as needed.
II. Does the Company conduct risk assessment of environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle, and establish applicable risk management policy or strategy?	V		No Discrepancy.  II. The Company's disclosed information covers sustainability performance from January to December 2022. The risk assessment boundary is based on the Company, identifying potential risks from daily operations that could affect the sustainability of the Company. Through communications with internal and external stakeholders, we assess key risks in economic, environmental, and social issues, including ethical conduct and anti-corruption, climate change, health and safety, human resources, product quality and safety management. The Company has formulated risk management strategies and responses in order to minimize the potential risks of business interruption.





Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
			Summaries  The relevant risk identification and control measures for 2022 are publicly disclosed in the sustainability report and on the Company's website. Our risk management is divided into three levels (mechanisms). The “first mechanism” is responsible for identifying, assessing, and reporting the initial operational risks, usually handled by the organizer or the contractor unit. The “second mechanism” is led by the president and department heads, who are responsible for comprehensively assessing various risks and making corresponding management decisions. The “third mechanism” involves objective confirmation and recommendations from the audit unit to ensure that all relevant issues related to achieving goals are met. The Board of Directors and audit committee are responsible for ensuring the effectiveness of the risk management mechanisms and ultimately accountable.
III. Environmental Issues i. Does the Company establish a proper environmental management system based on the characteristics of its operations?	V		No Discrepancy.  i. The Company has established relevant environmental management guidelines based on ISO 14001 environmental management system and internal management standards for all factories to follow, and encourages factories to follow third-party assessments and verifications of ISO 14001:2015, Higg FEM, etc. to achieve the goal of environmental protection.
ii. Does the Company endeavor to utilize energy more efficiently and use renewable materials which have low impact on the environment?	V		No Discrepancy.  ii. 1. Given the increasing impact of global climate change on business operations and in response to the international trend of net-zero emissions that affects corporate energy transformation, the Company is actively promoting various measures to reduce energy consumption and improve energy efficiency, with specific actions as follows: (1)Expand the use of green energy: rooftop solar power generation, green power procurement, Renewable Energy Certificate (REC), and use of renewable energy. (2)Improve energy efficiency: procurement of energy-saving equipment at source, earlier replacement of low-efficiency equipment, energy online monitoring system, and the



Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
			<p>(3) Promote the largest public system, air compressor efficiency routine measurement, and establish a replacement system for energy-consuming air compressor equipment.</p> <p>(4) Build an energy-saving intelligent KM platform, share energy conservation and carbon reduction technologies, and build an energy efficient organizational culture.</p> <p>2. When using raw materials, the Company always strictly complies with international product regulations and brand customers' materials specifications, Manufacturing Restricted Substance List, MRSL), and “Zero Discharge of Hazardous Chemicals, ZDHC”. In addition, we also use materials that fulfill our brand customers' requirements for environmental sustainability. The Company mitigates its environmental impact through using environmentally friendly footwear materials, optimizing production process, reducing waste, and recycling and reusing waste.</p>
iii. Does the Company assess the current and future potential risks and opportunities that climate change poses to the Company and take measures to address climate-related issues?	V		No Discrepancy
iv. Does the Company calculate the greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and establish energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management policies?	V		No Discrepancy.



Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons															
	Yes	No																
	Summaries																	
		<p>(2) Greenhouse Gas Emissions in the past two years(The Regional Basis):</p> <p>Unit: 10,000 tons of CO<sub>2</sub><sup>e</sup></p> <table><thead><tr><th>Year</th><th>Category 1 (Scope 1)</th><th>Category 2 (Scope 2)</th><th>Total</th><th>Carbon Emission per Unit of Product kgCO<sub>2</sub><sup>e</sup>/pair</th></tr></thead><tbody><tr><td>2022</td><td>4.89</td><td>67.16</td><td>72.05</td><td>2.58~3.54</td></tr><tr><td>2021</td><td>1.36</td><td>42.94</td><td>44.30</td><td>0.91~2.98</td></tr></tbody></table> <p>Note1: Category 1 and Category 2 GHG emissions are included in the calculation of carbon emissions per unit product, while other indirect GHG emissions are excluded.</p> <p>Note2: In year 2022, the ISO14064-1:2018 standard was introduced for inventory, and a national emission factor was updated, resulting in a significant increase in emissions.</p> <p>GHG Category 1: direct GHG emissions (Scope 1) and Category 2: indirect GHG emissions from imported energy (Scope 2) for 2022 were 720,500 tCO<sub>2</sub><sup>e</sup> in total.</p> <p>Category 1 emissions amounted to 48,900 tCO<sub>2</sub><sup>e</sup> (6.78%), and Category 2 emissions amounted to 671,600 tCO<sub>2</sub><sup>e</sup> (93.22%). More than 80% of GHG emissions generated by footwear manufacturing come from electricity consumption, so our carbon reduction efforts focus on reducing GHG emissions from electricity by expanding green energy and improving energy efficiency, thereby reducing GHG emissions.</p> <p>(3) In response to the international carbon reduction trend, the Company set the 5-year target of zero growth of carbon emissions by 2025 in 2020. In 2021, furthermore, we adopted the 1.5°C scenario under the methodology of Science-Based Target initiate (SBTi) and are committed to reducing absolute GHG emissions by 46.2% in terms of Scope 1 and Scope 2 emissions of footwear business by 2030, with 2019 as the baseline year.</p> <p>(4) In terms of expanding green energy usage, the Rooftop Solar System (RTS) has been installed at 3 factories in 2022, with a total annual solar energy consumption of</p>	Year	Category 1 (Scope 1)	Category 2 (Scope 2)	Total	Carbon Emission per Unit of Product kgCO <sub>2</sub> <sup>e</sup> /pair	2022	4.89	67.16	72.05	2.58~3.54	2021	1.36	42.94	44.30	0.91~2.98	
Year	Category 1 (Scope 1)	Category 2 (Scope 2)	Total	Carbon Emission per Unit of Product kgCO <sub>2</sub> <sup>e</sup> /pair														
2022	4.89	67.16	72.05	2.58~3.54														
2021	1.36	42.94	44.30	0.91~2.98														



Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons												
	Yes	No													
			<p>2,440.96 MWh, an equivalent to reducing GHG emissions by 1,814.02 tCO<sub>2</sub><sup>e</sup>. In the meantime, we purchased green power certificates in the amount of 110,075 MWh, offsetting 84,328.62 tCO<sub>2</sub><sup>e</sup> of GHG emissions.</p> <p>(5) The Company implements energy management mainly through source equipment procurement management, air compressor system leakage management, and energy conservation projects. In 2022, we saved energy by 14,347 MWh in total, an equivalent to reducing GHG emissions by 10,849 tCO<sub>2</sub><sup>e</sup>.</p> <p>(6) Greenhouse Gas Emissions in the past two years(The Market Basic): Unit: 10,000 tons of CO<sub>2</sub><sup>e</sup></p> <table><tr><th>Year</th><th>Category 1 (Scope 1)</th><th>Category 2 (Scope 2)</th><th>Total</th></tr><tr><td>2022</td><td>4.89</td><td>58.73</td><td>63.62</td></tr><tr><td>2021</td><td>1.36</td><td>41.09</td><td>42.45</td></tr></table> <p>Note: market baseline carbon emissions=carbon emissions from electricity consumption-carbon emissions with REC</p> <p>2. Water consumption:</p> <p>The source of water supply for the Company's footwear production bases is mainly from local municipal water supply, with a small amount from river and lake water. The factories will install clean water treatment facilities and reverse osmosis systems as needed.</p> <p>The total water consumption of footwear production sites was measured to be approximately 14,434.5 million liters in 2022 and 14,216.8 million liters in 2021. Both the source and consumption of water were within the range approved by the local government and had no significant impact on local water sources.</p> <p>The Company complies with local laws and regulations and actively seeks ways to</p>	Year	Category 1 (Scope 1)	Category 2 (Scope 2)	Total	2022	4.89	58.73	63.62	2021	1.36	41.09	42.45
Year	Category 1 (Scope 1)	Category 2 (Scope 2)	Total												
2022	4.89	58.73	63.62												
2021	1.36	41.09	42.45												



Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
			<p>recycle and reuse treated water. By checking pipes for leakages and promoting water-saving measures, the Company has effectively increased the amount of waste water recycled, with a 35% recovery rate of our effluent discharge on average in 2022.</p> <p>3. Waste management:</p> <p>The Company's footwear production sites disposed approximately 79,381.0 metric tons of waste in 2022 and 64,437.3 metric tons in 2021. The Company's waste removal and disposal comply with relevant local government laws and regulations.</p> <p>For waste management, the primary focuses in on legal removal and treatment to reduce any negative impact on the environment. For industrial wastes, we have set a target of zero burial and reduced incineration, with the launch of relevant action plans. The long-term objective of our waste management practice is to reuse and recycle manufacturing wastes, thereby achieving a circular economy to strive for a waste-free environmental sustainability vision.</p>
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.
			<p>i. In accordance with the ILO Declaration of Fundamental Principles and Rights at work, FLA Workplace Code of Conduct, and local labor laws and regulations, the Company has established the Group's code of conduct, including compliance with local regulations on wages and working hours. The Company does not by any mean employ a labor that is forced, imprisoned, or bound by illegal contracts, and forbids any discriminatory measures as well as conducts in relation to the acceptance of bribes from intermediaries. The Company also respects the employees' freedom of association and right to collective bargaining, and recognizes legal union organizations initiated by employees. In the meantime, in line with the spirit of human rights advocated by international organizations, and in order to effectively ending forced labor, we signed the Commitment to Responsible Recruitment jointly established by the Fair Labor Association and the American Apparel and Footwear</p>

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Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
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 their compensation?	V		No Discrepancy.
iii. Does the Company provide a healthy and safe working environment and conduct periodic training on health and safety for its employees?	V		No Discrepancy.
iv. Does the Company provide its employees with career development and training sessions?	V		No Discrepancy.





Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
		<p>Summaries</p> <p>strategy and core values. The Company constantly provides training programs for employees, from their employment to their expected retirement, to help them acquire the skills they need for work and strengthening their capabilities for continued employment. By arranging training courses for employees, the Company expects to reach an internal consensus among employees so that they can recognize the organization value and furthermore contribute to achieve the best business performance for the Company.</p> <p>1. Course for New Employees: The Company provides training courses for new employees, and arranges orientation forums for new employees who have employed one month, to enhance their recognition to the company.</p> <p>2. Core Competency Course: A series training courses focusing on the Company's core functions to establish a common language within the company.</p> <p>3. Management Course: Management courses for various management levels are planned according to management functions and competencies.</p> <p>4. Professional Course: Professional training courses for various functional attributes based on work contents and requirements for professional development.</p> <p>5. Self-Development Course: A range of soft power courses such as language training courses, internal trainer training is provided to encourage a diversified development of employees.</p>	
v. Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?	V		<p>v. The Company strictly complies with local government laws, customer demands, and company regulations. We practice supplier management by</p> <p>1. Partnering suppliers are required to comply with the standards adopted by the customers (e.g., Restricted Substances List, RSL)</p> <p>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.</p> <p>Several of the Company's suppliers have passed various management system</p>





Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	
			Summaries  certifications, including Bluesign, Higg, ISO 14001, ISO 14064, ISO 45001, ISO 50001, ISO 9001, LWG, Oeko-Tex, PAS 2050, SA 8000 and ZDHC. Effective communication with stakeholders is maintained through the Stakeholder section and mailbox for suppliers, which are provided on the Company's website.
vi. Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	V		vi. The Company regards integrity and compliance as the cornerstone of cooperation between the Company and suppliers. 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.
V. Does the Company adopt widely accepted internationally standards or guidelines when producing sustainability reports to disclose non-financial information of the Company? Does the Company obtain third-party assurance or verification for such report?	V		V. The Company publishes the "Sustainability Report" every year. The "2022 Sustainability Report" follows GRI Universal Standards 2021 issued by the Global Reporting Initiative as the primary comprehensive disclosure framework, which also refers to Task Force on Climate-Related Financial Disclosures (TCFD) and the industry guidelines of the Sustainability Accounting Standards Board (SASB). The report is provided by the third-party verification unit of SGS Taiwan Ltd. at AA 1000AS v3 type II high assurance level, and will be uploaded on the Market Observation Post System (MOPS) website and the Company's website.
VI. If the Company has enacted its sustainable development best practice principles according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the operational status and discrepancy: The Company has enacted the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, implemented such rules accordingly, no discrepancy so far.			No Discrepancy.



Evaluation Item	Operational status		Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	
Summaries			

VII. Other important information to facilitate better understanding of the Company’s implementation of Sustainable Development:

The Company has enacted the “Sustainable Development Best Practice Principles” and prepared the “Sustainability Report” to set forth the operational status of Sustainable Development, and has disclosed such regulations and reports on the MOPS website and the Company’s website.



## (7) Climate-related information by TWSE/TPEx Listed Companies

## I. Implementation of Climate-related information

Item	Implementation
<p>1. Describe the Board of Directors and management's oversight and governance of climate risks and opportunities.</p>	<p><b>Governance structure:</b></p> <ul style="list-style-type: none"> <li>• The Board of Directors and Audit Committee are the highest decision-making units of the Company's risk management. The Company has a Sustainable Development Department, which compiles information on climate change issues, and the head of the Department reports directly to the Board of Directors regarding climate change and GHG issues on a quarterly basis.</li> <li>• For climate change issues, there is a Risk Management Team, under the coordination of Sustainable Development Department and composed of heads of various departments and units, which is responsible for assessing and analyzing climate-related risks and opportunities, and implementing climate-related strategies and actions.</li> <li>• In 2021, the Board of Directors approved the Group's "Adaptation Strategy to Climate Change" on management of energy-related strategies arising from climate change and enhancing the response to climate change.</li> </ul> <p><b>Management mechanism:</b></p> <ul style="list-style-type: none"> <li>• Employee performance indicators include climate-related works, such as energy conservation and carbon reduction, ventilation and cooling improvements, and disaster prevention measures. The implementation results will be linked to performance assessment, and progresses and improvement measures will be regularly followed up and reviewed, which will serve as a reference for bonus evaluation and job promotion.</li> </ul>
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the Company (short, medium, and long terms).</p>	<p><b>Climate risks and opportunities:</b></p> <ul style="list-style-type: none"> <li>• We identify climate-related risks and opportunities through cross-departmental discussions with reference to the Science Based Targets (SBT) of 1.5°C scenario and RCP8.5 scenario. According to the professional experience of each unit, we assess the time interval, occurrence probability and impact level of climate risks/opportunities, carry out risk identification and classification ranking, and assess the potential operational and financial impact on the Company.</li> </ul> <p>Within 3 years is internally defined as "short-term", 3-5 years as "medium-term", and above 5 years as "long-term". Follow TCFD guidelines, 8 climate risks and 8 derivative opportunities are identified.</p>



Climate Risks/Opportunities and Responses							
Types	Climate Risk	Duration of Impact	Potential Financial Impact	Climate Opportunity	Duration of Impact	Potential Financial Impact	Response strategies
Transition risks	Enhanced disclosure requirements of carbon emissions (R1)	Short-term	<ul style="list-style-type: none"><li>Increase in inventory capability building and third-party verification costs</li></ul>	<ul style="list-style-type: none"><li>Participation in the carbon trading markets (O1)</li></ul>	Long-term	<ul style="list-style-type: none"><li>Improved regulatory adaptability that helps maintain smooth operations</li></ul>	<ul style="list-style-type: none"><li>Establish an inventory team with its inventory capability trained</li><li>Establish a systematic data collection system</li><li>Expand the third-party verifications coverage year by year</li></ul>
	Carbon pricing mechanism (R2)	Medium-term	<ul style="list-style-type: none"><li>Impact on operating revenue due to international carbon tariffs/fees mechanism, limiting capacity allocation</li></ul>		Long-term	<ul style="list-style-type: none"><li>Obtainment of carbon rights from emission reductions to create benefits</li></ul>	<ul style="list-style-type: none"><li>Make an implementation plan for carbon footprint inventory</li><li>Plan an internal carbon pricing mechanism</li></ul>
	Compulsory requirements on the use of renewable resources (R3)	Short-term	<ul style="list-style-type: none"><li>Increase in capital expenditure due to renewable energy installation, purchase green electricity (PPA) and renewable energy certificate (RECs)</li></ul>	<ul style="list-style-type: none"><li>Participation in the renewable energy market (O4)</li></ul>	Short-term	<ul style="list-style-type: none"><li>Preemptive purchase of renewable energy for stable and smooth operations</li></ul>	<ul style="list-style-type: none"><li>Construct rooftop solar systems adapted to factory site</li><li>Participate in local green electricity trading markets where we operate</li><li>Purchase renewable energy certificates with nationally/internationally authentication</li></ul>
	Low carbon production (R4)	Short-term	<ul style="list-style-type: none"><li>Increase in capital expenditure</li><li>Process and equipment upgrade</li><li>Investment in low carbon energy</li><li>Carbon reduction for wastes</li></ul>	<ul style="list-style-type: none"><li>Energy efficiency improvement (O7)</li></ul>	Short-term	<ul style="list-style-type: none"><li>Reduction of energy costs</li></ul>	<ul style="list-style-type: none"><li>Increase the use of renewable energy</li><li>Use low-carbon and high-efficiency energy</li><li>Improve energy efficiency of equipment</li><li>Promote energy monitoring and management system</li><li>Effective use of resources and enhanced reuse of waste</li></ul>
				<ul style="list-style-type: none"><li>Participation in the renewable energy market (O4)</li></ul>	Short-term	<ul style="list-style-type: none"><li>Stable energy supply</li></ul>	
	Impact on production (R5)	Short-term	<ul style="list-style-type: none"><li>Power restriction policies</li><li>Carbon emissions cap policies</li><li>Order placement affected by customers' evaluations</li></ul>	<ul style="list-style-type: none"><li>Automated process development (O2)</li></ul>	Medium-term	<ul style="list-style-type: none"><li>Successful construction of automated production lines to raise competitiveness</li></ul>	<ul style="list-style-type: none"><li>Establish a dedicated ESG unit</li><li>Improve transparency of ESG information through external questionnaires, sustainability reports, and other platforms</li></ul>
				<ul style="list-style-type: none"><li>Establishment of a footwear circular economy model (O5)</li></ul>	Long-term	<ul style="list-style-type: none"><li>Improvement of resources applications</li></ul>	
	Impact on corporate image (R6)	Short-term	<ul style="list-style-type: none"><li>ESG assessments</li><li>Investors' willingness of investment</li><li>Impact on funding sources and revenue</li></ul>	<ul style="list-style-type: none"><li>Energy efficiency improvement (O7)</li></ul>	Short-term	<ul style="list-style-type: none"><li>Reduction of operating costs</li></ul>	<ul style="list-style-type: none"><li>Enhance response measures to extreme weather at production bases</li><li>Install emergency power supply set</li><li>Pay attention to climate risk alerts so as to respond ahead of time</li><li>Enhance water treatment and water recycling measures</li></ul>
Physical risks	Extreme climate events (R7)	Short-term	<ul style="list-style-type: none"><li>Production base operational interruption</li><li>Transportation disruption</li><li>Water shortage due to drought</li><li>Increase in capital expenditure and decrease in operating revenue</li></ul>	<ul style="list-style-type: none"><li>Adopting more efficient transportation methods (O6)</li></ul>	Long-term	<ul style="list-style-type: none"><li>Enhancing climate resilience to help reduce probability of business interruptions and losses</li></ul>	<ul style="list-style-type: none"><li>Optimize ventilation designs for factory</li><li>Design of new factory based on climate-related information</li></ul>
	Rising average temperature (R8)	Short-term	<ul style="list-style-type: none"><li>Increase in capital expenditure due to improved working environment</li><li>Increase in power costs and carbon emissions</li></ul>	<ul style="list-style-type: none"><li>Improvement of water use efficiency (O3)</li></ul>	Medium-term	<ul style="list-style-type: none"><li>Reduction of energy costs</li></ul>	



<p>3. Describe the financial impact of extreme weather events and transformative actions.</p>	<p>The impact of extreme weather events and transitional actions on finance:</p> <ul style="list-style-type: none"> <li>• The physical risks identified by the Company are primarily extreme weather events and the rise in average temperature, which will cause impacts including business interruption, transportation disruption, water shortage, and increased temperature in the operating environment. Financial impacts include impact on revenue and increase in capital expenditure due to disaster prevention and improvement of operating environment.</li> <li>• The transition risks identified by the Company are primarily requirement for enhanced carbon emissions disclosure, carbon pricing mechanism, compulsory use of renewable energy, low carbon production, impact on production, and impact on the Company's image. Financial impacts include revenue impacts, increased operating costs, and increased in capital expenditure due to transition.</li> </ul>
<p>4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.</p>	<p><b>Climate risks assessment and management process:</b></p> <p>The Company invited related units to review the impact of various climate risks and opportunities under the SBT 1.5°C scenario and RCP8.5 (4°C) scenario of the TCFD framework. Participants include staff from risk management units, the Spokesperson's Office (unified external communication channel), local administration centers (government communication channel), representatives of the Business Units (customer communication channel), Global Supply Chain Management, and the Sustainable Development Department. The identification process and results are as follows:</p> <ul style="list-style-type: none"> <li>• <b>Identification of climate risks and opportunities:</b> we collect background information on climate risk issues, consider transition risks (including policy/legal, market, technology, and reputation) and physical risks (including immediate and long-term risks), and then identify corresponding climate opportunities.</li> <li>• <b>Evaluation process:</b> representatives of various departments and external experts implemented a training session of "Climate-related Financial Disclosure", which discussed the initially identified climate risk and opportunity factors. In addition, questionnaires and internal meetings were conducted to assess the potential duration of impact, occurrence probability, potential financial impact, impact level, and other aspects of risk/opportunity factors.</li> <li>• <b>Materiality analysis of risks and opportunities:</b> the Climate Risk Management Team discussed potential risks and opportunities, which were rated and sorted according to their probabilities and severities of impact. In 2022, we compiled a total of six transition risks, two physical risks, and eight opportunities.</li> <li>• <b>Formulation of response strategies and management goals:</b> we conducted qualitative assessments of risk hedging costs for identified major climate risks and formulate adequate response strategies. Our approach to strategies focuses on improving emergency response capabilities, optimizing management systems, and enhancing physical equipment.</li> </ul> <p><b>Integration into the overall risk management system:</b></p> <ul style="list-style-type: none"> <li>• We implement risk factor identifications once in three years, where impact on operations and probabilities of risks will be assessed to identify material risks and opportunities and accordingly adjust response strategies.</li> <li>• Climate risk issues have been incorporated into the Company's overall risk management process, which is implemented in accordance with the Regulations Governing Risk Management. The Risk Management Team, led by the Sustainable Development Department and composed of related department heads is in charge of assessing and analyzing climate-related risks and opportunities and implementing climate-related strategies and</li> </ul>



	action plans.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors, and major financial impacts used should be described.	<ul style="list-style-type: none"> <li>Impact assessments should take into consideration factors in different regions and different climate scenarios, and climate risk assessment tools may be utilized.</li> <li>In 2022, we implemented risk assessments on our main production bases in Taiwan, Mainland China, Indonesia, and Vietnam under the SBT 1.5°C scenario and the RCP8.5 (4°C) scenario. The results show that under the SBT 1.5°C scenario, some factories in Mainland China and Vietnam may be affected by sea level rise, while under the RCP8.5 (4°C) scenario, our office in Changhua, Taiwan and some factories in Indonesia may also be affected. These results will be taken into consideration in future business operations.</li> </ul>
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	In response to the transition risk strategy, the Company has set the corresponding direction. The implementation of the transformation plan will be initiated once the specific details have been clearly defined.
7. If internal carbon pricing is used as a planning tool, the bases for setting the price should be stated.	The Company has yet to adopt an internal carbon pricing mechanism.
8. If climate-related targets have been set, the activities covered, the scopes of GHG emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits of RECs to be offset should be specified.	<p><b>Phased Missions and Targets of GHG and Energy Management:</b></p> <ul style="list-style-type: none"> <li>Phase 1 (2016-2020): reduce average energy consumption per footwear product by 8% in 2020, with 2016 as the baseline year.</li> <li>Phase 2 (2021-2025): zero growth of carbon emissions in Scope 1 and Scope 2 emissions of footwear business by 2025, with 2019 as the baseline year.</li> <li>Phase 3 (2026-2030): reduce absolute GHG emissions by 46.2% in Scope 1 and Scope 2 emissions of footwear business by 2030, with 2019 as the baseline year.</li> </ul> <p><b>Quantity of Renewable Energy Certificates (REC):</b> In 2022, total RECs purchased reached 110,075 MWh, offsetting 84,328.62 tCO<sub>2</sub>e of GHG emissions.</p>



### 9. Greenhouse Gas Inventory and Assurance Situation

Basic Information of the Company		Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies.		
<input checked="" type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry <input type="checkbox"/> Capital of NT\$ 5 billion or more but less than NT\$10 billion. <input type="checkbox"/> Capital of less than NT\$5 billion.		<input checked="" type="checkbox"/> Inventory for Parent Company only <input type="checkbox"/> Assurance for Parent Company only <input type="checkbox"/> Inventory for all consolidated entities <input type="checkbox"/> Assurance for all consolidated entities		
Scope 1 Direct Greenhouse Gas Emissions	Total Emissions(tCO <sub>2</sub> °)	Intensity (tCO <sub>2</sub> °/NT\$ 1 million)	Assurance Body	Description of assurance status
Parent Company	718.54	0.077	SGS	ISO 14064-1:2018 issued by International Organization for Standardization, ISO
Note: Operating revenue of Parent Company was NT\$ 9,349 million in 2022.				
Scope 2 Indirect Greenhouse Gas Emissions from imported energy	Total Emissions(tCO <sub>2</sub> °)	Intensity (tCO <sub>2</sub> °/NT\$ 1 million)	Assurance Body	Description of assurance status
Parent Company	8,651.19	0.925	SGS	ISO 14064-1:2018 issued by International Organization for Standardization, ISO
Note: Operating revenue of Parent Company was NT\$ 9,349 million in 2022.				





(8) 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		No Discrepancy.
<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		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 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		No Discrepancy.  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. 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".
III. Implementing ethical corporate management i. Does the company evaluate business partners' ethical records and include ethics related clauses in business contracts?	V		No Discrepancy.  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.
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		No Discrepancy.  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 2022 are as follows: 1. The Company developed audiovisual materials for English courses on ethical corporate management and confidentiality. 2. Continued to organize ethical corporate management awareness workshops. 2. The Company organized ethical corporate management awareness workshops and training programs in 2022; approximately 5,860 attendees, total of 2000 hours.



Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons
	Yes	No	Summaries	
iii. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		iii. The Company's "Procedures for Ethical Corporate Management and Conduct Guidelines" and "Ethical Conduct Standards" have expressly provided the policies to prevent conflict of interests. In addition to proactive investigation, the Company also established complaint channel ( <a href="mailto:HQ@pouchen.com">HQ@pouchen.com</a> ) on the internal and external websites to deal with possible violation of laws or moral standards, and the disciplinary action will be made according to the severity and specifics of the incident.	No Discrepancy.
iv. Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Does the internal audit unit establish applicable audit plans based on the results of unethical conduct risk assessment, and use the plans to audit unethical conduct prevention solutions or engage a CPA to carry out the audit?	V		iv. For realizing ethical corporate management, the company has established effective accounting system and internal control system. The internal auditor shall examine the implementation status regularly and prepare the audit report to submit to the Board of Directors.	No Discrepancy.
v. Does the company regularly hold internal and external educational trainings on operational integrity?	V		v. For realizing the ethical corporate management policies, the Company's Legal Department holds integrity education and training, and through new employee training and recurrent training to promote the philosophy and standards on operational integrity.	No Discrepancy.
III. Operational status of the Company's complaint mechanism i. Does the company establish specific complaint and reward procedures, set up conveniently	V		i. The Company's "Procedures for Ethical Corporate Management and Conduct Guidelines" has expressly provided the report and incentive system, and provided complaint channel and contact email address ( <a href="mailto:HQ@pouchen.com">HQ@pouchen.com</a> ) on the Company's internal and external	No Discrepancy.



Evaluation Item	Operational status		Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	
accessible complaint channels, and designate responsible personnel to handle the complaint received?		websites, which serve as the complaint and reporting channel for internal and external personnel of the Company, and such complaint and reporting will be handled by specified personnel.	
ii. Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V	ii. The Company has enacted standard operating procedures for investigating the complaints received and relevant confidentiality mechanism. The receipt, investigation process and investigation results of the reported case will be recorded and preserved. Where a violation stands, the specified personnel will immediately, report to the management and make disciplinary decisions according to the situations.	No Discrepancy.
iii. Does the company provide proper whistleblower protection?	V	iii. The Company will keep the complainant's identity confidential, and take appropriate measures to protect the complainant from improper treatment for his/her complaint.	No Discrepancy.
IV. Enhancing information disclosure 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	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> ).	No Discrepancy.
<p>V. If the Company has enacted its ethical corporate management best practice principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe the operational status and discrepancy:</p> <p>The Company has enacted and implemented the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Corporate Management and Conduct Guidelines", implemented such rules accordingly, and found no discrepancy so far.</p> <p>VI. Other important information to facilitate the understanding of the Company's implementation of ethical corporate management:</p> <p>1. As a preliminary condition to perform the ethical corporate management, the Company complies with the "Company Act", the "Securities and Exchange Act", the "Business Entity Accounting Act", the "Political Donations Act", the "Anti-Corruption Act", the "Government Procurement Act", the "Act on Recusal of Public Servants Due to Conflict of Interest", relevant regulations governing TWSE listed companies or other related laws governing business acts.</p> <p>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</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	
<p>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.</p> <p>3. The Company’s “Management Procedures for the Prevention of Insider Trading” and “Procedures for Handling Material Inside Information” 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.</p> <p>4. 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 trading.</p> <p>5. In order to implement the company’s corporate governance unit’s awareness and compliance with the prohibition of insider trading, the company conducted insider trading prevention publicity for all directors and other insiders in January, April, July and October in each quarter of 2022. In addition, Article 10 of the "Corporate Governance Code of Practice" has been added and implemented since 2022: the stock trading control measures of the company’s insiders from the day they learn about the company’s financial report or related performance, including (but not limited to) internal No one shall trade the company’s stocks during the closed period of 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report.</p> <p>6.The Company expanded awareness and online training on ethical management in 2022, the results are as follows:</p>			
Item	Type of training	Content	Attendance
Governance training	Online and physical training	Experience Sharing of Anti-corruption and Bribing Risk Management	Total of 29 attendees
Group personnel training	Online training	Awareness on ethical management, code of ethical conduct, honest trading, protection of group interest, and prohibition of insider trading	Total of 3,236 attendees
Group personnel training	Online training	Awareness on the group code of conduct and core values	Total of 2,295 attendees



- (9) 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.

- (10) 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” and “Procedures for Handling Material inside Information” 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.



## (11) Internal control system implementation status

### POU CHEN CORPORATION Statement of Internal Control System

Date: March 16, 2023

Based on the findings of its self-assessment, the Company states the following with regard to its internal control system during the year 2022:

- 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, 2022, 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 2022 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 16, 2023, 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





- (12) 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.
- (13) 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.
- (14) 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 2022 annual general shareholders' meeting and the implementation status thereof :

Date	The type of meeting	Material resolutions	Implementation status
2022.06.15	Annual general shareholders' meeting	Ratification: i. Ratification of the 2021 Business Report, Financial Statements and profit distribution plan.	Distribute cash dividends at NT\$1.5 per share. The ex-dividend record date was July 17, 2022, and the cash dividends had been distributed on August 9, 2022.
		Discussion i. Discussion on the amendments to the Company's "Procedures for Acquisition and Disposal of Assets".	i. It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Procedures for Acquisition and Disposal of Assets".

B. Material Resolutions during the Board of Directors' Meetings in 2022 and up to the Publication date of this Annual Report:

Date	Term	Material resolutions
2022.03.16	18th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the amount of the Company's 2021 distribution for directors' remuneration and employees' compensation.</li> <li>2. Approved the 2021 annual bonus for the officers of the Company.</li> <li>3. Approved the Company's 2021 Business and Financial Reports.</li> <li>4. Approved the Company's 2021 "Effectiveness Assessment of Internal Control System" and "Statement of Internal Control System".</li> <li>5. Approved the amendments to the Company's "Procedures for Acquisition and Disposal of Assets"</li> <li>6. Approved the application for increasing and renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>7. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>8. Approved the Company's "Director succession plan".</li> <li>9. Approved the election of all Directors, including three independent Directors, of the Company.</li> <li>10. Approved and verified the list of director's candidates.</li> <li>11. Relevant matters regarding convening the Company's 2022 annual general shareholders' meeting.</li> </ol>
2022.04.28	19th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the proposal to appoint new officers.</li> <li>2. Approved changes to the nomination of independent director candidate and verified the list of director's candidates.</li> <li>3. Approved the Company's 2021 profit distribution plan.</li> <li>4. Approved the 2021 profit distribution of cash dividends.</li> <li>5. Release the newly appointed Directors of the Company from non-competition restrictions.</li> <li>6. Approved the application for increasing and renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>7. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>





Date	Term	Material resolutions
2022.05.13	20th meeting of the 23rd Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the remuneration for the Company's new officers.</li> <li>2. Approved the retirement pension for the Company's officer.</li> <li>3. Approved the Company's Financial Reports for the first quarter of 2022.</li> <li>4. Approved the application for increasing 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>
2022.06.15	1st meeting of the 24th Board of Directors	<ol style="list-style-type: none"> <li>1. Completed the Chairman election of the 24th Board of Directors.</li> <li>2. Approved the appointment of the 5th Remuneration Committee members.</li> </ol>
2022.08.12	2nd meeting of the 24th Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the contract with National Chengchi University about cooperation project and academic feedback mechanism.</li> <li>2. Approved the appointment of the 2nd Nomination Committee members</li> <li>3. Approved the Company's regulations governing remunerations of directors and officers.</li> <li>4. Approved the remuneration for Independent Directors.</li> <li>5. Approved the transportation allowances for Directors.</li> <li>6. Approved matters pertaining to the amount of the Company's 2021 distribution for directors' remuneration.</li> <li>7. Approved matters pertaining to rewards for officers of the Company.</li> <li>8. Approved the 2021 Employees' Compensation for the Company's officers.</li> <li>9. Approved the proposal to appoint new officers.</li> <li>10. Approved the change of the Company's corporate governance officer.</li> <li>11. Approved the remuneration for the Company's new officers.</li> <li>12. Approved the Company's Financial Reports for the second quarter of 2022.</li> <li>13. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>14. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>
2022.11.11	3rd meeting of the 24th Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the 2022 adjustments to remunerations for the Company's officers.</li> <li>2. Approved independence assessment and appointment of the Company's CPA and approved the CPA's remuneration.</li> <li>3. Approved the Company's Financial Reports for the third quarter of 2022.</li> <li>4. Approved to acquire the right-of-use assets of real estate from the Company's related party.</li> <li>5. Approved the appointment of director as consultant.</li> <li>6. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>7. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> </ol>





Date	Term	Material resolutions
2022.12.26	4th meeting of the 24th Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the Company's 2023 Business Plan.</li> <li>2. Approved the amendments to the Company's "Internal Control System" and "Internal Audit Systems."</li> <li>3. Approved the Company's Internal Audit Plan for 2023.</li> <li>4. Approved the amendments to the Company's "Sustainable Development Code of Practice".</li> <li>5. Approved the amendments to the Company's "Corporate Governance Best Practice Principles".</li> <li>6. Approved the amendments to the Company's "Management Procedures for the Prevention of Insider Trading".</li> <li>7. Approved the application for renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>8. Approved the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.</li> </ol>
2023.03.16	5th meeting of the 24th Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the amount of the Company's 2022 distribution for directors' remuneration and employees' compensation.</li> <li>2. Approved the 2022 annual bonus for the officers of the Company.</li> <li>3. Approved the Company's 2022 Business and Financial Reports.</li> <li>4. Approved the Company's 2022 "Effectiveness Assessment of Internal Control System" and "Statement of Internal Control System".</li> <li>5. Approved independence assessment and competency of the Company's CPA.</li> <li>6. Approved to appoint accounting officer and deputy accounting officer.</li> <li>7. Approved the retirement pension for the Company's officer.</li> <li>8. Approved the amendments to the Company's "Articles of Incorporation".</li> <li>9. Approved the amendments to the Company's "Rules and Procedures of Shareholders' Meetings".</li> <li>10. Release the officer of the Company from non-competition restrictions.</li> <li>11. Approved the application for increasing and renewing the line of credit for the Company to borrow funds from financial institutions.</li> <li>12. Approved the line of credit for the Company to make endorsement or guarantee for its subsidiaries.</li> <li>13. Relevant matters regarding convening the Company's 2023 annual general shareholders' meeting.</li> </ol>
2023.04.28	6th meeting of the 24th Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the Company's "Director development plan".</li> <li>2. Approved the Company's 2022 profit distribution plan.</li> <li>3. Approved the 2022 profit distribution of cash dividends.</li> <li>4. Approved the amendments to the Company's "Rules and Procedures of Shareholders' Meetings".</li> <li>5. Approved the application for increasing and 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>



# POU CHEN CORPORATION

Date	Term	Material resolutions
2023.05.15	7th meeting of the 24th Board of Directors	<ol style="list-style-type: none"> <li>1. Approved the Company's Financial Reports for the first quarter of 2023.</li> <li>2. Approved the amendments to the Company's "Non-assurance services pre-approval and concurrence policy provide by auditor's firm".</li> <li>3. Release the officer of the Company from non-competition restrictions.</li> <li>4. Approved the application for increasing and 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>

(15) 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.

(16) 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:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President of Retail Department	Wu, Pan-Tsu	2020.08.14	2022.06.30	Retirement
Corporate governance officer	Ho, Ming-Kun	2019.04.30	2022.08.12	Position adjustment
Accounting officer	Ho, Ming-Kun	2006.03.03	2023.03.31	Retirement

### 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	CPA's audit period	Audit fees	Non-Audit Fees	Sum	Note
Deloitte & Touche	Hong, Kuo-Tyan	2022/1/1~2022/12/31	10,740	2,621	13,361	None
	Shyu, Wen-Yea					

B. Please verify the contents of non-audit fees: Transfer Pricing and Master File fee, the audit fee of direct deduction method-value added business tax and Consulting Fee.

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:** N/A (as of the date of this Annual Report).

**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 2022		Until April 17 of the year 2023	
		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	Chuan Mou Investments Co., Limited (Note 1)	0	0	0	0
	PC Brothers Corporation (Note 2) 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 Representative: Tsai, Min-Chieh	0	0	0	0
Director	Ever Green Investments Corporation Representative: Lu, Chin-Chu (President)	0	0	0	0
Director	Sheachang Enterprise Corporation Representative: Wu, Pan-Tsu	0	0	0	0
Director	Shun Tai Investments Co., Limited (Note 1)	0	0	0	0
	Lai Chia Investments Co., Limited (Note 2) Representative: Ho, Yue-Ming (Vice President)	0	0	0	0
Independent Director	Chen, Huan-Chung	0	0	0	0
Independent Director	Hsu, Chu-Sheng (Note 1)	0	0	0	0
Independent Director	Chang, Shih-Chieh (Note 1)	0	0	0	0
Independent Director	Chen, Bor-Liang (Note 2)	0	0	0	0
Independent Director	Chiu, Tien-I (Note 2)	0	0	0	0



# POU CHEN CORPORATION

Title	Name	Year 2022		Until April 17 of the year 2023	
		Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge	Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge
Vice President	Liu, Hong-Chih	0	0	0	0
Vice President	Tsai, Nai-Yung	0	0	0	0
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	0	0	0	0
Vice President	Shih, Chih-Hung	0	0	0	0
Vice President	Yang, Hsiao-Tung (Note 3)	0	0	0	0
Executive Senior Manager	Liao, Yung-Whang (Note 3)	0	0	0	0
Executive Senior Manager	Yu, Huan-Chang (Note 4)	0	0	0	0
Accounting officer	Ho, Ming-Kun (Note 5)	0	0	0	0
Financial officer	Chang, Yea-Fen	0	0	0	0
Accounting officer	Wu, Hui-Chi (Note 6)	0	0	0	0
Corporate governance officer	Huang, Chao-Fen (Note 3)	0	0	0	0

Note 1: Elected as director on June 15, 2022.

Note 2: Retired as a director on June 15, 2022.

Note 3: Appointed as officer in the Board of Directors' meeting on August 12, 2022.

Note 4: Appointed as officer in the Board of Directors' meeting on April 28, 2022 and retired as officer on September 6, 2022.

Note 5: Retired as officer on March 31, 2023.

Note 6: Appointed as Accounting Officer on March 31, 2023.

## 3.9 Relationship among the Top Ten Shareholders

April 17, 2023 (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 Holdings Limited	213,270,710	7.24	0	-	0	-	N/A	-	-
Representative: Tsai, Min-Chieh	3,471,485	0.12	0	-	0	-	Huang, Shu-Man	Mother and daughter	-
Chuan Mou Investments Co., Limited	163,425,022	5.55	0	-	0	-	N/A.	-	-
Chairman: Lee, A-Chuan	165,000	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 by Huang, Shu-Man	101,951,385	3.46	0	-	0	-	N/A	-	-
Fubon Life Insurance Co., Limited	73,000,000	2.48	0	-	0	-	N/A	-	-
Representative: Tsai, Richard M.	0	0.00	0	-	0	-	N/A	-	-
Capital Securities Corporation in custody for Unicorn Securities Company Limited	54,826,516	1.86	0	-	0	-	N/A	-	-
Sales department of Standard Chartered Bank (Taiwan) Limited in custody for Furstentum Liechtenstein bank	50,302,174	1.71	0	-	0	-	N/A	-	-
Kai Tai Investments Co., Limited	44,940,000	1.53	0	-	0	-	N/A	-	-
Chairman: Huang, Zhi Tai	0	0.00	0	-	0	-	N/A	-	-
Huang, Shu-Man	42,827,420	1.45	0	-	0	-	Tsai, Min-Chieh	Mother and daughter	-
Citibank (Taiwan) in custody for Norges Bank	41,260,616	1.40	0	-	0	-	N/A	-	-



# POU CHEN CORPORATION

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

March 31, 2023 (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	7,100,000	100.00	0	-	7,100,000	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	294,451,784	99.49	378,342	0.13	294,830,126	99.62
Pou Yuen Technology Co., Limited	30,456,252	97.82	619,220	1.99	31,075,472	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	367,305	7.82	4,218,250	89.75	4,585,555	97.57
Elitegroup Computer Systems Co., Limited	68,884,949	12.36	12,130,987	2.17	81,015,936	14.53
Ruen Chen Investment Holding Co., Limited	5,327,000,000	20.00	0	-	5,327,000,000	20.00
Nan Shan Life Insurance Co., Ltd.	10,000	-	25,632,416	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 corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT\$2 billion)	856,421,995	8,564,219,950	Note 10	—	—
2000.05.12	conversion price 67.05	1,133,500,000 (including	11,335,000,000 (including	875,762,784	8,757,627,840	Note 11	—	—



# 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
		convertible corporate bonds of 200 million shares)	convertible corporate bonds of NT\$2 billion)					
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 with options available for subscription in the amount of 250 million shares)	30,280,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	1,884,799,453	18,847,994,530	Note 15	—	—
2004.07.22	10	3,475,000,000 (including employee share options, preferred share options or	34,750,000,000 (including employee share options, preferred share option or	2,089,733,386	20,897,333,860	Note 16	—	—





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 250 million shares)	corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)					
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 share options or corporate bonds with options available for subscription in the amount of 250 million shares)	34,750,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,094,816,386	20,948,163,860	Note 19	—	—
2005.07.21	10	3,475,000,000 (including employee share options, preferred share options or corporate bonds with options available for	34,750,000,000 (including employee share options, preferred share options or corporate bonds with options available for	2,095,583,386	20,955,833,860	Note 20	—	—



# 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
		subscription in the amount of 250 million shares)	subscription in the amount of NT\$ 2.5 billion)					
2005.07.22	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,304,788,816	23,047,888,160	Note 21	—	—
2005.10.28	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,305,430,816	23,054,308,160	Note 22	—	—
2006.02.08	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options 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)	2,305,792,816	23,057,928,160	Note 23	—	—
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	—	—



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
2006.07.24	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,307,985,816	23,079,858,160	Note 25	—	—
2006.09.21	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,435,012,336	24,350,123,360	Note 26	—	—
2006.10.20	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,438,056,336	24,380,563,360	Note 27	—	—
2007.01.23	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,442,685,746	24,426,857,460	Note 28	—	—
2007.05.10	10	3,800,000,000 (including employee share	38,000,000,000 (including employee share	2,445,245,915	24,452,459,150	Note 29	—	—



# 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
		options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)					
2007.07.25	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,447,329,695	24,473,296,950	Note 30	—	—
2007.08.06	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,511,101,130	25,111,011,300	Note 31	—	—
2007.10.19	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 2.5 billion)	2,511,559,987	25,115,599,870	Note 32	—	—
2008.01.17	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds	38,000,000,000 (including employee share options, preferred share options or corporate bonds	2,511,853,987	25,118,539,870	Note 33	—	—



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)					
2008.04.17	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)	2,513,606,987	25,136,069,870	Note 34	—	—
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	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the	2,789,925,495	27,899,254,950	Note 37	—	—



# 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 300 million shares)	amount of NT\$ 3 billion)					
2009.01.16	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,740,005,495	27,400,054,950	Note 38	—	—
2009.04.14	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for 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	45,000,000,000	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
		(including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	(including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)					
2010.04.20	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,843,109,728	28,431,097,280	Note 43	—	—
2010.08.11	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,899,105,922	28,991,059,220	Note 44	—	—
2010.10.21	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,899,755,922	28,997,559,220	Note 45	—	—
2011.04.18	10	4,500,000,000 (including employee share	45,000,000,000 (including employee share	2,900,061,922	29,000,619,220	Note 46	—	—



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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)					
2011.07.15	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,900,435,922	29,004,359,220	Note 47	—	—
2011.10.26	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,908,638,922	29,086,389,220	Note 48	—	—
2012.01.18	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT\$ 3 billion)	2,924,146,922	29,241,469,220	Note 49	—	—
2012.05.01	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds	45,000,000,000 (including employee share options, preferred share options or corporate bonds	2,940,283,922	29,402,839,220	Note 50	—	—





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



# 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 300 million shares)	amount of NT\$ 3 billion)					
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 2005 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 2005 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) new 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 2006 Economic-Authorized-Business Letter, No. 09501237370.
- Note 28: Approval for issuance of 2,441,000 (NT\$ 24,410,000) new shares based on employee share options and issuance of 2,188,410 (NT\$ 21,884,100) new shares based on convertible corporate bonds: The 23 January 2007 Economic-Authorized-Business Letter, No. 09601017360.
- Note 29: Approval for issuance of 2,087,000 (NT\$ 20,870,000) new shares based on employee share options and issuance of 473,169 (NT\$ 4,731,690) new shares based on convertible corporate bonds: The 10 May 2007 Economic-Authorized-Business Letter, No. 09601101980.
- Note 30: Approval for issuance of 1,930,000 (NT\$ 19,300,000) new shares based on employee share options and issuance of 153,780 (NT\$ 1,537,800) new shares based on convertible corporate bonds: The 25 July 2007 Economic-Authorized-Business Letter, No. 09601173570.
- Note 31: Approval for capital increase in the amount of NT\$ 637,714,350 (including employee bonus NT\$151,505,170) based on earnings: The 06 August 2007 Economic-Authorized-Business Letter, No. 09601187590.
- Note 32: Approval for issuance of 273,000 (NT\$ 2,730,000) new shares based on employee share options and issuance of 185,857 (NT\$ 1,858,570) new shares based on convertible corporate bonds: The 19 October 2007 Economic-Authorized-Business Letter, No. 09601257130.
- Note 33: Approval for issuance of 294,000 (NT\$ 2,940,000) new shares based on employee share options: The 17 January 2008 Economic-Authorized-Business Letter, No. 09701012630.
- Note 34: Approval for issuance of 1,753,000 (NT\$ 17,530,000) new shares based on employee share options: The 17 April 2008 Economic-Authorized-Business Letter, No. 09701092370.
- Note 35: Approval for issuance of 922,000 (NT\$ 9,220,000) new shares based on employee share options: The 31 July 2008



Economic-Authorized-Business Letter, No. 09701187370.

- Note 36: Approval for capital increase in the amount of NT\$2,744,315,080 (including employee bonus NT\$273,216,100) based on earnings: The 21 August 2008 Economic-Authorized-Business Letter, No. 09701210880.
- Note 37: Approval for issuance of 965,000 (NT\$ 9,650,000) new shares based on employee share options: The 23 October 2008 Economic-Authorized-Business Letter, No. 09701265620.
- Note 38: Approval for issuance of 80,000 (NT\$ 800,000) new shares based on employee share options and cancellation of 50,000,000 (NT\$ 500,000,000) treasury shares: The 16 January 2009 Economic-Authorized-Business Letter, No. 09801011170.
- Note 39: Approval for issuance of 62,000 (NT\$ 620,000) new shares based on employee share options and cancellation of 27,500,000 (NT\$ 275,000,000) treasury shares: The 14 April 2009 Economic-Authorized-Business Letter, No. 09801074100.
- Note 40: Approval for cancellation of 7,000,000 (NT\$ 70,000,000) treasury shares: The 19 May 2009 Economic-Authorized-Business Letter, No. 0981098500.
- Note 41: Approval for capital increase by the issuance of 137,218,233 (NT\$ 1,372,182,330) new shares based on undistributed earnings and employee bonus: The 19 August 2009 Economic-Authorized-Business Letter, No. 09801187410.
- Note 42: Approval for capital increase by the issuance of 299,000 (NT\$ 2,990,000) new shares based on employee bonus: The 22 January 2010 Economic-Authorized-Business Letter, No. 09901012630.
- Note 43: Approval for issuance of 25,000 (NT\$ 250,000) new shares based on employee share options: The 20 April 2010 Economic-Authorized-Business Letter, No. 09901078520.
- Note 44: Approval for capital increase by the issuance of 55,996,194 (NT\$ 559,961,940) new shares based on undistributed earnings: The 11 August 2010 Economic-Authorized-Business Letter, No. 09901177910.
- Note 45: Approval for issuance of 650,000 (NT\$ 6,500,000) new shares based on employee share options: The 21 October 2010 Economic-Authorized-Business Letter, No. 09901237790.
- Note 46: Approval for issuance of 306,000 (NT\$ 3,060,000) new shares based on employee share options: The 18 April 2011 Economic-Authorized-Business Letter, No. 10001075180.
- Note 47: Approval for issuance of 374,000 (NT\$ 3,740,000) new shares based on employee share options: The 15 July 2011 Economic-Authorized-Business Letter, No. 1000116580.
- Note 48: Approval for issuance of 8,203,000 (NT\$82,030,000) new shares based on employee share options: The 26 October 2011 Economic-Authorized-Business Letter, No. 10001246280.
- Note 49: Approval for issuance of 15,508,000 (NT\$ 155,080,000) new shares based on employee share options: The 18 January 2012 Economic-Authorized-Business Letter, No. 10101011620.
- Note 50: Approval for issuance of 16,137,000 (NT\$ 161,370,000) new shares based on employee share options: The 01 May 2012 Economic-Authorized-Business Letter, No. 10101077780.
- Note 51: Approval for issuance of 1,382,000 (NT\$ 13,820,000) new shares based on employee share options: The 17 July 2012 Economic-Authorized-Business Letter, No. 10101145420.
- Note 52: Approval for issuance of 1,519,000 (NT\$ 15,190,000) new shares based on employee share options: The 26 October 2012 Economic-Authorized-Business Letter, No. 10101214180.
- Note 53: Approval for issuance of 595,182 (NT\$5,951,820) new shares based on employee share options: The 22 April 2013 Economic-Authorized-Business Letter, No. 10201074260.
- Note 54: Approval for issuance of 357,109 (NT\$3,571,090) new shares based on employee share options: The 29 July 2013 Economic-Authorized-Business Letter, No. 10201144050.
- Note 55: Approval for issuance of 2,650,000 (NT\$26,500,000) new shares based on employee share options: The 21 October 2015 Economic-Authorized-Business Letter, No. 10401221220.

## B. Type of Shares:

April 17, 2023; 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 17, 2023; Unit: persons; shares

Shareholder's structure Number	Governmental Agencies	Financial Institutions	Other Institutions	Foreign Institutions and Foreigners	Individuals	Total
Number of shareholders	9	40	234	841	88,156	89,280
Number of shares held	50,576,274	322,748,178	552,955,181	1,420,760,735	599,746,845	2,946,787,213
Ratio (%)	1.72%	10.95%	18.77%	48.21%	20.35%	100.00%

## (3) Distribution profile of shareholding

April 17, 2023

Interval of number of shares (shares)	Number of Shareholders (persons)	Number of shares held (shares)	Ratio (%)
1 to 999	26,126	5,946,479	0.20%
1,000 to 5,000	43,602	96,469,345	3.27%
5,001 to 10,000	9,283	72,173,954	2.45%
10,001 to 15,000	3,100	39,245,180	1.33%
15,001 to 20,000	2,001	36,380,300	1.24%
20,001 to 30,000	1,714	43,220,510	1.47%
30,001 to 40,000	805	28,480,924	0.97%
40,001 to 50,000	530	24,559,016	0.83%
50,001 to 100,000	954	68,322,271	2.32%
100,001 to 200,000	474	67,100,984	2.28%
200,001 to 400,000	252	71,163,514	2.42%
400,001 to 600,000	100	48,353,375	1.64%
600,001 to 800,000	52	36,498,864	1.24%
800,001 to 1,000,000	30	26,672,257	0.90%
More than 1,000,001	257	2,282,200,240	77.44%
Total	89,280	2,946,787,213	100.00%



# POU CHEN CORPORATION

## (4) List of major shareholders

April 17, 2023

Shares	Number of shares held (shares)	Ratio (%)
Name of major shareholders		
PC Holdings Limited	213,270,710	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 by Huang, Shu-Man	101,951,385	3.46
Fubon Life Insurance Co., Limited	73,000,000	2.48
Capital Securities Corporation in custody for Unicorn Securities Company Limited	54,826,516	1.86
Sales department of Standard Chartered Bank (Taiwan) Limited in custody for Furstentum Liechtenstein bank	50,302,174	1.71
Kai Tai Investments Co., Limited	44,940,000	1.53
Huang, Shu-Man	42,827,420	1.45
Citibank (Taiwan) in custody for Norges Bank	41,260,616	1.40



(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>			2021	2022	2023 (as of March 31)
Market price per share (dollars) (Note 1)	Highest price		40.50	33.50	34.95
	Lowest price		27.85	25.40	30.55
	Average price		34.05	30.51	33.16
Net value per share(dollars)	Before distribution		47.32	36.31	38.57 (Note 5)
	After distribution		45.82	35.01	37.27 (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)		4.90	4.29	0.34 (Note 5)
Dividends per share (dollars)	Cash dividends		1.50	1.30	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)		6.95	7.11	N/A
	Price-dividend ratio (Note 3)		22.70	23.47	N/A
	Cash dividend yield (Note 4)		4.41%	4.26%	N/A

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

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

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

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

Note 5: The financial statements for the first quarter of 2023 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 2022 earnings in cash dividends of NT\$1.3 per share on April 26, 2023.

(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 16, 2023 to distribute the profit in 2022 (the profit refers to the amount of pre-tax profit before distribution of Employees' compensation, and Directors' remuneration) as employees' compensation and directors' remuneration; the addressing of the discrepancy between the resolved amount and the estimated amount recognized as expenses 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)	221,811	110,906	No discrepancy
Amount resolved at the Board of Directors' Meeting (B)	221,811	110,906	
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 profit in 2021 (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 actually distributed amount and the estimated amount recognized as expenses 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)	229,168	114,584	No discrepancy
Amount actually distributed (B)	229,168	114,584	
Discrepancy (B)-(A)	0	0	

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

**4.2 Issuance of Corporate Bonds:** N/A.

**4.3 Issuance of Preferred Shares:** N/A.

**4.4 Issuance of Overseas Depository Receipts:** N/A.

**4.5 Issuance of Employee Share Options:** N/A.

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

**4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions:** N/A.

**4.8 Implementation of Capital Utilization Plan:** 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 an original equipment manufacturer (OEM) and original design manufacturer (ODM) of footwear products for international brands such as Nike, adidas, Asics, New Balance, Timberland and Salomon. The Company is primarily focused on athletic shoes and also engaged in manufacturing of footwear components.

###### (B) Retail of Sporting Goods and Brand Licensing:

The Company has an extensive sales network across the Greater China region for its retail and brand licensing business. The Company has always been flexible in using different store formats and diversified channels to provide consumers with sports and lifestyle branded footwear, apparel, and accessories, as well as sports-related services.

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

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

##### B. Revenue by Business

(In NT\$ thousands)

Year	2022		2021	
	Revenue	Ratio	Revenue	Ratio
Primary business				
Manufacturing of shoes	184,653,213	69%	137,659,922	58%
Retail of sporting goods and brand licensing business	81,992,394	31%	101,485,349	42%
Others	851,193	-	739,138	-
Total	267,496,800	100%	239,884,409	100%

##### C. Current Products and Services

The Company's current products include athletic shoes, casual shoes, outdoor shoes, sports sandals, and footwear components. The Company is also involved in retail of sporting goods, brand licensing, sports services, real estate development, hotel operation, etc.

##### D. New Product and Service for Development

The Company will cooperate with its customers to continue developing new footwear products and keep improving the efficiency of manufacturing process. The future directions for research and development are as follows:

- (A) Refining modularized equipment and standardized interfaces for the development of automated equipment and processes enables integrated production solutions to be provided based on different requirements of brand customers.



(B) Continuing to cooperate with academia in the research and development of 3D printers to create innovative designs and introduce simulation systems for virtual analysis to more closely meet brand customers' demands for customization.

(C) Continuing to actively use the digital data collection, analysis and management of production processes to move towards the goal of smart manufacturing for Industry 4.0.

## (2) Industry Overview

### A. Current Status and Developments of the Industry:

#### (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, industrial clusters, sustainability issues, and target markets. With the changing economic environment, the global production base of footwear industry has relocated from European countries to Asian regions. According to the World Footwear 2022 Yearbook, over 22 billion pairs of footwear were produced around the world in 2021, which represents an increase of 8.6% compared to the previous year, although the COVID-19 pandemic still limited manufacturing in some regions; however, it is still below the pre-COVID-19 level. Asia accounted for 88.2% of the world's production, an increase 0.6% compared to the previous year. Mainland China continued to stand firmly as the world's largest footwear manufacturer with a 54.1% share; but its share continued to decline by more than 6 percentage points over the past decade. Along with other Asian countries including India, Vietnam, and Indonesia, Mainland China was among the world's top four footwear manufacturing countries. In terms of consumption, Asia was also the world's largest market for footwear, accounting for 56.1% of total consumption in 2021, up 0.3 percentage points from the previous year. Broken down by country, Mainland China, India and the United States are the top three countries for footwear consumption. With the advantage of demographic dividend, Mainland China and India together accounted for one-third of the worldwide consumption. Footwear consumption in the United States also saw a recovery in 2021, climbing back to 11.3% of global consumption.

#### (B) Global Athletic Footwear Market

According to Sporting Goods Intelligence, the international branded athletic footwear market has maintained steady growth for a long time. Having undergone business disruption in 2020 due to COVID-19, sales in all regions rebound significantly in 2021, with the market size reaching US\$82.5 billion. In particular, the top five athletic footwear brand companies still accounted for over 70% 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, major brands all place emphasis on strengthening their brand values and integrating market strategies, continuously investing resources to enhance consumer loyalty and identification, which in turn leads to higher purchase intentions and purchase decisions. As for manufacturing, most of the brand companies outsource their production to professional footwear manufacturers. Currently, the global athletic footwear production is mainly concentrated in Asian countries, such as Mainland China, Vietnam, and Indonesia. Taiwan had been a main production base for the footwear industry in the past, but as the industry relocated to other countries, Taiwan has become a 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) Mainland China's Sporting Goods Market

The Company's retail of sporting goods and brand licensing business operates predominantly in Mainland China. Benefiting from the growth of local per capita income, the increased health awareness, and the support of sports policies, Mainland China's added value in the sports industry has increased from 0.6% to 1.1% of GDP over the past ten years, thus becoming a key driving force for economic development. According to the statistics jointly released by the National Bureau of Statistics and the General Administration of Sport of Mainland China, the sports industry in Mainland China achieved a rapid growth in 2021, with the total scale (total output) exceeding RMB 3 trillion for the first time, reaching RMB 3.1 trillion, and the added value reaching RMB 1.2 trillion, reflecting year-on-year increase of 13.9% and 14.1%, respectively. This was mainly due to the relatively mitigated impact of COVID-19, the orderly recovery of popular regular exercise and sports activities, and the relatively low base period of 2020. In terms of industrial structure, "sports service" sector is characterized by group participation, high attention and sizable market scale as it includes sales of sporting goods, venue management, education and training, and fitness leisure activities. In 2021, this sector accounted for 70% share of the added value of the sports industry, up 1.3 percentage points from the previous year. The added value of "sporting goods and related products manufacturing" continued to drop by 1.3 percentage points to 28.0%, while that of "sports venues and facilities" slightly decreased by 0.1 percentage points to 1.9%.

## B. Relevance of upstream, midstream and downstream segments of the industry supply chain

### (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 produce various raw materials and footwear components for different shoe models and parts; midstream manufacturers are responsible for product development and production; and downstream brand companies, which commission 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.

As most of the cost of footwear production comes from raw materials, the Company has long been dedicating its efforts to vertically integration of upstream raw materials. Except for petroleum products, the Company produces almost all kinds of raw materials related to footwear manufacturing, including leather, molds, soles, adhesives, and cardboard boxes, and supplies them 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 supply, but also raises barriers for industry entry. In addition, the Company continues to improve its production skills, operating processes, and R&D capabilities. The Company has established specific development centers for its major customers. From product development to product prototyping, the Company works closely with its customers and provides integrated solutions for production, thereby turning itself into a long-term partner to numerous brands. With the two above-mentioned advantages, the Company, as a midstream professional manufacturer in the midstream, has established a relatively complete supply chain by fully and successfully integrating upstream, midstream and downstream companies and has achieved a solid leading position in the industry.



(B) Retail of sporting goods and brand licensing

Upstream: Brand Companies/Sporting Goods Manufacturers/Sporting Goods wholesalers

Midstream: Sporting Goods Retailers and Brand Licensing Agents

Downstream: Consumers

Sporting goods retailers and brand licensing agents are considered the midstream in the distribution channels, in which products are sold to consumers through distribution networks combined with suitable marketing strategies. Brand companies, sporting goods manufacturers and wholesalers, which constitute the upstream of the industry, focus on the design, development, and manufacture of sporting goods to be provided to distribution channels. Through these convenient channels, consumers in the downstream can purchase the products they need, obtain product information, and enjoy service experience. Such division of labor has effectively increased the operational efficiency of the sporting goods industry.

To meet the increasingly diverse needs of consumers, the Company works closely with upstream brand companies, leveraging our competitive strengths in retail operations and digital innovation to keep up with end-market trends and achieve precision marketing. As technology continues to advance, we innovate our business models by deeply integrating online and offline resources to interact and communicate with consumers and strive to create an omni-channel retail ecosphere. In addition, through the analysis of compiled big data, we gain further insights into consumer behavior and habits, allowing us to develop flexible procurement strategies that prioritize consumers' needs. By doing so, we aim to improve operating efficiency, optimize product portfolios and service quality, and provide consumers with a richer and unique shopping journey.

C. Product Development Trends

(A) Digital transformation toward smart manufacturing

In the past, the footwear industry was considered labor-intensive because it was difficult to standardize and automate working procedures and usually relied on manual operations.. As labor costs continue to rise, digital applications emerge and product lifecycles shorten, automation and intelligence in the footwear industry bring opportunities for improving overall business value and accelerating its digital transformation.

From customer demands in driving R&D, supply chain, and production processes, brand companies, footwear manufacturers, and footwear machine/material suppliers are all constantly exploring ways to achieve value chain transformation and breakthroughs. Through the integration of industry knowledge and key data supported by equipment and high-quality materials, artificial intelligence technologies, digital tools and dynamic interconnection system are utilized to develop agile and flexible production models.

In a globally competitive business environment, smart manufacturing brings new models and development possibilities to the footwear industry. It reconstructs the business operations, accelerates product development process, optimizes collaboration within the supply chain, and promotes technological innovation and industrial upgrading. This enables the integration of digital information from the production to retail processes to improve operational decision-making responsiveness and demonstrate business resilience and solidify competitive advantage in the new digital era.



(B) Product diversification

The main function of athletic shoes is to avoid sports injuries and improve sports performance. Incorporating advanced materials, manufacturing technology, and the latest sports technology, athletic shoes continue to innovate. In addition to diverse designs, they provide consumers a wider selection of functional features, and allow them to choose professional footwear for different sports categories to help them make breakthroughs in sports competitions.

Apart from continuing to improve the performance of footwear products, sustainability has received much attention in recent years. For example, Nike's "ISPA Mindbody" is designed based on the concept of circular design. Mindbody is constructed with interlocking components without glue, and the components are stitched together with only a single cording system, thus making it easy to disassemble and recycle the product when its life cycle is over. Meanwhile, adidas developed the lightest-ever running shoes, "UltraBOOST Light", by bringing Boost midsole technology to a new level. It is 30% lighter than earlier products, and successfully reduces the carbon footprint by 10% during its production process from material sourcing, processing, and packaging, thus putting the sustainability philosophy upheld by the company into practice.

Through the synergy of functional materials, fashion trends and cross-border cooperation, athletic shoes can present in rich and diverse styles, creating new added value. Consumer preference is ever changing. Production innovation is ultimately the core driver that will create more possibilities and opportunities for the athletic footwear market.

(C) Precision marketing that focuses on consumer demand

With the continuous segmentation of the consumer market and in response to the trend of personalized consumption, retailers are faced with increasingly diverse and complex consumer scenarios and behaviors. In order to have an accurate grasp of consumer profiles, retail technologies such as data collection, computing analysis, digital marketing, and electronic payment have become key technologies, which, when incorporated into innovative business models, can reshape the trading structure and economic value of services and products.

Technology and COVID-19 drive consumer behavior from physical channels to online at an accelerated pace. Retailers are therefore adopting a more aggressive approach to expanding digital-channels; integrating products, services, technologies, and social media; and striving to develop a cross-channel sales network, breaking through the constraints of space and time, building an virtually and physically integrated consumption models, interacting and communicating more frequently with consumers at every touch point, and providing continuous and memorable shopping experiences for consumers.

Data value, channel integration and innovative technologies continue to prompt retail industry to transform its business from a product-centric sales model to a consumer-centric service approach that improves quality, creativity, and services in terms of content, format and experience to create comprehensive and efficient shopping journeys for diverse customer segments. Unique products and services will more easily garner consumers' attention and recognition.

D. Competition

The Company is a professional manufacturer of athletic and casual/outdoor footwear for internationally renowned brand customers. To fulfill the stringent requirements of international customers regarding quality, cost, delivery, and service, the Company continues to invest in the development of key technologies and advanced manufacturing processes in an effort to provide efficient and flexible manufacturing services. With an emphasis on sustainable development, diversified customer portfolio and production base, rich managerial experiences and a relatively



complete supply chain, the Company is able to maintain its leading position in the footwear industry by virtue of its core strengths in business management and technical aspects.

Meanwhile, the Company is committed to expanding its retail of sporting goods and brand licensing business in the Greater China region. As the sporting goods market in Greater China has been booming in recent years, its growth potential has attracted numerous market participants, while changing consumer preference have made the market fiercely competitive. After years of cultivating the sporting lifestyle sector in Greater China region, the Company has established a sizable physical network and continues to strengthen its operating capabilities in digital channels, to provide enriching product portfolio and featured sports services, all of which have created competitive niche for the Company to develop its retail 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 2022 and for the three months ended March 31, 2023 were NT\$5,482,964 thousand and NT\$1,274,941 thousand respectively.

B. Technology and Product Innovation Achievements

The Company continued to refine its core footwear manufacturing equipment, modularized production line, and flexible production process to elevate production capacities of its factories. In 2022, 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 volume.
- (C) Through the digitalization of equipment and the integration of factory-side data collection and production equipment maintenance operations, actively moving 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. The future directions for research and development are as follows:

- (A) Refining modularized equipment and standardized interfaces for the development of automated equipment and processes enables integrated production solutions to be provided based on different requirements of brand customers.
- (B) Continuing to cooperate with academia in the research and development of 3D printers to create innovative designs and introduce simulation systems for virtual analysis to more closely meet brand customers' demands for customization.
- (C) Continuing to actively use the digital data collection, analysis and management of production processes to move towards 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 digital transformation and develop sustainable business models.
- (B) Improve flexible manufacturing capabilities to enable dynamic changes in production allocation.
- (C) Provide value-added services to deepen brand cooperative relationship.
- (D) Integrate supply chain resources to create maximum added value.





# POU CHEN CORPORATION

## ■ Retail of Sporting Goods and Brand Licensing

- (A) Constantly strengthen operating capability as a means of increasing sales operation efficiency.
- (B) Accelerate the development of online services to create seamless shopping experiences.

## 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.

### ■ Retail of Sporting Goods and Brand Licensing

- (A) Establish a sales-to-manufacturing chain as an end-to-end operating model.
- (B) Integrate distribution channels, membership schemes and sports services to incorporate sports into daily life.
- (C) Construct a sports 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	2022		2021	
	Amount	Ratio	Amount	Ratio
Asia	140,818,785	53%	148,515,327	62%
America	60,900,301	23%	47,376,663	20%
Europe	49,579,789	18%	33,837,673	14%
Others	16,197,925	6%	10,154,746	4%
Total	267,496,800	100%	239,884,409	100%

#### B. Market Share

The Company is a global leader in the manufacture of athletic and casual/outdoor footwear with the largest production capacity in the world. In 2022, the Company has produced and shipped a total of 272.7 million pairs of shoes. Indonesia, Vietnam and Mainland China accounted for 46%, 38% and 10% of total shoe shipments, respectively, whereas Cambodia, Bangladesh, and Myanmar accounted for 6%. The Company is also one of the leading retailers and distributors of sporting goods in the Greater China region, operating 4,093 directly-operated stores and 3,200 sub-distributors as of December 31, 2022, and continues to advance its digital channel development strategy, thereby accelerating the comprehensive linkage and integration of online and offline networks.

#### C. Market Forecast and Growth Potential

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

Footwear products are daily necessities. With the increase in population and disposable income, consumer awareness and purchasing power are also increasing, which is conducive for the continuous expansion of the footwear market. According to World Footwear, the global footwear market size in 2022 is expected to surpass that of 2019. And according to the Sporting Goods reports, co-published by the World Federation of the Sporting Goods Industry and McKinsey &





Company, the global sporting goods market saw a recovery in 2021, and the market grew by 14% over the previous year. In addition, as COVID-19 restrictions have been loosened in most regions in the world and consumer confidence has improved month-on-month, the industry's overall performance in the first half of 2022 has been generally positive. However, macroeconomic conditions changed in the second half of 2022. Geopolitical risks led to inflation and aggravated pressure on interest rate hike, thus dampened end-market demand. Operational conditions in the supply chain have improved, but have led to an increase in inventory levels. Overall, the performance of the industry decelerated in 2022 compared to the previous year, but is nonetheless estimated to have outperformed that of the pre-COVID-19 period. Although the macro-economic challenges in the short term, the global sporting goods market has a positive outlook in the medium to long term, as it benefits from increased health awareness and physical exercise. It is expected to grow 8-10% annually from 2021 to 2025, reaching 395 billion euros in 2025.

(B) Mainland China's Sporting Goods Market

According to the National Bureau of Statistics of Mainland China, the retail sales of social consumer goods measured RMB44 trillion in 2022, a slight 0.2% decrease from the previous year. Following the adjustment of Mainland China's COVID-19 control measures, it is expected to facilitate the recovery of consumer market and the upgrade of consumption structure. Sports-related consumption is also expected to benefit from the recovery. Since 2014, Mainland China has clearly stated multiple times that the total size of its sports industry aims to exceed RMB 5 trillion by 2025, and has announced a number of sports-promoting policies, including the Opinions of the State Council on Accelerating the Development of the Sports Industry and Promoting Sports Consumption in 2019, the 14th Five-Year Plan for Sports Development in 2021, the Work Plan on Sports to Stabilize the Economy and Boost Consumption in 2022, and the Outdoor Sports Industry Development Plan (2022-2025). These policies indicated the directions for the high-quality development of the sports industry, accelerate the transformation from investment-driven to consumption-led development, and provide strong support for the long-term development of Mainland China's sporting goods market. In addition, the growing proportion of the middle class, the increasing demand for female consumption, and the escalating purchasing power have contributed to the expectation of continued steady growth of Mainland China's sporting goods market.

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

(A) Competitive Advantages and Favorable Factors

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

The Company continues to make improvements in its five core competitive advantages of speed, flexibility, innovation, quality, and sustainability to provide the most valuable total solutions in the face of constantly changing external environment.

- i. Speed: Continue to introduce automated production equipment, actively promote the digital transformation of equipment, using the IoT management mechanism to keep abreast of production status and solve problems through data analysis, thus improving production efficiency, effectively shortening product delivery time, and assisting brand customers in quickly meeting market demands.



- ii. Flexibility: Continue to develop advanced technologies and modularized production lines with the goal of providing brand customers with more flexible production models to satisfy different demands.
  - iii. Innovation: Invest considerable resources into material development, process improvement and digital refinement each year. The Company also provides consumers with innovative and competitive products and services.
  - iv. Quality: Continue 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, good labor-management relations and energy saving and carbon reduction, 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 has established a leading status in the market as a professional manufacturer of athletic and casual/outdoor footwear and also operates retail of sporting goods and brand licensing business in Greater China region. In terms of manufacturing and retailing, the Company has provided irreplaceable services and unique strategic value to various partners over the years to satisfy their different demands. In the future, we will continue to utilize big data analysis at the retail end, combine it with competitive production advantages at the manufacturing end, to create comprehensive and customized solutions that can be expected to benefit from business synergies and increase the added value of products and services, creating a win-win situation with our partners.

(B) Unfavorable Factors and Countermeasures

(a) The Impact of an Accelerated Industry Change

With the digital economy generation, 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, consumer trends and personalized products are now market-driven. 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 of the linear value chain. Hence, providing customers with value-added, customized products, services, or total solutions will be the key to companies seeking breakthroughs.

Countermeasures: The Company will continue to collaborate with brand customers, 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, retailers and agents 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: The Company will take a customer-oriented approach to promote the integrated development of physical stores and digital channels, thereby creating an omni-channel retail ecosphere. In addition, it will properly analyze market information, based



on which better procurement strategies are formulated, and make good use of digitally refined management to improve the efficiency of business management.

(c) The impact of COVID-19 pandemic

Since the outbreak of COVID-19, the number of confirmed cases around the world has continued to rise. The implementation of lockdown and border closures also resulted in low consumption intention, reduced orders, tight global logistics capacity, and supply chain and production disruptions, thus reducing operational efficiency.

Countermeasures: The Company closely monitored the progress and changes relating to the pandemic, reviewed COVID-19 prevention measures based on local conditions, flexibly adjusted our internal organization and work models, used digital tools to implement remote coordination, constantly strengthened our response capability, and accelerated the digital transformation of our global operations.

(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: soles and uppers. 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, upper materials, including synthetic leather, fabric and natural leather, some are supplied by the Company's affiliates or purchased from other domestic suppliers, or otherwise imported from overseas suppliers due to customer request or other considerations, such as price and quality.



# POU CHEN CORPORATION

## (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.	2021				2022				First Quarter of 2023			
	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 2023	Relationship with the Company
1	Supplier A	32,358,557	22	None	Supplier A	28,949,549	20	None	Supplier A	10,213,753	28	None
2	Supplier B	31,678,182	22	None	Supplier B	9,773,834	7	None	Supplier B	4,476,849	12	None
	Other suppliers	81,922,032	56		Other suppliers	108,677,465	73		Other suppliers	21,514,251	60	
	Net purchase	145,958,771	100		Net purchase	147,400,848	100		Net purchase	36,204,853	100	

The percentage of net purchase accounted for by top two suppliers remained moderate in 2021, 2022 and the first quarter of 2023. Other suppliers under 10% of net purchase accounted for approximately 60~70% 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.	2021				2022				First Quarter of 2023			
	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 2023	Relationship with the Company
1	Customer A	49,160,977	20	None	Customer A	65,648,198	25	None	Customer A	14,466,136	22	None
2	Customer B	37,679,247	16	None	Customer B	40,988,517	15	None	Customer B	8,423,944	13	None
	Other customers	153,044,185	64		Other customers	160,860,085	60		Other customers	41,476,713	65	
	Net sales	239,884,409	100		Net sales	267,496,800	100		Net sales	64,366,793	100	

There were two customers accounted for 10% or more of the sales of the Company in 2021, 2022 and the first quarter of 2023. The percentage of net sales accounted for these two customers remained steady during the period. Other customers with less than 10% of net sales accounted for approximately 60% of the net sales in total, which indicates that the Company has a mutually successful and close business relationship with key customers, and is able to avoid over-reliance on specific customers.



# POU CHEN CORPORATION

## (5) Production in 2021 and 2022

(In NT\$ thousands; pairs)

Year	2021			2022		
	Capacity	Production	Value	Capacity	Production	Value
Primary Business	-	238,285,000	114,932,896	-	272,707,000	116,846,791
Manufacturing of shoes						

Note: Production refers to footwear production in pairs

## (6) Sales in 2021 and 2022

(In NT\$ thousands; pairs)

Year	2021				2022			
	Domestic sales		International sales		Domestic sales		International sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Primary Business								
Manufacturing of shoes	1,936,000	1,477,226	236,349,000	136,182,696	2,257,000	2,058,711	270,450,000	182,594,502
Retail of sporting goods and brand licensing		673,288		100,812,061		731,003		81,261,391
Others		-		739,138		-		851,193
Total		2,150,514		237,733,895		2,789,714		264,707,086

### 5.3 Human Resources

The information for number of employees, average age of employees, average years of service and the ratio of education distribution in 2021, 2022 and up to the publication date of this annual report are as below:

Year		2021	2022	As of April 30, 2023
Number of Employees	Direct labor	213,337	211,003	193,116
	Indirect labor	81,706	81,101	79,362
	Sales and Marketing	25,697	22,248	20,472
	Total	320,740	314,352	292,950
Average age of employees		33.9	34.4	34.8
Average years of service		7.5	7.9	8.3
Education (%)	Ph.D.	0.01	0.01	0.01
	Master's degree	0.33	0.33	0.34
	Bachelor's degree	7.65	7.63	7.83
	High school diploma	33.77	42.09	42.43
	Below high school diploma	58.24	49.94	49.39

### 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:

In 2022, there was one environmental penalty of VND 440 million (approximately US\$18,960) recorded for exceeding the effluent discharge standard. We have enhanced compliance monitoring and audit at all factories, and this anomaly has been improved immediately.

### 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, group insurance coverage, retirement condolences 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 club activities are provided to enrich the leisure life of employees and to enhance interaction and communication among them.

E. Vacation Time

Our leave policies are adopted in compliance with applicable laws and regulations. Employees can schedule their own leave as needed.

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) Family day: The Company plans activities suitable for family to participate in and for parent-child interaction to express that the Company values and cares for its employees, so that they can completely relax and share a good time with their families after working hard.
- (D) Health promotion activities: The Company organizes health related activities, including weight management, Chinese medicine consultation, cancer screening, bone density screening, and health seminars to enhance employees' health awareness and further strengthen workplace health.
- (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 2022, the Company set aside accrued pension liabilities for 1.21% 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 2022.

- 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 methods and tools to help employees continuously improve their professional and management skills and strengthen the corporate talent pool, and enable employees to grow with the Company and become long-term partners in turn to create greater value for the company, achieve business goals, and facilitate devising future development plans. To strive for excellence, the Company's training program is introduced into the TTQS (Talent Quality-management System), and the effectiveness of training is self-checked by reference to international ISO standards. It was formally applied to the Ministry of Labor for evaluation, and was recognized with a silver medal in the Enterprise & Organization Edition.
- B. The Company's annual training programs combines 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 personal growth and organizational learning; offer diverse learning channels that encourage self-paced learning. Simultaneously, we also consider employees' personal development plans, the training system of each level of function, relevant laws and regulations, and other professional skills certification courses, and formulate the "Training Program Management Guidelines" to facilitate the operation.

Training Programs

To deepen the facilitation on working skills for employees at each position and to realize the vision of lifelong learning, the Company plans various series of training courses for different stages according to its business strategy and core values. The Company constantly provides training for employees, from their employment to their expected retirement, to help them acquire the skills they need in performing their tasks and strengthening their capabilities for continued employment. By arranging training courses for employees, the Company expects to reach an internal consensus among employees so that they can recognize the organization value and furthermore contribute to achieve the best business performance for the Company.

- (A) Course for New Employees: The Company provides induction training courses for new employees, and arranges orientation forums for new employees who have been employed for one month to enhance their recognition to the Company.
- (B) Core Competency Course: A series training course focusing on the Company's core



functions to establish a common language within the Company.

(C) Management Course: Management courses for various management levels are planned according to the management functions and competencies.

(D) Professional Course: Professional training courses for various functional attributes based on work contents and professional requirements.

(E) Self-Development Course: A range of soft power courses such as language training courses and in-house lecturers are provided to encourage a diversified development of employees.

- (4) The status of the agreement between labor and Company and the status of various employee rights and interests protection measures
- The company's "work rules" clearly stipulate employee attendance, salary, welfare matters, performance management, rewards and punishments, termination of labor-employment relationship, occupational accident compensation and pensions, and safety and health policies, etc., and are approved by the labor-management meeting for implementation; relevant regulations are disclosed internally. Announcements, colleagues can get these messages at any time. In addition, the company regularly holds labor-management meetings and participates in trade union employee representative meetings to fully communicate with labor representatives.

- (5) 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: 7 persons at the Accounting Department.
  - B. USA Certified Public Accountant: 1 person at the Accounting Department.
  - C. Taiwan Certified Internal Auditor: 5 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 2 persons at the Internal Audit Department.
  - F. Project Management Professional (PMP): 6 persons at the Accounting Department.
  - G. Jacksoft Certified CAATs Practitioner: 8 persons at the Accounting Department and 3 persons at the Internal Audit Department.
  - H. Certified Management Accountant: 1 person at the Accounting Department.
  - I. General Competency Exam for corporate governance held by the Securities and Futures Institute: 1 person at the Accounting Department and 2 persons at the Internal Audit Department.
  - J. International Certified CAATs Practitioner: 4 persons at the Accounting Department and 1 person at the Internal Audit Department.
  - K. General Competency Exam for Internal Control held by the Securities and Futures Institute: 3 persons at the Accounting Department and 1 person at the Internal Audit Department.
- (6) 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 promoted and published on the Company's internal and external websites.

- B. The Company's "Work Rules" outline the corporate culture, 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.
- (7) Precautionary Measures for Workplace Health and Safety
- The Company remains devoted to strengthening various safety management practices. It focused on the following aspects in 2022:
- 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. All new constructions, additions, and changes of use of the factory must be designed in accordance with the Company's regulations, and there is a unified management mechanism for construction, acceptance, and maintenance. The Company has also conducts audits on the construction quality and maintenance works from time to



time.

- F. Enhancing the ability of firefighting teams: The Company has a total of 12 firefighting teams at its production bases. The Company has established standardized protocol for daily duty 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: The Company's factories periodically conduct fire safety inspections, and autonomously inspect operations and equipment that may cause fire accidents to eliminate the possibility of fire accidents.
  - H. Implementation of infrared scanning: Electrical safety is a key step in fire prevention; the Company has an infrared thermal imaging system to scan electrical equipment and train dedicated personnel to detect problems in advance and preventing future damage.
  - 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.
  - K. Guidelines for business continuity and COVID-19 prevention: To ensure the health of employees and safety of continuing operations, the Company established a COVID-19 prevention and control system, compiling any relevant pandemic prevention measures and practical experiences into guidelines for use to ensure workplace safety during the pandemic period. In doing so, the Company has improved its ability to respond to any changes arising from COVID-19 is improved to prevent losses and mitigate the impact of risks on business disruption.
  - L. A standard system for the maintenance of PTS stations: Inspection and testing mechanisms for power stations in each area are combined to establish maintenance and servicing system; IR scan procedures are optimized to improve risk classification and establish risk procurement mechanisms, thereby lowering the probability of irregularities in power stations to ensure business continuity.
- (8) 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: none.

## 5.6 Cyber Security Management

- (1) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

### A. Cyber security risk management framework

The Company has its head of the Information Department as the chief information security officer, convening senior management to establish an Information Security Committee to support, supervise, and make decisions on the information security management systems. In 2022, the Company appointed an information security supervisor and a number of dedicated personnel, and formed an Information Security Taskforce composed of dedicated personnel and personnel assigned from various divisional units under the Information Department, responsible for governance, technical, incident handling, audit-related operations. We also conduct regular security audits and continuously strengthen information security awareness of employees, and adopt PDCA approach to ensure the normal operation of our information security management system and keep the system up-to-date.

### B. Cyber security policies

The Company has adopted the Information Security Management System (ISMS) since 2013, using the international ISO 27001 standard to prepare the required documents and control measures for our information security system. In 2022, our information security management policy was revised to enhance its compliance with the Cyber Security Guidelines for TWSE/TPEX-Listed Companies published by the Taiwan Stock Exchange. The objective of the Company's information security policy is to protect its information assets and systems managed and used in our information operations, ensuring a continuous operational environment free from internal or external or accidental destruction. This policy also serves as a guide for related personnel, activities, and affairs to follow. Subsequently, we hope to achieve the following goals with the concerted efforts of all our employees:

(A) Ensure the continuous operation of business activities and steady use of the information services provided.

(B) Ensure the confidentiality, integrity, and availability of information assets, and protect user data privacy.

Confidentiality: to protect operational and production-related information from unauthorized access.

Integrity: to ensure the completeness and accuracy of information to assist with managerial decisioning.

Availability: to construct digital resilience to support operational stability.

(C) IT business continuity plans are formulated, and information security management systems are regularly reviewed and continually improved, so as to reflect the government policies, laws, technologies, concern needs and expectations, as well as internal and external issues and the latest business conditions, to ensure the viability and effectiveness of information security practice.

### C. Concrete management plans

The Company implements an information security management mechanism that is centered on "process specifications," "use of technology," and "personnel training." Such mechanism is expected to improve our information security protection capability at all levels from process to technology and from personnel to organization.

(A) Process specifications: The Company regularly reviews its information security system annually for adaptability to changes in the operational environment, compliance with regulatory requirements, and makes timely adjustment as necessary. In future, we plan to introduce more international cyber security techniques and standards, such as ISO 27017 standard for cloud security, NIST Cybersecurity Framework. Furthermore, the PDCA model and standard operations will be adopted to implement continual improvement for effective process control.



(B) Use of technology: A multi-level network architecture design and all types of information security protection system will be adopted and installed to prevent external information security threats and further reinforce the security of our entire information environment.

(a) Cyber security: Important systems and network equipment are monitored; mobile phone alert and cross-border maintenance and operations are subject to application and monitoring control; and firewalls and network segmentation and virus codes installed on computers are automatically updated to ensure that the latest viruses and spams can be blocked.

(b) Device security: If authorized apps and device functions including network connection, are managed and activated using mobile device software, the network connection of the device is authenticated to avoid data leakage. Endpoint management software is used to manage users' computers to prevent unsafe applications.

(c) Information system security: regularly implemented are vulnerability scanning, patching and updates before the system's online launch, and multi-factor authentication mechanism adopted for the identity verification of system users to ensure the security of information system.

(d) The security of audit trail logging: Centralized logging is enabled to facilitate the centralization of important systems and network communications equipment, and information monitoring and intelligence dashboard is set up. The purpose is to monitor cyber security risks and warnings, including computer login status, SSLVPN status, and analysis of irregular login activities, main hosts and malicious attacks, abnormal connections or login and connection activities during abnormal hours, and prevention of virus attacks.

(C) Personnel training: Employees are trained on information security technologies and the security of new technologies to improve their understanding of information security.

**D. Investments in resources for cyber security management**

In 2022, a comprehensive system is adopted to assist management in reducing information-related risks and threats. The Company implements information security awareness courses and examinations for new employees. For current employees, we implemented one company-wide drill of email social engineering phishing to enhance their awareness of information security protection. For employees with IT specialty, we implemented 18 cybersecurity training courses. We also distribute a monthly information security newsletter via email, so as to enhance information protection and the capacity of information security management and technology. In 2022, information security reviews have been strengthened, with a total of 29 inspections completed to verify the implementation results of information security measures and ensure the effective operation of various business activities.

(2) List any loss sustained as a result of cyber security 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: none.

**5.7 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)

Item	Year	Financial summary within five years 【Note】					As of March 31, 2023 【Note】
		2018	2019	2020	2021	2022	
Current assets		164,383,958	165,637,689	155,495,896	162,894,673	159,397,233	158,741,716
Property, plant and equipment		79,162,641	77,861,266	69,983,286	62,786,453	64,012,887	60,029,448
Intangible assets		12,054,213	10,429,135	9,832,703	9,381,455	10,268,187	10,234,089
Other assets		48,661,601	109,128,240	133,602,674	131,828,245	90,851,096	96,700,088
Total assets		304,262,413	363,056,330	368,914,559	366,890,826	324,529,403	325,705,341
Current liabilities	Before distribution	93,303,080	98,233,680	85,408,436	88,808,973	81,429,205	80,778,088
	After distribution	97,723,261	101,917,164	86,881,830	93,229,154	85,260,028	84,608,911
Non-current liabilities		58,761,627	74,953,623	82,262,921	70,585,101	60,972,720	57,491,517
Total liabilities	Before distribution	152,064,707	173,187,303	167,671,357	159,394,074	142,401,925	138,269,605
	After distribution	156,484,888	176,870,787	169,144,751	163,814,255	146,232,748	142,100,428
Equity attributable to owners of the Company	Before distribution	77,863,392	117,408,939	134,109,459	139,432,954	107,012,021	113,663,452
	After distribution	73,443,211	113,725,455	132,636,065	135,012,773	103,181,198	109,832,629
Share Capital		29,467,872	29,467,872	29,467,872	29,467,872	29,467,872	29,467,872
Capital surplus		4,600,092	4,592,397	4,389,862	4,419,400	4,420,389	4,421,515
Retained earnings	Before distribution	66,088,797	71,664,103	72,807,778	85,726,878	94,447,354	95,438,709
	After distribution	61,668,616	67,980,619	71,334,384	81,306,697	90,616,531	91,607,886
Other equity		(22,293,369)	11,684,567	27,443,947	19,818,804	(21,323,594)	(15,664,644)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		74,334,314	72,460,088	67,133,743	68,063,798	75,115,457	73,772,284
Total equity	Before distribution	152,197,706	189,869,027	201,243,202	207,496,752	182,127,478	187,435,736
	After distribution	147,777,525	186,185,543	199,769,808	203,076,571	178,296,655	183,604,913

Note: The financial statements for 2018 to 2022 have been audited by independent auditors and the financial statements for first quarter of 2023 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, 2023 【Note】
	2018	2019	2020	2021	2022	
Operating revenue	293,316,089	313,156,585	249,954,311	239,884,409	267,496,800	64,366,793
Gross profit	75,471,295	79,515,354	54,751,105	58,223,025	64,606,092	15,438,738
Income (loss) from operations	13,809,464	13,950,460	(2,111,078)	2,475,709	10,596,070	2,029,189
Non-operating income and expenses	6,450,919	7,571,518	8,072,404	14,681,025	10,835,507	833,331
Income before income tax	20,260,383	21,521,978	5,961,326	17,156,734	21,431,577	2,862,520
Net income	16,371,866	18,002,774	3,919,417	16,603,443	16,889,466	2,184,983
Other comprehensive income (loss)	(23,332,866)	29,821,437	13,761,868	(8,615,977)	(35,720,868)	5,226,603
Total comprehensive income (loss)	(6,961,000)	47,824,211	17,681,285	7,987,466	(18,831,402)	7,411,586
Net income attribute to owners of the Company	10,708,646	11,828,609	4,840,184	14,439,307	12,644,855	991,355
Net income attribute to non-controlling interests	5,663,220	6,174,165	(920,767)	2,164,136	4,244,611	1,193,628
Total comprehensive income (loss) attribute to owners of the Company	(13,545,977)	43,908,682	20,587,697	6,773,495	(28,001,741)	6,650,305
Total comprehensive income (loss) attribute to non- controlling interests	6,584,977	3,915,529	(2,906,412)	1,213,971	9,170,339	761,281
Earnings per share	3.63	4.01	1.64	4.90	4.29	0.34

Note : The financial statements for 2018 to 2022 have been audited by independent auditors and the financial statements for first quarter of 2023 has been reviewed by independent auditors.





## C. Separate condensed balance sheet

(In NT\$ thousands)

Item \ Year		Financial summary within five years 【Note】				
		2018	2019	2020	2021	2022
Current assets		8,327,151	8,248,705	8,234,261	9,028,891	8,108,181
Property, plant and equipment		5,341,147	5,220,137	5,035,178	4,812,331	4,643,231
Other assets		101,152,947	148,192,278	169,581,752	174,606,605	143,676,949
Total assets		114,821,245	161,661,120	182,851,191	188,447,827	156,428,361
Current liabilities	Before distribution	23,043,635	23,446,622	17,908,547	19,706,049	27,400,122
	After distribution	27,463,816	27,130,106	19,381,941	24,126,230	31,230,945
Non-current liabilities		13,914,218	20,805,559	30,833,185	29,308,824	22,016,218
Total Liabilities	Before distribution	36,957,853	44,252,181	48,741,732	49,014,873	49,416,340
	After distribution	41,378,034	47,935,665	50,215,126	53,435,054	53,247,163
Share capital		29,467,872	29,467,872	29,467,872	29,467,872	29,467,872
Capital surplus		4,600,092	4,592,397	4,389,862	4,419,400	4,420,389
Retained earnings	Before distribution	66,088,797	71,664,103	72,807,778	85,726,878	94,447,354
	After distribution	61,668,616	67,980,619	71,334,384	81,306,697	90,616,531
Other equity		(22,293,369)	11,684,567	27,443,947	19,818,804	(21,323,594)
Treasury shares		-	-	-	-	-
Total equity	Before distribution	77,863,392	117,408,939	134,109,459	139,432,954	107,012,021
	After distribution	73,443,211	113,725,455	132,636,065	135,012,773	103,181,198

Note: The financial statements for 2018 to 2022 have been audited by independent auditors.



# POU CHEN CORPORATION

## D. Separate condensed statement of comprehensive income

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

Item \ Year	Financial summary within five years 【Note】				
	2018	2019	2020	2021	2022
Operating revenue	12,062,778	11,399,477	8,219,523	8,310,049	9,349,013
Gross profit	4,610,127	4,743,554	3,925,008	4,480,572	5,067,926
Income from operations	477,899	540,529	474,916	505,458	887,677
Non-operating income and expenses	11,131,948	11,854,667	5,751,384	13,473,771	12,642,827
Income before income tax	11,609,847	12,395,196	6,226,300	13,979,229	13,530,504
Net income	10,708,646	11,828,609	4,840,184	14,439,307	12,644,855
Other comprehensive net income (loss)	(24,254,623)	32,080,073	15,747,513	(7,665,812)	(40,646,596)
Total comprehensive income (loss)	(13,545,977)	43,908,682	20,587,697	6,773,495	(28,001,741)
Earnings per share	3.63	4.01	1.64	4.90	4.29

Note : The financial statements for 2018 to 2022 have been audited by independent auditors.

## (2) Auditors' Opinions from 2018 to 2022

Year \ Opinion	Accounting Firm	CPA	Audit 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
2021	Deloitte & Touche	HONG, KUO-TYAN SHYU, WEN-YEA	Unqualified Opinion
2022	Deloitte & Touche	HONG, KUO-TYAN SHYU, WEN-YEA	Unqualified Opinion

## 6.2 Financial Analysis for the Past Five Fiscal Years

### (1) A. Consolidated financial analysis

<div> <div></div> <div>Year</div> </div> <div>Items</div>		Financial summary within five years (Note)					As of March 31, 2023 (Note)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	49.97	47.70	45.44	43.44	43.87	42.45
	Ratio of long-term Capital to property, plant and equipment	266.48	340.12	405.10	442.90	379.76	408.01
Liquidity (%)	Current ratio	176.18	168.61	182.06	183.42	195.74	196.51
	Quick ratio	107.21	103.35	118.78	107.63	123.84	127.52
	Interest earned ratio (times)	8.28	7.63	3.47	10.18	9.46	4.40
Operating performance	Accounts receivable turnover (times)	7.61	8.44	7.49	8.15	9.52	8.98
	Average collection period	48	43	48	44	38	40
	Inventory turnover (times)	3.78	3.87	3.55	3.24	3.45	3.59
	Accounts payable turnover (times)	15.01	15.58	12.39	10.67	13.54	14.62
	Average days in sales	97	94	102	112	105	101
	Property, plant and equipment turnover (times)	3.89	3.98	3.38	3.61	4.21	4.15
	Total assets turnover (times)	0.96	0.93	0.68	0.65	0.77	0.78
Profitability (%)	Return on total assets	6.13	6.17	1.59	4.91	5.47	3.50
	Return on shareholders' equity	10.54	10.52	2.00	8.12	8.66	4.72
	Pre-tax income to paid-in capital	68.75	73.03	20.22	58.22	72.72	38.85
	Net Income ratio	5.58	5.74	1.56	6.92	6.31	3.39
	Earnings per share (NT\$)	3.63	4.01	1.64	4.90	4.29	0.34
Cash flow (%)	Cash flow ratio	11.29	24.95	23.83	14.22	29.53	40.67
	Cash flow adequacy ratio	61.30	63.36	60.14	51.93	59.83	71.02
	Cash reinvestment ratio	1.67	5.96	4.64	3.13	5.86	9.75
Leverage	Operating leverage	1.76	2.12	(6.86)	7.77	2.44	2.73
	Financial leverage	1.25	1.30	0.46	4.07	1.31	1.70

Note: The financial statements for 2018 to 2022 have been audited by independent auditors and the financial statements for first quarter of 2023 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. Operating performance:

Increase in accounts payable turnover was mainly due to the NT\$21.229 billion increase in operating cost and average accounts payable decrease NT\$2.046 billion.

2. Profitability:

Pre-tax income to paid-in capital ratio increased primarily due to NT\$4.275 billion increase in income before tax this year. Explanations are as follows:

Footwear manufacturing this year is returning to steady operation as our Vietnam plant progressively resumed operation in the 4th quarter of 2021 and the demand for footwear products has remained stable. Our sporting goods retailing and brand licensing this year continued to be affected by China's COVID-19 control measures, especially city lockdowns and store closures due to COVID-19 cases at various local areas, which affected the overall consumption. In general, the steady growth of footwear manufacturing this year offset the weak sporting goods retailing and brand licensing, which led to the increase of operating income by NT\$27.613 billion. Coupled with our rigorous cost control, these developments resulted in an increase of NT\$8.12 billion in net operating income.

Furthermore, income before tax increase NT\$4.275 billion compared to 2021, mainly due to the NT\$3.436 billion decrease in profit from equity-accounted investments.

3. Cash flow:

(1) Increase in cash flow ratio mainly due to NT\$11.417 billion increase in net cash inflow from operating activities and NT\$7.38 billion decrease in current liabilities. Explanations are as follows:

A. Net cash inflow from operating activities increased by NT\$11.417 billion mainly due to the NT\$4.275 billion increase in net income before tax this year and adjusted by items that do not affect cash flow, which include addition the NT\$1.505 billion decrease in depreciation and amortization expense, deducting the NT\$3.436 billion decrease in profit from equity-accounted investments, disposal of investment income decrease 1.14 billion and cash inflow from account receivables decreased by NT\$7.891 billion, other receivables decrease 2.483 billion, cash outflow from procurement of inventory items decreased by NT\$ 16.525 billion and accounts payable increase NT\$5.821 billion, others payable decrease 2.141 billion and cash outflow from income tax paid decreased by NT\$1.305 billion.

B. NT\$7.38 billion decrease in current liabilities was mainly due to NT\$4.941 billion decrease in short-term borrowing, NT\$983 million decrease from paying short-term bills, NT\$4.87 billion decrease in accounts payable, NT\$1.805 billion increase in income tax liabilities for the current period and NT\$2.131 billion increase in long-term borrowing that expires within one year.

(2) Increase in cash reinvestment ratio mainly due to NT\$8.47 billion increase in net cash inflow from operating activities after deducted cash dividend and gross property, plant and equipment, long-term investments, other non-current assets and operating capital decrease NT\$2.156 billion.

4. Leverage:

(1) Decrease in operating leverage mainly due to NT\$27.613 billion increase in operating revenue, NT\$20.997 billion increase in variable operating cost and expenses and NT\$8.12 billion increase in income from operations. Because the operating income after deducting variable operating costs and expenses increased at a lower degree than the degree at which net operating income increased, the operating leverage this year decreased from the same period last year. Explanations are as follows:

This year, benefits from the steady growth of our footwear manufacturing offset the impact of relatively weak sporting goods retailing and brand licensing, which resulted in an increase of NT\$27.613 billion in operating revenue. Together with our rigorous cost control, these developments resulted in an increase of NT\$20.997 billion in variable operating costs and expenses, in a degree lower than of operating revenue; in addition, the net operating income increased by NT\$8.12 billion this year compared to the same period last year. Therefore, the operating leverage decreased compared to the same period last year.

(2) Decrease in financial leverage mainly due to the Company's income from operations NT\$8.12 billion increase and NT\$664 million increase in finance costs. Because the finance costs increased at a lower degree than the degree at which net operating income increased, the financial leverage this year decrease from the same period last year.

## (1)B. Separate financial analysis

Item		Year	Financial summary within five years (Note)				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio		32.18	27.37	26.65	26.00	31.59
	Ratio of long-term Capital to property, plant and equipment		1,718.31	2,647.71	3,275.80	3,506.44	2778.84
Liquidity (%)	Current ratio		36.13	35.18	45.97	45.81	29.59
	Quick ratio		35.72	34.81	45.44	44.99	29.11
	Interest earned ratio (times)		37.28	34.16	16.71	38.00	30.45
Operating performance	Accounts receivable turnover (times)		6.93	6.28	4.91	4.82	5.39
	Average collection period		52	58	74	75	67
	Inventory turnover (times)		161.16	110.51	58.92	37.10	35.45
	Accounts payable turnover (times)		5.88	5.57	4.96	6.56	9.65
	Average days in sales		2	3	6	9	10
	Property, plant and equipment turnover (times)		2.36	2.15	1.60	1.68	1.97
	Total assets turnover (times)		0.10	0.08	0.04	0.04	0.05
Profitability (%)	Return on total assets		9.51	8.77	2.99	7.94	7.54
	Return on shareholders' equity		13.26	12.11	3.84	10.55	10.26
	Pre-tax income to paid-in capital		39.39	42.06	21.12	47.43	45.91
	Net Income ratio		88.77	103.76	58.88	173.75	135.25
	Earnings per share (NT\$)		3.63	4.01	1.64	4.90	4.29
Cash flow (%)	Cash flow ratio		(0.16)	1.17	(5.79)	(6.15)	9.88
	Cash flow adequacy ratio		(12.56)	(8.47)	(12.38)	(11.50)	2.29
	Cash reinvestment ratio		-	-	-	-	-
Leverage	Operating leverage		1.62	1.71	1.87	1.82	1.45
	Financial leverage		3.02	3.24	6.03	3.95	2.07

Note: The financial statements for 2018 to 2022 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:

- (1) Increase in debt ratio mainly due to the NT\$401 million increase in total liabilities and NT\$32.019 billion decrease in total assets. NT\$31.044 billion decrease in investment accounted for using the equity method is the main reason of the decrease in total assets.
- (2) Decrease in ratio of long-term capital to property, plant and equipment mainly due to the NT\$32.421 and NT\$7.293 billion decrease in total equity and non-current liabilities. Explanations are as follows:
  - A. Total equity decrease NT\$32.421 billion mainly due to the NT\$41.142 billion decrease in other equity and NT\$8.72 billion increase in retained earnings.
  - B. NT\$7.293 billion decrease in non-current liabilities mainly due to the NT\$5.554 billion and NT\$1.522 billion decrease in long-term borrowings and long-term payables.

2. Liquidity:

Decrease in current ratio and quick ratio mainly due to the NT\$921 million decrease in current assets and NT\$7.694 billion increase in current liabilities. NT\$9.791 billion increase in short-term borrowings and NT\$1.74 billion decrease in current portion of long-term borrowings are the main reason of an increase in current liabilities.

3. Operating performance:

- (1) Increase in accounts payable turnover mainly due to the NT\$452 million increase in operating costs and average accounts payable decrease NT\$14 million.
- (2) Increase in total assets turnover mainly due to the NT\$1.039 billion increase in net sales and average assets decrease NT\$13.211 billion.

4. Profitability:

Decrease in net income ratio mainly due to NT\$1.794 billion decrease in net income after tax and NT\$1.039 billion increase in net sales. Decrease in net income after tax primarily due to NT\$382 million increase in income from operations, NT\$2.04 billion increase in foreign currency exchange gains, NT\$2.872 billion decrease in profit from equity-accounted investments and NT\$1.346 billion increase in income tax expense.

5. Cash Flow:

- (1) Increase in cash flow ratio mainly due to NT\$2.708 billion in net cash inflow from operating activities in 2022, compared to NT\$1.212 billion in net cash outflow from operating activities. The explanations of increase in NT\$3.92 billion in net cash inflow from operating activities are as follow:

Net cash inflow from operating activities increased by NT\$3.92 billion mainly due to the NT\$448 million decrease in income before tax this year and adjusted by items that do not affect cash flow, which include deducting the NT\$2.872 billion decrease in profit from equity-accounted investments and cash outflow from income tax paid decreased by NT\$1.186 billion
- (2) Increase in cash flow adequacy ratio mainly due to NT\$2.708 billion in net cash inflow from operating activities in 2022, which cause NT\$695 million in net cash inflow from operating activities within five years, but NT\$3.421 billion in net cash outflow from operating activities within five years in 2021.

6. Leverage:

- (1) Decrease in operating leverage mainly due to NT\$1.039 billion increase in operating revenue, NT\$665 million increase in variable operating costs and expenses and NT\$382 million increase in income from operations. Because the operating revenue after deducting variable operating costs and expenses increased at a lower degree than the degree at which net operating income increased, the operating leverage this year decreased from the same period last year.
- (2) Decrease in financial leverage mainly due to the Company's income from operations NT\$382 million increase and NT\$82 million increase in finance costs. Because the finance costs increased at a lower degree than the degree at which net operating income increased, the financial leverage this year decrease from the same period last year.



## 1. Financial Structure

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

## 2. Liquidity

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

## 3. Operating performance

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

## 4. Profitability

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

## 5. Cash flow

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

## 6. Leverage

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



## 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 2022 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:

2023 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

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Chen, Huan-Chung

Date: March 16, 2023





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

The Board of Directors has prepared and submitted the 2022 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:

2023 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

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Chen, Huan-Chung

Date: April 26, 2023



## 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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 are stated as follows:

#### Write-downs of Inventory

As of December 31, 2022, the carrying amount of finished goods related to the retail segment included in the inventories was \$26,925,822 thousand. For the related disclosures, refer to Notes 4, 5 and 11 to the consolidated financial statements.

The determination of net realizable value requires an evaluation of sales condition and quality of products and an assessment of obsolete and slow-moving inventories; the evaluation involves significant judgments and estimations made by management. Therefore, we considered the write-downs of inventory as a key audit matter to the consolidated financial statements for the year ended December 31, 2022.

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, 2022, goodwill allocated to the retailing business-retail and distribution of sportswear products of the Group amounted to \$2,353,707 thousand. For the related disclosures, refer to Notes 4, 5 and 18 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 to the consolidated financial statements for the year ended December 31, 2022.

Our audit procedures in response to this key audit matter included evaluation of the reasonableness of the significant assumptions, evaluation model, and basic information and recalculation used by management for impairment testing.

#### **Other Matter**

The Group's investments in Ruen Chen Investment Holding Co., Ltd. and Nan Shan Life Insurance Co., Ltd. accounted for by using the equity method were 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, 2022 and 2021, the carrying amounts of the investment in Ruen Chen Investment Holding Co., Ltd. were \$35,917,433 thousand and \$76,419,271 thousand, which constituted 11.07% and 20.83%, of the Group's consolidated total assets, respectively. For the years ended December 31, 2022 and 2021, the profit of the associate was \$5,494,356 thousand and \$10,505,361 thousand, which constituted 25.64% and 61.23%, of the income before income tax, respectively. As of December 31, 2022 and 2021, the carrying amounts of the investment in Nan Shan Life Insurance Co., Ltd. were \$406,510 thousand and \$826,576 thousand, which constituted 0.13% and 0.23%, of the Group's consolidated total assets, respectively. For the years ended December 31, 2022 and 2021, the profit of the associate was \$57,629 thousand and \$109,592 thousand, which constituted 0.27% and 0.64%, of the income before income tax, respectively.



We have also audited the parent company only financial statements of Pou Chen Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion with emphasis of other matter paragraph.

## **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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 16, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 39,317,629	12	\$ 28,450,346	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,783,815	1	3,341,742	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	17,501,573	5	20,035,436	5
Financial assets at amortized cost - current (Notes 4 and 9)	1,901,597	1	8,630,004	2
Notes receivable (Notes 4 and 10)	39	-	54	-
Accounts receivable (Notes 4, 10 and 34)	28,711,291	9	26,539,565	7
Other receivables (Notes 4 and 10)	4,462,211	1	3,771,410	1
Inventories - manufacturing and retailing (Notes 4 and 11)	50,014,348	16	57,084,097	16
Inventories - construction (Notes 4 and 11)	3,703,765	1	3,718,519	1
Other current assets (Notes 4 and 12)	11,000,965	3	11,323,500	3
Total current assets	159,397,233	49	162,894,673	44
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	761,033	-	747,994	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	840,456	-	958,593	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 35)	3,099,525	1	3,158,906	1
Investments accounted for using the equity method (Notes 4 and 14)	56,873,101	17	96,210,213	26
Property, plant and equipment (Notes 4 and 15)	64,012,887	20	62,786,453	17
Right-of-use assets (Notes 4 and 16)	18,087,170	6	20,066,402	6
Investment properties (Notes 4 and 17)	5,806,082	2	2,918,076	1
Goodwill (Notes 4 and 18)	8,452,023	3	7,774,185	2
Other intangible assets (Notes 4 and 19)	1,816,164	1	1,607,270	1
Deferred tax assets (Notes 4 and 27)	3,828,203	1	3,560,596	1
Other non-current assets (Notes 4 and 12)	1,555,526	-	4,207,465	1
Total non-current assets	165,132,170	51	203,996,153	56
<b>TOTAL</b>	<b>\$ 324,529,403</b>	<b>100</b>	<b>\$ 366,890,826</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 20)	\$ 20,611,809	6	\$ 25,552,433	7
Short-term bills payable (Note 20)	1,580,101	-	2,563,093	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	155,274	-	78,720	-
Notes payable (Notes 4, 21 and 34)	3,994	-	5,785	-
Accounts payable (Notes 4, 21 and 34)	12,536,177	4	17,406,222	5
Other payables (Note 22)	21,540,287	7	20,547,217	5
Current tax liabilities (Notes 4 and 27)	3,581,025	1	1,776,193	-
Lease liabilities - current (Notes 4 and 16)	3,486,555	1	4,323,157	1
Current portion of long-term borrowings (Note 20)	11,923,464	4	9,791,986	3
Other current liabilities	6,010,519	2	6,764,167	2
Total current liabilities	81,429,205	25	88,808,973	24
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	232,011	-
Long-term borrowings (Note 20)	50,002,184	16	56,387,335	16
Deferred tax liabilities (Notes 4 and 27)	957,396	-	906,387	-
Lease liabilities - non-current (Notes 4 and 16)	6,713,172	2	8,357,819	2
Long-term payables (Note 22)	155,166	-	170,621	-
Net defined benefit liabilities (Notes 4 and 23)	3,061,851	1	4,482,434	1
Other non-current liabilities	82,951	-	48,494	-
Total non-current liabilities	60,972,720	19	70,585,101	19
Total liabilities	142,401,925	44	159,394,074	43
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)</b>				
Share capital				
Ordinary shares	29,467,872	9	29,467,872	8
Capital surplus	4,420,389	1	4,419,400	1
Retained earnings				
Legal reserve	17,986,740	5	16,547,491	4
Unappropriated earnings	76,460,614	24	69,179,387	19
Total retained earnings	94,447,354	29	85,726,878	23
Other equity	(21,323,594)	(6)	19,818,804	6
Total equity attributable to owners of the Company	107,012,021	33	139,432,954	38
<b>NON-CONTROLLING INTERESTS</b>	<b>75,115,457</b>	<b>23</b>	<b>68,063,798</b>	<b>19</b>
Total equity	182,127,478	56	207,496,752	57
<b>TOTAL</b>	<b>\$ 324,529,403</b>	<b>100</b>	<b>\$ 366,890,826</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

**POU CHEN CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 4, 25 and 34)	\$ 267,496,800	100	\$ 239,884,409	100
OPERATING COSTS (Notes 23, 26 and 34)	<u>202,890,708</u>	<u>76</u>	<u>181,661,384</u>	<u>76</u>
GROSS PROFIT	<u>64,606,092</u>	<u>24</u>	<u>58,223,025</u>	<u>24</u>
OPERATING EXPENSES (Notes 23 and 26)				
Selling and marketing expenses	29,287,359	11	33,366,556	14
General and administrative expenses	19,239,699	7	17,287,482	7
Research and development expenses	<u>5,482,964</u>	<u>2</u>	<u>5,093,278</u>	<u>2</u>
Total operating expenses	<u>54,010,022</u>	<u>20</u>	<u>55,747,316</u>	<u>23</u>
INCOME FROM OPERATIONS	<u>10,596,070</u>	<u>4</u>	<u>2,475,709</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	938,251	-	734,497	-
Other income (Note 26)	3,605,748	1	3,500,349	1
Other gains and (losses) (Note 26)	1,296,572	1	1,358,214	1
Net loss on derecognition of financial assets at amortized cost	(13,610)	-	(20,636)	-
Finance costs (Note 26)	(2,532,223)	(1)	(1,868,689)	(1)
Share of the profit of associates and joint ventures (Notes 4 and 14)	<u>7,540,769</u>	<u>3</u>	<u>10,977,290</u>	<u>5</u>
Total non-operating income and expenses	<u>10,835,507</u>	<u>4</u>	<u>14,681,025</u>	<u>6</u>
INCOME BEFORE INCOME TAX	21,431,577	8	17,156,734	7
INCOME TAX EXPENSE (Notes 4 and 27)	<u>4,542,111</u>	<u>2</u>	<u>553,291</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>16,889,466</u>	<u>6</u>	<u>16,603,443</u>	<u>7</u>
OTHER COMPREHENSIVE NET INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 23)	497,374	-	(118,461)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(2,742,413)	(1)	3,313,385	1
Share of the other comprehensive (loss) income of associates and joint ventures	(103,265)	-	963,883	1

(Continued)



# POU CHEN CORPORATION

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 12,827,587	5	\$ (3,375,883)	(2)
Loss on hedging instruments	-	-	(1,195)	-
Share of the other comprehensive loss of associates and joint ventures	<u>(46,200,151)</u>	<u>(17)</u>	<u>(9,397,706)</u>	<u>(4)</u>
Other comprehensive loss for the year, net of income tax	<u>(35,720,868)</u>	<u>(13)</u>	<u>(8,615,977)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (18,831,402)</u>	<u>(7)</u>	<u>\$ 7,987,466</u>	<u>3</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 12,644,855	5	\$ 14,439,307	6
Non-controlling interests	<u>4,244,611</u>	<u>1</u>	<u>2,164,136</u>	<u>1</u>
	<u>\$ 16,889,466</u>	<u>6</u>	<u>\$ 16,603,443</u>	<u>7</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (28,001,741)	(10)	\$ 6,773,495	3
Non-controlling interests	<u>9,170,339</u>	<u>3</u>	<u>1,213,971</u>	-
	<u>\$ (18,831,402)</u>	<u>(7)</u>	<u>\$ 7,987,466</u>	<u>3</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 4.29</u>		<u>\$ 4.90</u>	
Diluted	<u>\$ 4.28</u>		<u>\$ 4.89</u>	

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)





# 2022 ANNUAL REPORT



## POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								Total Equity
	Share Capital	Capital Surplus	Retained 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 (Loss) on Hedging Instruments	Others	
			Legal Reserve	Unappropriated Earnings					
\$ 29,467,872	\$ 4,389,862	\$ 16,064,775	\$ 56,743,003	\$ (5,491,369)	\$ 24,305,081	\$ 1,195	\$ 8,629,040	\$ 67,133,743	\$ 201,243,202
Appropriation of 2020 earnings (Note 24)	-	-	482,716	(482,716)	-	-	-	-	-
Cash dividends	-	-	-	(1,473,394)	-	-	-	-	(1,473,394)
	-	-	482,716	(1,956,110)	-	-	-	-	(1,473,394)
Net profit for the year ended December 31, 2021	-	-	-	14,439,307	-	-	-	-	14,439,307
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	(35,243)	(1,923,481)	(9,696,891)	(1,195)	3,990,998	(7,665,812)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	14,404,064	(1,923,481)	(9,696,891)	(1,195)	3,990,998	6,773,495
Disposal of investments accounted for using the equity method	-	(2,717)	-	235	-	(235)	-	-	(2,717)
Share of changes in equities of subsidiaries (Notes 4 and 24)	-	27,234	-	(8,723)	-	-	-	-	18,511
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries and associates (Notes 4 and 24)	-	-	-	(5,661)	-	5,661	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 24)	-	3,828	-	2,579	-	-	-	-	6,407
Unclaimed dividends by shareholders	-	1,193	-	-	-	-	-	-	1,193
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(283,908)
Changes in equity for the year ended December 31, 2021	29,467,872	4,419,400	16,547,491	69,179,387	(7,414,850)	14,613,616	-	12,620,038	207,496,752
BALANCE AT DECEMBER 31, 2021	-	29,538	482,716	12,456,384	(1,923,481)	(9,691,465)	(1,195)	3,990,998	6,253,550
Appropriation of 2021 earnings (Note 24)	-	-	1,439,249	(1,439,249)	-	-	-	-	-
Cash dividends	-	-	-	(4,420,181)	-	-	-	-	(4,420,181)
Net profit for the year ended December 31, 2022	-	-	-	12,644,855	-	-	-	-	12,644,855
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	502,829	7,140,956	(18,141,486)	-	(30,148,895)	(40,646,596)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	13,147,684	7,140,956	(18,141,486)	-	(30,001,741)	9,170,339
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates (Notes 4 and 24)	-	-	-	(7,027)	-	7,027	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 24)	-	(239)	-	-	-	-	-	(239)	-
Unclaimed dividends by shareholders	-	1,228	-	-	-	-	-	-	1,228
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,118,680)
Changes in equity for the year ended December 31, 2022	-	989	1,439,249	7,281,227	7,140,956	(18,134,459)	-	(30,148,895)	(32,420,933)
BALANCE AT DECEMBER 31, 2022	\$ 29,467,872	\$ 4,420,389	\$ 17,986,740	\$ 76,460,614	\$ (273,894)	\$ (3,520,843)	\$ -	\$ 117,528,857	\$ 182,127,478

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated March 16, 2023)



# POU CHEN CORPORATION

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax for the year	\$ 21,431,577	\$ 17,156,734
Adjustments for:		
Depreciation expense	15,155,136	16,274,312
Amortization expense	116,918	502,459
Expected credit loss on accounts receivable	596,315	29,673
Net gain on fair value change of financial instruments at fair value through profit or loss	(490,749)	(727,347)
Finance costs	2,532,223	1,868,689
Net loss on derecognition of financial assets at amortized cost	13,610	20,636
Interest income	(938,251)	(734,497)
Dividend income	(818,175)	(916,719)
Compensation cost of employee share options	119,868	131,781
Share of profit of associates and joint ventures	(7,540,769)	(10,977,290)
Net loss on disposal of property, plant and equipment	196,303	353,185
Net gain on disposal of investment properties	-	(123,555)
Net loss recognized on disposal of other assets	6,219	-
Net gain on disposal of associates and joint ventures	(97,664)	(1,237,587)
Impairment loss	119,597	402,090
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	880,180	861,901
Notes receivable	15	(15)
Accounts receivable	(2,729,446)	5,161,821
Other receivables	(982,781)	1,500,305
Inventories	7,045,362	(9,479,715)
Other current assets	(187,153)	(1,985,514)
Other operating assets	(15,284)	15,062
Notes payable	(1,791)	(1,617)
Accounts payable	(4,858,393)	963,060
Other payables	953,615	(1,187,678)
Other current liabilities	(753,648)	3,206
Net defined benefit liabilities	(837,029)	276,931
Other operating liabilities	7,026	22,589
Cash generated from operations	28,922,831	18,172,900
Interest paid	(2,471,899)	(1,834,245)
Income tax paid	(2,404,702)	(3,709,778)
Net cash generated from operating activities	<u>24,046,230</u>	<u>12,628,877</u>

(Continued)

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ -	\$ 14,543
Proceeds from return of capital of financial assets at fair value through other comprehensive income	2,732	10,929
Purchases of financial assets at amortized cost	(9,063,577)	(19,685,490)
Proceeds from sale of financial assets at amortized cost	16,564,116	18,551,834
Acquisition of associates and joint ventures	(80,000)	(72,000)
Proceeds from disposal of associates and joint ventures	461,907	3,176,087
Acquisition of subsidiaries	-	41,132
Proceeds from disposal of subsidiaries	17,558	-
Proceeds from return of capital of investee companies using equity method	65,015	-
Proceeds from disposal of non-current assets held for sale	-	107,039
Acquisition of property, plant and equipment	(6,377,478)	(7,729,381)
Proceeds from disposal of property, plant and equipment	265,373	414,880
Decrease in refundable deposits	84,275	74,264
Decrease in other receivables	169,481	178,798
Payments for intangible assets	(317,688)	(284,180)
Payments for right-of-use assets	(45,585)	(97,247)
Payments for investment properties	-	(598)
Proceeds from disposal of investment properties	-	738
Increase in prepayments for equipment	(370,304)	(459,912)
Interest received	958,387	744,094
Dividends received	3,005,907	2,040,184
Proceeds from disposal of right-of-use assets	<u>27,367</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>5,367,486</u>	<u>(2,974,286)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	1,167,779
Repayments of short-term borrowings	(4,940,624)	-
Repayments of short-term bills payable	(983,000)	(797,500)
Derecognition of financial liabilities for hedging	-	6,791
Repayments of long-term borrowings	(4,284,638)	(6,078,400)
Increase in guarantee deposits	11,976	-
Decrease in guarantee deposits	-	(11,969)
Repayments of principal portion of lease liabilities	(4,875,627)	(5,143,089)
Cash dividends	(4,420,181)	(1,473,394)
Change in non-controlling interests	(2,218,515)	(415,689)
Unclaimed dividends by shareholders	<u>1,228</u>	<u>1,193</u>
Net cash used in financing activities	<u>(21,709,381)</u>	<u>(12,744,278)</u>

(Continued)



# POU CHEN CORPORATION

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

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	2022	2021
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	\$ 3,162,948	\$ (568,692)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,867,283	(3,658,379)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	\$ 28,450,346	\$ 32,108,725
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 39,317,629	\$ 28,450,346

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)

## POU CHEN CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (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 referred to as 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 16, 2023.

#### 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)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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.



Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

## 1) 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.

## 2) 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.



3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group shall recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and the Group shall recognize the cumulative effect of initial application in retained earnings at that date. The Group shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

c. The 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>
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
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 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 2020 amendments also stipulate 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 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations 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, which 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 13 and Table 9 to the consolidated financial statements 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 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.

For a contract where a land owner provides land for the construction of buildings by a property developer in exchange for a certain percentage of buildings, any exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as investment properties and if the exchange transaction has commercial substance.

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

k. Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

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

Expenditure on research activities is recognized as an expense in the period in which it is incurred.



An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

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

### 3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

### 4) Derecognition of intangible assets

Gains or losses from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### m. Assets related to contract costs

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

### n. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.



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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

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

o. 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 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 33 to the consolidated financial statements.





b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined 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 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) and contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable and contract assets. 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.

## 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 33.

#### 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 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.

### p. Levies

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



q. Revenue recognition

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 according to the customer's trading conditions 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.

r. 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. When there is a change in a lease term or a change in future lease payments, 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.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

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 Act 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 adoption of the Group's accounting policies, management is required to make judgments, estimations and assumptions on 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.

For critical accounting estimates, the estimates and underlying assumptions are reviewed by the management of the Group 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	
	2022	2021
Cash on hand	\$ 20,301	\$ 40,672
Checking accounts and demand deposits	15,422,738	18,665,005
Cash equivalent (investments with original maturities of less than three months)		
Time deposits	23,869,790	9,734,566
Repurchase agreements collateralized by bonds	<u>4,800</u>	<u>10,103</u>
	<u>\$ 39,317,629</u>	<u>\$ 28,450,346</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at FVTPL</u>		
Financial assets mandatorily as at FVTPL		
Hybrid financial assets		
Structured deposits (a)	\$ 2,254,267	\$ 2,831,408
Derivative financial assets (not under hedge accounting)		
Interest rate swap contracts (b)	214,874	4,724
Forward exchange contracts (c)	17,718	51,444
Exchange rate option contracts (d)	-	16,711
Exchange rate swap contracts (e)	127,907	47,533
Non-derivative financial assets		
Mutual funds	<u>930,082</u>	<u>1,137,916</u>
	<u>\$ 3,544,848</u>	<u>\$ 4,089,736</u>
Current	\$ 2,783,815	\$ 3,341,742
Non-current	<u>761,033</u>	<u>747,994</u>
	<u>\$ 3,544,848</u>	<u>\$ 4,089,736</u>

(Continued)



# POU CHEN CORPORATION

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial liabilities at FVTPL</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Interest rate swap contracts (b)	\$ -	\$ 286,668
Forward exchange contracts (c)	57,479	-
Exchange rate option contracts (d)	60,252	2
Exchange rate swap contracts (e)	<u>37,543</u>	<u>24,061</u>
	<u>\$ 155,274</u>	<u>\$ 310,731</u>
Current	\$ 155,274	\$ 78,720
Non-current	<u>-</u>	<u>232,011</u>
	<u>\$ 155,274</u>	<u>\$ 310,731</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 entire contract was assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9. The abovementioned USD structured time deposit was matured and redeemed in September 2022. As of December 31, 2021, the structured time deposit was classified as “financial assets at FVTPL - current”.

Wealthplus entered into a 12-month, USD structured time deposit contract with a bank in January 2022. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract is assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9. As of December 31, 2022, the structured time deposit was classified as “financial assets at FVTPL - current”.

Yue Yuen and Pro Arch International Development Enterprise Inc. entered into multiple 12-month, dual currency structured time deposit contracts with banks in 2022 and 2021. The structured time deposit contract includes a dual currency structured time deposit contract. As of December 31, 2022 and December 31, 2021, the structured time deposit was classified as “financial assets at FVTPL - current”.

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

### December 31, 2022

<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Pay Rate (Fixed Rate %)</b>	<b>Received Rate (Floating Rate %)</b>
US\$ 100,000	2023.07	3.335	5.34971
US\$ 150,000	2023.07	3.340	5.11471
US\$ 50,000	2023.03	0.720	4.72900
US\$ 50,000	2023.03	0.710	4.72900
US\$ 50,000	2023.03	0.648	4.72900
US\$ 50,000	2023.03	0.548	4.72900
US\$ 50,000	2023.03	0.515	4.72900
US\$ 50,000	2023.03	0.485	4.72900



December 31, 2021

Notional Amount (In Thousands)	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
US\$ 100,000	2023.07	3.335	0.85788
US\$ 150,000	2023.07	3.340	0.82863
US\$ 100,000	2022.08	2.600	0.96600
US\$ 50,000	2022.08	1.930	0.21600
US\$ 50,000	2022.08	1.930	0.21600
US\$ 50,000	2023.03	0.720	0.21600
US\$ 50,000	2023.03	0.710	0.21600
US\$ 50,000	2023.03	0.648	0.21600
US\$ 50,000	2023.03	0.548	0.21600
US\$ 50,000	2023.03	0.515	0.21600
US\$ 50,000	2023.03	0.485	0.21600

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

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

December 31, 2022

Notional Amount (In Thousands)	Forward Exchange Rates
US\$ 95,320	Sell US\$/Buy IDR at 14,540 to 15,800
RMB 126,210	Sell RMB/Buy USD at 6.928 to 6.995

December 31, 2021

Notional Amount (In Thousands)	Forward Exchange Rates
US\$ 96,200	Sell US\$/Buy IDR at 14,630 to 14,920

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, 2022

Notional Amount (In Thousands)	Type	Buy/Sell	Maturity Date	Exchange Rate
US\$ 60,000	Put	Sell	2023.01-2024.03	US\$:RMB 6.7500
US\$ 30,000	Put	Sell	2023.01-2024.03	US\$:RMB 6.7500
US\$ 38,000	Put	Sell	2023.01-2024.07	US\$:RMB 7.0200
US\$ 38,000	Put	Sell	2023.01-2024.07	US\$:RMB 7.0150
US\$ 38,000	Put	Sell	2023.01-2024.07	US\$:RMB 7.0000

(Continued)



# POU CHEN CORPORATION

Notional Amount (In Thousands)	Type	Buy/Sell	Maturity Date	Exchange Rate
US\$ 490,000	Put	Sell	2023.01-2023.04	US\$:NT\$ 32.8000-32.9100
US\$ 60,000	Call	Sell	2023.05-2024.11	US\$:HKD 7.7440
US\$ 12,000	Call	Sell	2023.01-2023.04	US\$:RMB 6.7500
US\$ 57,000	Put	Sell	2023.01-2024.07	US\$:RMB 7.0000

(Concluded)

## December 31, 2021

Notional Amount (In Thousands)	Type	Buy/Sell	Maturity Date	Exchange Rate
US\$ 80,000	Put	Sell	2022.03-2023.09	US\$:RMB 7.0130
US\$ 40,000	Put	Sell	2022.03-2023.09	US\$:RMB 7.0100
US\$ 20,000	Put	Sell	2022.02	US\$:RMB 7.0000
US\$ 10,000	Call	Sell	2022.02	US\$:HK\$ 7.7490
US\$ 10,000	Call	Sell	2022.03	US\$:HK\$ 7.7475
US\$ 6,000	Call	Sell	2022.05	US\$:HK\$ 7.7335
US\$ 4,000	Call	Sell	2022.05	US\$:HK\$ 7.7335

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, 2022

Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 30,000	2023.03	US\$:NT\$ 28.1070
US\$ 4,000	2023.08	US\$:NT\$ 29.2680
US\$ 10,200	2023.08	US\$:NT\$ 29.3800
US\$ 1,330	2023.08	US\$:NT\$ 29.3800
US\$ 10,200	2023.08	US\$:NT\$ 29.3800
US\$ 10,000	2023.09	US\$:NT\$ 30.2100
US\$ 2,000	2023.09	US\$:NT\$ 30.2100
US\$ 700	2023.04	US\$:NT\$ 31.1800
US\$ 5,300	2023.11	US\$:NT\$ 30.9580
US\$ 3,000	2023.02	US\$:NT\$ 30.7930
US\$ 2,000	2023.02	US\$:NT\$ 30.7070
US\$ 8,500	2023.03	US\$:NT\$ 30.3430
US\$ 80,300	2023.12	US\$:NT\$ 29.5100
US\$ 4,200	2023.03	US\$:NT\$ 30.4330
US\$ 55,000	2023.02	US\$:NT\$ 30.5470
US\$ 121,000	2023.03	US\$:NT\$ 30.3920
US\$ 15,000	2023.03	US\$:NT\$ 30.3920
US\$ 20,400	2023.03	US\$:NT\$ 30.3920
US\$ 17,500	2023.03	US\$:NT\$ 30.3920
US\$ 55,000	2023.03	US\$:NT\$ 30.3920

(Continued)



## 2022 ANNUAL REPORT



Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 6,600	2023.03	US\$:NT\$ 30.3920
US\$ 3,000	2023.03	US\$:NT\$ 30.3920
US\$ 16,700	2023.12	US\$:NT\$ 29.5520
US\$ 59,000	2023.06	US\$:NT\$ 30.0850
US\$ 36,000	2023.06	US\$:NT\$ 30.0850
US\$ 21,000	2023.06	US\$:NT\$ 30.0850
US\$ 72,600	2023.06	US\$:NT\$ 30.0850
US\$ 7,000	2023.06	US\$:NT\$ 30.0850
US\$ 31,900	2023.06	US\$:NT\$ 30.0850
US\$ 16,900	2023.06	US\$:NT\$ 30.0850
US\$ 28,200	2023.06	US\$:NT\$ 30.0850
US\$ 7,500	2023.06	US\$:NT\$ 30.0850
US\$ 5,000	2023.06	US\$:NT\$ 30.0850
RMB 42,860	2023.03	RMB:NT\$ 4.3433
RMB 900	2023.03	RMB:NT\$ 4.3433
RMB 26,700	2023.09	RMB:NT\$ 4.3280
RMB 280,000	2023.10	RMB:NT\$ 4.3636
RMB 280,000	2023.10	RMB:NT\$ 4.3653
RMB 280,000	2023.09	RMB:NT\$ 4.3719
RMB 100,000	2023.12	RMB:NT\$ 4.3173
RMB 21,036	2023.03	US\$:RMB 6.4606
RMB 21,040	2023.04	US\$:RMB 6.4524
US\$ 6,000	2023.08	US\$:NT\$ 29.3530

(Concluded)

December 31, 2021

Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 9,200	2022.03	US\$:NT\$ 27.7285
US\$ 5,800	2022.03	US\$:NT\$ 27.7285
US\$ 55,000	2022.12	US\$:NT\$ 27.6630
US\$ 2,000	2022.03	US\$:NT\$ 27.8058
US\$ 19,000	2022.03	US\$:NT\$ 27.7960
US\$ 98,000	2022.06	US\$:NT\$ 27.6925
US\$ 23,000	2022.06	US\$:NT\$ 27.6925
US\$ 16,600	2022.06	US\$:NT\$ 27.6930
US\$ 55,000	2022.06	US\$:NT\$ 27.6930
US\$ 20,400	2022.06	US\$:NT\$ 27.6930
US\$ 9,000	2022.06	US\$:NT\$ 27.6930
US\$ 20,000	2022.06	US\$:NT\$ 27.6930
US\$ 17,500	2022.06	US\$:NT\$ 27.6930
US\$ 10,000	2022.06	US\$:NT\$ 27.6930
US\$ 15,000	2022.06	US\$:NT\$ 27.6930
US\$ 43,000	2022.06	US\$:NT\$ 27.6470
US\$ 36,000	2022.06	US\$:NT\$ 27.6470
US\$ 7,500	2022.06	US\$:NT\$ 27.6470
US\$ 7,000	2022.06	US\$:NT\$ 27.6470
US\$ 5,000	2022.06	US\$:NT\$ 27.6470
US\$ 31,900	2022.06	US\$:NT\$ 27.6470

(Continued)



# POU CHEN CORPORATION

Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 21,000	2022.06	US\$:NT\$ 27.6470
US\$ 72,600	2022.06	US\$:NT\$ 27.6470
RMB 42,860	2022.03	RMB:NT\$ 4.2453
RMB 900	2022.03	RMB:NT\$ 4.2453
US\$ 20,196	2022.01	US\$:NT\$ 27.8370
US\$ 15,143	2022.01	US\$:NT\$ 27.8357
US\$ 15,195	2022.01	US\$:NT\$ 27.7373
RMB 14,000	2022.02	US\$:RMB 6.5959
RMB 200,000	2022.03	US\$:RMB 6.5300
RMB 100,000	2022.03	US\$:RMB 6.5300
RMB 14,000	2022.01	US\$:RMB 6.4857
RMB 20,980	2022.04	US\$:RMB 6.4774
RMB 20,800	2022.04	US\$:RMB 6.4774
RMB 33,622	2022.06	US\$:RMB 6.4659
RMB 113,943	2022.06	US\$:RMB 6.4520
RMB 112,200	2022.06	US\$:RMB 6.4521
RMB 229,320	2022.06	US\$:RMB 6.4609
RMB 34,930	2022.06	US\$:RMB 6.4527
US\$ 6,000	2022.04	US\$:NT\$ 27.7820
US\$ 40,000	2022.04	US\$:NT\$ 27.9820

(Concluded)

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
Domestic investments		
Listed shares	\$ 18,042,399	\$ 20,814,168
Unlisted shares	66,792	72,034
Foreign investments		
Unlisted shares	<u>232,838</u>	<u>107,827</u>
	<u>\$ 18,342,029</u>	<u>\$ 20,994,029</u>
Current	\$ 17,501,573	\$ 20,035,436
Non-current	<u>840,456</u>	<u>958,593</u>
	<u>\$ 18,342,029</u>	<u>\$ 20,994,029</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
Domestic investments		
Time deposits with original maturities of more than three months	\$ 2,162,814	\$ 7,001,287
Restricted deposits of repatriated offshore funds	18,419	127,889
Repurchase agreements collateralized by bonds with original maturities of more than three months	-	1,301,848
Foreign investments		
Bonds	2,819,889	1,388,555
Structured products	-	112,510
Commercial paper	-	1,856,821
	<u>\$ 5,001,122</u>	<u>\$ 11,788,910</u>
Current	\$ 1,901,597	\$ 8,630,004
Non-current	<u>3,099,525</u>	<u>3,158,906</u>
	<u>\$ 5,001,122</u>	<u>\$ 11,788,910</u>

Refer to Note 35 to the consolidated financial statements for information relating to investments in financial assets at amortized cost pledged as security.

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

	December 31	
	2022	2021
<u>Notes receivable (including related parties)</u>		
Notes receivable - operating	\$ 39	\$ 42
Notes receivable - non-operating	-	12
	<u>\$ 39</u>	<u>\$ 54</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 29,435,832	\$ 26,741,906
Less: Allowance for impairment loss	<u>(724,541)</u>	<u>(202,341)</u>
	<u>\$ 28,711,291</u>	<u>\$ 26,539,565</u>
<u>Other receivables</u>		
Tax refund receivables	\$ 2,985,457	\$ 1,864,108
Others	1,477,613	1,908,161
Less: Allowance for impairment loss	<u>(859)</u>	<u>(859)</u>
	<u>\$ 4,462,211</u>	<u>\$ 3,771,410</u>



# POU CHEN CORPORATION

## a. Notes receivable

The notes receivable balances at December 31, 2022 and 2021 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 approach considering 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 an account receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts 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, 2022

	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 21,158,537	\$ 7,472,079	\$ 805,216	\$ 29,435,832
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(3,654)</u>	<u>(720,887)</u>	<u>(724,541)</u>
Amortized cost	<u>\$ 21,158,537</u>	<u>\$ 7,468,425</u>	<u>\$ 84,329</u>	<u>\$ 28,711,291</u>

#### December 31, 2021

	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 18,744,496	\$ 7,276,906	\$ 720,504	\$ 26,741,906
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(1,135)</u>	<u>(201,206)</u>	<u>(202,341)</u>
Amortized cost	<u>\$ 18,744,496</u>	<u>\$ 7,275,771</u>	<u>\$ 519,298</u>	<u>\$ 26,539,565</u>

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

	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
Balance at January 1	\$ 202,341	\$ 193,403
Add: Impairment losses recognized on receivable	542,734	24,405
Less: Amounts written off	(26,380)	(12,507)
Foreign exchange losses (gains)	<u>5,846</u>	<u>(2,960)</u>
Balance at December 31	<u>\$ 724,541</u>	<u>\$ 202,341</u>

**11. INVENTORIES**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Inventories - manufacturing and retail	\$ 50,014,348	\$ 57,084,097
Inventories - construction	<u>3,703,765</u>	<u>3,718,519</u>
	<u><u>\$ 53,718,113</u></u>	<u><u>\$ 60,802,616</u></u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Raw materials	\$ 9,267,060	\$ 9,956,480
Work in progress	5,073,217	5,684,914
Finished goods and merchandise	<u>35,674,071</u>	<u>41,442,703</u>
	<u><u>\$ 50,014,348</u></u>	<u><u>\$ 57,084,097</u></u>

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$202,890,708 thousand and \$181,661,384 thousand, respectively.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land and buildings held for development	\$ 3,537,396	\$ 3,565,090
Land and buildings held for sale	55,477	42,537
Land held for construction sites	<u>110,892</u>	<u>110,892</u>
	<u><u>\$ 3,703,765</u></u>	<u><u>\$ 3,718,519</u></u>

**12. OTHER ASSETS**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Prepayments	\$ 9,380,804	\$ 9,284,581
Refundable deposits	646,817	743,665
Defined benefit assets (Note 23)	43,754	43,754
Prepayments for equipment and right-of-use assets	824,102	3,377,146
Others	<u>1,661,014</u>	<u>2,081,819</u>
	<u><u>\$ 12,556,491</u></u>	<u><u>\$ 15,530,965</u></u>
Current	\$ 11,000,965	\$ 11,323,500
Non-current	<u>1,555,526</u>	<u>4,207,465</u>
	<u><u>\$ 12,556,491</u></u>	<u><u>\$ 15,530,965</u></u>



### 13. SUBSIDIARIES

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31	
			2022	2021
Wealthplus Holdings Limited ("Wealthplus")	British Virgin Islands	Investing in footwear, electronics 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 Investment Co., Ltd.	ROC	Investing activities	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	ROC	Design and manufacture of footwear products	100.00%	100.00%
Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	99.81%	99.81%
Barits Development Corporation	ROC	Import and export of shoe related materials and investing activities	99.62%	99.62%

The information of Wealthplus's major subsidiaries is as follows:

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31	
			2022	2021
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacture and sale of athletic and casual footwear and sports apparel	50.04%	50.04%
Pou Sheng International (Holdings) Limited	Bermuda	Retail of sporting goods and brand licensing business	31.30%	31.30%
Tetor Ventures Ltd.	British Virgin Islands	Investment holding	100.00%	100.00%
Allied Charm Holdings Limited	British Virgin Islands	Investment holding	100.00%	100.00%

Win Fortune Investments Limited ("Win Fortune") invested in Yue Yuen (as of December 31, 2022 and 2021 the ownership percentage both were 1.07%). Investing is its primary operation activity.

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	
			2022	2021
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	
			2022	2021
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	
	2022	2021
Yue Yuen Industrial (Holdings) Limited	48.89%	48.89%
Pou Sheng International (Holdings) Limited	37.45%	37.45%

Refer to Table 9 “Information on Investees” of Note 38 to the consolidated financial statements 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	
	2022	2021	2022	2021
Yue Yuen Industrial (Holdings) Limited	\$ 4,352,181	\$ 1,379,082	\$ 61,002,763	\$ 53,860,679
Pou Sheng International (Holdings) Limited	136,743	604,495	14,166,369	13,961,072

Pou Sheng is a subsidiary of Yue Yuen, and the summarized financial information in respect of Yue Yuen and its subsidiaries (including Pou Sheng) is set out below:

	December 31	
	2022	2021
Current assets	\$ 127,247,648	\$ 125,097,332
Non-current assets	111,986,475	110,293,707
Current liabilities	(61,422,845)	(68,239,509)
Non-current liabilities	(38,859,113)	(42,759,978)
Equity	<u>\$ 138,952,165</u>	<u>\$ 124,391,552</u>
Equity attributable to:		
Owners of the Company	\$ 64,140,313	\$ 56,637,201
Non-controlling interests of Yue Yuen	61,002,763	53,860,679
Non-controlling interests of Yue Yuen’s subsidiaries	<u>13,809,089</u>	<u>13,893,672</u>
	<u>\$ 138,952,165</u>	<u>\$ 124,391,552</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 266,681,518</u>	<u>\$ 239,213,417</u>
Net income	\$ 8,796,551	\$ 3,593,688
Other comprehensive (loss) income	<u>(4,005,569)</u>	<u>1,649,653</u>
Total comprehensive income	<u>\$ 4,790,982</u>	<u>\$ 5,243,341</u>

(Continued)



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	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Net income (loss) attributable to:		
Owners of the Company	\$ 4,562,381	\$ 1,442,265
Non-controlling interests of Yue Yuen	4,352,181	1,379,082
Non-controlling interests of Yue Yuen's subsidiaries	<u>(118,011)</u>	<u>772,341</u>
	<u>\$ 8,796,551</u>	<u>\$ 3,593,688</u>
Total comprehensive income (loss) attributable to:		
Owners of the Company	\$ 3,122,539	\$ 2,130,241
Non-controlling interests of Yue Yuen	2,975,413	2,036,921
Non-controlling interests of Yue Yuen's subsidiaries	<u>(1,306,970)</u>	<u>1,076,179</u>
	<u>\$ 4,790,982</u>	<u>\$ 5,243,341</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 29,612,712	\$ 12,133,054
Investing activities	(3,989,953)	(3,908,564)
Financing activities	<u>(18,306,950)</u>	<u>(10,390,640)</u>
Net cash inflow (outflow)	<u>\$ 7,315,809</u>	<u>\$ (2,166,150)</u>
Dividends paid to:		
Non-controlling interests of Yue Yuen	<u>\$ 1,842,914</u>	<u>\$ -</u>
Non-controlling interests of Yue Yuen's subsidiaries	<u>\$ 300,722</u>	<u>\$ 155,101</u>
		(Concluded)

## 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investments in associates	\$ 51,237,635	\$ 90,741,331
Investments in joint ventures	<u>5,635,466</u>	<u>5,468,882</u>
	<u>\$ 56,873,101</u>	<u>\$ 96,210,213</u>

### a. Investments in associates

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Material associate		
Ruen Chen Investment Holding Co., Ltd.	\$ 35,917,433	\$ 76,419,271
Associates that are not individually material	<u>15,320,202</u>	<u>14,322,060</u>
	<u>\$ 51,237,635</u>	<u>\$ 90,741,331</u>

## 1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights (%)	
	December 31	
	2022	2021
Ruen Chen Investment Holding Co., Ltd.	20	20

- a) As of December 6, 2022 and July 29, 2021, the Company purchased 8,000 thousand and 7,200 thousand issued ordinary shares with \$10 per share with the amount of \$80,000 thousand and \$72,000 thousand, respectively.
- b) Due to supply chain disruption caused by the global pandemic and the Russo-Ukrainian war during the past two years, inflation has risen and thus resulted in an extreme spike in the annual interest rate defined by ICS. Therefore, on September 29, 2022, the board of directors of Nan Shan Life Insurance Company Ltd., the subsidiary of Ruen Chen Investment Holding Co., Ltd., approved the resolution in accordance with the provisions of IFRS 9 to change the business model of financial assets management and set October 1, 2022 as the date of reclassification of financial assets.
- c) Refer to Table 9 “Information on Investees” of Note 38 to the consolidated financial statements for business location and business item of the material associates.
- d) 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	
	2022	2021
Assets	\$ 5,264,490,661	\$ 5,279,608,077
Liabilities	(5,058,171,956)	(4,846,656,016)
Non-controlling interests	<u>(26,434,978)</u>	<u>(50,559,148)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 179,883,727</u>	<u>\$ 382,392,913</u>
Proportion of the Group	20.00%	20.00%
Equity attributable to the Group	\$ 35,976,745	\$ 76,478,583
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 35,917,433</u>	<u>\$ 76,419,271</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 477,513,562</u>	<u>\$ 570,159,159</u>
Net income	\$ 29,986,720	\$ 58,697,320
Other comprehensive loss	<u>(251,235,513)</u>	<u>(51,367,996)</u>
Total comprehensive (loss) income	<u>\$ (221,248,793)</u>	<u>\$ 7,329,324</u>



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## 2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights (%)	
	December 31	
	2022	2021
Eagle Nice (International) Holdings Limited	35.97	36.09
San Fang Chemical Industry Co., Ltd.	44.72	44.72
Elitegroup Computer Systems Co., Ltd.	14.53	14.53
Brandblack Inc.	31.25	31.25
Full Pearl International Ltd.	40.04	40.04
Just Lucky Investments Limited	38.30	38.30
Natural Options Limited	38.30	38.30
Oftenrich Holdings Limited	45.00	45.00
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
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.	-	-

- a) Refer to Table 9 “Information on Investees” of Note 38 to the consolidated financial statements for business location and business item of the material associates.
- b) On December 21, 2020, the shareholders meeting decided to liquidate Techview International Technology Inc., starting from December 31, 2020. The dissolution registration was completed on January 18, 2021, and the related procedures of the liquidation were completed on October 19, 2021.
- c) In 2021, the Group disposed partial shares of Elitegroup Computer Systems Co., Ltd. in the public market. A total of 27,689 thousand shares were disposed of. The disposition consideration was \$902,644 thousand, and the profit recognized amounted to \$345,761 thousand which was classified as “non-operating income and expenses, net gain on disposal of subsidiaries, associates and joint ventures”. After the transaction, the shareholding ratio of the Group on Elitegroup Computer Systems Co., Ltd. dropped from 19.5% to 14.53%. The Group holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. However, 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.
- d) The Group holds less than 20% interest of Nan Pao Resins Chemical Co., Ltd. but the Group has the power to appoint one out of the seven directors of Nan Pao; therefore, the Group is able to exercise significant influence over Nan Pao.
- e) The Group holds less than 20% interest of Nan Shan Life Insurance Company, Ltd., however 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.

- f) 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>2022</b>	<b>2021</b>
The Group's share of:		
Net income	\$ 1,562,986	\$ 869,819
Other comprehensive loss	<u>(1,011,316)</u>	<u>(856,485)</u>
Total comprehensive income	<u>\$ 551,670</u>	<u>\$ 13,334</u>

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

	<b>December 31</b>	
<b>Name of Associate</b>	<b>2022</b>	<b>2021</b>
Eagle Nice (International) Holdings Limited	<u>\$ 3,060,951</u>	<u>\$ 3,190,101</u>
Prosperous Industrial (Holdings) Ltd.	<u>\$ 674,543</u>	<u>\$ 1,010,965</u>
San Fang Chemical Industry Co., Ltd.	<u>\$ 3,644,575</u>	<u>\$ 3,710,701</u>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 1,668,928</u>	<u>\$ 1,822,859</u>
Nan Pao Resins Chemical Co., Ltd.	<u>\$ 2,818,333</u>	<u>\$ 3,012,215</u>

b. Investments in joint ventures

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Joint ventures that are not individually material	<u>\$ 5,635,466</u>	<u>\$ 5,468,882</u>

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

	<b>Proportion of Ownership and Voting Rights (%)</b>	
	<b>December 31</b>	
<b>Name of Joint Ventures</b>	<b>2022</b>	<b>2021</b>
Cohen Enterprises Inc.	50.00	50.00
Great Skill Industrial Limited	-	50.00
Hangzhou Baohong Sports Goods Company Limited	50.00	50.00
Hua Jian Industrial Holding Col., Limited	22.41	22.41
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
Prime Glorious Limited	-	49.00
Top Units Developments Limited	49.00	49.00
Twinways Investments Limited	50.00	50.00
Zhong Ao Multiplex Management Limited	46.82	46.82

- 1) Refer to Table 9 "Information on Investees" of Note 38 to the consolidated financial statements for business location and business item of the material associates.



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- 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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
The Group's share of:		
Net income (loss)	\$ 483,427	\$ (397,890)
Other comprehensive (loss) income	<u>(202,687)</u>	<u>129,012</u>
Total comprehensive income (loss)	<u>\$ 280,740</u>	<u>\$ (268,878)</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, 2021	\$ 2,736,025	\$ 85,112,336	\$ 45,910,403	\$ 1,168,561	\$ 8,095,754	\$ 277,324	\$ 1,800,872	\$ 145,101,275
Additions	-	2,040,149	2,417,241	38,686	539,869	25,056	2,221,393	7,282,394
Disposal	-	(2,067,633)	(2,098,303)	(85,597)	(1,171,341)	(6,211)	(9,418)	(5,438,503)
Reclassification	(15,072)	(293,254)	7,446	200	-	-	(2,451,454)	(2,752,074)
Acquisition of subsidiaries	-	747	-	-	2,547	-	-	3,294
Effects of foreign currency exchange differences	-	(1,969,621)	(1,259,873)	(25,969)	(172,404)	(10)	(49,735)	(3,477,612)
Urban renewal	(11,648)	-	-	-	-	-	-	(11,648)
Balance at December 31, 2021	<u>\$ 2,709,365</u>	<u>\$ 82,822,724</u>	<u>\$ 44,976,914</u>	<u>\$ 1,095,881</u>	<u>\$ 7,294,425</u>	<u>\$ 296,159</u>	<u>\$ 1,511,658</u>	<u>\$ 140,707,126</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	\$ (5,241)	\$ (38,010,505)	\$ (30,425,406)	\$ (847,002)	\$ (5,632,880)	\$ (196,955)	\$ -	\$ (75,117,989)
Depreciation expenses	-	(5,668,534)	(4,075,489)	(92,076)	(826,809)	(31,361)	-	(10,694,269)
Disposal	-	1,542,464	1,942,886	80,036	1,101,656	6,088	-	4,673,130
Reclassification	-	1,285,040	-	-	-	-	-	1,285,040
Effects of foreign currency exchange differences	-	902,622	881,613	19,607	129,564	9	-	1,933,415
Balance at December 31, 2021	<u>\$ (5,241)</u>	<u>\$ (39,948,913)</u>	<u>\$ (31,676,396)</u>	<u>\$ (839,435)</u>	<u>\$ (5,228,469)</u>	<u>\$ (222,219)</u>	<u>\$ -</u>	<u>\$ (77,920,673)</u>
Carrying amount at December 31, 2021	<u>\$ 2,704,124</u>	<u>\$ 42,873,811</u>	<u>\$ 13,300,518</u>	<u>\$ 256,446</u>	<u>\$ 2,065,956</u>	<u>\$ 73,940</u>	<u>\$ 1,511,658</u>	<u>\$ 62,786,453</u>
<b>Cost</b>								
Balance at January 1, 2022	\$ 2,709,365	\$ 82,822,724	\$ 44,976,914	\$ 1,095,881	\$ 7,294,425	\$ 296,159	\$ 1,511,658	\$ 140,707,126
Additions	-	1,668,947	2,113,939	80,246	942,270	24,803	1,436,271	6,266,476
Disposal	-	(1,585,548)	(2,500,032)	(77,990)	(245,480)	(7,822)	-	(4,416,872)
Reclassification	240	1,533,564	1,876	-	-	700	(1,645,139)	(108,759)
Disposal of subsidiaries	-	(17,621)	-	-	(7,366)	-	-	(24,987)
Effects of foreign currency exchange differences	-	7,327,371	4,795,900	93,439	554,500	38	160,704	12,931,952
Balance at December 31, 2022	<u>\$ 2,709,605</u>	<u>\$ 91,749,437</u>	<u>\$ 49,388,597</u>	<u>\$ 1,191,576</u>	<u>\$ 8,538,349</u>	<u>\$ 313,878</u>	<u>\$ 1,463,494</u>	<u>\$ 155,354,936</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2022	\$ (5,241)	\$ (39,948,913)	\$ (31,676,396)	\$ (839,435)	\$ (5,228,469)	\$ (222,219)	\$ -	\$ (77,920,673)
Depreciation expenses	-	(4,916,148)	(3,923,746)	(100,889)	(971,719)	(32,556)	-	(9,945,058)
Impairment losses recognized	-	(27,196)	-	-	(3,717)	-	-	(30,913)
Disposal	-	1,370,008	2,277,362	70,572	229,937	7,265	-	3,955,144
Reclassification	-	90,291	-	-	-	-	-	90,291
Disposal of subsidiaries	-	17,621	-	-	7,366	-	-	24,987
Effects of foreign currency exchange differences	-	(3,518,808)	(3,504,028)	(73,799)	(419,159)	(33)	-	(7,515,827)
Balance at December 31, 2022	<u>\$ (5,241)</u>	<u>\$ (46,933,145)</u>	<u>\$ (36,826,808)</u>	<u>\$ (943,551)</u>	<u>\$ (6,385,761)</u>	<u>\$ (247,543)</u>	<u>\$ -</u>	<u>\$ (91,342,049)</u>
Carrying amount at December 31, 2022	<u>\$ 2,704,364</u>	<u>\$ 44,816,292</u>	<u>\$ 12,561,789</u>	<u>\$ 248,025</u>	<u>\$ 2,152,588</u>	<u>\$ 66,335</u>	<u>\$ 1,463,494</u>	<u>\$ 64,012,887</u>

- a. In 2021, the Group participated in an urban renewal project with a parcel of 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.



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

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

- c. The Group has land located in Changhwa County with a carrying amount of \$56,102 thousand. Due to certain restrictions under the land regulations, the ownership of these 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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Land	\$ 8,342,652	\$ 7,827,224
Buildings	9,734,519	12,224,980
Machinery	3,206	6,256
Transportation equipment	3,094	3,406
Other equipment	<u>3,699</u>	<u>4,536</u>
	<u>\$ 18,087,170</u>	<u>\$ 20,066,402</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 3,053,014</u>	<u>\$ 4,651,594</u>
Depreciation charge for right-of-use assets		
Land	\$ 231,690	\$ 142,580
Buildings	4,814,727	5,401,705
Machinery	3,588	5,674
Transportation equipment	3,006	3,922
Other equipment	<u>837</u>	<u>838</u>
	<u>\$ 5,053,848</u>	<u>\$ 5,554,719</u>



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## b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	\$ 3,486,555	\$ 4,323,157
Non-current	<u>6,713,172</u>	<u>8,357,819</u>
	<u>\$ 10,199,727</u>	<u>\$ 12,680,976</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.10%-3.07%	1.10%-3.14%
Buildings	0.90%-6.25%	0.90%-6.25%
Machinery	0.85%-3.07%	0.85%-3.07%
Transportation equipment	4.08%-4.50%	4.25%-4.50%
Other equipment	1.25%-1.34%	1.25%-1.34%

## c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ 459,205	\$ 776,347
Expenses relating to low-value asset leases	\$ 4,233	\$ 5,671
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 4,467,954	\$ 5,507,794
Total cash outflow for leases	<u>\$ 10,293,257</u>	<u>\$ 12,028,974</u>

## 17. INVESTMENT PROPERTIES

	<b>Rights of Land</b>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2021	\$ -	\$ 1,918,600	\$ 1,731,316	\$ 3,649,916
Additions	-	-	598	598
Disposals	-	(738)	(95)	(833)
Reclassification	-	14,203	(577)	13,626
Urban renewal- buildings and land exchange	-	(14,134)	137,702	123,568
Effects of foreign currency exchange differences	-	-	(41,353)	(41,353)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,917,931</u>	<u>\$ 1,827,591</u>	<u>\$ 3,745,522</u>

(Continued)



	Rights of Land	Land	Buildings	Total
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2021	\$ -	\$ (9,550)	\$ (813,326)	\$ (822,876)
Depreciation expenses	-	-	(25,324)	(25,324)
Disposals	-	-	82	82
Reclassification	-	291	(372)	(81)
Effects of foreign currency exchange differences	-	-	20,753	20,753
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (9,259)</u>	<u>\$ (818,187)</u>	<u>\$ (827,446)</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ 1,908,672</u>	<u>\$ 1,009,404</u>	<u>\$ 2,918,076</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ -	\$ 1,917,931	\$ 1,827,591	\$ 3,745,522
Reclassification	201,304	14,924	3,022,975	3,239,203
Effects of foreign currency exchange differences	-	-	121,920	121,920
Balance at December 31, 2022	<u>\$ 201,304</u>	<u>\$ 1,932,855</u>	<u>\$ 4,972,486</u>	<u>\$ 7,106,645</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2022	\$ -	\$ (9,259)	\$ (818,187)	\$ (827,446)
Depreciation expenses	(6,618)	-	(149,612)	(156,230)
Reclassification	-	(9,259)	(240,726)	(231,467)
Effects of foreign currency exchange differences	138	-	(85,558)	(85,420)
Balance at December 31, 2022	<u>\$ (6,480)</u>	<u>\$ -</u>	<u>\$ (1,294,083)</u>	<u>\$ (1,300,563)</u>
Carrying amount at December 31, 2022	<u>\$ 194,824</u>	<u>\$ 1,932,855</u>	<u>\$ 3,678,403</u>	<u>\$ 5,806,082</u>

(Concluded)

- a. The investment properties are depreciated using the straight-line method over 30-55 years.
- b. The Group participated in an urban renewal project, which included the Group's land and buildings, with Huaku Development Co., Ltd. on a parcel of land located in Songshan District, Taipei City. After the completion of the construction project in December 2021, the Group acquired the new buildings and land while Huaku Development Co., Ltd. also acquired some of the new buildings which belong to the Group according to the agreement. The gain from disposal of investment properties was \$123,568 thousand by exchanging the land at the original cost of \$14,134 thousand for the buildings and land with a total fair value of \$137,702 thousand. The gain was recorded as "gain from disposal of investment properties" under non-operating income and expense.



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- c. The fair value of investment properties is comprehensively evaluated by the management of the Group, who use the evaluation model adopted by the market review and independent evaluators. The fair value of the Group's investment properties as of December 31, 2022 and 2021 was \$12,967,385 thousand and \$5,573,665 thousand, respectively.
- d. The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2022 and 2021 was as follows:

	December 31	
	2022	2021
Year 1	\$ 884,927	\$ 234,455
Year 2	760,686	194,345
Year 3	714,226	185,348
Year 4	538,645	175,689
Year 5	384,568	105,212
Year 6 onwards	<u>502,464</u>	<u>174,681</u>
	<u>\$ 3,785,516</u>	<u>\$ 1,069,730</u>

## 18. GOODWILL

	2022	2021
<u>Cost</u>		
Balance at January 1	\$ 8,029,090	\$ 8,220,167
Effects of foreign currency exchange differences	<u>705,680</u>	<u>(191,077)</u>
Balance at December 31	<u>\$ 8,734,770</u>	<u>\$ 8,029,090</u>
<u>Accumulated impairment</u>		
Balance at January 1	\$ (254,905)	\$ (262,272)
Effects of foreign currency exchange differences	<u>(27,842)</u>	<u>7,367</u>
Balance at December 31	<u>\$ (282,747)</u>	<u>\$ (254,905)</u>
Carrying amount at December 31	<u>\$ 8,452,023</u>	<u>\$ 7,774,185</u>

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

	December 31	
	2022	2021
<u>Goodwill</u>		
Manufacturing and marketing of footwear materials	\$ 5,631,876	\$ 5,076,374
Manufacturing and marketing of sports apparel	10,626	9,577
Retailing business - retail and distribution of sportswear products	2,353,707	2,305,024
Others	<u>455,814</u>	<u>383,210</u>
	<u>\$ 8,452,023</u>	<u>\$ 7,774,185</u>

The Group has evaluated the recoverable amount of these cash-generating units for the years ended December 31, 2022 and 2021, and the recoverable amount of these cash-generating units was determined based on the value in use. The value in use was calculated based on used cash flow forecasts of the financial budgets approved by the management covering a five-year period. The growth rates were based on the forecasts of the relevant industries.

The discount rates and growth rates used in the value calculations for these cash-generating units were as follows:

	December 31			
	2022		2021	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Manufacturing and marketing of footwear materials	18%-22%	2%	15%-20%	2%
Manufacturing and marketing of sports apparel	18%-22%	1%	15%-20%	2%
Retailing business - retail and distribution of sportswear products	18%-22%	3%	15%-20%	3%

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

## 19. OTHER INTANGIBLE ASSETS

	Patents	Trademarks	Computer Software	Brand Names	Licensing Agreements	Non-compete Agreements	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 68	\$ 37	\$ 1,153,410	\$ 2,047,057	\$ 440,500	\$ 694,399	\$ 4,335,471
Additions	92	61	284,027	-	-	-	284,180
Effect of foreign currency exchange differences	-	-	(50)	(14,847)	(3,377)	(5,001)	(23,275)
Balance at December 31, 2021	<u>\$ 160</u>	<u>\$ 98</u>	<u>\$ 1,437,387</u>	<u>\$ 2,032,210</u>	<u>\$ 437,123</u>	<u>\$ 689,398</u>	<u>\$ 4,596,376</u>
<u>Accumulated amortization and impairment</u>							
Balance at January 1, 2021	\$ (9)	\$ (4)	\$ (68,672)	\$ (1,677,472)	\$ (364,772)	\$ (349,734)	\$ (2,460,663)
Amortization expenses	(11)	(9)	(67,182)	(366,262)	(30,923)	(36,635)	(501,022)
Impairment losses recognized	-	-	-	-	(44,535)	-	(44,535)
Effect of foreign currency exchange differences	-	-	8	11,524	3,107	2,475	17,114
Balance at December 31, 2021	<u>\$ (20)</u>	<u>\$ (13)</u>	<u>\$ (135,846)</u>	<u>\$ (2,032,210)</u>	<u>\$ (437,123)</u>	<u>\$ (383,894)</u>	<u>\$ (2,989,106)</u>
Carrying amount at December 31, 2021	<u>\$ 140</u>	<u>\$ 85</u>	<u>\$ 1,301,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,504</u>	<u>\$ 1,607,270</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 160	\$ 98	\$ 1,437,387	\$ 2,032,210	\$ 437,123	\$ 689,398	\$ 4,596,376
Additions	213	-	317,475	-	-	-	317,688
Disposal	-	-	(230)	-	(311,023)	-	(311,253)
Effect of foreign currency exchange differences	-	-	885	40,193	39,396	13,646	94,120
Balance at December 31, 2022	<u>\$ 373</u>	<u>\$ 98</u>	<u>\$ 1,755,517</u>	<u>\$ 2,072,403</u>	<u>\$ 165,496</u>	<u>\$ 703,044</u>	<u>\$ 4,696,931</u>

(Continued)



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	Patents	Trademarks	Computer Software	Brand Names	Licensing Agreements	Non-compete Agreements	Total
Accumulated amortization and impairment							
Balance at January 1, 2022	\$ (20)	\$ (13)	\$ (135,846)	\$ (2,032,210)	\$ (437,123)	\$ (383,894)	\$ (2,989,106)
Amortization expenses	(18)	(10)	(78,026)	-	-	(37,278)	(115,332)
Disposal	-	-	230	-	311,023	-	311,253
Effect of foreign currency exchange differences	-	-	(238)	(40,193)	(39,396)	(7,755)	(87,582)
Balance at December 31, 2022	<u>\$ (38)</u>	<u>\$ (23)</u>	<u>\$ (213,880)</u>	<u>\$ (2,072,403)</u>	<u>\$ (165,496)</u>	<u>\$ (428,927)</u>	<u>\$ (2,880,767)</u>
Carrying amount at December 31, 2022	<u>\$ 335</u>	<u>\$ 75</u>	<u>\$ 1,541,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,117</u>	<u>\$ 1,816,164</u>

(Concluded)

The above items of other intangible assets are amortized on a straight-line basis over the estimated useful life of the asset:

Items	Estimated Useful Life
Patents	10-20 years
Trademarks	10 years
Computer software	3-20 years
Brand names	5 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

## 20. BORROWINGS

### a. Short-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Credit borrowings	<u>\$ 20,611,809</u>	<u>\$ 25,552,433</u>

The range of effective interest rate on bank borrowings was 1.00%-7.47%% and 0.55%-3.85% per annum as of December 31, 2022 and 2021, respectively.

### b. Short-term bills payable

December 31, 2022

	Annual Interest Rate (%)	Amount
Commercial papers		\$ 1,581,000
Less: Unamortized discount on bills payable	1.38-2.15	<u>(899)</u>
		<u>\$ 1,580,101</u>

December 31, 2021

	<b>Annual Interest Rate (%)</b>	<b>Amount</b>
Commercial papers		\$ 2,564,000
Less: Unamortized discount on bills payable	0.35-0.70	<u>(907)</u>
		<u>\$ 2,563,093</u>

## c. Long-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Unsecured borrowings</u>		
Bank loans	\$ 61,981,571	\$ 66,266,209
Less: Long-term expenses of syndicated loans	(55,923)	(86,888)
Less: Current portion	<u>(11,923,464)</u>	<u>(9,791,986)</u>
	<u>\$ 50,002,184</u>	<u>\$ 56,387,335</u>

Maturity date and range of annual interest rate:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Maturity date</u>		
Long-term borrowings	2024.01.15- 2026.11.29	2023.01.15- 2026.11.29
Current portion of long-term borrowings	2023.01.15- 2023.12.20	2022.01.15- 2022.12.09
<u>Range of interest rate</u>	0.94%-5.54%	0.67%-2.50%

**21. NOTES PAYABLE AND ACCOUNTS PAYABLE**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Notes payable (including related parties)</u>		
Operating	\$ 2,671	\$ 2,997
Non-operating	<u>1,323</u>	<u>2,788</u>
	<u>\$ 3,994</u>	<u>\$ 5,785</u>
Accounts payable (including related parties)	<u>\$ 12,536,177</u>	<u>\$ 17,406,222</u>

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



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## 22. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries	\$ 11,006,308	\$ 10,587,551
Payables for purchase of property, plant and equipment	1,297,784	1,408,786
Compensation due to directors	178,867	174,982
Employee compensation payables	483,415	508,379
Interest payables	292,424	122,759
Payables for annual leave	1,015,231	1,119,012
Others	<u>7,421,424</u>	<u>6,796,369</u>
	<u>\$ 21,695,453</u>	<u>\$ 20,717,838</u>
Current	\$ 21,540,287	\$ 20,547,217
Non-current	<u>155,166</u>	<u>170,621</u>
	<u>\$ 21,695,453</u>	<u>\$ 20,717,838</u>

## 23. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans - Yue Yuen and its subsidiaries - Indonesia

The net amounts in respect of the defined benefit liability were \$2,583,417 thousand and \$3,661,094 thousand as of December 31, 2022 and 2021, respectively. Movements in the net defined benefit liability were as follows:

	For the Year Ended December 31	
Present Value of Defined Benefit Obligation	2022	2021
Balance at January 1	<u>\$ 3,661,094</u>	<u>\$ 3,220,119</u>
Current service cost	346,293	301,601
Past service (gain) loss	(981,803)	184,663
Net interest expense	183,265	223,064
Others	<u>(57,568)</u>	<u>(837)</u>
Recognized in profit or loss	<u>(509,813)</u>	<u>708,491</u>
Remeasurement		
Actuarial loss arising from changes in demographic assumptions	-	25,798
Actuarial gain arising from changes in financial assumptions	(299,730)	(66,736)
Actuarial (gain) loss arising from experience adjustments	(21,343)	91,704
Effect of exchange rate changes of remeasurement	<u>(102,019)</u>	<u>(11,127)</u>
Recognized in other comprehensive income	<u>(423,092)</u>	<u>39,639</u>

(Continued)



Present Value of Defined Benefit Obligation	For the Year Ended December 31	
	2022	2021
Benefits paid	\$ (333,954)	\$ (186,540)
Effect of exchange rate changes on foreign plans	<u>189,182</u>	<u>(120,615)</u>
Balance at December 31	<u>\$ 2,583,417</u>	<u>\$ 3,661,094</u> (Concluded)

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2022	2021
Discount rate	7.25%-7.50%	7.40%-7.60%
Expected rate of salary increase	4.00%-7.00%	5.00%-8.00%

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (55,584)</u>	<u>\$ (99,586)</u>
0.25% decrease	<u>\$ 63,527</u>	<u>\$ 117,729</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 67,640</u>	<u>\$ 122,791</u>
0.25% decrease	<u>\$ (59,943)</u>	<u>\$ (105,398)</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	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 106,042</u>	<u>\$ 33,105</u>
Average duration of the defined benefit obligation	14.3-33.8 years	15.6-33.9 years



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## 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 Act 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>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 567,459	\$ 605,528
Fair value of plan assets	<u>(465,195)</u>	<u>(350,235)</u>
Net defined benefit liability	<u>\$ 102,264</u>	<u>\$ 255,293</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, 2021	<u>\$ 608,646</u>	<u>\$ (348,738)</u>	<u>\$ 259,908</u>
Current service cost	2,017	-	2,017
Past service cost	588	-	588
Net interest expense (income)	3,361	(1,933)	1,428
Others	<u>(6,638)</u>	<u>-</u>	<u>(6,638)</u>
Recognized in profit or loss	<u>(672)</u>	<u>(1,933)</u>	<u>(2,605)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,840)	(5,840)
Actuarial loss arising from changes in demographic assumptions	18,712	-	18,712
Actuarial loss arising from experience adjustments	<u>19,985</u>	<u>-</u>	<u>19,985</u>
Recognized in other comprehensive income (loss)	<u>38,697</u>	<u>(5,840)</u>	<u>32,857</u>
Contributions from the employer	-	(30,922)	(30,922)
Benefits paid	(31,034)	31,034	-
Others	<u>(10,109)</u>	<u>6,164</u>	<u>(3,945)</u>
Balance at December 31, 2021	<u>\$ 605,528</u>	<u>\$ (350,235)</u>	<u>\$ 255,293</u>

(Continued)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2022	\$ 605,528	\$ (350,235)	\$ 255,293
Current service cost	1,341	-	1,341
Net interest expense (income)	3,278	(1,907)	1,371
Others	(54,929)	-	(54,929)
Recognized in profit or loss	(50,310)	(1,907)	(52,217)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(31,447)	(31,447)
Actuarial loss arising from changes in demographic assumptions	31	-	31
Actuarial gain arising from changes in financial assumptions	(42,226)	-	(42,226)
Actuarial loss arising from experience adjustments	25,827	-	25,827
Exchange differences on foreign plans	491	-	491
Recognized in other comprehensive income (loss)	(15,877)	(31,447)	(47,324)
Contributions from the employer	-	(75,285)	(75,285)
Benefits paid	(29,327)	29,327	-
Others	57,445	(35,648)	21,797
Balance at December 31, 2022	\$ 567,459	\$ (465,195)	\$ 102,264 (Concluded)

Through the defined benefit plan under the Labor Standards Act, 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	
	2022	2021
Discount rate	1.50%	0.50%
Expected rate of salary increase	2.25%-3.25%	2.00%-3.25%



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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	<u>\$ (12,518)</u>	<u>\$ (16,581)</u>
0.25% decrease	<u>\$ 12,935</u>	<u>\$ 17,170</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 12,607</u>	<u>\$ 16,609</u>
0.25% decrease	<u>\$ (12,249)</u>	<u>\$ (16,105)</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>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 27,793</u>	<u>\$ 28,760</u>
The average duration of the defined benefit obligation	8.8-11.8 years	9.5-13.2 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 Act 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 liability (assets) under the Labor Standards Act (excluding Yue Yuen and its subsidiaries) were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Defined benefit liability	\$ 376,170	\$ 566,047
Less: Defined benefit assets (Note 12)	<u>(43,754)</u>	<u>(43,754)</u>
	<u>\$ 332,416</u>	<u>\$ 522,293</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>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 1,325,198	\$ 1,412,321
Fair value of plan assets	<u>(992,782)</u>	<u>(890,028)</u>
Net defined benefit liability	<u>\$ 332,416</u>	<u>\$ 522,293</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, 2021	<u>\$ 1,324,789</u>	<u>\$ (793,494)</u>	<u>\$ 531,295</u>
Current service cost	6,869	-	6,869
Past service cost	23,769	-	23,769
Net interest expense (income)	<u>6,598</u>	<u>(3,756)</u>	<u>2,842</u>
Recognized in profit or loss	<u>37,236</u>	<u>(3,756)</u>	<u>33,480</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,637)	(10,637)
Actuarial loss arising from changes in demographic assumptions	29,302	-	29,302
Actuarial loss arising from experience adjustments	<u>58,864</u>	<u>-</u>	<u>58,864</u>
Recognized in other comprehensive income (loss)	<u>88,166</u>	<u>(10,637)</u>	<u>77,529</u>
Contributions from the employer	-	(120,277)	(120,277)
Benefits paid	(38,136)	38,136	-
Others	<u>266</u>	<u>-</u>	<u>266</u>
Balance at December 31, 2021	<u>\$ 1,412,321</u>	<u>\$ (890,028)</u>	<u>\$ 522,293</u>
Balance at January 1, 2022	<u>\$ 1,412,321</u>	<u>\$ (890,028)</u>	<u>\$ 522,293</u>
Current service cost	7,319	-	7,319
Past service cost	(319)	-	(319)
Net interest expense (income)	<u>7,036</u>	<u>(4,244)</u>	<u>2,792</u>
Recognized in profit or loss	<u>14,036</u>	<u>(4,244)</u>	<u>9,792</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(65,634)	(65,634)
Actuarial loss arising from changes in demographic assumptions	459	-	459
Actuarial gain arising from changes in financial assumptions	(107,622)	-	(107,622)
Actuarial loss arising from experience adjustments	<u>68,892</u>	<u>-</u>	<u>68,892</u>
Recognized in other comprehensive loss	<u>(38,271)</u>	<u>(65,634)</u>	<u>(103,905)</u>

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	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Contributions from the employer	\$ -	\$ (152,558)	\$ (152,558)
Benefits paid	(119,682)	119,682	-
Others	<u>56,794</u>	<u>-</u>	<u>56,794</u>
Balance at December 31, 2022	<u>\$ 1,325,198</u>	<u>\$ (992,782)</u>	<u>\$ 332,416</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>2022</b>	<b>2021</b>
Operating costs	\$ 48	\$ 42
Selling and marketing expenses	7	22
General and administrative expenses	5,521	18,674
Research and development expenses	<u>4,216</u>	<u>14,742</u>
	<u>\$ 9,792</u>	<u>\$ 33,480</u>

Through the defined benefit plan under the Labor Standards Act, 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>2022</b>	<b>2021</b>
Discount rate	1.38%-1.50%	0.50%
Expected rate of salary increase	2.00%-2.25%	2.00%



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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	<u>\$ (32,948)</u>	<u>\$ (38,191)</u>
0.25% decrease	<u>\$ 34,185</u>	<u>\$ 39,718</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 33,323</u>	<u>\$ 38,457</u>
0.25% decrease	<u>\$ (32,283)</u>	<u>\$ (37,180)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 16,401</u>	<u>\$ 15,207</u>
The average duration of the defined benefit obligation	8.5-11.0 years	9.0-12.3 years

## 24. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2022</b>	<b>2021</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>2022</b>	<b>2021</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)		
Recognized from issuance of ordinary shares	\$ 848,603	\$ 848,603
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	109,637	109,637

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	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>May only be used to offset a deficit</u>		
Recognized from the changes in ownership to subsidiaries (Note 2)	27,234	27,234
Recognized from the share of changes in net assets of associates and joint ventures	133,171	133,410
Others	<u>29,644</u>	<u>28,416</u>
	<u>\$ 4,420,389</u>	<u>\$ 4,419,400</u> (Concluded)

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

Note 2: Such capital surplus are the changes in equity transactions recognized from the equity changes of subsidiaries when the Company does not actually receive or dispose of subsidiaries' shares.

## c. Retained earnings and dividend policy

Under the dividend policy of the Articles, the Company should make appropriations from the annual net profit in the following order:

- 1) For paying taxes.
- 2) For offsetting deficits.
- 3) For the legal reserve at 10% of the remaining profit, and for the special reserve to be appropriated and distributed according to regulations or upon request by the FSC.
- 4) The total of any remaining profit after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then the remainder distributed as proposed according to the 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 compensation of employees and remuneration of directors and supervisors and the actual appropriations, refer to Note 26 (h) to the consolidated financial statements.

In accordance with the "Articles", profit may be distributed after taking into consideration the future development plan, financial condition, business and operational status, and so on. The distribution of profit shall be proposed by the board of directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be no less than 30% of the net profit for each fiscal year, and the proportion of cash dividends distributed shall be no less than 30% of total dividends distributed. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profit.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490, Rule No. 1030006415 and Rule No. 1110384722 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2021 and 2020, which were approved in the board of directors' meetings on April 28, 2022 and April 28, 2021, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For Year 2021</b>	<b>For Year 2020</b>
Legal reserve	<u>\$ 1,439,249</u>	<u>\$ 482,716</u>
Cash dividends	<u>\$ 4,420,181</u>	<u>\$ 1,473,394</u>
Dividends Per Share (NT\$)	<u>\$ 1.50</u>	<u>\$ 0.50</u>

d. Other equity item

1) Exchange differences on the translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (7,414,850)	\$ (5,491,369)
Exchange differences on translation of the financial statements of foreign operations	7,455,985	(1,950,282)
Share of exchange differences of associates and joint ventures accounted for using the equity method	<u>(315,029)</u>	<u>26,801</u>
Balance at December 31	<u>\$ (273,894)</u>	<u>\$ (7,414,850)</u>

2) Unrealized gain or loss on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 14,613,616	\$ 24,305,081
Unrealized (loss) gain from equity instruments	(2,548,098)	3,236,492
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	7,027	5,661
Disposal of associates accounted for using the equity method	-	(235)
Share of loss from associates and joint ventures accounted for using the equity method	<u>(15,593,388)</u>	<u>(12,933,383)</u>
Balance at December 31	<u>\$ (3,520,843)</u>	<u>\$ 14,613,616</u>



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## 3) Cash flow hedges

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ -	\$ 1,195
Loss on changes in the fair value of hedging instruments	<u>-</u>	<u>(1,195)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

## 4) Others

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 12,620,038	\$ 8,629,040
Share of (loss) gain from associates and joint ventures accounted for using the equity method	<u>(30,148,895)</u>	<u>3,990,998</u>
Balance at December 31	<u>\$ (17,528,857)</u>	<u>\$ 12,620,038</u>

## e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 68,063,798	\$ 67,133,743
Share of non-controlling interests		
Net profit	4,244,611	2,164,136
Exchange differences on translation of the financial statements of foreign operations	5,024,816	(1,384,556)
Unrealized (loss) gain on financial assets at FVTOCI	(283,665)	464,019
Others	(587)	78
Remeasurement of defined benefit plans	185,164	(29,706)
Accumulated loss from disposal of equity instruments shifted to retained earnings	-	(8)
Changes in non-controlling interests	<u>(2,118,680)</u>	<u>(283,908)</u>
Balance at December 31	<u>\$ 75,115,457</u>	<u>\$ 68,063,798</u>

## 25. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Sales revenue	\$ 266,754,592	\$ 239,262,613
Revenue from entertainment and resort	481,492	365,431
Others	<u>260,716</u>	<u>256,365</u>
	<u>\$ 267,496,800</u>	<u>\$ 239,884,409</u>



**26. 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>2022</b>	<b>2021</b>
Interest income		
Cash in bank	\$ 749,201	\$ 503,821
Repurchase agreements collateralized by bonds	1,201	132
Financial assets at amortized cost	187,806	230,433
Others	<u>43</u>	<u>111</u>
	<u>\$ 938,251</u>	<u>\$ 734,497</u>

## b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income	\$ 854,819	\$ 608,560
Dividend income	818,175	916,719
Others	<u>1,932,754</u>	<u>1,975,070</u>
	<u>\$ 3,605,748</u>	<u>\$ 3,500,349</u>

## c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Net loss on disposal of property, plant and equipment	\$ (196,303)	\$ (353,185)
Net gain on disposal of investment properties	-	123,555
Net foreign exchange gain	1,390,715	182,406
Net gain on disposal of subsidiaries, associates and joint ventures	97,664	1,237,587
Net gain on financial assets at FVTPL	490,749	727,347
Recognized of impairment loss	(119,597)	(402,090)
Others	<u>(366,656)</u>	<u>(157,406)</u>
	<u>\$ 1,296,572</u>	<u>\$ 1,358,214</u>

## d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank borrowings	\$ 2,018,368	\$ 1,262,316
Interest on short-term bills payable	27,535	11,545
Lease liabilities	486,239	594,737
Other interest expense	<u>81</u>	<u>91</u>
	<u>\$ 2,532,223</u>	<u>\$ 1,868,689</u>



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e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 9,945,058	\$ 10,694,269
Right-of-use assets	5,053,848	5,554,719
Investment properties	156,230	25,324
Other intangible assets	115,332	501,022
Other prepaid expenses	<u>1,586</u>	<u>1,437</u>
	<u>\$ 15,272,054</u>	<u>\$ 16,776,771</u>
An analysis of depreciation by function		
Operating costs	\$ 5,900,903	\$ 6,367,435
Operating expenses	9,105,713	9,901,058
Non-operating expenses	<u>148,520</u>	<u>5,819</u>
	<u>\$ 15,155,136</u>	<u>\$ 16,274,312</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 116,918</u>	<u>\$ 502,459</u>

f. Direct operating expenses from investment properties

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Direct operating expenses from investment properties that generated rental income	<u>\$ 45,953</u>	<u>\$ 42,454</u>

g. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 62,240,570	\$ 56,420,382
Post-employment benefits		
Defined contribution plans	9,002,126	5,897,521
Defined benefit plans	<u>(552,238)</u>	<u>739,366</u>
	8,449,888	6,636,887
Share-based payments		
Equity-settled	119,868	131,781
Termination benefits	<u>11,443</u>	<u>8,733</u>
	<u>\$ 70,821,769</u>	<u>\$ 63,197,783</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 47,917,974	\$ 40,559,889
Operating expenses	<u>22,903,795</u>	<u>22,637,894</u>
	<u>\$ 70,821,769</u>	<u>\$ 63,197,783</u>

As of December 31, 2022 and 2021, there were 314,352 and 320,740 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.



#### h. Employee's compensation and remuneration of directors

According to the Company's Articles, the Company shall distribute employees' compensation and remuneration of directors at rates of 1%-5% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employee's compensation is approved by the board of directors to be distributed by shares or by cash, and the receivers should be those employees who meet certain criteria. 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.

The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 which were approved by the Company's board of directors on, March 16, 2023 and March 16, 2022, respectively, were as follows:

##### Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	1.6%	1.6%
Remuneration of directors	0.8%	0.8%

##### Amount

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Employees' compensation	\$ 221,811	\$ -	\$ 229,168	\$ -
Remuneration of directors	110,906	-	114,584	-

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 and will be adjusted in the following year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on employees' compensation and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.



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## 27. 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>2022</b>	<b>2021</b>
Current tax		
In respect of the current period	\$ 4,429,634	\$ 1,796,035
Income tax expense of unappropriated earnings	423,888	139,469
Adjustments for prior year's income tax	<u>(8,941)</u>	<u>(39,272)</u>
	<u>4,844,581</u>	<u>1,896,232</u>
Deferred tax		
In respect of the current period	<u>(302,470)</u>	<u>(1,342,941)</u>
	<u>(302,470)</u>	<u>(1,342,941)</u>
Income tax expense recognized in profit or loss	<u>\$ 4,542,111</u>	<u>\$ 553,291</u>

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.

As the status of 2023 shareholders' meeting regarding the appropriations of earnings is uncertain, the potential income tax consequences of 2022 unappropriated earnings are not reliably determinable.

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>2022</b>	<b>2021</b>
Income before income tax	<u>\$ 21,431,577</u>	<u>\$ 17,156,734</u>
Income tax expense calculated at the statutory rate	\$ 4,286,315	\$ 3,431,346
Tax effect of adjusting items		
Tax-exempt income	(160,305)	(246,105)
Investment income recognized under equity method	(1,508,154)	(2,195,458)
Others	1,509,308	(536,689)
Income tax on unappropriated earnings	423,888	139,469
Adjustments for prior years' income tax	<u>(8,941)</u>	<u>(39,272)</u>
Income tax expense recognized in profit or loss	<u>\$ 4,542,111</u>	<u>\$ 553,291</u>



## b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
In respect of the current year	\$ <u>85,872</u>	\$ <u>(31,354)</u>
Total income tax recognized in other comprehensive income or loss	\$ <u>85,872</u>	\$ <u>(31,354)</u>

## c. Deferred tax assets and liabilities

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax assets</u>		
Temporary differences		
Others	\$ <u>3,828,203</u>	\$ <u>3,560,596</u>
<u>Deferred tax liabilities</u>		
Temporary differences		
Land value increment tax	\$ 86,547	\$ 86,547
Others	<u>870,849</u>	<u>819,840</u>
	\$ <u>957,396</u>	\$ <u>906,387</u>

## d. Income tax assessments

Except for 2019, all the Company's income tax returns as of 2020 have been assessed by the tax authorities.

**28. EARNINGS PER SHARE**

The basic earnings per share and diluted earnings per share for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Net profit (in thousand dollars)</u>		
Earnings used in the computation of earnings per share	\$ <u>12,644,855</u>	\$ <u>14,439,307</u> (Continued)



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	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Weighted average number of shares outstanding (in thousand shares)</u>		
Weighted average number of common shares used in the computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive common shares:		
Employees' compensation	<u>8,037</u>	<u>7,622</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>2,954,824</u>	<u>2,954,409</u>
<u>Earnings per share (in dollars)</u>		
Basic earnings per share	<u>\$4.29</u>	<u>\$4.90</u>
Diluted earnings per share	<u>\$4.28</u>	<u>\$4.89</u>
		(Concluded)

The Company may settle the compensation paid to employees by cash or shares; therefore, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 29. 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 of 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, 2022 and 2021 was as follows:

	<b>Number of Shares (In Thousands)</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	1,740	1,040
Options granted	1,184	2,715
Options cancelled	(270)	(66)
Options exercised	<u>(1,184)</u>	<u>(1,949)</u>
Balance at December 31	<u>1,470</u>	<u>1,740</u>



Information about the employee share options on the grant date during the years ended December 31, 2022 and 2021, was as follows:

	Granted on March 23, 2022	Granted on January 27, 2022	Granted on June 1, 2021	Granted on March 31, 2021	Granted on February 8, 2021
Grant date share price	HK\$ 12.78	HK\$ 12.64	HK\$ 19.88	HK\$ 19.40	HK\$ 17.02
Number of shares (in thousand shares)	830	354	1,800	636	279

Yue Yuen recognized \$105,271 thousand and \$107,903 thousand compensation cost for the years ended December 31, 2022 and 2021, 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 March 7, 2012, and will be expired 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 shall not exceed the following limits:
  - i. The total number of shares in respect of which options may be granted under the Pou Sheng Scheme is not permitted to exceed 10% of the shares of Pou Sheng in issue at any point in time;
  - ii. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of Pou Sheng in issue at any point in time; and
  - iii. Options in excess of 0.1% of Pou Sheng's share capital or with a value in excess of HK\$5 million (US\$0.6 million) may not be granted to substantial shareholders or independent non-executive directors.

b) Exercise price:

The exercise price is to be determined by the directors of Pou Sheng and will not be less than the highest of:

- i. The closing price of Pou Sheng's shares on the date of grant;
- ii. The average closing price of Pou Sheng's shares for the five business days immediately preceding the date of grant; and
- iii. The nominal value of Pou Sheng's share.



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- 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 outstanding share options for the years ended December 31, 2022 and 2021 was as follows:

	<u>For the Year Ended December 31</u>			
	<u>2022</u>		<u>2021</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	-	\$ -	1,166	\$ 2.49
Options cancelled	-	-	(1,166)	2.49
Options exercised	-	-	-	-
Balance at December 31	-	-	-	-
Exercisable options at December 31	-	-	-	-

Information about outstanding employee share options as of December 31, 2022 and 2021, was as follows:

Pou Sheng recognized \$0 thousand in compensation costs for both of the years ended December 31, 2022 and 2021, respectively.

- 2) On May 9, 2014 and amended on November 11, 2016, 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, 2022 and 2021 was as follows:

	<b>Number of Shares (In Thousands)</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	15,968	19,597
Options granted	1,200	10,644
Options cancelled	(2,228)	(2,256)
Options exercised	<u>(6,777)</u>	<u>(12,017)</u>
Balance at December 31	<u>8,163</u>	<u>15,968</u>

Information about the employee share options on the grant date during the years ended December 31, 2022 and 2021, was as follows:

	<b>Granted on November 11, 2022</b>	<b>Granted on August 13, 2021</b>	<b>Granted on March 24, 2021</b>
Grant date share price	HK\$ 0.465	HK\$ 1.57	HK\$ 1.78
Number of shares (in thousand shares)	1,200	2,304	8,340

Pou Sheng recognized \$14,597 thousand and \$23,878 thousand compensation cost for the years ended December 31, 2022 and 2021, respectively.

### 30. BUSINESS COMBINATIONS

Kunshan Baowei Information Technology Co., LTD. was originally a 55% joint venture held by the Group. Since the Group acquired 45% of its remaining equity from non-related parties on December 31, 2021, it has become a 100% subsidiary held by the Group.

#### a. Consideration transferred

Transfer of inventories at fair value on the date of acquisition	<u>\$ 765,906</u>
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#### b. Assets acquired and liabilities assumed at the date of acquisition

##### Assets

Cash and cash equivalents	\$ 41,132
Trade and other receivables	1,151,101
Inventories	2,391,331
Other current assets	144,794
Property, plant and equipment	3,294
Right-of-use assets	15,058

(Continued)



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## Liabilities

Short-term borrowing	\$ (652,279)
Trade and other payables	(1,294,428)
Income tax payable	(2,713)
Lease liability- current	(15,058)
Other current liabilities	<u>(80,244)</u>
	<u>\$ 1,701,988</u>
	(Concluded)

### c. Goodwill recognized on acquisitions

Fair value of identifiable net assets acquired	\$ 1,701,988
Less: Fair value of the original holding shares	(936,082)
Less: Consideration paid in inventories	<u>(765,906)</u>

Goodwill recognized on acquisitions \$ -

### d. Net cash inflow on acquisition of subsidiaries

Consideration paid in cash	\$ -
Less: Cash and cash equivalent balances acquired	<u>41,132</u>
	<u>\$ 41,132</u>

## 31. DISPOSAL OF SUBSIDIARIES

The Group disposed the subsidiaries and lost control in 2022. The assets and liabilities of the subsidiaries on the date of disposal were as follows:

### Assets

Cash and cash equivalents	\$ 30,512
Receivables and other receivables	41,783
Other current assets	5,588
Inventories	21,241
Other assets	12,573
Deferred tax assets	286

### Liabilities

Payables and other payables	(25,273)
Lease liabilities	<u>(17,780)</u>
	<u>\$ 68,930</u>

### a. Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 48,070
Net value of net assets disposed of	(68,930)
Non-controlling interests	<u>20,860</u>

Gain on disposal \$ -



## b. Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 48,070
Less: Cash and cash equivalents balance disposed of	<u>(30,512)</u>
	<u>\$ 17,558</u>

**32. CAPITAL MANAGEMENT**

The Group's capital management policy is to ensure that 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.

**33. FINANCIAL INSTRUMENTS**

## a. Fair value of financial instruments not measured at fair value

The Group's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

## b. Fair value of financial instruments 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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 360,499	\$ -	\$ 360,499
Structured deposits	-	2,254,267	-	2,254,267
Mutual funds	<u>300,373</u>	<u>-</u>	<u>629,709</u>	<u>930,082</u>
	<u>\$ 300,373</u>	<u>\$ 2,614,766</u>	<u>\$ 629,709</u>	<u>\$ 3,544,848</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 18,042,399	\$ -	\$ -	\$ 18,042,399
Domestic unlisted shares	-	-	66,792	66,792
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>232,838</u>	<u>232,838</u>
	<u>\$ 18,042,399</u>	<u>\$ -</u>	<u>\$ 299,630</u>	<u>\$ 18,342,029</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 155,274</u>	<u>\$ -</u>	<u>\$ 155,274</u>



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December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 120,412	\$ -	\$ 120,412
Structured deposits	-	2,831,408	-	2,831,408
Mutual funds	<u>516,897</u>	<u>-</u>	<u>621,019</u>	<u>1,137,916</u>
	<u>\$ 516,897</u>	<u>\$ 2,951,820</u>	<u>\$ 621,019</u>	<u>\$ 4,089,736</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 20,814,168	\$ -	\$ -	\$ 20,814,168
Domestic unlisted shares	-	-	72,034	72,034
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>107,827</u>	<u>107,827</u>
	<u>\$ 20,814,168</u>	<u>\$ -</u>	<u>\$ 179,861</u>	<u>\$ 20,994,029</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 310,731</u>	<u>\$ -</u>	<u>\$ 310,731</u>

- 2) There were no transfers between Levels 1 and 2 in the current and prior periods.
- 3) There was no reconciliation of Level 3 fair value measurements of financial assets except for additions, disposals, and changes in fair value recognized in other comprehensive income.
- 4) The fair value of Level 2 financial assets and financial liabilities is determined as follows:
  - a) The fair value of financial instruments with standard terms and conditions and traded in active liquid markets is determined with reference to the quoted market prices.
  - b) The future cash flows of derivatives are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- 5) Valuation techniques and assumptions applied for Level 3 fair value measurement is as follows:

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

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$ 3,544,848	\$ 4,089,736
Financial assets at amortized cost (Note 1)	78,139,109	71,293,950
Financial assets at FVTOCI	18,342,029	20,994,029
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	155,274	310,731
Financial liabilities at amortized cost (Note 2)	118,402,239	132,461,774



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, lease liabilities, 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 exposed to foreign currency risk at the end of the reporting period are set out in Note 37 to the consolidated financial statements.

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 strengthening 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>2022</b>	<b>2021</b>
USD	\$ 35,717	\$ 13,381
RMB	(83,698)	(67,216)
HKD	(2,336)	(2,463)
VND	3,275	(36,828)
IDR	(2,287)	2,495



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	
	2022	2021
Cash flow interest rate risk		
Financial liabilities	\$ 75,530,185	\$ 72,950,880

Sensitivity analysis

The sensitivity analysis below was based on the Group's floating rate liabilities. The analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole period. If there had been a 1%-increase in interest rates, the Group's income before income tax would have decreased by \$755,302 thousand and \$729,509 thousand during the years ended December 31, 2022 and 2021, 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 analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had declined by 1%, income before income tax for the years ended December 31, 2022 and 2021 would have decreased by \$9,301 thousand and \$11,379 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the years ended December 31, 2022 and 2021 would have decreased by \$180,613 thousand and \$208,331 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity securities investment has not changed significantly from the previous year.

2) Credit risk

Financial instruments are evaluated for credit risk (which represents the potential loss that would be incurred by the Company if a counterparty or third party were to breach a contract). The risk includes the centralization of credit risk, components, contract figures, and accounts receivable. Besides, the Company requires significant clients to provide guarantees of a credit rating of intermediate or higher issued by a bank so as to effectively reduce its credit risk.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

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

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

##### December 31, 2022

	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 liabilities	\$ 16,968,010	\$ 8,259,348	\$ 8,854,020	\$ 143,150	\$ 60,154
Lease liabilities	347,271	1,102,741	2,406,212	5,917,883	1,557,611
Floating interest rate liabilities	7,943,134	6,325,400	13,675,710	47,585,941	-
Fixed interest rate liabilities	2,504,900	1,989,712	3,537,000	3,930,000	-
Financial guarantee contracts	1,323,122	-	-	-	-
	<u>\$ 29,086,437</u>	<u>\$ 17,677,201</u>	<u>\$ 28,472,942</u>	<u>\$ 57,576,974</u>	<u>\$ 1,617,765</u>

##### December 31, 2021

	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 liabilities	\$ 21,395,833	\$ 7,964,596	\$ 8,599,921	\$ 126,862	\$ 54,567
Lease liabilities	429,953	1,236,371	3,080,886	7,297,386	1,969,302
Floating interest rate liabilities	13,628,086	5,823,610	2,498,003	51,001,181	-
Fixed interest rate liabilities	3,807,854	3,236,578	9,270,833	5,913,209	-
Financial guarantee contracts	1,228,716	-	-	-	-
	<u>\$ 40,490,442</u>	<u>\$ 18,261,155</u>	<u>\$ 23,449,643</u>	<u>\$ 64,338,638</u>	<u>\$ 2,023,869</u>

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



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

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

### December 31, 2022

	<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>
Forward exchange contracts	\$ 535	\$ 55,011	\$ 1,933	\$ -	\$ -
Exchange rate swap contracts	-	6,040	31,503	-	-
Exchange rate option contracts	<u>2,615</u>	<u>5,727</u>	<u>51,910</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,150</u>	<u>\$ 66,778</u>	<u>\$ 85,346</u>	<u>\$ -</u>	<u>\$ -</u>

### December 31, 2021

	<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>
Interest rate swap contracts	\$ -	\$ 71,691	\$ 174,440	\$ 40,537	\$ -
Exchange rate swap contracts	587	3,400	20,074	-	-
Exchange rate option contracts	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 587</u>	<u>\$ 75,093</u>	<u>\$ 194,514</u>	<u>\$ 40,537</u>	<u>\$ -</u>

## 34. 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

<u>Name</u>	<u>Related Party Category</u>
Oftenrich Holdings Limited	Associate
San Fang Chemical Industry Co., Ltd.	Associate
Ka Yuen Rubber Factory Limited	Joint venture
Twinways Investments Limited	Joint venture
Kunshan Baowei Information Technology Co., Ltd.	Joint ventures (subsidiary after December 31, 2021)
Shandong Liwei Economic and Trade Co., Ltd.	Other related party





## b. Operating revenue

Account	Related Party Category	For the Year Ended December 31	
		2022	2021
Sales	Associates	\$ 193,651	\$ 104,517
	Joint ventures	377,504	7,376,939
	Others	<u>99,643</u>	<u>-</u>
		<u>\$ 670,798</u>	<u>\$ 7,481,456</u>

The sales prices and receivable terms to related parties were not significantly different from those of non-related parties.

## c. Purchases

Account	Related Party Category	For the Year Ended December 31	
		2022	2021
Purchases	Associates	\$ 3,166,329	\$ 2,269,832
	Joint ventures	<u>5,088,976</u>	<u>4,699,832</u>
		<u>\$ 8,255,305</u>	<u>\$ 6,969,664</u>

The purchase prices and payment terms from related parties were not significantly different from those of non-related parties.

## d. Receivables from related parties

Account Item	Related Party Category	December 31	
		2022	2021
Notes receivable and accounts receivable	Associates	\$ 21,439	\$ 23,555
	Joint ventures	<u>10,686</u>	<u>11,732</u>
		<u>\$ 32,125</u>	<u>\$ 35,287</u>

No bad debt expense was recognized for the years ended December 31, 2022 and 2021 for the amounts owed by related parties.

## e. Payables to related parties

Account Item	Related Party Category	December 31	
		2022	2021
Notes payable and accounts payable	Associates	\$ 575,581	\$ 541,642
	Joint ventures	<u>1,011,328</u>	<u>983,574</u>
		<u>\$ 1,586,909</u>	<u>\$ 1,525,216</u>

## f. Financing provided

Refer to Table 1 “Financing provided to others” of Note 38 to the consolidated financial statements.



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g. Endorsements/guarantees provided

Refer to Table 2 “Endorsements/guarantees provided” of Note 38 to the consolidated financial statements.

h. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 283,197	\$ 283,112

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

## 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the issuance of gift vouchers:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Financial assets at amortized cost	\$ 59,292	\$ 61,885

## 36. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

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

(Unit: Foreign Currencies in Thousands)

<b>Foreign Currencies</b>	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
USD	\$ 1,491	\$ 227,202
VND	9,185,381	9,185,381

b. The Company’s investment in Nan Shan Life Insurance Co., Ltd. was through Ruen Chen Investment Holding Co., Ltd. Accordingly, the Company has received a request from the FSC to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Commercial Bank for ten years. The trust was already expired, and the shares were collected on September 15, 2021.

c. The Company entered into project agreements with the Institute for Information Industry. According to the project agreements, the Company has to provide promissory notes and bank guarantees to Taipei Computer Association as guarantee.

**37. 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, 2022

	<b>Foreign Currencies (In Thousand)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousand)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 65,989	30.71	\$ 2,026,513
NTD	292,083	1	292,083
RMB	2,944,840	4.408	12,980,856
HKD	65,125	3.938	256,462
VND	609,899,225	0.00129	786,770
IDR	258,398,485	0.00198	511,629
Non-monetary items			
USD	4,647	30.71	142,719
NTD	1,089,222	1	1,089,222
RMB	411,326	4.408	1,813,123
<u>Financial liabilities</u>			
Monetary items			
USD	182,273	30.71	5,597,601
NTD	1,445,804	1	1,445,804
RMB	1,046,122	4.408	4,611,305
HKD	5,762	3.938	22,692
VND	937,428,682	0.00129	1,209,283
IDR	144,059,091	0.00198	285,237
Non-monetary items			
USD	790	30.71	24,249



# POU CHEN CORPORATION

December 31, 2021

	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 47,116	27.68	\$ 1,304,170
NTD	400,640	1	400,640
RMB	1,672,358	4.344	7,264,723
HKD	82,682	3.549	293,439
VND	4,003,682,500	0.00120	4,804,419
IDR	112,914,646	0.00198	223,571
Non-monetary items			
USD	2,819	27.68	78,023
NTD	914,603	1	914,603
RMB	553,449	4.344	2,404,184
<u>Financial liabilities</u>			
Monetary items			
USD	95,568	27.68	2,645,316
NTD	1,676,025	1	1,676,025
RMB	124,959	4.344	542,823
HKD	13,327	3.549	47,298
VND	934,709,167	0.00120	1,121,651
IDR	238,915,657	0.00198	473,053
Non-monetary items			
USD	848	27.68	23,474

For the years ended December 31, 2022 and 2021, net foreign exchange gains were \$1,390,715 thousand and \$182,406 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's entities.

## 38. 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 \$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital (Table 5)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital (None)



- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital (Table 6)
  - 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital (Table 7)
  - 9) Trading in derivative instruments (Note 33)
  - 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 the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 11)

### 39. 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) Retail of sporting goods and brand licensing business; and
- 3) Others.



# POU CHEN CORPORATION

## b. Segment revenue and results

The Group's revenue and results by reportable segment were as follows:

For the year ended December 31, 2022

	<b>Manufacturing of Shoes</b>	<b>Retail of Sporting Goods and Brand Licensing Business</b>	<b>Others</b>	<b>Total</b>
Revenues from external customers	<u>\$ 184,653,213</u>	<u>\$ 81,992,394</u>	<u>\$ 851,193</u>	<u>\$ 267,496,800</u>
Segment income	<u>\$ 25,228,939</u>	<u>\$ 4,009,926</u>	<u>\$ 596,904</u>	<u>\$ 29,835,769</u>
Administrative cost, remuneration of directors				(19,239,699)
Interest income				938,251
Rental income				854,819
Dividend income				818,175
Other income				1,932,754
Net loss on disposal of property, plant and equipment				(196,303)
Net foreign exchange gain				1,390,715
Net gain on disposal of joint ventures				97,664
Net gain on financial assets at FVTPL				490,749
Recognized of impairment loss				(119,597)
Other loss				(366,656)
Net loss on derecognition of financial assets at amortized cost				(13,610)
Finance costs				(2,532,223)
Share of profit of associates and joint ventures				<u>7,540,769</u>
Income before income tax				<u>\$ 21,431,577</u>



For the year ended December 31, 2021

	<b>Manufacturing of Shoes</b>	<b>Retail of Sporting Goods and Brand Licensing Business</b>	<b>Others</b>	<b>Total</b>
Revenues from external customers	<u>\$ 137,659,922</u>	<u>\$ 101,485,349</u>	<u>\$ 739,138</u>	<u>\$ 239,884,409</u>
Segment income	<u>\$ 13,361,352</u>	<u>\$ 5,896,011</u>	<u>\$ 505,828</u>	\$ 19,763,191
Administrative cost, remuneration of directors and supervisors				(17,287,482)
Interest income				734,497
Rental income				608,560
Dividend income				916,719
Other income				1,975,070
Net loss on disposal of property, plant and equipment				(353,185)
Gain from disposal of investment properties				123,555
Net foreign exchange gain				182,406
Net gain on disposal of associates and joint ventures				1,237,587
Net gain on financial assets at FVTPL				727,347
Recognized of impairment loss				(402,090)
Other loss				(157,406)
Net loss on derecognition of financial assets at amortized cost				(20,636)
Finance costs				(1,868,689)
Share of profit of associates and joint ventures				<u>10,977,290</u>
Income before income tax				<u>\$ 17,156,734</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, interest income, rental income, dividend income, other income, net loss on disposal of property, plant and equipment, gain from disposal of investment properties, net gain on disposal of associates and joint ventures, net foreign exchange gain, net gain on financial instruments, recognized of impairment loss, other loss, finance costs, net 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.



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## c. Geographical information

The Group's revenues from continuing operations from external customers by location of operations were detailed below.

	Revenues from External Customers	
	For the Year Ended December 31	
	2022	2021
Asia	\$ 140,818,785	\$ 148,515,327
USA	60,900,301	47,376,663
Europe	49,579,789	33,837,673
Others	<u>16,197,925</u>	<u>10,154,746</u>
	<u>\$ 267,496,800</u>	<u>\$ 239,884,409</u>

## d. Information on major customers

Revenue recognized from the manufacture of shoes in 2022 and 2021, amounted to \$184,653,213 thousand and \$137,659,922 thousand, respectively. Except as detailed in the following table, no other single customer contributed 10% or more to the Group's revenue in both 2022 and 2021.

	For the Year Ended December 31			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Customer A	\$ 65,648,198	25	\$ 49,160,977	20
Customer B	<u>40,988,517</u>	<u>15</u>	<u>37,679,247</u>	<u>16</u>
	<u>\$ 106,636,715</u>	<u>40</u>	<u>\$ 86,840,224</u>	<u>36</u>



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

Continued)



# POU CHEN CORPORATION

No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (Note 2)	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3 and 4)	Aggregate Financing Amount (Note 3 and 4)	Note
													Item	Value			
11	Pou Chen Enterprise Co., Ltd.	J-Tech, Sporting Enterprise Ltd. Yue Yuen Industrial (Holdings) Limited	Accounts receivable from related parties Accounts receivable from related parties	Yes Yes	\$ 800,000 (US\$ 28,000,000)	\$ 800,000 -	\$ 800,000 -	0.91 -	2 2	\$ -	Operating capital Operating capital	\$ -	- -	- -	\$ 2,170,415 2,170,415	\$ 2,170,415 2,170,415	
12	Yue Dem Technology Corporation	J-Tech, Sporting Enterprise Ltd.	Accounts receivable from related parties	Yes	500,000	-	-	-	2	-	Operating capital	-	-	-	848,932	848,932	
13	Dongguan Yuhang Shoe Industry Co., Ltd.	Yang Xin Pou Jin Shoes Manufacturing Co., Ltd. Dongguan Yue Poo Chen Footwear Company Limited	Accounts receivable from related parties Accounts receivable from related parties	Yes Yes	135,180 (RMB 30,000,000)	- (RMB 1,102,000)	- (RMB 140,000,000)	- 2.59	2 2	- (RMB 617,120)	Operating capital Operating capital	- -	- -	- -	1,568,784 1,568,784	1,568,784 1,568,784	
	Shangqiao Yuen Industry Co., Ltd.	Shangqiao Yuen Industry Co., Ltd.	Accounts receivable from related parties	Yes	66,120 (RMB 15,000,000)	66,120 (RMB 15,000,000)	66,120 (RMB 15,000,000)	2.56	2	- (RMB 66,120)	Operating capital	-	-	-	1,568,784	1,568,784	
	Yichuan Yuen Industry Co., Ltd.	Yichuan Yuen Industry Co., Ltd.	Accounts receivable from related parties	Yes	110,200 (RMB 25,000,000)	110,200 (RMB 25,000,000)	110,200 (RMB 25,000,000)	2.56	2	- (RMB 110,200)	Operating capital	-	-	-	1,568,784	1,568,784	
	Dongguan Yu Xiang Shoes Material Co., Ltd.	Dongguan Yu Xiang Shoes Material Co., Ltd.	Accounts receivable from related parties	Yes	132,240 (RMB 30,000,000)	132,240 (RMB 30,000,000)	132,240 (RMB 30,000,000)	2.56	2	- (RMB 66,120)	Operating capital	-	-	-	1,568,784	1,568,784	
14	Bao Hong (Yangzhou) Shoes Co., Ltd.	Shangqiao Yuen Industry Co., Ltd.	Accounts receivable from related parties	Yes	270,360 (RMB 60,000,000)	-	-	-	2	-	Operating capital	-	-	-	975,186	975,186	
15	Bai Jin Pou Yuen Footwear Development Co., Ltd.	Yao Xing (Jishui) Footwear Co., Ltd.	Accounts receivable from related parties	Yes	27,036 (RMB 6,000,000)	26,448 (RMB 6,000,000)	26,448 (RMB 6,000,000)	3.33	2	-	Operating capital	-	-	-	250,908	250,908	
16	Yiyang Yuhang Shoes Industrial Co., Ltd.	Yuen (Yifeng) Mould Co., Ltd.	Accounts receivable from related parties	Yes	31,543 (RMB 7,000,000)	-	-	3.33	2	-	Operating capital	-	-	-	162,616	162,616	
17	Yichuan Yuen Industry Co., Ltd.	Yiyang (Yifeng) Mould Co., Ltd.	Accounts receivable from related parties	Yes	35,264 (RMB 8,000,000)	35,264 (RMB 8,000,000)	35,264 (RMB 8,000,000)	3.33	2	-	Operating capital	-	-	-	755,128	755,128	
18	Shangqiao Yuen Industry Co., Ltd.	Yang Xin Pou Jin Shoes Manufacturing Co., Ltd.	Accounts receivable from related parties	Yes	178,720 (RMB 40,000,000)	88,160 (RMB 20,000,000)	-	2.59	2	-	Operating capital	-	-	-	1,883,392	1,883,392	
19	Yue Yuen (Auto) Footwear Co., Ltd.	Yang Xin Pou Jin Shoes Manufacturing Co., Ltd.	Accounts receivable from related parties	Yes	447,300 (RMB 100,000,000)	440,800 (RMB 100,000,000)	-	2.59	2	-	Operating capital	-	-	-	2,306,277	2,306,277	
20	Posayan Vietnam Company Limited	Powervent Vietnam Company Limited	Accounts receivable from related parties	Yes	641,780 (US\$ 203,500,000)	311,413 (US\$ 10,140,416)	311,413 (US\$ 10,140,416)	6.00	2	-	Operating capital	-	-	-	5,920,519	5,920,519	
21	Precision Full Investments Limited	Bangladesh Poi Hong Industrial Limited	Accounts receivable from related parties	Yes	1,433,746 (US\$ 454,000,000)	697,731 (US\$ 22,720,000)	697,731 (US\$ 22,720,000)	-	2	-	Operating capital	-	-	-	5,291,114	5,291,114	
22	Pt. Hardness Abadi Indonesia	Pt. Nikomas Gemilang	Accounts receivable from related parties	Yes	683,560 (US\$ 23,000,000)	307,100 (US\$ 10,000,000)	307,100 (US\$ 10,000,000)	0.80	2	-	Operating capital	-	-	-	1,078,936	1,078,936	
	Pt. Pou Chen Indonesia	Pt. Pou Chen Indonesia	Accounts receivable from related parties	Yes	1,145,000 (US\$ 40,000,000)	-	-	-	2	-	Operating capital	-	-	-	1,078,936	1,078,936	
23	Waltrip Holdings Limited	Barris Development Corporation Pou Chen Corporation	Accounts receivable from related parties Accounts receivable from related parties	Yes Yes	9,732,740 (RMB 940,000,000) (US\$ 182,000,000)	9,732,740 (RMB 940,000,000) (US\$ 182,000,000)	9,732,740 (RMB 940,000,000) (US\$ 182,000,000)	-	2 2	- -	Operating capital Operating capital	- -	- -	- -	47,923,838 159,752,792	47,923,838 159,752,792	
24	Pou Sheng (China) Investment Co., Ltd.	Qingdao Pou-Sheng International Sport Products Co., Ltd.	Loans receivable	Yes	1,574,874 (RMB 349,506,000)	1,540,622 (RMB 349,506,000)	946,886 (RMB 214,765,461)	4.35	2	-	Operating capital	-	-	-	2,122,404	2,122,404	

Note 1: The Company is coded as follows:

- a. The Company is coded "Q".  
b. 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:

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

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

- a. The maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:  
1) Business relationship: Each of the financing amount shall not exceed the amount of our business relationship. Business relationship means higher amount of the purchases from or sales to both sides in the current year or in the future year and shall not exceed 10% of the Company's net worth.  
2) The need for short-term financing: Each of the financing amount shall not exceed 10% of the Company's net worth.

- b. The total maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:  
1) Business relationship: Each of the financing amount shall not exceed 10% of the Company's net worth.  
2) The need for short-term financing: Each of the financing amount shall not exceed 40% of the Company's net worth.  
3) Among foreign companies which the Company holds 100% voting rights directly and indirectly, when financing is necessary, the amount is not limited by the above information. However, the limit amount of financing to others during one year shall not exceed the borrower's net worth.

Note 4: When Dong Guan Baosiqiao Electronic Technology Co., Ltd. engages in fund lending, for subsidiaries in which Pou Chen Corporation holds 100% interest directly or indirectly, each of the financing amount shall not exceed 100% of total equity of Pou Chen's consolidated financial statements. When Yue Yuen Industrial (Holdings) Limited engages in fund lending, the financing amount shall not exceed 40% of total equity in the Yue Yuen's consolidated financial statements. Foreign companies on which Yue Yuen Industrial (Holdings) Limited holds 100% voting rights directly and indirectly: The financing amount shall not exceed 100% of total equity of Yue Yuen's consolidated financial statement. 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 Waltrip Holdings Limited holds 100% voting rights directly and indirectly: The financing amount shall not exceed 100% of total equity of Waltrip Holdings Limited financial statements. Each of the financing amount shall not exceed 30% 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

No. (Note 1)	Endorsement/ Guarantee Provider	Endorse/Guarantee Name	Relationship (Note 2)	Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Assets Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
	Pou Sheng International (Holdings) Limited	Kun Shan Pou-Chi Sports Co., Ltd.	b	\$ 71,535,254	\$ 1,971 (RMB 437,500)	\$ -	\$ -	\$ -	-	\$ 143,070,509	N	Y	
		Kun Shan YYSports E-Commerce Co., Ltd.	b	71,535,254	469,187 (RMB 104,125,000)	-	-	-	-	143,070,509	N	Y	
		Guizhou Pou-Sheng Sport Products Co., Ltd.	b	71,535,254	45,060 (RMB 10,000,000)	-	-	-	-	143,070,509	N	Y	
		Jiangxi Bao Yuan Trade Co., Ltd.	b	71,535,254	38,864 (RMB 8,400,000)	-	-	-	-	143,070,509	N	Y	
		Guangzhou Pou-Yuan Trading Co., Ltd.	b	71,535,254	4,071,540 (US\$ 132,000,000)	-	-	-	-	143,070,509	N	Y	
		Pou Sheng (China) Investment Co., Ltd.	b	71,535,254	15,369,204 (RMB 2,518,000,000)	-	2,555,808 (RMB 579,811,279)	-	-	143,070,509	N	Y	
		Taiwang Yue-Shan Sporting Goods Co., Ltd.	b	71,535,254	4,240,399 (RMB 950,000,000)	-	-	-	-	143,070,509	N	Y	
		Yue-Shen (Taiwang) Footwear Co., Ltd.	b	71,535,254	127,199 (US\$ 132,000,000)	-	-	-	-	143,070,509	N	Y	
		Nanning Pou-Kung Sport Products Co., Ltd.	b	71,535,254	25,346 (RMB 5,625,000)	-	-	-	-	143,070,509	N	Y	
		Shenzhen Pou-Yuen Sport Products Co., Ltd.	b	71,535,254	12,166 (RMB 2,740,000)	-	-	-	-	143,070,509	N	Y	
		RCC Box Sports Management Co., Ltd.	b	71,535,254	25,000 (RMB 5,625,000)	135,000	125,000	-	-	143,070,509	N	Y	
		Fujian Pou Sheng Sporting Goods Co., Ltd.	b	71,535,254	2,886 (RMB 1,750,000)	-	-	-	-	143,070,509	N	Y	
		Hainan Baosun Electronic Commerce Co., Ltd.	b	71,535,254	13,336,985 (RMB 2,490,900,000)	-	-	-	-	143,070,509	N	Y	
		Hainan Shangwei Electronic Commerce Co., Ltd.	b	71,535,254	3,147,425 (US\$ 66,000,000)	-	3,587,325 (RMB 813,804,651)	-	-	143,070,509	N	Y	
3	Pou Sheng (China) Investment Co., Ltd.	Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	b	10,612,022	1,538,686 (RMB 341,720,000)	-	-	-	-	21,224,044	N	Y	
		Hebei Pouxun Sporting Goods Co., Ltd.	b	10,612,022	94,929 (RMB 21,100,000)	-	-	-	-	21,224,044	N	Y	
		Jiangxi Bao Yuan Trade Co., Ltd.	b	10,612,022	1,780,000 (RMB 1,780,000)	-	-	-	-	21,224,044	N	Y	
		Shaanxi Pousheng Trading Co., Ltd.	b	10,612,022	103,638 (RMB 23,000,000)	-	-	-	-	21,224,044	N	Y	
		Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	b	10,612,022	22,530 (RMB 5,000,000)	-	-	-	-	21,224,044	N	Y	
		Taiwang Yue-Shan Sporting Goods Co., Ltd.	b	10,612,022	6,617 (RMB 13,400,000)	-	-	-	-	21,224,044	N	Y	
		Henan YYSports Sport Products Co., Ltd.	b	10,612,022	143,532 (RMB 32,000,000)	-	-	-	-	21,224,044	N	Y	
		Guizhou Pou-Sheng Sport Products Co., Ltd.	b	10,612,022	54,072 (RMB 12,000,000)	-	-	-	-	21,224,044	N	Y	
		Qingdao Pou-Sheng International Sport Products Co., Ltd.	b	10,612,022	226,530 (RMB 50,500,000)	-	-	-	-	21,224,044	N	Y	
		Shenzhen Pou-Yuen Sport Products Co., Ltd.	b	10,612,022	200,000 (RMB 45,000,000)	-	-	-	-	21,224,044	N	Y	
		Shanghai Shengdao Sports Goods Company Limited	b	10,612,022	1,776,200 (RMB 400,000,000)	-	-	-	-	21,224,044	N	Y	
		Shanghai Shengjie Sports Goods Company Limited	b	10,612,022	871,109 (RMB 197,620,000)	-	-	-	-	21,224,044	N	Y	

Note 1: The Company is coded as follows:

- The Company is coded "W".
- 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:

- Business relationship.
- A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- A company that is a subsidiary of the Company.
- 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.
- A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 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 15% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 40% of the Company's net worth. The aggregate amount of endorsements/guarantees provided by the Pou Sheng International (Holdings) Limited shall not exceed 40% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of the Company's net worth. The aggregate amount of endorsements/guarantees provided by the Pou Sheng (China) Investment Co., Ltd. shall not exceed 40% of its net worth.

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

(Concluded)



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TABLE 3

## POU CHEN CORPORATION AND SUBSIDIARIES

### MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022			Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value
Pou Chen Corporation	Ordinary shares		Financial assets at FVTOCI - current	196,523,748	\$ 5,964,496	1.41	\$ 5,964,496
	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	615,473	34,959	0.21	34,959
	Taiwan Pailho Limited		Financial assets at FVTOCI - non-current	4,633,929	46,691	10.71	46,691
	Zhiyuan Venture Capital Co., Ltd.		Financial assets at FVTOCI - non-current	100,000	793	4.00	793
Wealthplus Holdings Limited	Ordinary shares		Financial assets at FVTOCI - non-current	17,086,572	188,094	5.88	188,094
	Golden Brands Developments Ltd.		Financial assets at FVTOCI - non-current	1,624,353	(US\$ 6,124,822)	6.69	(US\$ 6,124,822)
	Great Team Backend Foundry, Inc.		Financial assets at FVTOCI - non-current		(US\$ 44,744)		(US\$ 44,744)
	Bonds		Financial assets at amortized cost - non-current		(US\$ 1,456,985)		(US\$ 1,456,985)
	Natwest Markets PL		Financial assets at amortized cost - non-current		443,452	-	443,452
	Emirates Nbd Bank Plsc. Senior Bond		Financial assets at amortized cost - non-current		(US\$ 14,440,000)	-	(US\$ 14,440,000)
	Qatar National Bank Senior Bond		Financial assets at amortized cost - non-current		140,633	-	140,633
	Standard Chartered Perpetual Bond		Financial assets at amortized cost - non-current		(US\$ 4,579,405)	-	(US\$ 4,579,405)
	Barclay & Co., Ltd. Perpetual Bond		Financial assets at amortized cost - non-current		154,305	-	154,305
	Credit Suisse Group AG Perpetual Bond		Financial assets at amortized cost - non-current		(US\$ 5,024,572)	-	(US\$ 5,024,572)
	Natwest Markets PL Perpetual Bond		Financial assets at amortized cost - non-current		337,161	-	337,161
	Deutsche Bank Perpetual Bond		Financial assets at amortized cost - non-current		(US\$ 10,978,863)	-	(US\$ 10,978,863)
	Societe Generale Perpetual Bond		Financial assets at amortized cost - non-current		258,105	-	258,105
	Sweetbank Perpetual Bond		Financial assets at amortized cost - non-current		(US\$ 8,404,601)	-	(US\$ 8,404,601)
	BNP Paribas Perpetual Bond		Financial assets at amortized cost - non-current		75,219	-	75,219
	Bank Of America Senior Bond		Financial assets at amortized cost - non-current		(US\$ 2,449,321)	-	(US\$ 2,449,321)
	The Goldman Sachs Group Inc. Senior Bond		Financial assets at amortized cost - non-current		116,921	-	116,921
	HSBC Holdings Senior Bond		Financial assets at amortized cost - non-current		(US\$ 3,807,280)	-	(US\$ 3,807,280)
	Groupe BPCE Subordinated Bond		Financial assets at amortized cost - non-current		120,926	-	120,926
Wealthplus Holdings Limited	Structured product		Financial assets at amortized cost - non-current		(US\$ 3,937,682)	-	(US\$ 3,937,682)
	12-month, USD structured time deposit contract		Financial assets at amortized cost - non-current		100,074	-	100,074
Win Fortune Investments Limited	Fund		Financial assets at amortized cost - non-current		(US\$ 3,258,675)	-	(US\$ 3,258,675)
	Prodigy Strategic Investment Fund XXII Segregated Portfolio		Financial assets at amortized cost - non-current		93,599	-	93,599
			Financial assets at amortized cost - non-current		(US\$ 3,047,825)	-	(US\$ 3,047,825)
			Financial assets at amortized cost - non-current		95,924	-	95,924
			Financial assets at amortized cost - non-current		(US\$ 3,123,534)	-	(US\$ 3,123,534)
			Financial assets at amortized cost - non-current		293,529	-	293,529
			Financial assets at amortized cost - non-current		(US\$ 9,558,101)	-	(US\$ 9,558,101)
			Financial assets at amortized cost - non-current		300,775	-	300,775
			Financial assets at amortized cost - non-current		(US\$ 9,794,040)	-	(US\$ 9,794,040)
			Financial assets at amortized cost - non-current		259,399	-	259,399
			Financial assets at amortized cost - non-current		(US\$ 8,446,717)	-	(US\$ 8,446,717)
			Financial assets at amortized cost - non-current		29,867	-	29,867
			Financial assets at amortized cost - non-current		(US\$ 972,537)	-	(US\$ 972,537)
			Financial assets mandatorily at FVTPL - current		620,649	-	620,649
			Financial assets mandatorily at FVTPL - non-current		(US\$ 20,210,000)	-	(US\$ 20,210,000)
			Financial assets mandatorily at FVTPL - non-current	36,100	(US\$ 131,324)	-	(US\$ 131,324)
			Financial assets mandatorily at FVTPL - non-current		(US\$ 4,276,254)	-	(US\$ 4,276,254)

(Continued)



# POU CHEN CORPORATION

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value
Pou Shine Investment Co., Ltd.	Ordinary shares Taiwan Pailho Limited Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current Financial assets at FVTOCI - current	775,170 128,251,120	\$ 44,030 3,892,421	0.26 0.92	\$ 44,030 3,892,421
Pou Yuen Technology Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	788,519	9,951	-	9,951
Barits Development Corporation	Ordinary shares Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	17,465,356	530,074	0.13	530,074
	Ordinary shares Mega Financial Holding Company Ltd. Shey Yu Co., Ltd. Environment In Assistant Engineering Corp.		Financial assets at FVTOCI - current Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	137,063,966 32,000 20,000	4,159,891 320 -	0.98 1.07 1.00	4,159,891 320 -
Song Ming Investments Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	5,590,611	70,549	-	70,549
	Ordinary shares Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	50,651,528	1,537,274	0.36	1,537,274
Pro Arch International Development Enterprise Inc.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	2,199,305	27,754	-	27,754
Pou Chin Development Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	1,194,615	15,075	-	15,075
Wang Yi Construction Co., Ltd.	Fund Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	1,632,459	20,600	-	20,600
Windsor Entertainment Co., Ltd.	Fund Jih Sun Money Market Fund		Financial assets mandatorily at FVTPL - current	1,156,863	17,435	-	17,435
	Ordinary shares Taichung International Entertainment Corporation		Financial assets at FVTOCI - non-current	3	10,950	0.09	10,950
Pou Yui Development Co., Ltd.	Ordinary shares Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	41,071,186	1,246,510	0.29	1,246,510
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 - non-current Financial assets mandatorily at FVTPL - non-current	609,449 - -	7,685 (US\$ 250,258) 629,709 (US\$ 20,505,025)	- - -	7,685 (US\$ 250,258) 629,709 (US\$ 20,505,025)
	Ordinary shares Evermore Chemical Industry Co., Ltd.		Financial assets at FVTOCI - current	7,321,281	110,840	7.37	110,840
	Taiwan Pailho Limited		Financial assets at FVTOCI - non-current	9,528,228	(US\$ 3,609,252) 540,826 (US\$ 17,610,757)	3.20	(US\$ 3,609,252) 540,826 (US\$ 17,610,757)
	Keg Big Dome Sports Co., Ltd.		Financial assets at FVTOCI - non-current	-	8,038 (US\$ 261,753)	11.76	8,038 (US\$ 261,753)
	Structured product Daily Range Accrual Note		Financial assets mandatorily at FVTPL - current	-	1,633,618 (US\$ 53,195,000)	-	1,633,618 (US\$ 53,195,000)

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

(Concluded)



TABLE 4

## POU CHEN CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal		Company Name	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount		Number of Shares	Amount
Yue Yuen Industrial (Holdings) Limited	Cathay Taiwan Money Market Fund Prime Glorious Limited	Financial assets measured at fair value through profit and loss - current Investments accounted for using the equity method	-	None	15,329,281	\$ 192,586 (US\$ 6,957,578)	7,403,733	\$ 93,292 (US\$ 2,606,421) (Note 1)	22,123,566	\$ 278,193 (US\$ 9,313,741)	\$ 278,193 (US\$ 9,313,741)	\$ -	609,448	\$ 7,685 (US\$ 250,258)
					11,662,000	293,125 (US\$ 10,589,771)	-	15,707 (US\$ 230,297) (Note 2)	11,662,000	415,842 (US\$ 13,992,676)	308,832 (US\$ 10,359,474)	107,010 (US\$ 3,633,202)	-	-

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

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



# POU CHEN CORPORATION

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, 2022  
(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	2022.01-2022.12	\$ 5,193,547 (US\$ 169,115,836)	Accumulated payment as of December 31, 2022 \$ 4,691,926 (US\$ 152,781,703)	-	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, 2022

(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 Chang Yang Material Corp.	The subsidiary in which the Company holds 51.11% indirectly at December 31, 2022 The associate in which the Company holds 50% indirectly at December 31, 2022	Sale	\$ (9,223,537)	(99)	D/A 45 days	-	-	\$ 1,704,578	99
			Purchase	155,768	4	D/A 45 days	-	-	(8,775)	(2)
Yue Yuen Industrial (Holdings) Limited	Pou Chen Corporation	The parent company	Purchase	9,223,537	6	D/A 45 days	-	-	(1,704,578)	13
			Purchase	(US\$ 310,430,593)	1	D/A 45 days	-	-	(US\$ (55,505,633))	4
	Ka Yuen Rubber Factory Limited	Investee accounted for by the equity method	Purchase	1,991,949	1	D/A 45 days	-	-	(494,370)	2
			Purchase	(US\$ 66,866,000)	1	D/A 45 days	-	-	(US\$ (16,098,000))	-
	Twinways Investments Limited	Investee accounted for by the equity method	Purchase	1,369,826	1	D/A 45 days	-	-	(326,539)	-
			Purchase	(US\$ 45,752,000)	-	D/A 45 days	-	-	(US\$ (10,633,000))	-
	Cohen Enterprises Inc.	Investee accounted for by the equity method	Purchase	400,065	1	D/A 45 days	-	-	(27,731)	1
			Purchase	(US\$ 13,465,000)	1	D/A 45 days	-	-	(US\$ (903,000))	2
	Top Units Developments Ltd.	Investee accounted for by the equity method	Purchase	898,568	1	D/A 45 days	-	-	(153,919)	-
			Purchase	(US\$ 30,130,000)	1	D/A 45 days	-	-	(US\$ (5,012,000))	-
	San Fang Chemical Industry Co., Ltd.	Investee accounted for by the equity method	Purchase	1,632,150	1	D/A 45 days	-	-	(269,480)	2
			Purchase	(US\$ 54,789,000)	1	D/A 45 days	-	-	(US\$ (8,775,000))	2
Pou Sheng International (Holdings) Limited	Eastlion Industrial Ltd.	Investee accounted for by the equity method	Purchase	1,342,447	-	D/A 45 days	-	-	(252,559)	-
			Purchase	(US\$ 45,256,000)	-	D/A 45 days	-	-	(US\$ (8,224,000))	-
	Great Skill Industrial Limited	Investee accounted for by the equity method	Purchase	212,402	-	D/A 45 days	-	-	706	-
			Sale	(US\$ 7,403,000)	-	D/A 45 days	-	-	(US\$ 23,000)	-
	Cohen Enterprises Inc.	Investee accounted for by the equity method	Purchase	(330,671)	-	D/A 45 days	-	-	6,541	-
			Sale	(US\$ (11,111,000))	-	D/A 45 days	-	-	(US\$ 213,000)	-
	Oftenrich Holdings Limited	Investee accounted for by the equity method	Purchase	(136,493)	-	D/A 45 days	-	-	-	-
			Sale	(US\$ (4,641,000))	-	D/A 30 days	-	-	-	-



# POU CHEN CORPORATION

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, 2022

(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, 2022	\$ 1,704,578	5	\$ -	-	\$ 1,601,977	\$ -

TABLE 8

## POU CHEN CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022

(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	\$ 9,223,537 1,704,578	D/A 45 days D/A 45 days 3 1

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, 2022. For profit or loss items, cumulative amounts are shown as a percentage to the consolidated total operating revenue as of December 31, 2022.





# POU CHEN CORPORATION

TABLE 9

## POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2022	December 31, 2021	As of December 31, 2022 %	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Pou Chen Corporation	Wealthplus Holdings Limited	British Virgin Islands	Investing in footwear, electronic and peripheral products	\$ 295,429 (US\$ 9,222,000)	\$ 295,429 (US\$ 9,222,000)	100.00	\$ 86,473,888 (US\$ 2,815,821,804)	\$ 4,458,227 (US\$ 150,443,488)	\$ 4,467,965 (US\$ 150,775,729)	
	Win Fortune Investments Limited	British Virgin Islands	Investing activities	3,230 (US\$ 100,000)	3,230 (US\$ 100,000)	100.00	2,244,258 (US\$ 73,079,072)	92,869 (US\$ 3,138,890)	93,078 (US\$ 3,146,017)	
	Windor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	71,000 (US\$ 1,124,667)	530,000 (US\$ 1,124,667)	100.00	124,802 (US\$ 3,652,672)	12,688 (US\$ 202,626)	12,688 (US\$ 202,687)	
	Pou Shine Investment Co., Ltd.	ROC	Investing activities	5,000 (US\$ 2,117,292)	5,000 (US\$ 2,117,292)	100.00	2,050 (US\$ 9,234,736)	2,050 (US\$ 310,980)	2,050 (US\$ 309,910)	
	Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	5,000 (US\$ 2,117,292)	5,000 (US\$ 2,117,292)	100.00	12,823 (US\$ 9,234,736)	12,823 (US\$ 310,980)	12,823 (US\$ 309,910)	
	Barits Development Corporation	ROC	Import and export of shoe-related materials and investing activities	966,450 (US\$ 2,643,184)	966,450 (US\$ 2,643,184)	97.82	379,140 (US\$ 241,628)	28,629 (US\$ 24,095)	17,998 (US\$ 24,212)	
	Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	40,320 (US\$ 4,320)	40,320 (US\$ 4,320)	100.00	7,650 (US\$ 179,650)	51,003 (US\$ 7,650)	7,650 (US\$ 7,650)	
	Pro Arch International Development Enterprise Inc.	ROC	Design and manufacture of footwear products	7,700 (US\$ 3,245,815)	7,700 (US\$ 3,245,815)	15.00	367,305 (US\$ 1,425,936)	748 (US\$ 875,337)	519 (US\$ 108,176)	
	Pou Yi Development Co., Ltd.	ROC	Rental and sale of real estate	5,356 (US\$ 15,452,000)	5,356 (US\$ 15,452,000)	7.82	7,000 (US\$ 35,917,433)	748 (US\$ 27,471,783)	519 (US\$ 5,494,356)	
	Wang Yi Construction Co., Ltd.	ROC	Construction	370 (US\$ 370)	-	12.36	298 (US\$ 298)	31,052,579 (US\$ 31,052,579)	21 (US\$ 21)	
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	370 (US\$ 370)	-	20.00	298 (US\$ 298)	31,052,579 (US\$ 31,052,579)	21 (US\$ 21)	
	Ruen Chen Investment Holding Co., Ltd.	ROC	Investment holding	370 (US\$ 370)	-	20.00	298 (US\$ 298)	31,052,579 (US\$ 31,052,579)	21 (US\$ 21)	
	Nan Shan Life Insurance Company, Ltd.	ROC	Sale of life insurance	370 (US\$ 370)	-	20.00	298 (US\$ 298)	31,052,579 (US\$ 31,052,579)	21 (US\$ 21)	
Wealthplus Holdings Limited	Yue Yuen Industrial (Holdings) Limited	Hong Kong	Manufacturing and sale of athletic and casual footwear and sports apparel	24,199,976 (US\$ 747,132,133)	24,199,976 (US\$ 747,132,133)	50.04	63,383,623 (US\$ 2,063,940,844)	8,914,562 (US\$ 301,667,892)	4,466,571 (US\$ 151,137,615)	
	Venture Well Holdings Ltd.	British Virgin Islands	Sale of electronic components	163,953 (US\$ 4,933,705)	230,305 (US\$ 7,101,621)	31.55	9,195 (US\$ 299,424)	(5,806) (US\$ 202,988)	(1,832) (US\$ 64,058)	
Win Fortune Investments Limited	Yue Yuen Industrial (Holdings) Limited	Hong Kong	Manufacturing and sale of athletic and casual footwear and sports apparel	404,026 (US\$ 12,769,118)	404,026 (US\$ 12,769,118)	1.07	1,360,241 (US\$ 44,293,103)	8,914,562 (US\$ 301,667,892)	95,810 (US\$ 3,241,588)	
Pou Shline Investment Co., Ltd.	Barits Development Corporation	ROC	Import and export of shoe-related materials and investing activities	2,583 (US\$ 23,637)	2,583 (US\$ 23,637)	0.13	11,822 (US\$ 15,438)	310,980 (US\$ 875,337)	398 (US\$ 1,171)	
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	189,772 (US\$ 189,772)	189,772 (US\$ 189,772)	0.13	203,036 (US\$ 203,036)	31,052,579 (US\$ 31,052,579)	28,795 (US\$ 28,795)	
	Nan Shan Life Insurance Company, Ltd.	ROC	Sale of life insurance	189,772 (US\$ 189,772)	189,772 (US\$ 189,772)	0.09	203,036 (US\$ 203,036)	31,052,579 (US\$ 31,052,579)	28,795 (US\$ 28,795)	
Barits Development Corporation	Song Ming Investments Co., Ltd.	ROC	Investing activities	1,218,879 (US\$ 62,357)	1,218,879 (US\$ 62,357)	100.00	2,452,474 (US\$ 85,868)	111,366 (US\$ 7,788)	111,366 (US\$ 7,788)	
	Wang Yi Construction Co., Ltd.	ROC	Construction	62,357 (US\$ 200,000)	62,357 (US\$ 200,000)	89.75	85,868 (US\$ 1,440)	7,788 (US\$ 11,358)	672 (US\$ 11,358)	
	Pou Chin Development Co., Ltd.	ROC	Agency of land demarcation	200,000 (US\$ 125,083)	200,000 (US\$ 125,083)	100.00	191,979 (US\$ 191,214)	(1,440) (US\$ 875,337)	672 (US\$ 14,506)	
	Yue Hong Realty Development Co., Ltd.	ROC	Development of real estate	125,083 (US\$ 189,920)	125,083 (US\$ 189,920)	1.66	191,214 (US\$ 203,255)	875,337 (US\$ 31,052,579)	14,506 (US\$ 28,815)	
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	189,920 (US\$ 189,920)	189,920 (US\$ 189,920)	0.09	203,255 (US\$ 203,255)	31,052,579 (US\$ 31,052,579)	28,815 (US\$ 28,815)	
	Nan Shan Life Insurance Company, Ltd.	ROC	Sale of life insurance	189,920 (US\$ 189,920)	189,920 (US\$ 189,920)	0.09	203,255 (US\$ 203,255)	31,052,579 (US\$ 31,052,579)	28,815 (US\$ 28,815)	
Song Ming Investments Co., Ltd.	Pou Yi Development Co., Ltd.	ROC	Rental and sale of real estate	262,500 (US\$ 42,210,159)	262,500 (US\$ 42,210,159)	75.00	898,248 (US\$ 14,722)	51,003 (US\$ 28,629)	38,252 (US\$ 569)	
	Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	21,240 (US\$ 19,792)	21,240 (US\$ 19,792)	1.99	14,722 (US\$ 44,458)	28,629 (US\$ 875,337)	569 (US\$ 3,373)	
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	19,792 (US\$ 19,792)	19,792 (US\$ 19,792)	0.39	44,458 (US\$ 44,458)	875,337 (US\$ 875,337)	3,373 (US\$ 3,373)	
Pou Yuen Technology Co., Ltd.	Pearl Dove International Limited	British Virgin Islands	Investment holding	78,348 (US\$ 2,573,883)	78,348 (US\$ 2,573,883)	100.00	12,568 (US\$ 409,253)	(3,136) (US\$ 105,630)	(3,136) (US\$ 105,630)	
Yue Yuen Industrial (Holdings) Limited	Eagle Nice (International) Holdings Limited	British Cayman Islands	Manufacturing of wearing apparel and clothing accessories	1,297,712 (US\$ 39,972,084)	1,297,712 (US\$ 39,972,084)	35.97	2,637,144 (US\$ 85,872,484)	1,173,154 (US\$ 38,768,546)	422,047 (US\$ 13,945,046)	
	Full Pearl International Ltd.	British Virgin Islands	Sale of women's shoes	381,878 (US\$ 12,226,424)	381,878 (US\$ 12,226,424)	40.04	-	-	-	
	Olearch Holdings Limited	Bermuda	Manufacturing and sale of footwear	1,339,783 (US\$ 42,210,159)	1,339,783 (US\$ 42,210,159)	45.00	2,935,908 (US\$ 95,601,032)	855,089 (US\$ 28,980,320)	384,790 (US\$ 13,041,144)	
	Prosperous Industrial (Holdings) Ltd.	British Cayman Islands	Manufacturing and sale of gym bags	583,740 (US\$ 18,000,000)	583,740 (US\$ 18,000,000)	22.50	515,549 (US\$ 17,667,650)	326,073 (US\$ 11,163,387)	73,367 (US\$ 2,511,762)	
	San Fang Chemical Industry Co., Ltd.	ROC	Manufacturing and sale of synthetic leather	2,696,757 (US\$ 83,192,794)	2,696,757 (US\$ 83,192,794)	44.72	4,506,227 (US\$ 146,734,827)	459,452 (US\$ 15,578,609)	205,467 (US\$ 6,966,754)	
	Nan Pao Resins Chemical Co., Ltd.	ROC	Manufacturing and sale of synthetic leather	539,797 (US\$ 16,873,924)	539,797 (US\$ 16,873,924)	17.59	539,797 (US\$ 16,873,924)	2,466,959 (US\$ 56,935,151)	293,905 (US\$ 10,014,893)	
	Just Lucky Investments Limited	British Virgin Islands	Property management	26,207 (US\$ 808,130)	26,207 (US\$ 808,130)	38.30	52,868 (US\$ 1,721,534)	4,144 (US\$ 148,209)	1,587 (US\$ 56,764)	

(Continued)



# 2022 ANNUAL REPORT



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2022		December 31, 2021		Shares	As of December 31, 2022 %	Carrying Amount	Net Income (Loss) of the Investee		Share of Profit (Loss)	Note
Yue Yuen Industrial (Holdings) Limited	Natural Options Limited	British Virgin Islands	Manufacturing of foam	\$ 11,144	(US\$ 343,638)	\$ 11,144	(US\$ 343,638)	340,870	38.30	\$ 7,120	\$ 176	(US\$ 5,594)	\$ 68	
	Rise Bloom International Limited	Hong Kong	Processing and sale of foam	24,312	(US\$ 760,000)	24,312	(US\$ 760,000)	760,000	38.00	(US\$ 32,964)	(US\$ 10,244)	(US\$ 3,893)	(US\$ 2,142)	
	Prosperlink Limited	Samoa	Processing and sale of foam	17,432	(US\$ 570,000)	17,432	(US\$ 570,000)	570,000	38.00	(US\$ 1,073,391)	(US\$ 344,210)	(US\$ 1,158)	(US\$ 440)	
	Pou Ming Paper Products Manufacturing Co., Ltd.	British Virgin Islands	Manufacturing of paper products	66,937	(US\$ 2,163,800)	66,937	(US\$ 2,163,800)	1,000,000	20.00	(US\$ 63,132)	(US\$ 39,540)	(US\$ 15,025)	(US\$ 4,938)	
	Brandblack Inc.	USA	Sale of footwear	68,762	(US\$ 2,275,000)	68,762	(US\$ 2,275,000)	1,135,796	31.25	(US\$ 173,465)	(US\$ 81,701)	(US\$ 29,968)	(US\$ 163,440)	
	Great Skill Industrial Limited	British Virgin Islands	Manufacturing and sale of plastic shoe material	-	(US\$ 48,808)	-	(US\$ 48,808)	-	-	(US\$ 1,562,925)	(US\$ 311,229)	(US\$ 88,459)	(US\$ 97,259)	
	Jumbo Power Enterprises Limited	British Virgin Islands	Injection crepe	259,742	(US\$ 8,000,000)	259,742	(US\$ 8,000,000)	8,000,000	50.00	(US\$ 517,982)	(US\$ 125,782)	(US\$ 62,891)	(US\$ 3,021,771)	
	Ka Yuen Rubber Factory Limited	British Virgin Islands	Manufacturing and sale of footwear	371,142	(US\$ 11,500,000)	371,142	(US\$ 11,500,000)	11,500,000	50.00	(US\$ 16,866,870)	(US\$ 4,192,652)	(US\$ 2,096,326)	(US\$ 2,096,326)	
	Prime Glorious Limited	British Virgin Islands	Manufacturing and sale of rubber sole	-	(US\$ 352,484)	-	(US\$ 352,484)	-	-	(US\$ 24,336,642)	(US\$ 151,961,110)	(US\$ 7,598,055)	(US\$ 7,598,055)	
	Hua Jian Industrial Holding Co., Limited	British Virgin Islands	Manufacturing knitted uppers	460,031	(US\$ 13,684,113)	460,031	(US\$ 13,684,113)	2,241	22.41	(US\$ 141,813)	(US\$ 894,117)	(US\$ 230,277)	(US\$ 230,277)	
	Cohen Enterprises Inc.	British Virgin Islands	Manufacturing and sale of women cloth and footwear	623,276	(US\$ 20,215,015)	623,276	(US\$ 20,215,015)	20,000,000	50.00	(US\$ 4,617,814)	(US\$ 30,392,735)	(US\$ 6,811,012)	(US\$ 6,811,012)	
	Twinways Investments Limited	British Virgin Islands	Manufacturing and sale of footwear leather products	551,432	(US\$ 17,500,000)	551,432	(US\$ 17,500,000)	17,500,000	50.00	(US\$ 18,418,115)	(US\$ 273,305)	(US\$ 5,847)	(US\$ 5,847)	
	Top Units Developments Ltd.	British Virgin Islands	Manufacturing and sale of footwear accessory	418,997	(US\$ 14,079,196)	418,997	(US\$ 14,079,196)	5,390,000	49.00	(US\$ 1,210,466)	(US\$ 191,280)	(US\$ 95,287)	(US\$ 3,161,006)	
			Manufacturing of footwear accessories	-	(US\$ 418,997)	-	(US\$ 418,997)	5,390,000	49.00	(US\$ 39,417,344)	(US\$ 6,322,073)	(US\$ 384,961)	(US\$ 194,273)	
				-	(US\$ 14,079,196)	-	(US\$ 14,079,196)	5,390,000	49.00	(US\$ 32,498,020)	(US\$ 13,235,384)	(US\$ 6,485,338)	(US\$ 6,485,338)	

(Concluded)



# POU CHEN CORPORATION

TABLE 10

## POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

(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)	Remittance of Funds		Accumulated Remittance for Investment in Taiwan as of January 1, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Impairment of Investment as of December 31, 2022	Note
				Outward	Inward							
Great Team Backend Foundry, Inc.	Processing and manufacturing of transistors	\$ 2,642,140 (US\$ 88,116,000)	b	\$ -	\$ -	\$ -	\$ -	2.01	\$ -	\$ 44,744 (RMB 10,150,637)	\$ -	(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 73,806; 16,694,739)	31.97	(RMB 23,624; 5,337,308) b, 1)	(RMB 208,974; 47,407,902)	-	
Dongguan Yumeng 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 5,132; 1,160,537)	100.00	(RMB 5,132; 1,160,537) b, 1)	(RMB 324,493; 73,614,460)	-	
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 57,058; 12,851,906)	31.97	(RMB 18,241; 4,108,754) b, 1)	(RMB 1,076,522; 244,219,997)	-	
Dongguan Baoqiao Electronic Technology Co., Ltd.	Production and marketing of other optical appliances and instruments	\$ 147,445 (US\$ 4,500,000)	b	-	-	-	(RMB 79,916; 18,072,021)	100.00	(RMB 79,916; 18,072,021) b, 2)	(RMB 247,306; 56,058,439)	-	
Poudun Paper Products Manufacturing Co., Ltd.	Production and sale of shoe inner boxes, cartons	\$ 68,901 (US\$ 2,100,000)	b	-	-	-	(RMB 10,788; 2,435,057)	10.22	(RMB 1,103; 248,863) b, 1)	(RMB 6,862; 1,556,774)	-	
Pouhong Footwear Industrial Ltd.	Production and operation of casual shoes, sports shoes	\$ 49,215 (US\$ 1,500,000)	b	-	-	-	(RMB (27,311); (617,080))	51.11	(RMB (1,596); (315,289)) b, 1)	(RMB 23,692; 5,374,337)	-	
Shanggao Yisen Industry Co., Ltd.	Production and sale of finished shoes, semi-finished products, components and moulds	\$ 945,204 (US\$ 30,390,000)	b	-	-	-	(RMB 303,625; 68,615,550)	51.11	(RMB 155,183; 35,069,408) b, 1)	(RMB 736,394; 167,058,530)	-	
Bao Hong (Yangzhou) Shoes Co., Ltd.	Production of needles, woven garments, production and sales of self-produce products	\$ 2,591,184 (US\$ 85,291,730)	b	-	-	-	(RMB (68,412); (14,793,699))	51.11	(RMB (33,423); (7,561,060)) b, 1)	(RMB 416,638; 94,473,131)	-	
Dong Guan Yu Yuen Mold Co., Ltd.	Production and sale of moulds for non-metallic products	\$ 62,011 (US\$ 1,890,000)	b	-	-	-	(RMB (3,041); (691,737))	51.11	(RMB (1,555); (353,547)) b, 1)	(RMB 30,901; 7,010,260)	-	
Zheng Shan Glory Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	\$ 951,490 (US\$ 29,000,000)	b	-	-	-	(RMB 805; 176,225)	23.00	(RMB 40,532; 185) b, 2)	(RMB 450,517; 102,294,400)	-	
Zheng Shan Lu Mei Da Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	\$ 39,372 (US\$ 1,200,000)	b	-	-	-	(RMB 273; 61,725)	23.00	(RMB 63; 14,197) b, 2)	(RMB 10,319; 2,340,987)	-	
Zhang Ao Multiplex Management Group Co., Ltd.	Stadium management, wholesale and retail of clothing and footwear accessories	\$ 2,055,560 (RMB 431,795,000)	b	-	-	-	(RMB 63,137; 14,326,127)	20.34	(RMB 12,842; 2,913,934) b, 1)	(RMB 605,466; 137,356,229)	-	
ShangGao Yisen Ka Yuen Industry Co., Ltd.	Production and sale of footwear products	\$ 77,432 (US\$ 2,560,000)	b	-	-	-	(RMB 65,020; 14,701,006)	25.56	(RMB 3,757,577; b, 1)	(RMB 41,540; 9,423,877)	-	
Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	Retail business of sports goods and accessories	\$ 1,988,061 (US\$ 65,000,000)	b	-	-	-	(RMB (504,771); (114,054,187))	31.97	(RMB (161,375); (36,463,124)) b, 1)	(RMB 603,467; 136,902,729)	-	
Qingdao Pou-Sheng International Sport Products Co., Ltd.	Sales of sports and casual shoes and accessories	\$ 94,400 (RMB 20,000,000)	b	-	-	-	(RMB 203,169; 45,866,581)	23.02	(RMB 46,769; 10,558,467) b, 1)	(RMB 171,563; 38,875,580)	-	

(Continued)



# 2022 ANNUAL REPORT



Investor Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Director or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Guishou Pou-Sheng Sport Products Co., Ltd.	Sales of sports and casual shoes and accessories	\$ 322,886 (US\$ 10,000,000)	b	\$ -	\$ -	\$ -	\$ -	(RMB (60,820) (13,720,737))	31.97	\$ (19,447) (RMB (4,366,519) b, 1)	\$ 144,699 (RMB 32,894,584)	\$ -	-
Naming Pou-Kung Sport Products Co., Ltd.	Retail business of sports goods and accessories	42,653 (US\$ 1,300,000)	b	-	-	-	-	(RMB (89,431) (20,181,650))	31.97	(RMB (6,452,074) b, 1)	(40,004) (RMB (9,075,353))	-	-
Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	Retail business of sports goods and accessories	1,567,250 (US\$ 50,000,000)	b	-	-	-	-	(RMB 2,213,239 (500,246,451))	31.97	(RMB 702,573 (159,928,790) b, 1)	1,481,047 (RMB 335,990,742)	-	-
Diedite (China) Sports Good Co., Ltd.	Retail and wholesale business of sporting goods and accessories	-	b	-	-	-	-	(RMB (1,005) (239,449))	-	(RMB (341) (76,552) b, 1)	-	-	-
Taichung YSPORTS Business Trading Co., Ltd.	Retail business of sports goods and accessories series products	164,450 (US\$ 5,000,000)	b	-	-	-	-	(RMB 6,364 (1,439,516))	31.97	(RMB 2,034 (460,213) b, 1)	66,289 (RMB 15,038,334)	-	-
Yangzhou Baoyi Shoes Manufacturing Co., Ltd.	Vulcanized shoes, sports shoes, casual shoes and other footwear manufacturing, marketing	729,906 (US\$ 22,456,800)	b	-	-	-	-	(RMB 190,428 (43,012,578))	25.56	(RMB 48,673 (10,994,117) b, 1)	271,763 (RMB 61,652,161)	-	-
Dalian YSPORTS 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	-	-	-	-	(RMB 250,839 (56,626,160))	31.97	(RMB 80,193 (18,103,383) b, 1)	544,634 (RMB 123,555,773)	-	-
YSPORTS (Changsha) Business Trading Co., Ltd.	Retail business of sports goods and accessories	689,194 (US\$ 22,400,000)	b	-	-	-	-	(RMB 16,188 (3,677,073))	31.97	(RMB 5,175 (1,175,506) b, 1)	154,909 (RMB 35,147,543)	-	-
Fujian Basmin Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	147,645 (US\$ 4,500,000)	b	-	-	-	-	(RMB 361 (81,853))	28.77	(RMB 104 (23,549) b, 1)	70,100 (RMB 15,902,850)	-	-
Guangzhou Pou-Yuen Trading Co., Ltd.	Retail business of sports goods and accessories	710,251 (US\$ 23,310,000)	b	-	-	-	-	(RMB (5,086) (1,142,209))	31.97	(RMB (365,804) b, 1)	215,698 (RMB 48,912,791)	-	-
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	-	-	-	-	(RMB 913,436 (206,157,595))	31.97	(RMB 292,026 (65,908,583) b, 1)	785,428 (RMB 178,182,492)	-	-
Shend Dao (Yang Zhou) Sporting Goods Dev Co., Ltd.	Shopping mall management and property management	2,111,340 (US\$ 66,000,000)	b	-	-	-	-	(RMB 24,583 (5,563,394))	31.97	(RMB 7,859 (1,778,617) b, 1)	715,092 (RMB 162,226,048)	-	-
Zhong Shan O Li Su Shoe Making Machine Ltd.	Manufacturing shoes and boots or repairing machinery	181,314 (US\$ 5,900,000)	b	-	-	-	-	(RMB 9,387 (2,127,967))	51.11	(RMB 4,798 (1,067,604) b, 2)	18,238 (RMB 4,137,586)	-	-
Shanxi 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	-	-	-	-	(RMB (428,999) (97,002,934))	31.97	(RMB (137,151) (31,011,838) b, 1)	1,905,081 (RMB 432,187,183)	-	-
Taichung 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	-	-	-	-	(RMB (122,481) (2,772,207))	31.97	(RMB (3,915) (886,275) b, 1)	119,018 (RMB 27,000,411)	-	-
Hangzhou Pou-Hung Sport Products Co., Ltd.	Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories	67,508 (RMB 14,200,000)	b	-	-	-	-	-	15.90	(RMB - (b, 1))	-	-	-
Rui En Pou Yuen Footwear Development Co., Ltd.	Production and sale of sports shoes, casual shoes and semi-finished products	356,697 (US\$ 12,000,000)	b	-	-	-	-	(RMB (5,873) (1,327,827))	51.11	(RMB (3,002) (678,652) b, 1)	125,548 (RMB 28,413,749)	-	-
Yang Xin Pou Jia Shoes Manufacturing Co., Ltd.	Production and sale of shoes uppers, footwear and garments	1,676,479 (US\$ 55,517,000)	b	-	-	-	-	(RMB (126,940) (28,683,761))	51.11	(RMB (64,879) (14,660,270) b, 1)	559,872 (RMB 127,012,609)	-	-

(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Director or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Jiangxi Province Yumen Shoe Co., Ltd.	Production and sale of footwear products and semi-finished products	\$ 918,125 (US\$ 30,000,000)	b	\$ -	\$ -	\$ -	\$ -	(RMB 58,788) (12,640,414)	51.11	(RMB 28,498) (6,460,516)	\$ 122,890 (RMB 27,901,640)	\$ -	-
Dongguan Yu Xiang Shoes Material Co., Ltd.	Production and sale of footwear products	295,820 (US\$ 9,500,000)	b	-	-	-	-	(RMB 59,603) (13,358,392)	51.11	(RMB 30,463) (6,827,474)	192,329 (RMB 43,631,887)	-	-
Jiang Xi Hua Chang Foam Ltd.	Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products	63,600 (US\$ 2,000,000)	b	-	-	-	-	(RMB 2,826) (641,191)	19.42	(RMB 549) (124,519)	14,678 (RMB 3,329,948)	-	-
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	-	-	-	-	(RMB 195,839) (44,321,061)	51.11	(RMB 100,095) (22,652,494)	1,017,071 (RMB 230,733,098)	-	-
Dong Guan Bao Yu Shoes Co., Ltd.	Production and sale of sports shoes, casual shoes, leather shoes, children's shoes, semi-finished footwear and footwear materials	66,780 (US\$ 2,100,000)	b	-	-	-	-	(RMB 61,485) (13,878,139)	51.11	(RMB 31,425) (7,093,117)	5,042 (RMB 1,143,872)	-	-
Kun Shan Pou-chi Sports Co., Ltd.	Wholesale commission agency, import and export of sports shoes, sports equipment, clothing, shoes, caps and packaging and related design, technical consultation and services	399,529 (US\$ 13,500,000)	b	-	-	-	-	(RMB 11,114) (253,306)	31.97	(RMB 356) (80,982)	146,180 (RMB 33,162,355)	-	-
Dongguan De Chang Zi Xin Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US\$ 350,000)	b	-	-	-	-	(RMB 7,681) (1,737,651)	51.11	(RMB 3,926) (888,113)	13,184 (RMB 2,991,015)	-	-
Zhong Shan Bao Song Zi Xin Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US\$ 350,000)	b	-	-	-	-	(RMB 4,276) (966,585)	51.11	(RMB 2,186) (494,021)	10,660 (RMB 2,418,272)	-	-
Yiyang Yuying Shoes Industrial Co., Ltd.	Production and sale of finished and semi-finished sports shoes and casual shoes	743,983 (US\$ 24,000,000)	b	-	-	-	-	(RMB 14,937) (3,578,119)	51.11	(RMB 7,634) (1,726,357)	75,302 (RMB 17,128,446)	-	-
Jiangxi Uniscien Consulting Co., Ltd.	Business management consultation, marketing planning and other services	10,442 (US\$ 350,000)	b	-	-	-	-	(RMB 2,470) (558,470)	51.11	(RMB 1,262) (285,434)	7,681 (RMB 1,742,412)	-	-
Yu Xing (Jishui) Footwear Co., Ltd.	Production and sale of sports shoes	193,840 (US\$ 6,400,000)	b	-	-	-	-	(RMB 12,271) (2,775,663)	51.11	(RMB 6,272) (1,418,642)	37,344 (RMB 8,440,089)	-	-
Dongguan Xingqut Consulting Co., Ltd.	Business management consultation, marketing planning and other services	30,805 (US\$ 1,000,000)	b	-	-	-	-	(RMB 1,526) (342,765)	51.11	(RMB 780) (175,187)	17,156 (RMB 3,891,961)	-	-
Yang Xin Zhang Yumen Shoe Co., Ltd.	Production and sale of footwear products	61,029 (US\$ 2,100,000)	b	-	-	-	-	(RMB 1,610) (364,129)	25.56	(RMB 411) (93,071)	5,896 (RMB 1,337,493)	-	-
YangXin Pou Jia Yuen Shoes Manufacturing Co., Ltd.	Production and sale of rubber soles	87,238 (US\$ 3,000,000)	b	-	-	-	-	(RMB 151,138) (3,425,543)	25.56	(RMB 3,869) (875,569)	9,418 (RMB 2,156,657)	-	-
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	-	-	-	-	(RMB 10,147,781) (2,293,624,459)	31.97	(RMB 3,244,246) (733,271,739)	4,633,710 (RMB 1,051,204,734)	-	-
Yichuan Yisen Industry Co., Ltd.	Production and sale of footwear and mold products	410,130 (US\$ 14,000,000)	b	-	-	-	-	(RMB 73,346) (16,578,072)	51.11	(RMB 37,467) (8,473,052)	269,228 (RMB 65,614,401)	-	-
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	-	-	-	-	(RMB 54) (123,790)	51.11	(RMB 28) (6,322)	346 (RMB 78,389)	-	-

(Continued)





Investor Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Net Income (Loss) of the Investee	% Ownership of Director or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
				Outward	Inward							
Dong Guan Pui Chen Footwear Company Limited	Production and sale of footwear products, semi-finished shoes and mold products, accessories, moulding tools and engaged in the wholesale and import and export business of footwear products	\$ 1,223,025 (RMB 265,877,600)	b	\$ -	\$ -	\$ -	\$ 98,825 (RMB 22,412,795)	51.11	\$ 50,510 (RMB 11,455,179)	\$ 726,786 (RMB 164,878,958)	\$ -	-
Dongguan Yucheng Shoe Industry Co., Ltd.	Production and sale of finished shoes, semi-finished shoes and mold products, accessories, moulding tools and engaged in the wholesale and import and export business of footwear products	\$ 1,469,176 (RMB 315,970,250)	b	-	-	-	\$ 135,203 (RMB 30,614,534)	51.11	\$ 69,102 (RMB 15,646,586)	\$ 855,582 (RMB 194,692,590)	\$ -	-
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	-	-	-	\$ (70,683) (RMB (15,985,443))	51.11	\$ (36,126) (RMB (8,170,160))	\$ 212,536 (RMB 48,215,902)	\$ -	-
Jilin Xinliangwei Sports Goods Company Limited	Sports goods sales	\$ 196,160 (RMB 40,000,000)	b	-	-	-	\$ -	15.90	\$ -	\$ -	\$ -	-
Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.	Prepare for research and development of shoe materials and composite materials	\$ -	b	-	-	-	\$ 838 (RMB 194,437)	-	\$ 219 (RMB 49,698)	\$ -	\$ -	-
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	-	-	-	\$ 1,978 (RMB 448,421)	10.22	\$ 202 (RMB 45,829)	\$ 4,487 (RMB 1,017,934)	\$ -	-
Kun Shan YYSPORTS E-Commerce Co., Ltd.	Network technology development, technical services and retail of sports goods, sports equipment	\$ 89,367 (US\$ 3,000,000)	b	-	-	-	\$ (233,098) (RMB (52,697,369))	31.97	\$ (74,521) (RMB (16,847,269))	\$ 21,621 (RMB 4,904,868)	\$ -	-
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	-	-	-	\$ (406) (RMB (92,216))	6.80	\$ (28) (RMB (6,271))	\$ 3,401 (RMB 771,613)	\$ -	-
Kun Shan Taisong Trading Co., Ltd.	Wholesale and retail of clothing, footwear, glasses and watches	\$ 790,110 (US\$ 26,500,000)	b	-	-	-	\$ (73,106) (RMB (16,554,674))	31.97	\$ (23,372) (RMB (5,292,529))	\$ (188,459) (RMB (42,753,811))	\$ -	-
Kun Shan Pui-Han Sport Culture Development Co., Ltd.	Management consultants, wholesale of sports goods and equipment, wholesale, retail sports services and other art performance consultant services	\$ 48,278 (US\$ 1,500,000)	b	-	-	-	\$ (816) (RMB (193,899))	31.97	\$ (261) (RMB (61,990))	\$ 11,448 (RMB 2,619,835)	\$ -	-
Yisen (Yifeng) Mould Co., Ltd.	Production and sale of mould products	\$ 479,284 (US\$ 14,850,000)	b	-	-	-	\$ 10,114 (RMB 2,280,078)	51.11	\$ 5,169 (RMB 1,165,348)	\$ 145,178 (RMB 32,935,069)	\$ -	-
Zhu Ha Yu Yuan Industrial Co., Ltd.	Processing, production and sale of footwear products	\$ 1,408 (RMB 300,000)	b	-	-	-	\$ 4,757 (RMB 1,074,971)	51.11	\$ 2,431 (RMB 549,418)	\$ 4,294 (RMB 974,163)	\$ -	-
Yang Xin Pui Shou Sporting Goods Co., Ltd.	Processing, production and sale of footwear products	\$ 236,574 (US\$ 7,800,000)	b	-	-	-	\$ (4,099) (RMB (923,144))	51.11	\$ (2,095) (RMB (471,819))	\$ 36,241 (RMB 8,221,650)	\$ -	-
Changsha YYSports Sport Products Co., Ltd.	Sales of sports goods and equipment	\$ 22,625 (RMB 5,000,000)	b	-	-	-	\$ (63,140) (RMB (14,227,507))	31.97	\$ (20,186) (RMB (4,548,534))	\$ (11,276) (RMB (2,558,004))	\$ -	-
Henan YYSports Sport Products Co., Ltd.	Retail business of sports goods and accessories	\$ 9,130 (RMB 2,000,000)	b	-	-	-	\$ (37,789) (RMB (8,555,231))	31.97	\$ (12,081) (RMB (2,735,107))	\$ (3,171) (RMB (719,405))	\$ -	-
Shenyang Pui-Yi Trading Co., Ltd.	Retail business of sports goods and accessories	\$ 182,600 (RMB 40,000,000)	b	-	-	-	\$ (60,992) (RMB (13,802,609))	31.97	\$ (19,499) (RMB (4,412,694))	\$ (16,683) (RMB (3,784,601))	\$ -	-
Zhejiang Shengdao Sporting-Goods Co., Ltd.	Retail business of sports goods and accessories	\$ 228,230 (RMB 50,000,000)	b	-	-	-	\$ 273,008 (RMB 61,658,962)	31.97	\$ 87,281 (RMB 19,712,570)	\$ 256,495 (RMB 55,673,961)	\$ -	-

(Continued)



# POU CHEN CORPORATION

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from January 1, 2022	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
				Outward	Inward							
Mudanjiang YI SPORTS Sport Technology Co., Ltd.	Sports services, research and development of sports fitness equipment and retail business of sports goods	\$ 4,565 (RMB 1,000,000)	b	\$ -	\$ -	\$ -	31.97	\$ 13,300 (RMB 3,004,906)	\$ 4,252 (RMB 960,668) b, 1)	\$ 9,085 (RMB 2,061,031)	\$ -	
Widevision Investment (Shenzhen) Co., Ltd.	Business management consulting, economic information consulting and market management planning	13,833 (RMB 3,000,000)	b	-	-	-	100.00	1,950 (RMB 444,207)	1,950 (RMB 444,207) b, 1)	16,342 (RMB 3,707,578)	-	
Chongqing Baoyu Sports Goods Company Limited	Wholesale and retail of sports goods, sports equipment, clothing, shoes, caps and accessories and premises leasing	8,994 (RMB 2,000,000)	b	-	-	-	31.97	(25,712) (RMB 5,810,684)	(8,220) (RMB 1,857,676) b, 1)	(18,900) (RMB 4,287,692)	-	
Kuo Yuen Tannery	Production, processing, sales, research and development of shoe materials, import and export goods or technic	176,844 (RMB 41,047,490)	b	-	-	-	25.56	(1,366) (RMB 311,697)	(349) (RMB 79,670) b, 1)	29,122 (RMB 6,606,693)	-	
Akenz (Shanghai) Trading Co., Ltd.	Management consultants, wholesale of sports goods and equipment, wholesale, other sports services and other art performance assistant services	-	b	-	-	-	-	(36,478) (RMB 8,240,500)	(8,135) (RMB 1,857,645) b, 1)	-	-	
Yangzhou Yuhong Garment Co., Ltd.	Engaged in the processing and production of apparel, apparel accessories, and selling our own products	588,725 (US\$ 19,749,000)	b	-	-	-	51.11	(52,534) (RMB 11,899,418)	(26,850) (RMB 6,081,792) b, 1)	289,085 (RMB 65,581,884)	-	
Yifeng Kun Ching Foam Ltd.	Production, sales, processing of plastic foam and foam daily products	8,994 (US\$ 300,000)	b	-	-	-	19.42	5,032 (RMB 1,136,269)	977 (RMB 220,663) b, 1)	2,763 (RMB 626,740)	-	
Zhongshan Hwa Ching Foam Co., Ltd.	Production of foam products	29,980 (US\$ 1,000,000)	b	-	-	-	19.58	11,786 (RMB 2,659,156)	2,308 (RMB 520,663) b, 1)	10,477 (RMB 2,376,717)	-	
Hubei Poushu 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	-	-	-	31.97	(10,797) (RMB 2,444,354)	(3,452) (RMB 781,460) b, 1)	(7,528) (RMB 1,707,721)	-	
Dong Guan Oriso Trading Company Ltd.	Wholesale or repair of shoe-related machinery and parts	27,830 (US\$ 1,000,000)	b	-	-	-	51.11	14,203 (RMB 3,181,935)	7,259 (RMB 1,626,287) b, 1)	107,492 (RMB 24,385,660)	-	
Shanghai Shengjie Sports Goods Co., Ltd.	Retail business of sports goods and accessories	67,095 (RMB 15,000,000)	b	-	-	-	31.97	223,372 (RMB 50,456,387)	33,910 (RMB 7,662,043) b, 1)	217,465 (RMB 49,331,813)	-	
Suzhou Baosheng Sports Goods Trading Co., Ltd.	Retail business of sports goods and accessories	2,204 (RMB 500,000)	b	-	-	-	31.97	(22,948) (RMB 5,238,022)	(4,529) (RMB 1,023,765) b, 1)	(1,941) (RMB 440,288)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ -	\$ 22,265,082 (US\$ 725,036,858)	\$ 64,207,212

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 of the subsidiaries of Wealthplus Holdings Limited and Yue Yuen Industrial Holdings Limited.
- Other.

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

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

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

Note 3: Financial assets at FVTOCI

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

(Continued)



TABLE 10-1

**POU CHEN CORPORATION AND SUBSIDIARIES**

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, U.S. Dollars and Renminbi)

Investee Company	Main Businesses and Products	Paid-in Capital (US\$)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Kunshan Yuanying Electronics Technology Co., Ltd.	Manufacturing and sale of alloy	\$ 85,936 (US\$ 2,620,000)	b	\$ -	\$ -	\$ -	\$ -	\$ (5,627) (RMB (1,272,517))	100.00	\$ (5,627) (RMB (1,272,517)) b, 2)	\$ 55,063 (RMB 12,491,529)	\$ -	
<b>Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022</b>				<b>Investment Amount Authorized by Investment Commission, MOEA</b>		<b>Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)</b>							
\$ -		\$ 177,197 (US\$ 5,770,000)			\$ 444,111								

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 region of Pearl Dove International Limited.
- 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, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
PC Holdings Limited	213,270,710	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 preference 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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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 Company's financial statements for the year ended December 31, 2022 are stated as follows:

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

As described in Notes 4, 5, 13 and Table 5 of Note 32 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 abovementioned assets for impairment 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 involves significant judgments and estimations made by management. As a result, we considered the impairment of goodwill on investments accounted for using the equity method as a key audit matter to the financial statements for the year ended December 31, 2022.

In response to this key audit matter, we evaluated the reasonableness of the significant assumptions, the basis of the valuation 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, 2022 and 2021 were based on the financial statements audited by other independent auditors. Our opinion, insofar as it relates to the Company's investments in certain corporations, is based solely on the report of other auditors. As of December 31, 2022 and 2021, the carrying amounts of the investments were \$36,323,251 thousand and \$77,244,269 thousand, which constituted 23.22% and 40.99%, of the Company's total assets, respectively. For the years ended December 31, 2022 and 2021, the profit of the associate which the Company recognized amounted to \$5,551,875 thousand and \$10,614,743 thousand, which constituted 41.03% and 75.93%, 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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.



## POU CHEN CORPORATION

The engagement partners on the audits resulting in this independent auditors' report are Kenny Hong and Wen-Yea Shyu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 16, 2023

### Notice to Readers

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

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



**POU CHEN CORPORATION**
**BALANCE SHEETS**
**DECEMBER 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars)**

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 72,066	-	\$ 73,956	-
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	124,367	-	15,174	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	5,999,455	4	6,866,303	4
Financial assets at amortized cost - current (Notes 4 and 9)	18,419	-	127,889	-
Notes receivable (Notes 4 and 10)	19	-	54	-
Accounts receivable (Notes 4 and 10)	7,824	-	9,477	-
Accounts receivable from related parties (Notes 4, 10 and 29)	1,711,197	1	1,736,755	1
Other receivables (Notes 4 and 10)	39,660	-	32,091	-
Inventories (Notes 4 and 11)	97,659	-	110,061	-
Other current assets (Notes 4 and 12)	37,515	-	57,131	-
Total current assets	8,108,181	5	9,028,891	5
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	47,484	-	49,496	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	-	-	112,510	-
Investments accounted for using the equity method (Notes 4 and 13)	139,887,264	90	170,931,577	91
Property, plant and equipment (Notes 4 and 14)	4,643,231	3	4,812,331	2
Right-of-use asset (Notes 4 and 15)	112,888	-	145,775	-
Investment properties (Notes 4 and 16)	1,946,167	1	1,983,165	1
Intangible assets (Notes 4 and 17)	1,537,044	1	1,293,976	1
Deferred tax assets (Notes 4 and 25)	106,527	-	71,620	-
Other non-current assets (Notes 4 and 12)	39,575	-	18,486	-
Total non-current assets	148,320,180	95	179,418,936	95
<b>TOTAL</b>	<b>\$ 156,428,361</b>	<b>100</b>	<b>\$ 188,447,827</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 29)	\$ 19,442,752	13	\$ 9,652,000	5
Short-term bills payable (Note 18)	-	-	999,699	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	24,249	-	11,104	-
Notes payable (Notes 4 and 19)	2,127	-	3,735	-
Accounts payable (Notes 4 and 19)	337,992	-	491,192	-
Accounts payable to related parties (Notes 4, 19 and 29)	34,859	-	20,570	-
Other payables (Notes 20 and 29)	1,658,166	1	1,656,309	1
Current tax liabilities (Notes 4 and 25)	911,619	1	148,562	-
Lease liabilities - current (Notes 4 and 15)	32,649	-	33,933	-
Current portion of long-term borrowings (Note 18)	4,763,796	3	6,503,796	3
Other current liabilities	191,913	-	185,149	-
Total current liabilities	27,400,122	18	19,706,049	10
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 18)	21,457,918	14	27,011,714	15
Deferred tax liabilities (Notes 4 and 25)	86,547	-	86,547	-
Lease liabilities - non-current (Notes 4 and 15)	83,089	-	113,608	-
Long-term accounts payable to related parties (Note 29)	-	-	1,522,400	1
Net defined benefit liabilities (Notes 4 and 21)	368,708	-	556,401	-
Other non-current liabilities (Note 13)	19,956	-	18,154	-
Total non-current liabilities	22,016,218	14	29,308,824	16
Total liabilities	49,416,340	32	49,014,873	26
<b>EQUITY (Notes 4 and 22)</b>				
Share capital				
Ordinary shares	29,467,872	19	29,467,872	16
Capital surplus	4,420,389	3	4,419,400	2
Retained earnings				
Legal reserve	17,986,740	11	16,547,491	9
Unappropriated earnings	76,460,614	49	69,179,387	36
Total retained earnings	94,447,354	60	85,726,878	45
Other equity	(21,323,594)	(14)	19,818,804	11
Total equity	107,012,021	68	139,432,954	74
<b>TOTAL</b>	<b>\$ 156,428,361</b>	<b>100</b>	<b>\$ 188,447,827</b>	<b>100</b>

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

(With Deloitte &amp; Touche audit report dated March 16, 2023)



# POU CHEN CORPORATION

## POU CHEN CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 29)	\$ 9,349,013	100	\$ 8,310,049	100
OPERATING COSTS (Notes 11, 24 and 29)	<u>4,281,087</u>	<u>46</u>	<u>3,829,477</u>	<u>46</u>
GROSS PROFIT	<u>5,067,926</u>	<u>54</u>	<u>4,480,572</u>	<u>54</u>
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	51,204	-	36,221	-
General and administrative expenses	2,474,779	26	2,392,911	29
Research and development expenses	<u>1,654,266</u>	<u>18</u>	<u>1,545,982</u>	<u>19</u>
Total operating expenses	<u>4,180,249</u>	<u>44</u>	<u>3,975,114</u>	<u>48</u>
INCOME FROM OPERATIONS	<u>887,677</u>	<u>10</u>	<u>505,458</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	7,576	-	4,337	-
Other income (Notes 24 and 29)	380,130	4	486,866	6
Other gains and losses (Note 24)	1,973,384	21	(252,720)	(3)
Finance costs (Note 24)	(459,373)	(5)	(377,745)	(5)
Share of profit of subsidiaries and associates (Notes 4 and 13)	<u>10,741,110</u>	<u>115</u>	<u>13,613,033</u>	<u>164</u>
Total non-operating income and expenses	<u>12,642,827</u>	<u>135</u>	<u>13,473,771</u>	<u>162</u>
INCOME BEFORE INCOME TAX	13,530,504	145	13,979,229	168
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 25)	<u>885,649</u>	<u>10</u>	<u>(460,078)</u>	<u>(6)</u>
NET INCOME FOR THE YEAR	<u>12,644,855</u>	<u>135</u>	<u>14,439,307</u>	<u>174</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 21)	119,804	1	(59,545)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(866,128)	(9)	1,103,823	13
Share of the other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	(1,503,778)	(16)	2,679,954	32

(Continued)

**POU CHEN CORPORATION**
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Items that may be reclassified subsequently to profit or loss:				
Loss on hedging instruments	\$ -	-	\$ (1,195)	-
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method	<u>(38,396,494)</u>	<u>(411)</u>	<u>(11,388,849)</u>	<u>(137)</u>
Other comprehensive loss for the year, net of income tax	<u>(40,646,596)</u>	<u>(435)</u>	<u>(7,665,812)</u>	<u>(92)</u>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME</b>	<b><u>\$ (28,001,741)</u></b>	<b><u>(300)</u></b>	<b><u>\$ 6,773,495</u></b>	<b><u>82</u></b>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	<u>\$ 4.29</u>		<u>\$ 4.90</u>	
Diluted	<u>\$ 4.28</u>		<u>\$ 4.89</u>	

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)



# POU CHEN CORPORATION

## POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Financial Statements of Foreign Operations	Other Equity			Total Equity
			Legal Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain on Hedging Instruments	Others	
BALANCE AT JANUARY 1, 2021	\$ 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
Appropriation of 2020 earnings (Note 22)	-	-	482,716	(482,716)	-	-	-	-	-
Legal reserve	-	-	-	(1,473,394)	-	-	-	-	(1,473,394)
Cash dividends	-	-	482,716	(1,956,110)	-	-	-	-	(1,473,394)
Net profit for the year ended December 31, 2021	-	-	-	14,439,307	-	-	-	-	14,439,307
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	(35,243)	(1,923,481)	(9,696,891)	(1,195)	3,990,998	(7,665,812)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	14,404,064	(1,923,481)	(9,696,891)	(1,195)	3,990,998	6,773,495
Disposal of investments accounted for using the equity method	-	(2,717)	-	235	-	(235)	-	-	(2,717)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	27,234	-	(8,723)	-	-	-	-	18,511
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries and associates (Notes 4 and 22)	-	-	-	(5,661)	-	5,661	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 22)	-	3,828	-	2,579	-	-	-	-	6,407
Unclaimed dividends by shareholders	-	1,193	-	-	-	-	-	-	1,193
BALANCE AT DECEMBER 31, 2021	29,467,872	4,419,400	16,547,491	69,179,387	(7,414,850)	14,613,616	-	12,620,038	139,432,954
Appropriation of 2021 earnings (Note 22)	-	-	1,439,249	(1,439,249)	-	-	-	-	-
Legal reserve	-	-	-	(4,420,181)	-	-	-	-	(4,420,181)
Cash dividends	-	-	1,439,249	(5,859,430)	-	-	-	-	(4,420,181)
Net profit for the year ended December 31, 2022	-	-	-	12,644,855	-	-	-	-	12,644,855
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	502,829	7,140,956	(18,141,486)	-	(30,148,895)	(40,646,596)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	13,147,684	7,140,956	(18,141,486)	-	(30,148,895)	(28,001,741)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates (Notes 4 and 22)	-	-	-	(7,027)	-	7,027	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 22)	-	(239)	-	-	-	-	-	-	(239)
Unclaimed dividends by shareholders	-	1,228	-	-	-	-	-	-	1,228
BALANCE AT DECEMBER 31, 2022	\$ 29,467,872	\$ 4,420,389	\$ 17,986,740	\$ 76,460,614	\$ (273,894)	\$ (3,520,843)	\$ -	\$ (17,528,857)	\$ 107,012,021

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche auditors' report dated March 16, 2023)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 13,530,504	\$ 13,979,229
Adjustments for:		
Depreciation expense	333,660	351,725
Amortization expense	74,407	64,930
Net (gain) loss on fair value changes of financial instruments at FVTPL	(224,709)	89,671
Finance costs	459,373	377,745
Interest income	(7,576)	(4,337)
Dividend income	(270,577)	(304,781)
Share of profit of subsidiaries and associates	(10,741,110)	(13,613,033)
Net loss (gain) on disposal of property, plant and equipment	3,647	(1,791)
Loss (gain) on disposal of investment properties	732	(123,568)
Gain on lease modifications	(9)	-
Gain on disposal of investments accounted for using equity method	-	(12,708)
Unrealized gain on foreign currency exchange	(203,529)	(10,948)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	169,284	134,225
Notes receivable	35	(35)
Accounts receivable	1,653	(7,597)
Accounts receivable from related parties	25,558	(38,401)
Other receivables	(11,230)	24,981
Inventories	10,526	(40,330)
Other current assets	20,924	(28,154)
Other operating assets	(21,223)	14,167
Financial liability held for trading	(40,623)	(114,632)
Notes payable	(1,608)	(2,438)
Accounts payable	(153,200)	(133,721)
Accounts payable to related parties	14,289	(7,626)
Other payables	372,393	(31,692)
Other current liabilities	6,764	14,855
Net defined benefit liabilities	(84,941)	(87,796)
Cash generated from operations	3,263,414	487,940
Interest paid	(415,217)	(373,232)
Income tax paid	(140,446)	(1,326,696)
Net cash generated from (used in) operating activities	<u>2,707,751</u>	<u>(1,211,988)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from return of capital of financial assets at fair value through other comprehensive income	2,732	10,929
Purchases of financial assets at amortized cost	(788,169)	(533,485)
Proceeds from sale of financial assets at amortized cost	1,015,314	543,312

(Continued)



# POU CHEN CORPORATION

## POU CHEN CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Acquisition of associates and joint ventures	\$ (80,370)	\$ (102,001)
Disposal of associates and joint ventures	-	36,422
Proceeds from capital reduction of investments accounted for using equity method	2,345	-
Acquisition of property, plant and equipment	(106,351)	(96,140)
Proceeds from disposal of property, plant and equipment	8,895	16,581
Decrease in refundable deposits	780	1,443
Payments for intangible assets	(317,475)	(275,694)
Proceeds from disposal of investment properties	-	738
Increase in prepayments for equipment	(644)	-
Interest received	8,986	4,519
Dividends received	<u>2,235,791</u>	<u>617,621</u>
Net cash generated from investing activities	<u>1,981,834</u>	<u>224,245</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	9,583,864	273,145
Repayments of short-term bills payable	(1,000,000)	(1,100,000)
Derecognition of financial liabilities for hedging	-	6,791
Proceeds from long-term borrowings	76,420,000	88,290,000
Repayments of long-term borrowings	(83,713,796)	(86,783,796)
Decrease in guarantee deposits	(24)	(13,788)
Proceeds from other payables to related parties	-	1,530,925
Repayments of other payables to related parties	(1,530,925)	-
Repayments of principal portion of lease liabilities	(31,641)	(34,866)
Cash dividends	(4,420,181)	(1,473,394)
Other financing activities	<u>1,228</u>	<u>1,193</u>
Net cash (used in) generated from financing activities	<u>(4,691,475)</u>	<u>696,210</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,890)	(291,533)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>73,956</u>	<u>365,489</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 72,066</u>	<u>\$ 73,956</u>

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

(With Deloitte & Touche auditors' report dated March 16, 2023)

(Concluded)

**POU CHEN CORPORATION****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021****(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 16, 2023.

**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)

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.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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.



Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

## 1) 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.

## 2) 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.





3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company applied the amendments and recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Company will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

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

c. The 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>
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
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 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 2020 amendments also stipulate 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 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations 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 and IFRSs as endorsed and issued into effect by the FSC.

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 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, which 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.



## POU CHEN CORPORATION

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.

For a contract where a land owner provides land for the construction of buildings by a property developer in exchange for a certain percentage of buildings, any exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as investment properties and if the exchange transaction has commercial substance.

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 to.





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.

## 1. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement categories

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

##### i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value. Any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28 to the financial statements: 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 selection to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

### b) Impairment of financial assets

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



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

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

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

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

#### c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

#### 2) Equity instruments

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

#### 3) Financial liabilities

##### a) Subsequent measurement

Except the financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading. Such financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 28 to the financial statements.



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 according to the customer's trading conditions 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. Leases

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 lease term and 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. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.



Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

p. 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.

q. 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 Act of 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 adoption of the Company's accounting policies, management is required to make judgments, estimations and assumptions on 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.

For critical accounting estimates, the estimates and underlying assumptions are reviewed by the management of the Company 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**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 468	\$ 420
Checking accounts and demand deposits	<u>71,598</u>	<u>73,536</u>
	<u>\$ 72,066</u>	<u>\$ 73,956</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets mandatorily as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts	<u>\$ 124,367</u>	<u>\$ 15,174</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts	<u>\$ 24,249</u>	<u>\$ 11,104</u>

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

December 31, 2022

<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Rate</b>
US\$ 30,000	2023.03	US\$:NT\$ 28.1070
US\$ 4,000	2023.08	US\$:NT\$ 29.2680
US\$ 10,200	2023.08	US\$:NT\$ 29.3800
US\$ 1,330	2023.08	US\$:NT\$ 29.3800
US\$ 10,200	2023.08	US\$:NT\$ 29.3800
US\$ 8,500	2023.03	US\$:NT\$ 30.3430
US\$ 80,300	2023.12	US\$:NT\$ 29.5100
US\$ 55,000	2023.02	US\$:NT\$ 30.5470
US\$ 121,000	2023.03	US\$:NT\$ 30.3920
US\$ 15,000	2023.03	US\$:NT\$ 30.3920
US\$ 59,000	2023.06	US\$:NT\$ 30.0850

(Continued)



# POU CHEN CORPORATION

Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 36,000	2023.06	US\$:NT\$ 30.0850
US\$ 21,000	2023.06	US\$:NT\$ 30.0850
US\$ 72,600	2023.06	US\$:NT\$ 30.0850
US\$ 10,000	2023.09	US\$:NT\$ 30.2100
US\$ 2,000	2023.09	US\$:NT\$ 30.2100
US\$ 700	2023.04	US\$:NT\$ 31.1800
US\$ 5,300	2023.11	US\$:NT\$ 30.9580
US\$ 3,000	2023.02	US\$:NT\$ 30.7930
US\$ 2,000	2023.02	US\$:NT\$ 30.7070
US\$ 4,200	2023.03	US\$:NT\$ 30.4330
US\$ 20,400	2023.03	US\$:NT\$ 30.3920
US\$ 17,500	2023.03	US\$:NT\$ 30.3920
US\$ 55,000	2023.03	US\$:NT\$ 30.3920
US\$ 6,600	2023.03	US\$:NT\$ 30.3920
US\$ 3,000	2023.03	US\$:NT\$ 30.3920
US\$ 16,700	2023.12	US\$:NT\$ 29.5520
US\$ 7,000	2023.06	US\$:NT\$ 30.0850
US\$ 31,900	2023.06	US\$:NT\$ 30.0850
US\$ 16,900	2023.06	US\$:NT\$ 30.0850
US\$ 28,200	2023.06	US\$:NT\$ 30.0850
US\$ 7,500	2023.06	US\$:NT\$ 30.0850
US\$ 5,000	2023.06	US\$:NT\$ 30.0850
RMB 42,860	2023.03	RMB:NT\$ 4.3433
RMB 900	2023.03	RMB:NT\$ 4.3433
RMB 26,700	2023.09	RMB:NT\$ 4.3280
RMB 280,000	2023.10	RMB:NT\$ 4.3653
RMB 280,000	2023.09	RMB:NT\$ 4.3719
RMB 100,000	2023.12	RMB:NT\$ 4.3173
RMB 280,000	2023.10	RMB:NT\$ 4.3636

(Concluded)

## December 31, 2021

Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 9,200	2022.03	US\$:NT\$ 27.7285
US\$ 5,800	2022.03	US\$:NT\$ 27.7285
US\$ 55,000	2022.12	US\$:NT\$ 27.6630
US\$ 2,000	2022.03	US\$:NT\$ 27.8058
US\$ 19,000	2022.03	US\$:NT\$ 27.7960
US\$ 98,000	2022.06	US\$:NT\$ 27.6925
US\$ 23,000	2022.06	US\$:NT\$ 27.6925
US\$ 16,600	2022.06	US\$:NT\$ 27.6930
US\$ 55,000	2022.06	US\$:NT\$ 27.6930
US\$ 20,400	2022.06	US\$:NT\$ 27.6930
US\$ 9,000	2022.06	US\$:NT\$ 27.6930
US\$ 20,000	2022.06	US\$:NT\$ 27.6930
US\$ 17,500	2022.06	US\$:NT\$ 27.6930
US\$ 10,000	2022.06	US\$:NT\$ 27.6930

(Continued)





Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 15,000	2022.06	US\$:NT\$ 27.6930
US\$ 43,000	2022.06	US\$:NT\$ 27.6470
US\$ 36,000	2022.06	US\$:NT\$ 27.6470
US\$ 7,500	2022.06	US\$:NT\$ 27.6470
US\$ 7,000	2022.06	US\$:NT\$ 27.6470
US\$ 5,000	2022.06	US\$:NT\$ 27.6470
US\$ 31,900	2022.06	US\$:NT\$ 27.6470
US\$ 21,000	2022.06	US\$:NT\$ 27.6470
US\$ 72,600	2022.06	US\$:NT\$ 27.6470
US\$ 20,196	2022.01	US\$:NT\$ 27.8370
US\$ 15,143	2022.01	US\$:NT\$ 27.8357
US\$ 15,195	2022.01	US\$:NT\$ 27.7373
RMB 42,860	2022.03	RMB:NT\$ 4.2453
RMB 900	2022.03	RMB:NT\$ 4.2453

(Concluded)

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Current</u>		
Domestic investments		
Listed shares	\$ 5,999,455	\$ 6,866,303
<u>Non-current</u>		
Domestic investments		
Unlisted shares	\$ 47,484	\$ 49,496

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
Domestic investments		
Restricted deposits of repatriated offshore funds	\$ 18,419	\$ 127,889
Foreign investments		
Structured products	\$ -	\$ 112,510

(Continued)



# POU CHEN CORPORATION

	December 31	
	2022	2021
Current	\$ 18,419	\$ 127,889
Non-current	<u>-</u>	<u>112,510</u>
	<u>\$ 18,419</u>	<u>\$ 240,399</u>
		(Concluded)

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

	December 31	
	2022	2021
<u>Notes receivable (including related parties)</u>		
At amortized cost		
Notes receivable - operating	\$ 19	\$ 42
Notes receivable - non-operating	<u>-</u>	<u>12</u>
	<u>\$ 19</u>	<u>\$ 54</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	<u>\$ 1,719,021</u>	<u>\$ 1,746,232</u>
<u>Other receivables (including related parties)</u>		
Tax refund receivables	\$ 6,651	\$ 9,436
Others	<u>33,009</u>	<u>22,655</u>
	<u>\$ 39,660</u>	<u>\$ 32,091</u>

### a. Notes receivable

The notes receivable balances at December 31, 2022 and 2021 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 approach considering 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 evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.



The following table details the loss allowance of trade receivables.

December 31, 2022

	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 1,146,845	\$ 545,769	\$ 26,407	\$ 1,719,021
Loss allowance (lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,146,845</u>	<u>\$ 545,769</u>	<u>\$ 26,407</u>	<u>\$ 1,719,021</u>

December 31, 2021

	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>Over 91 Days</b>	<b>Total</b>
Gross carrying amount	\$ 1,193,267	\$ 524,192	\$ 28,773	\$ 1,746,232
Loss allowance (lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,193,267</u>	<u>\$ 524,192</u>	<u>\$ 28,773</u>	<u>\$ 1,746,232</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Raw materials	\$ 66,303	\$ 86,305
Supplies	776	606
Work in progress	12,919	8,908
Finished goods	16,491	10,231
Merchandise	1,170	1,049
Goods in transit	<u>-</u>	<u>2,962</u>
	<u>\$ 97,659</u>	<u>\$ 110,061</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$4,281,087 thousand and \$3,829,477 thousand, respectively.

The cost of goods sold included gain from price recovery of inventory and inventory write-downs for the years ended December 31, 2022 and 2021 was \$(2,318) thousand and \$9,476 thousand, respectively. The gain from price recovery is the outcome of stock clearance.



# POU CHEN CORPORATION

## 12. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Prepayments	\$ 32,125	\$ 51,378
Supplies inventory	1,464	1,043
Temporary payments	1,246	1,672
Value-added tax retained	<u>2,680</u>	<u>3,038</u>
	<u>\$ 37,515</u>	<u>\$ 57,131</u>
<u>Non-current</u>		
Prepayments	\$ 27,641	\$ 7,241
Prepayments for equipment	644	-
Refundable deposits	1,597	2,376
Others	<u>9,693</u>	<u>8,869</u>
	<u>\$ 39,575</u>	<u>\$ 18,486</u>

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 102,543,597	\$ 93,221,895
Investments in associates	<u>37,343,667</u>	<u>77,709,682</u>
	<u>\$ 139,887,264</u>	<u>\$ 170,931,577</u>

### a. Investments in subsidiaries

	December 31	
	2022	2021
Unlisted companies	<u>\$ 102,543,597</u>	<u>\$ 93,221,895</u>

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

	December 31	
Name of Subsidiary	2022	2021
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 5 Information on investees of Note 32 to the financial statements.
- 2) The Company holds less than 50% interest in Pou Yii and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yii and Wang Yi; therefore, the Company has control over Pou Yii and Wang Yi. Furthermore, the carrying amount of investment in Wang Yi is negative for the years ended December 31, 2022 and 2021. Therefore, the Company recognized \$16,150 thousand and \$14,324 thousand in "other non-current liabilities", respectively.
- 3) The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 was based on the subsidiaries' financial statements audited by their auditors for the same years.

b. Investments in associates

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Material associates		
Ruen Chen Investment Holding Co., Ltd.	\$ 35,917,433	\$ 76,419,271
Associates that are not individually material	<u>1,426,234</u>	<u>1,290,411</u>
	<u>\$ 37,343,667</u>	<u>\$ 77,709,682</u>

1) Material associates

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
<b>Name of Associate</b>	<b>2022</b>	<b>2021</b>
Ruen Chen Investment Holding Co., Ltd.	20%	20%

- a) As of December 6, 2022, and July 29, 2021, the Company purchasing 8,000 thousand and 7,200 thousand issued ordinary shares with \$10 per share with the amount of \$80,000 thousand and \$72,000 thousand, respectively.
- b) Due to supply chain disruption caused by the global pandemic and the Russo-Ukrainian war during the past two years, inflation has risen and thus resulted in an extreme spike in the annual interest rate defined by ICS. Therefore, on September 29, 2022, the board of directors of Nan Shan Life Insurance Co., Ltd., the subsidiary of Ruen Chen Investment Holding Co., Ltd., approved the resolution in accordance with the provisions of IFRS 9 to change the business model of financial assets management, and set October 1, 2022 as the date of reclassification of financial assets.
- c) For the information of the associate's business location and business item, please refer to Table 5 Information on investees of Note 32 to the financial statements.
- d) The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.



# POU CHEN CORPORATION

## Ruen Chen Investment Holding Co., Ltd.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Assets	\$ 5,264,490,661	\$ 5,279,608,077
Liabilities	(5,058,171,956)	(4,846,656,016)
Non-controlling interests	<u>(26,434,978)</u>	<u>(50,559,148)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 179,883,727</u>	<u>\$ 382,392,913</u>
Proportion of the Company	20.00%	20.00%
Equity attributable to the Company	\$ 35,976,745	\$ 76,478,583
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 35,917,433</u>	<u>\$ 76,419,271</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	<u>\$ 477,513,562</u>	<u>\$ 570,159,159</u>
Net income	\$ 29,986,720	\$ 58,697,320
Other comprehensive loss	<u>(251,235,513)</u>	<u>(51,367,996)</u>
Total comprehensive (loss) income	<u>\$(221,248,793)</u>	<u>\$ 7,329,324</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>2022</b>	<b>2021</b>
Elitegroup Computer Systems Co., Ltd.	12.36%	12.36%
Nan Shan Life Insurance Co., Ltd.	0.0001%	-
Techview International Technology Inc.	-	-

- a) For the information of the associates' business location and business item, please refer to Table 5 Information on investees of Note 32 to the financial statements.
- b) 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 Company for equity accounting purposes.

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
The Company's share of:		
Net income	\$ 108,197	\$ 17,254
Other comprehensive income (loss)	<u>27,464</u>	<u>(13,001)</u>
Total comprehensive income	<u>\$ 135,661</u>	<u>\$ 4,253</u>

- c) On December 21, 2020, the shareholders meeting decided to liquidate Techview International Technology Inc., starting from December 31, 2020. The dissolution registration was completed on January 18, 2021, and the related procedures of the liquidation were completed on October 19, 2021.
- d) In 2021, the Company disposed partial shares of Elitegroup Computer Systems Co., Ltd. in the public market. A total of 1,182 thousand shares were disposed of. The disposition consideration was \$36,422 thousand, and the profit recognized amounted to \$12,708 thousand which was classified as “non-operating income and expenses - net gain on disposal of investment”. After the transaction, the shareholding ratio of the Company on Elitegroup Computer Systems Co., Ltd. dropped from 12.57% to 12.36%. The Company holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. However, 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.
- e) The Company holds less than 20% interest of Nan Shan Life Insurance Co., Ltd., however the Company 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 Company.
- f) Fair values (Level 1) of investments in associates that are not individually material with available published price quotation are summarized as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 1,419,030</u>	<u>\$ 1,549,911</u>

#### 14. 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, 2021	\$ 1,654,784	\$ 5,000,675	\$ 845,989	\$ 163,262	\$ 395,583	\$ 170,631	\$ 18,275	\$ 8,249,199
Additions	-	8,674	43,757	4,342	18,389	14,624	3,918	93,704
Disposals	-	(263)	(16,131)	(15,959)	(16,596)	(36)	(8,881)	(57,866)
Transfers from prepayments for equipment	-	-	5,319	200	-	-	-	5,519
Reclassification	-	6,868	-	-	-	-	(6,868)	-
Urban renewal	(11,648)	-	-	-	-	-	-	(11,648)
Transfers to investment property	(14,472)	-	-	-	-	-	-	(14,472)
Balance at December 31, 2021	<u>\$ 1,628,664</u>	<u>\$ 5,015,954</u>	<u>\$ 878,934</u>	<u>\$ 151,845</u>	<u>\$ 397,376</u>	<u>\$ 185,219</u>	<u>\$ 6,444</u>	<u>\$ 8,264,436</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2021	\$ -	\$ 2,115,904	\$ 540,627	\$ 127,778	\$ 321,246	\$ 108,466	\$ -	\$ 3,214,021
Disposals	-	(135)	(11,624)	(13,834)	(16,595)	(36)	-	(42,224)
Depreciation expenses	-	120,855	92,366	11,008	31,663	24,416	-	280,308
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 2,236,624</u>	<u>\$ 621,369</u>	<u>\$ 124,952</u>	<u>\$ 336,314</u>	<u>\$ 132,846</u>	<u>\$ -</u>	<u>\$ 3,452,105</u>
Carrying amount at December 31, 2021	<u>\$ 1,628,664</u>	<u>\$ 2,779,330</u>	<u>\$ 257,565</u>	<u>\$ 26,893</u>	<u>\$ 61,062</u>	<u>\$ 52,373</u>	<u>\$ 6,444</u>	<u>\$ 4,812,331</u>
<b>Cost</b>								
Balance at January 1, 2022	\$ 1,628,664	\$ 5,015,954	\$ 878,934	\$ 151,845	\$ 397,376	\$ 185,219	\$ 6,444	\$ 8,264,436
Additions	-	11,657	29,980	7,125	20,636	13,567	21,460	104,425
Disposals	-	(8,668)	(10,188)	(36,225)	(16,677)	(1,410)	-	(73,168)
Transfers from inventories	-	-	1,876	-	-	-	-	1,876
Reclassification	-	23,768	-	-	-	-	(23,768)	-
Transfers to investment property	-	-	-	-	-	-	(566)	(566)
Balance at December 31, 2022	<u>\$ 1,628,664</u>	<u>\$ 5,042,711</u>	<u>\$ 900,602</u>	<u>\$ 122,745</u>	<u>\$ 401,335</u>	<u>\$ 197,376</u>	<u>\$ 3,570</u>	<u>\$ 8,297,003</u>

(Continued)



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	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 2,236,624	\$ 621,369	\$ 124,952	\$ 336,314	\$ 132,846	\$ -	\$ 3,452,105
Disposals	-	(3,479)	(9,643)	(31,724)	(16,660)	(921)	-	(62,427)
Depreciation expenses	-	117,551	86,166	8,198	28,144	24,035	-	264,094
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 2,350,696</u>	<u>\$ 697,892</u>	<u>\$ 101,426</u>	<u>\$ 347,798</u>	<u>\$ 155,960</u>	<u>\$ -</u>	<u>\$ 3,653,772</u>
Carrying amount at December 31, 2022	<u>\$ 1,628,664</u>	<u>\$ 2,692,015</u>	<u>\$ 202,710</u>	<u>\$ 21,319</u>	<u>\$ 53,537</u>	<u>\$ 41,416</u>	<u>\$ 3,570</u>	<u>\$ 4,643,231</u>

(Concluded)

- Except for depreciation expenses recognized the Company had neither significant disposal nor impairment of properties in 2022 and 2021.
- In 2021, the Company participated in an urban renewal project with a parcel of 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 as follows:

<u>Items</u>	<u>Estimated Useful Life</u>
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 Company has land located in Changhwa County with a carrying amount of \$56,102 thousand. Due to certain restrictions under the land regulations, the ownership for these parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property.

## 15. LEASE ARRANGEMENTS

- Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Land	\$ 77,039	\$ 90,505
Buildings	32,150	50,734
Other equipment	<u>3,699</u>	<u>4,536</u>
	<u>\$ 112,888</u>	<u>\$ 145,775</u>





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	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 1,808</u>	<u>\$ 60,286</u>
Depreciation charge for right-of-use assets		
Land	\$ 13,466	\$ 13,941
Buildings	18,431	18,103
Other equipment	<u>837</u>	<u>838</u>
	<u>\$ 32,734</u>	<u>\$ 32,882</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	\$ 32,649	\$ 33,933
Non-current	<u>83,089</u>	<u>113,608</u>
	<u>\$ 115,738</u>	<u>\$ 147,541</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.1%-1.34%	1.10-1.34%
Buildings	1.1%-1.20%	1.10-1.34%
Other equipment	1.34%	1.34%

### c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	<u>\$ 873</u>	<u>\$ 470</u>
Expenses relating to low-value asset leases	<u>\$ -</u>	<u>\$ -</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>\$ -</u>
Total cash outflow for leases	<u>\$ 34,061</u>	<u>\$ 36,799</u>

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.



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## 16. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 1,005,176	\$ 1,660,730	\$ 2,665,906
Reclassification	14,472	-	14,472
Disposals	(738)	-	(738)
Urban renewal - buildings and land exchange	<u>(14,134)</u>	<u>137,702</u>	<u>123,568</u>
Balance at December 31, 2021	<u>\$ 1,004,776</u>	<u>\$ 1,798,432</u>	<u>\$ 2,803,208</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2021	\$ -	\$ 781,508	\$ 781,508
Depreciation expenses	<u>-</u>	<u>38,535</u>	<u>38,535</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 820,043</u>	<u>\$ 820,043</u>
Carrying amount at December 31, 2021	<u>\$ 1,004,776</u>	<u>\$ 978,389</u>	<u>\$ 1,983,165</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 1,004,776	\$ 1,798,432	\$ 2,803,208
Reclassification	-	566	566
Disposals	<u>-</u>	<u>(1,061)</u>	<u>(1,061)</u>
Balance at December 31, 2022	<u>\$ 1,004,776</u>	<u>\$ 1,797,937</u>	<u>\$ 2,802,713</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	\$ -	\$ 820,043	\$ 820,043
Depreciation expenses	-	36,832	36,832
Disposals	<u>-</u>	<u>(329)</u>	<u>(329)</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 856,546</u>	<u>\$ 856,546</u>
Carrying amount at December 31, 2022	<u>\$ 1,004,776</u>	<u>\$ 941,391</u>	<u>\$ 1,946,167</u>

- Except for depreciation expenses recognized, the Company had neither significant disposal nor impairment of properties in 2022 and 2021.
- The Company participated in an urban renewal project, which included the Company's land and buildings, with Huaku Development Co., Ltd. on a parcel of land located in Songshan District, Taipei City. After the completion of the construction project in December 2021, the Company acquired the new buildings and land while Huaku Development Co., Ltd. also acquired some of the new buildings which belong to the Company according to the agreement. The gain from disposal of investment properties was \$123,568 thousand by exchanging the land at the original cost of \$14,134 thousand for the buildings and land with a total fair value of \$137,702 thousand. The gain was recorded as "gain from disposal of investment properties" under non-operating income and expense.

- c. The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2022 and 2021 was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Year 1	\$ 123,978	\$ 105,722
Year 2	118,594	122,183
Year 3	48,260	116,800
Year 4	11,427	116,459
Year 5	5,563	44,629
Year 6 onwards	<u>19,316</u>	<u>23,832</u>
	<u>\$ 327,138</u>	<u>\$ 529,625</u>

- d. The above items of investment properties are depreciated on a straight-line method over the estimated useful life of the asset:

<b>Items</b>	<b>Estimated Useful Life</b>
Buildings	
Main buildings	50-55 years
Elevators	15 years

- e. Instead of being valued by any independent valuer, the management of the Company used the valuation model that market participants often use to determine 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 of similar properties. The fair value as appraised was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investment property	<u>\$ 3,382,485</u>	<u>\$ 3,506,620</u>

## 17. INTANGIBLE ASSETS

	<b>2022</b>	<b>2021</b>
<b><u>Cost</u></b>		
Balance at January 1	\$ 1,426,932	\$ 1,151,238
Acquisitions	<u>317,475</u>	<u>275,694</u>
Balance at December 31	<u>\$ 1,744,407</u>	<u>\$ 1,426,932</u>
<b><u>Accumulated amortization and impairment</u></b>		
Balance at January 1	\$ 132,956	\$ 68,026
Amortization expenses	<u>74,407</u>	<u>64,930</u>
Balance at December 31	<u>\$ 207,363</u>	<u>\$ 132,956</u>
Carrying amount at December 31	<u>\$ 1,537,044</u>	<u>\$ 1,293,976</u>



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The above items of other intangible assets are amortized on a straight-line basis over the estimated useful life of the asset:

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

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Credit borrowings	\$ 9,710,012	\$ 9,652,000
Loans to related parties	<u>9,732,740</u>	<u>-</u>
	<u>\$ 19,442,752</u>	<u>\$ 9,652,000</u>

The range of effective interest rate of New Taiwan dollar and U.S. dollar on bank borrowings was 1%-1.85% and 0.65%-0.72% per annum as of December 31, 2022 and 2021, respectively.

The effective interest rate of the Chinese Yuan dollar and U.S. dollar on related-party borrowings from the subsidiaries was 0% as of December 31, 2022.

### b. Short-term bills payables

	<u>Annual Interest Rate (%)</u>	<u>Amount</u>
<u>December 31, 2021</u>		
Commercial papers	0.35	\$ 1,000,000
Less: Unamortized discount on bills payable		<u>(301)</u>
		<u>\$ 999,699</u>

### c. Long-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Bank loans	\$ 26,221,714	\$ 33,515,510
Less: Current portion	<u>(4,763,796)</u>	<u>(6,503,796)</u>
	<u>\$ 21,457,918</u>	<u>\$ 27,011,714</u>

Maturity date and range of annual interest rate:



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	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Maturity date</u>		
Long-term borrowings	2024.01.15- 2026.11.29	2023.01.15- 2026.11.29
Current portion of long-term borrowings	2023.01.15- 2023.12.20	2022.01.15- 2022.12.09
<u>Range of interest rates</u>	0.94%-2.04%	0.67%-1.60%

### 19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Notes payable (including related parties)</u>		
Operating	\$ 804	\$ 947
Non-operating	<u>1,323</u>	<u>2,788</u>
	<u>\$ 2,127</u>	<u>\$ 3,735</u>
Accounts payable (including related parties)	<u>\$ 372,851</u>	<u>\$ 511,762</u>

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

### 20. OTHER PAYABLES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Payables for salaries	\$ 490,456	\$ 441,875
Payables for purchase of property, plant and equipment	20,955	22,881
Compensation due to directors and supervisors	110,906	114,584
Employee compensation payables	481,065	506,175
Interest payables	84,148	38,983
Payables for annual leave	128,277	114,854
Others	<u>342,359</u>	<u>416,957</u>
	<u>\$ 1,658,166</u>	<u>\$ 1,656,309</u>

### 21. RETIREMENT BENEFIT PLANS

#### Defined Contribution Plan

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



# POU CHEN CORPORATION

## Defined Benefit Plan

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 1,303,077	\$ 1,389,587
Fair value of plan assets	<u>(934,369)</u>	<u>(833,186)</u>
Net defined benefit liability	<u>\$ 368,708</u>	<u>\$ 556,401</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</b>
Balance at January 1, 2021	<u>\$ 1,296,010</u>	<u>\$ (728,970)</u>	<u>\$ 567,040</u>
Current service cost	6,605	-	6,605
Past service cost	22,694	-	22,694
Net interest expense (income)	<u>6,480</u>	<u>(3,679)</u>	<u>2,801</u>
Recognized in profit or loss	<u>35,779</u>	<u>(3,679)</u>	<u>32,100</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,515)	(10,515)
Actuarial loss arising from changes in demographic assumptions	28,883	-	28,883
Actuarial loss arising from experience adjustments	<u>58,789</u>	<u>-</u>	<u>58,789</u>
Recognized in other comprehensive income (loss)	<u>87,672</u>	<u>(10,515)</u>	<u>77,157</u>
Contributions from the employer	-	(120,161)	(120,161)
Benefits paid	(30,139)	30,139	-
Others	<u>265</u>	<u>-</u>	<u>265</u>
Balance at December 31, 2021	<u>\$ 1,389,587</u>	<u>\$ (833,186)</u>	<u>\$ 556,401</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2022	\$ 1,389,587	\$ (833,186)	\$ 556,401
Current service cost	7,142	-	7,142
Net interest expense (income)	6,948	(4,204)	2,744
Others	(319)	-	(319)
Recognized in profit or loss	<u>13,771</u>	<u>(4,204)</u>	<u>9,567</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(64,966)	(64,966)
Actuarial loss arising from changes in demographic assumptions	459	-	459
Actuarial gain arising from changes in financial assumptions	(106,165)	-	(106,165)
Actuarial loss arising from experience adjustments	<u>67,921</u>	<u>-</u>	<u>67,921</u>
Recognized in other comprehensive loss	<u>(37,785)</u>	<u>(64,966)</u>	<u>(102,751)</u>
Contributions from the employer	-	(151,303)	(151,303)
Benefits paid	(119,290)	119,290	-
Others	<u>56,794</u>	<u>-</u>	<u>56,794</u>
Balance at December 31, 2022	<u>\$ 1,303,077</u>	<u>\$ (934,369)</u>	<u>\$ 368,708</u> (Concluded)

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

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 48	\$ 42
Selling and marketing expenses	7	22
General and administrative expenses	5,403	18,558
Research and development expenses	<u>4,109</u>	<u>13,478</u>
	<u>\$ 9,567</u>	<u>\$ 32,100</u>

Through the defined benefit plan under the Labor Standards Act, 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.



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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>2022</b>	<b>2021</b>
Discount rate	1.50%	0.50%
Expected rate of salary increase	2.25%	2.00%

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	<u>\$ (32,520)</u>	<u>\$ (37,695)</u>
0.25% decrease	<u>\$ 33,739</u>	<u>\$ 39,201</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 32,888</u>	<u>\$ 37,956</u>
0.25% decrease	<u>\$ (31,863)</u>	<u>\$ (36,697)</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>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 16,218</u>	<u>\$ 15,169</u>
The average duration of the defined benefit obligation	10.3 years	11.1 years

## 22. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2022</b>	<b>2021</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

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u>		
Recognized from issuance of ordinary shares	\$ 848,603	\$ 848,603
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	109,637	109,637
<u>May only be used to offset a deficit</u>		
Recognized from the changes in ownership to subsidiaries (Note 2)	27,234	27,234
Recognized from the share of changes in net assets of associates	133,171	133,410
Others	<u>29,644</u>	<u>28,416</u>
	<u>\$ 4,420,389</u>	<u>\$ 4,419,400</u>

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

Note 2: Such capital surplus are the changes in equity transactions recognized from the equity changes of subsidiaries when the Company does not actually receive or dispose of subsidiaries' shares.

## c. Retained earnings and dividend policy

Under the dividend policy of the Articles, the Company should make appropriations from the annual net profit in the following order:

- 1) For paying taxes.
- 2) For offsetting deficits.
- 3) For the legal reserve at 10% of the remaining profit, and for the special reserve to be appropriated and distributed according to regulations or upon request by the FSC.
- 4) The total of any remaining profit after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then the remainder distributed as proposed according to the 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 compensation of employees and remuneration of directors and supervisors and the actual appropriations, refer to Note 24 (h) to the financial statements.



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In accordance with the “Articles”, profit may be distributed after taking into consideration the future development plan, financial condition, business and operational status, and so on. The distribution of profit shall be proposed by the board of directors and submitted to the shareholders’ meeting for approval. The ratio of distribution shall be no less than 30% of the net profit for each fiscal year, and the proportion of cash dividends distributed shall be no less than 30% of total dividends distributed. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profit.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2021 and 2020, which were approved in the board of directors’ meetings on April 28, 2022 and April 28, 2021, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For</b>	<b>For</b>
	<b>Year 2021</b>	<b>Year 2020</b>
Legal reserve	\$ 1,439,249	\$ 482,716
Cash dividends	\$ 4,420,181	\$ 1,473,394
Dividends per share (NT\$)	\$ 1.50	\$ 0.50

d. Other equity item

1) Exchange differences on the translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (7,414,850)	\$ (5,491,369)
Share of exchange differences of subsidiaries and associates accounted for using the equity method	7,140,956	(1,923,481)
Balance at December 31	\$ (273,894)	\$ (7,414,850)

2) Unrealized gain or loss on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 14,613,616	\$ 24,305,081
Unrealized (loss) gain from equity instruments	(866,128)	1,103,823
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	7,027	5,661
Disposal of associates accounted for using the equity method	-	(235)
Share of loss from associates and joint ventures accounted for using the equity method	(17,275,358)	(10,800,714)
Balance at December 31	\$ (3,520,843)	\$ 14,613,616



## 3) Cash flow hedge

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ -	\$ 1,195
Loss on changes in the fair value of hedging instruments	<u>-</u>	<u>(1,195)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

## 4) Others

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 12,620,038	\$ 8,629,040
Share of (gain) loss from associates and joint ventures accounted for using the equity method	<u>(30,148,895)</u>	<u>3,990,998</u>
Balance at December 31	<u>\$ (17,528,857)</u>	<u>\$ 12,620,038</u>

**23. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from the sale of goods	\$ 4,954,521	\$ 4,223,317
Revenue from the rendering of services	<u>4,394,492</u>	<u>4,086,732</u>
	<u>\$ 9,349,013</u>	<u>\$ 8,310,049</u>

**24. 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>2022</b>	<b>2021</b>
Interest income		
Cash in bank	\$ 4,329	\$ 642
Repurchase agreements collateralized by bonds	111	7
Financial assets at amortized cost	<u>3,136</u>	<u>3,688</u>
	<u>\$ 7,576</u>	<u>\$ 4,337</u>



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## b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income (Note 29)		
Rental income from operating lease		
Investment properties	\$ 71,502	\$ 88,161
Others	<u>13,005</u>	<u>13,679</u>
	84,507	101,840
Dividends income	270,577	304,781
Others	<u>25,046</u>	<u>80,245</u>
	<u>\$ 380,130</u>	<u>\$ 486,866</u>

## c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Net (loss) gain on disposal of investment properties	\$ (732)	\$ 123,568
Net (loss) gain on disposal of property, plant and equipment	(3,647)	1,791
Net gain on disposal of investment recognized under equity method	-	12,708
Net foreign exchange gain (loss)	1,797,456	(242,737)
Net gain (loss) on financial assets at FVTPL	278,477	(82,871)
Net loss on financial liabilities at FVTPL	(53,768)	(6,800)
Others	<u>(44,402)</u>	<u>(58,379)</u>
	<u>\$ 1,973,384</u>	<u>\$ (252,720)</u>

## d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank borrowings	\$ 445,807	\$ 370,549
Interest on short-term bills payable	11,990	5,704
Lease liabilities	1,547	1,463
Other interest expense	<u>29</u>	<u>29</u>
	<u>\$ 459,373</u>	<u>\$ 377,745</u>

## e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 264,094	\$ 280,308
Investment properties	36,832	38,535
Right-of-use assets	32,734	32,882
Intangible assets	<u>74,407</u>	<u>64,930</u>
	<u>\$ 408,067</u>	<u>\$ 416,655</u>

(Continued)



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	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function		
Operating costs	\$ 4,787	\$ 4,407
Operating expenses	292,041	308,783
Non-operating expenses	<u>36,832</u>	<u>38,535</u>
	<u>\$ 333,660</u>	<u>\$ 351,725</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 74,407</u>	<u>\$ 64,930</u>
		(Concluded)

f. Direct operating expenses from investment properties

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Direct operating expenses from investment properties that generate rental income	\$ 50,293	\$ 51,514
Direct operating expenses from investment properties that did not generate rental income	<u>64</u>	<u>65</u>
	<u>\$ 50,357</u>	<u>\$ 51,579</u>

g. Employee benefits expense

	<b>2022</b>			<b>2021</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	\$ -	\$ 11,415	\$ 11,415	\$ -	\$ 8,063	\$ 8,063
Remuneration of directors and supervisors	-	116,021	116,021	-	119,342	119,342
Others	<u>14,833</u>	<u>2,552,724</u>	<u>2,567,557</u>	<u>11,576</u>	<u>2,400,652</u>	<u>2,412,228</u>
	<u>14,833</u>	<u>2,680,160</u>	<u>2,694,993</u>	<u>11,576</u>	<u>2,528,057</u>	<u>2,539,633</u>
Labor and health insurance	<u>1,654</u>	<u>226,629</u>	<u>228,283</u>	<u>1,506</u>	<u>228,655</u>	<u>230,161</u>
Post-employment benefit						
Defined contribution plans	762	108,781	109,543	690	109,519	110,209
Defined benefit plans	<u>48</u>	<u>9,519</u>	<u>9,567</u>	<u>42</u>	<u>32,058</u>	<u>32,100</u>
	<u>810</u>	<u>118,300</u>	<u>119,110</u>	<u>732</u>	<u>141,577</u>	<u>142,309</u>
Other employee benefits	<u>465</u>	<u>49,851</u>	<u>50,316</u>	<u>440</u>	<u>45,349</u>	<u>45,789</u>
Total employee benefits expense	<u>\$ 17,762</u>	<u>\$ 3,074,940</u>	<u>\$ 3,092,702</u>	<u>\$ 14,254</u>	<u>\$ 2,943,638</u>	<u>\$ 2,957,892</u>

As of December 31, 2022 and 2021, there were both 3,078 employees in the Company. Among the Company's directors, there were six and five who were not employees, respectively. The Company accounts for employee benefits expense based on the number of employees.

As of December 31, 2022 and 2021, the average employee benefits and average salaries and wages were \$969 thousand, \$924 thousand, \$840 thousand and \$788 thousand, respectively. The average salaries and wages increase 6.6%.



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## h. Employee's compensation and remuneration of directors

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. The employee's compensation is approved by the board of directors to be distributed by shares or by cash, and the receivers should be those employees who meet certain criteria. 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, 2022 and 2021 which were approved by the Company's board of directors on March 16, 2023 and March 16, 2022, respectively, were as follows:

### Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	1.6%	1.6%
Remuneration of directors	0.8%	0.8%

### Amount

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Employees' compensation	\$ 221,811	\$ -	\$ 229,168	\$ -
Remuneration of directors	110,906	-	114,584	-

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, and will be adjusted in the following year.

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, 2021 and 2020.

Information on employees' compensation and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

**25. INCOME TAXES****a. Income tax recognized in profit or loss**

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current period	\$ 488,238	\$ 9,173
Income tax expense of unappropriated earnings	423,888	139,469
Adjustments for prior year's income tax	<u>(8,622)</u>	<u>(42,200)</u>
	903,504	106,442
Deferred tax		
In respect of the current period	<u>(17,855)</u>	<u>(566,520)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 885,649</u>	<u>\$ (460,078)</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>2022</b>	<b>2021</b>
Income before income tax	<u>\$ 13,530,504</u>	<u>\$ 13,979,229</u>
Income tax expense calculated at the statutory rate	\$ 2,706,101	\$ 2,795,846
Tax effect of adjusting items		
Tax-exempt income	(54,116)	(60,956)
Investment income recognized under equity method	(2,148,222)	(2,722,607)
Others	(33,380)	(569,630)
Income tax on unappropriated earnings	423,888	139,469
Adjustments for prior years' income tax	<u>(8,622)</u>	<u>(42,200)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 885,649</u>	<u>\$ (460,078)</u>

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 a 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 have been reinvested in capital expenditure.

As the status of 2023 appropriations of earnings is uncertain, the potential income tax consequences of 2022 unappropriated earnings are not reliably determinable.

**b. Income tax recognized in other comprehensive income**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
In respect of the current year	<u>\$ (17,052)</u>	<u>\$ (17,612)</u>
Total income tax recognized in other comprehensive income	<u>\$ (17,052)</u>	<u>\$ (17,612)</u>



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## c. Deferred tax assets and liabilities

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax assets</u>		
Temporary differences		
Payables for annual leave	\$ 25,655	\$ 22,971
Defined benefit obligations	33,206	44,501
Others	<u>47,666</u>	<u>4,148</u>
	<u>\$ 106,527</u>	<u>\$ 71,620</u>
<u>Deferred tax liabilities</u>		
Temporary differences		
Land value increment tax	<u>\$ 86,547</u>	<u>\$ 86,547</u>

## d. Income tax assessments

Except for 2019, all the Company's income tax returns as of 2020 have been assessed and approved by the tax authorities.

## 26. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Net profit (in thousand dollars)</u>		
Earnings used in the computation of earnings per share	<u>\$ 12,644,855</u>	<u>\$ 14,439,307</u>
<u>Weighted average number of shares outstanding (in thousand shares)</u>		
Weighted average number of common shares used in the computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive common shares:		
Employees' compensation	<u>8,037</u>	<u>7,622</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>2,954,824</u>	<u>2,954,409</u>
<u>Earnings per share (in dollars)</u>		
Basic earnings per share	<u>\$4.29</u>	<u>\$4.90</u>
Diluted earnings per share	<u>\$4.28</u>	<u>\$4.89</u>





The Company may settle the compensation paid to employees by cash or shares; therefore, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 27. CAPITAL MANAGEMENT

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

## 28. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The Company's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

### b. Fair value of financial instruments 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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 124,367	\$ -	\$ 124,367
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 5,999,455	\$ -	\$ -	\$ 5,999,455
Domestic unlisted shares	-	-	47,484	47,484
	\$ 5,999,455	\$ -	\$ 47,484	\$ 6,046,939
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 24,249	\$ -	\$ 24,249



# POU CHEN CORPORATION

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 15,174	\$ -	\$ 15,174
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 6,866,303	\$ -	\$ -	\$ 6,866,303
Domestic unlisted shares	-	-	49,496	49,496
	\$ 6,866,303	\$ -	\$ 49,496	\$ 6,915,799
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 11,104	\$ -	\$ 11,104

- 2) There were no transfers between Levels 1 and 2 in the current and prior periods.
- 3) There was no reconciliation of Level 3 fair value measurements of financial assets except for changes in fair value recognized in other comprehensive income.
- 4) The fair value of Level 2 financial assets and financial liabilities is determined as follows:
  - a) The fair value of financial instruments with standard terms and conditions and traded in active liquid markets is determined with reference to the quoted market prices.
  - b) The future cash flows of derivatives are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- 5) Valuation techniques and assumptions applied for Level 3 fair value measurement is as follows:

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

## c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$ 124,367	\$ 15,174
Financial assets at amortized cost (Note 1)	1,850,782	2,095,108
Financial assets at FVTOCI	6,046,939	6,915,799
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	24,249	11,104
Financial liabilities at amortized cost (Note 2)	47,701,416	47,865,245



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, notes payable, accounts payable, other payables, long-term borrowings (including the portion due within one year) and guarantee deposits.

d. Financial risk management objectives and policies

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

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts and other derivative instruments. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31 to the financial statements.

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 strengthening 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>2022</b>	<b>2021</b>
USD	\$ 228,640	\$ 21,376
RMB	(15)	(74)

b) Interest rate risk

The Company was exposed to interest rate risk because it borrowed funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and also using interest rate swap 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>2022</b>	<b>2021</b>
Cash flow interest rate risk		
Financial liabilities	\$ 26,221,714	\$ 32,365,510

Sensitivity analysis

The sensitivity analysis below was based on the Company's floating rate liabilities. The analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole period. If there had been a 1%-increase in interest rates, the Company's income before income tax would have decreased by \$262,217 thousand and \$323,655 thousand during the years ended December 31, 2022 and 2021, respectively.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had declined by 1%, the other comprehensive income for the year ended December 31, 2022 would have decreased by \$59,995 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had declined by 1%, the other comprehensive income for the year ended December 31, 2021 would have decreased by \$68,663 thousand as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to equity securities investment has not changed significantly from the previous year.

2) Credit risk

Financial instruments are evaluated for credit risk (which represents the potential loss that would be incurred by the Company if a counterparty or third party were to breach a contract). The risk includes the centralization of credit risk, components, contract figures, and accounts receivable. Besides, the Company requires significant clients to provide guarantees of a credit rating of intermediate or higher issued by a bank so as to effectively reduce its credit risk.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.



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

The tables have been drawn up based on the undiscounted cash flows of financial liabilities including both interest and principal from the earliest date on which the Company may be required to pay.

December 31, 2022

	<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 liabilities	\$ 851,595	\$ 3,033,349	\$ 7,884,746	\$ -	\$ -
Lease liabilities	3,448	6,456	23,920	58,482	27,552
Floating interest rate liabilities	1,003,449	2,500,000	5,160,347	17,557,918	-
Fixed interest rate liabilities	<u>1,398,012</u>	<u>875,000</u>	<u>3,537,000</u>	<u>3,900,000</u>	<u>-</u>
	<u>\$ 3,256,504</u>	<u>\$ 6,414,805</u>	<u>\$ 16,606,013</u>	<u>\$ 21,516,400</u>	<u>\$ 27,552</u>

December 31, 2021

	<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 liabilities	\$ 774,639	\$ 586,447	\$ 814,550	\$ 1,522,400	\$ -
Lease liabilities	4,737	5,802	24,944	79,483	38,251
Floating interest rate liabilities	7,003,449	3,990,000	10,347	21,361,714	-
Fixed interest rate liabilities	<u>-</u>	<u>475,000</u>	<u>5,677,000</u>	<u>5,650,000</u>	<u>-</u>
	<u>\$ 7,782,825</u>	<u>\$ 5,057,249</u>	<u>\$ 6,526,841</u>	<u>\$ 28,613,597</u>	<u>\$ 38,251</u>

The amounts included above for floating interest rate instruments for non-derivative financial liabilities were 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 details 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, 2022

	<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>
Exchange rate swap contracts	<u>\$ -</u>	<u>\$ 6,039</u>	<u>\$ 18,210</u>	<u>\$ -</u>	<u>\$ -</u>



# POU CHEN CORPORATION

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contracts	\$ -	\$ 3,400	\$ 7,704	\$ -	\$ -

## 29. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related party name and categories

Name	Related Party Category
Yue Yuen Industrial (Holdings) Limited	Subsidiary
Barits Development Corporation	Subsidiary
Pan Asia Insurance Services Co., Ltd.	Subsidiary
Pou Yui Development Co., Ltd.	Subsidiary
Pou Shine Investments Co., Ltd.	Subsidiary
Pou Chin Development Co., Ltd.	Subsidiary
Song Ming Investments Co., Ltd.	Subsidiary
Wang Yi Construction Co., Ltd.	Subsidiary
Windsor Entertainment Co., Ltd.	Subsidiary
Pro Arch International Development Enterprise Inc.	Subsidiary
Wealthplus Holdings Limited	Subsidiary
Chang Yang Material Corporation	Associate
High Shine Investments Ltd.	Associate
San Fang Chemical Industry Co., Ltd.	Associate
Nan Pao Resins Chemical Co., Ltd.	Associate
Sheachang Enterprise Corporation	Other related party
Chuan Mou Investments Co., Limited	Other related party
Shun Tai Investments Co., Limited	Other related party

### b. Operating revenue

Account	Related Parties Category	For the Year Ended December 31	
		2022	2021
Sales and service revenue	Yue Yuen Industrial (Holdings) Limited	\$ 9,223,537	\$ 8,221,626
	Subsidiaries	21,800	16,839
	Associates	14,279	14,138
		<u>\$ 9,259,616</u>	<u>\$ 8,252,603</u>

The sales prices and receivable terms to related parties were not significantly different from those of non-related parties.

The Company entered into a technical service agreement with Yue Yuen Industrial (Holdings) Limited. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

- 1) For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.



- 2) For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier's invoice amounts.
- 3) For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier's invoice amounts.

c. Purchases

Account	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Purchases	Subsidiaries	\$ 17,042	\$ 7,082
	Associates	<u>265,026</u>	<u>200,120</u>
		<u>\$ 282,068</u>	<u>\$ 207,202</u>

The purchase prices and payment terms from related parties were not significantly different from those of non-related parties.

d. Rental income

Account	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Rental income	Windsor Entertainment Co., Ltd.	\$ 53,232	\$ 70,562
	Yue Yuen Industrial (Holdings) Limited	8,767	9,659
	Subsidiaries	733	769
	Associates	45	180
	Other related parties	<u>35</u>	<u>23</u>
		<u>\$ 62,812</u>	<u>\$ 81,193</u>

e. Receivables from related parties

Account	Related Party Category/Name	December 31	
		2022	2021
Notes receivable and accounts receivable	Yue Yuen Industrial (Holdings) Limited	\$ 1,704,578	\$ 1,729,022
	Subsidiaries	5,575	4,321
	Associates	<u>1,044</u>	<u>3,412</u>
		<u>\$ 1,711,197</u>	<u>\$ 1,736,755</u>

f. Payables to related parties

Account	Related Party Category/Name	December 31	
		2022	2021
Notes payable and accounts payable	Subsidiaries	\$ 7,941	\$ 1,757
	Associates	<u>26,918</u>	<u>18,813</u>
		<u>\$ 34,859</u>	<u>\$ 20,570</u>



# POU CHEN CORPORATION

g. Loans to related parties

Account	Related Party Category/Name	December 31	
		2022	2021
Long-term accounts payable	Wealthplus Holdings Limited	\$ <u>          </u>	\$ <u>1,522,400</u>
Short-term borrowings	Wealthplus Holdings Limited	\$ <u>9,732,740</u>	\$ <u>-</u>

h. Endorsements/guarantees provided

Refer to Table 1 “Endorsements/guarantees provided” of Note 32 to the financial statements.

i. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ <u>183,013</u>	\$ <u>194,732</u>

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

## 30. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

- The Company’s investment in Nan Shan Life Insurance Co., Ltd. was through Ruen Chen Investment Holding Co., Ltd. Accordingly, the Company has received a request from the FSC to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Commercial Bank for ten years. The trust was already expired, and the shares were collected on September 15, 2021.
- 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 Taipei Computer Association as guarantee.



**31. 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 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, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,370	30.710	\$ 1,024,781
RMB	69	4.408	305
Non-monetary items			
USD	4,679	30.710	142,719
<u>Financial liabilities</u>			
Monetary items			
USD	182,273	30.710	5,597,592
Non-monetary items			
USD	792	30.710	24,249

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,951	27.680	\$ 1,105,855
RMB	341	4.344	1,479
Non-monetary items			
USD	2,819	27.680	78,023
RMB	25,900	4.344	112,510
<u>Financial liabilities</u>			
Monetary items			
USD	55,413	27.680	1,533,820
Non-monetary items			
USD	401	27.680	11,104



**32. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital (Table 3)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (Note 28)
- 10) Information on investees (Table 5)

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 6).
- 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 the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7).



TABLE 1

# POU CHEN CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022

(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 or 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 Holdings Limited Pro Arch International Development Enterprise Inc. Bartle Development Corporation Windsor Entertainment Co., Ltd. Yue Hong Realty Development Co., Ltd. Pou Shine Investments Co., Ltd. Pou Yuen Technology Co., Ltd. Pou Yui Development Co., Ltd.	b b b b b b b b	\$ 107,012,021 107,012,021 107,012,021 107,012,021 107,012,021 107,012,021 107,012,021 107,012,021	\$ 29,315,650 60,480 8,917,500 80,000 550,000 1,750,000 300,000 400,000	\$ 27,331,900 39,690 8,542,600 80,000 550,000 1,750,000 100,000 400,000	\$ - 39,690 2,843,000 30,000 524,000 557,000 - 166,000	\$ -	26	\$ 214,024,042 214,024,042 214,024,042 214,024,042 214,024,042 214,024,042 214,024,042 214,024,042	Y Y Y Y Y Y Y Y	N N N N N N N N	N N N N N N N N	

Note 1: The Company is coded as follows:

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

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

- Business relationship.
- A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- 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.
- A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- A company where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

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



**POU CHEN CORPORATION**  
**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars, 1**

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TABLE 3

## 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, 2022

(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, 2022	Sale	\$ (9,223,537)	(99)	D/A 45 days	-	-	\$ 1,704,578	99	
	Chang Yang Material Corporation	The associate in which the Company holds 50% indirectly at December 31, 2022	Purchase	155,768	4	D/A 45 days	-	-	(8,775)	(2)	



# POU CHEN CORPORATION

TABLE 4

## POU CHEN CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2022  
(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, 2022	\$ 1,704,578	5	\$ -	-	\$ 1,601,977	\$ -



TABLE 5

## POU CHEN CORPORATION

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

(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, 2022		Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%				
Pou Chen Corporation	Wealthplus Holdings Limited	British Virgin Islands	Investing in footwear, electronic and peripheral products	\$ 295,429	\$ 295,429	9,222,000	100.00	\$ 86,473,888	\$ 4,458,227	\$ 4,467,965	
	Win Fortune Investments Limited	British Virgin Islands	Investing activities	(US\$ 9,222,000)	(US\$ 9,222,000)			(US\$ 2,815,821,804)	(US\$ 150,443,488)	(US\$ 150,775,729)	
	Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	3,230	3,230	100,000	100.00	2,244,258	92,869	93,078	
	Pou Shine Investment Co., Ltd.	ROC	Investing activities	(US\$ 100,000)	(US\$ 100,000)			(US\$ 73,079,072)	(US\$ 3,138,890)	(US\$ 3,146,017)	
	Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	71,000	530,000	7,100,000	100.00	124,802	(18,306)	12,688	
	Bartis Development Corporation	ROC	Import and export of shoe-related materials and investing activities	1,124,667	1,124,667	133,094,460	100.00	3,652,672	202,626	202,487	
	Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	5,000	5,000	294,451,784	99.49	12,823	2,050	2,050	
	Pro Arch International Development Enterprise Inc.	ROC	Design and manufacture of footwear products	2,117,292	2,117,292			9,234,736	310,980	309,910	
	Pou Yi Development Co., Ltd.	ROC	Rental and sale of real estate	966,450	966,450	30,456,252	97.82	379,140	28,629	17,998	
	Wang Yi Construction Co., Ltd.	ROC	Construction	2,643,184	2,643,184	20,000,000	100.00	241,628	24,095	24,212	
	Elitegroup Computer Systems Co., Ltd.	ROC	Manufacturing of electronic components	40,320	40,320	7,875,000	15.00	179,650	51,003	7,650	
	Ruen Chen Investment Holding Co., Ltd.	ROC	Investment holding	5,356	7,700	367,305	7.82	-	748	519	
	Nan Shan Life Insurance Co., Ltd.	ROC	Personal insurance	3,245,815	3,245,815	68,884,949	12.36	1,425,936	875,337	108,176	
		ROC		15,452,000	15,372,000	5,327,000,000	20.00	35,917,433	27,471,783	5,494,356	
				370	-	10,000	-	298	31,052,579	21	



# POU CHEN CORPORATION

TABLE 6

## POU CHEN CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Great Tern Backland Foundry, Inc.	Processing and manufacturing of transistors	\$ 2,642,140 (US\$ 88,116,600)	b	\$ -	\$ -	\$ -	\$ -	\$ -	2.01	\$ -	\$ 44,744 (RMB 10,150,637)	\$ -	(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 73,896 16,694,739)	31.97	(RMB 23,624 5,337,308) b, 1)	208,974 (RMB 47,407,902)	-	
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 5,132 1,160,537)	100.00	(RMB 5,132 1,160,537) b, 1)	324,493 (RMB 73,614,460)	-	
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 57,058 12,851,906)	31.97	(RMB 18,241 4,108,754) b, 1)	1,076,522 (RMB 244,219,997)	-	
Dongguan Baoqiao Electronic Technology Co., Ltd.	Production and marketing of other optical appliances and instruments	147,645 (US\$ 4,500,000)	b	-	-	-	-	(RMB 79,916 18,072,021)	100.00	(RMB 79,916 18,072,021) b, 2)	247,106 (RMB 56,058,439)	-	
Poushun Paper Products Manufacturing Co., Ltd.	Production and sale of shoe inner boxes, cartons	68,901 (US\$ 2,100,000)	b	-	-	-	-	(RMB 10,788 2,435,057)	10.22	(RMB 1,103 248,863) b, 1)	6,862 (RMB 1,556,774)	-	
Pouhong Footwear Industrial Ltd.	Production and operation of casual shoes, sports shoes	49,215 (US\$ 1,500,000)	b	-	-	-	-	(RMB (2,731) (617,080))	51.11	(RMB (1,396) (315,389)) b, 1)	23,692 (RMB 5,374,837)	-	
Shanggao Yisen Industry Co., Ltd.	Production and sale of finished shoes, semi-finished products, components and moulds	945,204 (US\$ 30,390,000)	b	-	-	-	-	(RMB 303,625 68,615,350)	51.11	(RMB 155,183 35,069,408) b, 1)	736,394 (RMB 167,058,530)	-	
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 (65,412) (14,793,699))	51.11	(RMB (33,432) (7,561,060)) b, 1)	416,438 (RMB 94,473,131)	-	
Dong Guan Yu Yuen Mold Co., Ltd.	Production and sale of molds for non-metallic products	62,011 (US\$ 1,890,000)	b	-	-	-	-	(RMB (3,041) (691,737))	51.11	(RMB (1,555) (353,547)) b, 1)	30,901 (RMB 7,010,260)	-	
Zhong Shan Glory Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	951,480 (US\$ 29,000,000)	b	-	-	-	-	(RMB 805 176,225)	23.00	(RMB 185 40,532) b, 2)	450,517 (RMB 102,204,400)	-	
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	-	-	-	-	(RMB 273 61,725)	23.00	(RMB 63 14,197) b, 2)	10,319 (RMB 2,340,987)	-	
Zhong Ao Multiplex Management Group Co., Ltd.	Shodium management, wholesale and retail of clothing and footwear accessories	2,055,560 (RMB 431,795,000)	b	-	-	-	-	(RMB 63,137 14,326,127)	20.34	(RMB 12,842 2,913,934) b, 1)	605,466 (RMB 137,556,229)	-	
ShangGao Yisen Ka Yuen Industry Co., Ltd.	Production and sale of footwear products	77,432 (US\$ 2,360,000)	b	-	-	-	-	(RMB 65,020 14,701,006)	25.56	(RMB 16,619 3,757,577) b, 1)	41,540 (RMB 9,423,877)	-	

(Continued)





# 2022 ANNUAL REPORT



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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	Retail business of sports goods and accessories	\$ 1,988,061 (US\$ 65,000,000)	b	-	\$ -	-	\$ -	\$ (504,771) (RMB 114,034,187)	31.97	\$ (161,375) (RMB 36,463,124) b, 1)	\$ 603,467 (RMB 136,902,729)	-	
Qingdao Pou-Sheng International Sport Products Co., Ltd.	Sales of sports and casual shoes and accessories	94,800 (RMB 20,000,000)	b	-	-	-	-	203,169 (RMB 45,866,581)	23.02	46,769 (RMB 10,558,487) b, 1)	171,363 (RMB 38,575,500)	-	
Guizhou Pou-Sheng Sport Products Co., Ltd.	Sales of sports and casual shoes and accessories	322,886 (US\$ 10,000,000)	b	-	-	-	-	(60,830) (RMB (13,720,737))	31.97	(19,447) (RMB (4,386,519)) b, 1)	144,999 (RMB 32,894,584)	-	
Nanning Pou-Kung Sport Products Co., Ltd.	Retail business of sports goods and accessories	42,653 (US\$ 1,300,000)	b	-	-	-	-	(89,431) (RMB (20,181,650))	31.97	(28,591) (RMB (6,452,074)) b, 1)	(40,004) (RMB (9,075,353))	-	
Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	Retail business of sports goods and accessories	1,567,250 (US\$ 50,000,000)	b	-	-	-	-	2,213,239 (RMB 500,246,451)	31.97	707,573 (RMB 159,928,790) b, 1)	1,481,047 (RMB 335,990,742)	-	
Diodie (China) Sports Good Co., Ltd.	Retail and wholesale business of sporting goods and accessories	-	b	-	-	-	-	(1,065) (RMB (239,449))	-	(341) (RMB (76,552)) b, 1)	-	-	Written off
Taichang YYSports Business Trading Co., Ltd.	Retail business of sports goods and accessories series products	164,050 (US\$ 5,000,000)	b	-	-	-	-	6,364 (RMB 1,439,516)	31.97	2,034 (RMB 460,213) b, 1)	66,289 (RMB 15,038,334)	-	
Yangzhou Baoyi Shoes Manufacturing Co., Ltd.	Vulcanized shoes, sports shoes, casual shoes and other footwear manufacturing, marketing	729,906 (US\$ 22,456,800)	b	-	-	-	-	190,428 (RMB 43,012,978)	25.56	48,673 (RMB 10,994,117) b, 1)	271,763 (RMB 61,652,161)	-	
Dalian YYSports Sport Industrial Development Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	928,000 (RMB 200,000,000)	b	-	-	-	-	250,839 (RMB 56,626,160)	31.97	80,193 (RMB 18,103,383) b, 1)	544,634 (RMB 123,555,773)	-	
YYSports (Chengdu) Business Trading Co., Ltd.	Retail business of sports goods and accessories	689,194 (US\$ 22,400,000)	b	-	-	-	-	16,188 (RMB 3,677,073)	31.97	5,175 (RMB 1,175,560) b, 1)	154,930 (RMB 35,147,543)	-	
Fujian Baomin Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	147,645 (US\$ 4,500,000)	b	-	-	-	-	361 (RMB 81,853)	28.77	104 (RMB 23,549) b, 1)	70,100 (RMB 15,902,850)	-	
Guangzhou Pou-Yuen Trading Co., Ltd.	Retail business of sports goods and accessories	710,251 (US\$ 23,310,000)	b	-	-	-	-	(5,086) (RMB (1,144,209))	31.97	(1,626) (RMB (365,804)) b, 1)	215,608 (RMB 48,912,791)	-	
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	-	-	-	-	913,436 (RMB 206,157,595)	31.97	292,026 (RMB 65,908,583) b, 1)	785,428 (RMB 178,182,392)	-	
Shendao (Yang Zhou) Sporting Goods Dev Co., Ltd.	Shopping mall management and property management	2,111,340 (US\$ 66,000,000)	b	-	-	-	-	24,583 (RMB 5,565,394)	31.97	7,859 (RMB 1,778,617) b, 1)	715,092 (RMB 162,226,048)	-	
Zhong Shan O Li Shoe Making Machine Ltd.	Manufacturing shoes and boots or repairing machinery	181,314 (US\$ 5,900,000)	b	-	-	-	-	9,387 (RMB 2,127,967)	51.11	4,798 (RMB 1,087,604) b, 2)	18,238 (RMB 4,137,586)	-	

(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Shanxi 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	\$ -	\$ -	\$ -	\$ -	\$ (428,999) (RMB 97,002,934)	31.97	\$ (137,151) (RMB 31,011,858)	\$ 1,905,081 (RMB 432,187,183)	\$ -	-
Taichang Yue-Shen Sporting Goods Co., Ltd.	Engaged in the production and sales of shoe products, semi-finished products, molds and related sports goods.	393,720 (US\$ 12,000,000)	b	-	-	-	-	(12,245) (RMB 2,772,207)	31.97	(3,915) (RMB 886,275)	119,018 (RMB 27,000,411)	-	-
Hangzhou Pou-Hung Sport Products Co., Ltd.	Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories	673,308 (RMB 14,200,000)	b	-	-	-	-	-	15.90	-	-	-	-
Rui Jin Pou Yuen Footwear Development Co., Ltd.	Production and sale of sports shoes, casual shoes and semi-finished products	356,697 (US\$ 12,000,000)	b	-	-	-	-	(5,873) (RMB 1,327,827)	51.11	(3,002) (RMB 678,652)	125,248 (RMB 28,413,749)	-	-
Yang Xin Pou Jia Shoes Manufacturing Co., Ltd.	Production and sale of shoes uppers, footwear and garments	1,676,479 (US\$ 55,517,000)	b	-	-	-	-	(126,940) (RMB 28,683,761)	51.11	(64,879) (RMB 14,660,270)	559,872 (RMB 127,012,609)	-	-
Jiangxi Province Yuan Shoe Co., Ltd.	Production and sale of footwear products and semi-finished products	918,125 (US\$ 30,000,000)	b	-	-	-	-	(55,758) (RMB 12,640,414)	51.11	(28,498) (RMB 6,460,516)	122,990 (RMB 27,901,640)	-	-
Dongguan Yu Xiang Shoes Material Co., Ltd.	Production and sale of footwear products	295,820 (US\$ 9,500,000)	b	-	-	-	-	59,603 (RMB 13,358,392)	51.11	30,463 (RMB 6,827,474)	192,329 (RMB 43,631,887)	-	-
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	-	-	-	-	(2,826) (RMB 641,191)	19.42	(549) (RMB 124,519)	14,678 (RMB 3,329,948)	-	-
Yue Yuen (Anti) Footwear Co., Ltd.	Production and marketing of finished shoes, semi-finished products and components and modules	1,763,350 (US\$ 60,000,000)	b	-	-	-	-	195,839 (RMB 44,321,061)	51.11	100,093 (RMB 22,652,494)	1,017,071 (RMB 230,733,098)	-	-
Dong Guan Bao Yu Shoes Co., Ltd.	Production and sale of sports shoes, casual shoes, leather shoes, children's shoes, semi-finished footwear and footwear materials	66,780 (US\$ 2,100,000)	b	-	-	-	-	(61,485) (RMB 13,878,139)	51.11	(31,425) (RMB 7,093,117)	5,042 (RMB 1,143,872)	-	-
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 services	399,539 (US\$ 13,500,000)	b	-	-	-	-	(1,114) (RMB 253,306)	31.97	(356) (RMB 80,982)	146,180 (RMB 33,162,535)	-	-
Dongguan De Chang Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US\$ 350,000)	b	-	-	-	-	7,681 (RMB 1,737,651)	51.11	3,926 (RMB 888,113)	13,184 (RMB 2,991,015)	-	-
Zhong Shan Bao Song Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US\$ 350,000)	b	-	-	-	-	4,276 (RMB 966,385)	51.11	2,186 (RMB 494,021)	10,660 (RMB 2,418,272)	-	-
Yiyang Yujing Shoes Industrial Co., Ltd.	Production and sale of finished and semi-finished sports shoes and casual shoes	745,983 (US\$ 24,000,000)	b	-	-	-	-	(14,937) (RMB 3,378,119)	51.11	(7,634) (RMB 1,726,557)	75,502 (RMB 17,128,446)	-	-

(Continued)



# 2022 ANNUAL REPORT



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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Jiangxi Uniscien Consulting Co., Ltd.	Business management consultation, marketing planning and other services	\$ 10,442 (US\$ 350,000)	b	\$ -	\$ -	\$ -	\$ -	\$ (RMB 558,470)	51.11	\$ 1,262 (RMB 285,434)	\$ 7,681 (RMB 1,742,412)	\$ -	
Yu Xing (Jishu) Footwear Co., Ltd.	Production and sale of sports shoes	183,840 (US\$ 6,400,000)	b	-	-	-	-	(RMB (12,271) (2,775,665))	51.11	(RMB (6,272) (1,418,642))	37,244 (RMB 8,449,089)	-	
Dongguan Xingta Consulting Co., Ltd.	Business management consultation, marketing planning and other services	30,805 (US\$ 1,000,000)	b	-	-	-	-	(RMB (1,526) (342,765))	51.11	(RMB (780) (175,187))	17,156 (RMB 3,891,961)	-	
Yang Xin Zhang Yun Shoe Co., Ltd.	Production and sale of footwear products	61,029 (US\$ 2,100,000)	b	-	-	-	-	(RMB (1,610) (364,129))	25.56	(RMB (411) (93,071))	5,896 (RMB 1,337,493)	-	
Yang Xin Pui Jia Yue Shoes Manufacturing Co., Ltd.	Production and sale of rubber soles	87,258 (US\$ 3,000,000)	b	-	-	-	-	(RMB (15,138) (3,425,543))	25.56	(RMB (3,869) (875,569))	9,418 (RMB 2,136,657)	-	
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	-	-	-	-	(RMB 10,147,781 (RMB 2,293,624,459))	31.97	(RMB 3,244,246 (RMB 733,271,739))	4,633,710 (RMB 1,051,204,734)	-	
Yichun Yisen Industry Co., Ltd.	Production and sale of footwear and mold products	410,130 (US\$ 14,000,000)	b	-	-	-	-	(RMB 73,346 (RMB 16,578,072))	51.11	(RMB 37,487 (RMB 8,473,052))	289,228 (RMB 65,614,401)	-	
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	-	-	-	-	(RMB (54) (12,370))	51.11	(RMB (28) (6,322))	346 (RMB 78,389)	-	
Dong Guan Pui 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	-	-	-	-	(RMB 98,825 (RMB 22,412,795))	51.11	(RMB 50,510 (RMB 11,455,179))	726,786 (RMB 164,878,958)	-	
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	-	-	-	-	(RMB 135,203 (RMB 30,614,334))	51.11	(RMB 69,102 (RMB 15,646,986))	855,562 (RMB 194,092,990)	-	
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	-	-	-	-	(RMB (70,683) (15,985,443))	51.11	(RMB (36,126) (8,170,160))	212,536 (RMB 48,215,902)	-	
Jilin Xinlingwei Sports Goods Company Limited	Sports goods sales	196,160 (RMB 40,000,000)	b	-	-	-	-	-	15.90	-	-	-	
Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.	Prepare for research and development of shoe materials and composite materials	-	b	-	-	-	-	(RMB 858 (RMB 194,437))	-	(RMB 219 (RMB 49,698))	-	-	Written off
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	-	-	-	-	(RMB 1,978 (RMB 448,421))	10.22	(RMB 202 (RMB 45,829))	4,487 (RMB 1,017,934)	-	

(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
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	\$ -	\$ -	\$ -	\$ -	\$ (233,098) (RMB 52,697,869)	31.97	\$ (74,521) (RMB 16,847,569) b, 1)	\$ 21,621 (RMB 4,904,968)	\$ -	
Hunan Huangjiao 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	-	-	-	-	(406) (RMB 92,216)	6.80	(28) (RMB 6,271)	3,401 (RMB 771,613)	-	
Kun Shan Taisong Trading Co., Ltd.	Wholesale and retail of clothing, footwear, glasses and watches	790,110 (US\$ 26,500,000)	b	-	-	-	-	(73,106) (RMB 16,554,674)	31.97	(23,372) (RMB 5,292,529) b, 1)	(188,459) (RMB 42,753,811)	-	
Kun Shan Pou-Han Sport Culture Development Co., Ltd.	Management consultants, wholesale of sports goods and equipment, wholesale, other sports services and other art performance assistant services	48,278 (US\$ 1,500,000)	b	-	-	-	-	(816) (RMB 193,899)	31.97	(261) (RMB 61,990) b, 1)	11,548 (RMB 2,619,835)	-	
Yisen (YiFeng) Mould Co., Ltd.	Production and sale of mould products	479,284 (US\$ 14,850,000)	b	-	-	-	-	10,114 (RMB 2,280,078)	51.11	5,169 (RMB 1,165,348) b, 1)	145,178 (RMB 32,935,169)	-	
Zhu Hai Yu Yuan Industrial Co., Ltd.	Processing, production and sale of footwear products	1,408 (RMB 300,000)	b	-	-	-	-	4,757 (RMB 1,074,971)	51.11	2,431 (RMB 549,418) b, 1)	4,294 (RMB 974,163)	-	
Yang Xin Pou Shou Sporting Goods Co., Ltd.	Processing, production and sale of footwear products	236,574 (US\$ 7,800,000)	b	-	-	-	-	(4,099) (RMB 923,144)	51.11	(2,095) (RMB 471,819) b, 1)	36,241 (RMB 8,221,650)	-	
Changsha YYSPO RTS Sport Products Co., Ltd.	Sales of sports goods and equipment	22,825 (RMB 5,000,000)	b	-	-	-	-	(63,140) (RMB 14,227,507)	31.97	(20,186) (RMB 4,548,534) b, 1)	(11,276) (RMB 2,558,104)	-	
Henan YYSPO RTS Sport Products Co., Ltd.	Retail business of sports goods and accessories	9,130 (RMB 2,000,000)	b	-	-	-	-	(37,789) (RMB 8,555,231)	31.97	(12,081) (RMB 2,735,107) b, 1)	(3,171) (RMB 719,405)	-	
Shenyang Pou-Yi Trading Co., Ltd.	Retail business of sports goods and accessories	182,600 (RMB 40,000,000)	b	-	-	-	-	(60,992) (RMB 13,802,609)	31.97	(19,499) (RMB 4,412,694) b, 1)	(16,683) (RMB 3,784,601)	-	
Zhejiang Shengdao Sporting-Goods Co., Ltd.	Retail business of sports goods and accessories	228,250 (RMB 50,000,000)	b	-	-	-	-	273,008 (RMB 61,658,962)	31.97	87,281 (RMB 19,712,370) b, 1)	236,595 (RMB 53,673,961)	-	
Mudanjiang YYSPO RTS Sport Technology Co., Ltd.	Sports services, research and development of sports fitness equipment and retail business of sports goods	4,565 (RMB 1,000,000)	b	-	-	-	-	13,300 (RMB 3,004,906)	31.97	4,252 (RMB 960,668) b, 1)	9,085 (RMB 2,061,031)	-	
Widvision Investment (Shenzhen) Co., Ltd.	Business management consulting, economic information consulting and market management planning	13,833 (RMB 3,000,000)	b	-	-	-	-	1,950 (RMB 444,207)	100.00	1,950 (RMB 444,207) b, 1)	16,342 (RMB 3,707,378)	-	
Chongqing Baoyu Sports Goods Company Limited	Wholesale and retail of sports goods, sports equipment, clothing, shoes, caps and accessories and premises leasing	8,994 (RMB 2,000,000)	b	-	-	-	-	(25,712) (RMB 5,810,684)	31.97	(8,220) (RMB 1,857,676) b, 1)	(18,900) (RMB 4,287,692)	-	
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	-	-	-	-	(1,366) (RMB 311,697)	25.56	(349) (RMB 79,670) b, 1)	29,122 (RMB 6,606,693)	-	

(Continued)



# 2022 ANNUAL REPORT



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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Akenz (Shanghai) Trading Co., Ltd.	Management consultants, wholesale of sports goods and equipment, accessories, and other art performance assistant services	\$ -	b	\$ -	\$ -	\$ -	\$ -	\$ (36,478) (RMB (8,240,560))	-	\$ (8,135) (RMB (1,837,045))	\$ -	\$ -	Sold
Yangzhou Yuhong Garment Co., Ltd.	Engaged in the processing and production of apparel, apparel accessories, and selling our own products	\$88,725 (US\$ 19,749,000)	b	-	-	-	-	\$ (52,524) (RMB (11,899,418))	51.11	(26,850) (RMB (6,081,792))	289,085 (RMB 65,381,884)	-	
Yifeng Kun Ching Foam Ltd.	Production, sales, processing of plastic foam and foam daily products	8,994 (US\$ 300,000)	b	-	-	-	-	\$ 5,032 (RMB 1,136,269)	19.42	977 (RMB 220,663)	2,763 (RMB 626,740)	-	
Zhongshan Hwa Ching Foam Co., Ltd.	Production of foam products	29,980 (US\$ 1,000,000)	b	-	-	-	-	\$ 11,786 (RMB 2,659,156)	19.58	2,308 (RMB 520,663)	10,477 (RMB 2,376,717)	-	
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	-	-	-	-	\$ (10,797) (RMB (2,444,354))	31.97	(3,452) (RMB (781,460))	(7,528) (RMB (1,707,721))	-	
Dong Guan Orisol Trading Company Ltd.	Wholesale or repair of shoe-related machinery and parts	27,850 (US\$ 1,000,000)	b	-	-	-	-	\$ (14,203) (RMB 3,181,935)	51.11	7,259 (RMB 1,626,287)	107,492 (RMB 24,385,650)	-	
Shanghai Shengjie Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	67,095 (RMB 15,000,000)	b	-	-	-	-	\$ 223,372 (RMB 50,456,387)	31.97	33,910 (RMB 7,662,043)	217,455 (RMB 49,331,813)	-	
Suzhou Baocheng Sports Goods Trading Co., Ltd.	Retail business of sports goods and accessories	2,204 (RMB 500,000)	b	-	-	-	-	\$ (22,948) (RMB (5,238,022))	31.97	(4,528) (RMB (1,023,765))	(1,941) (RMB (440,268))	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ -	\$ 22,265,882 (US\$ 725,056,858)	\$ 64,207,212

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 of the subsidiaries of Wealthplus Holdings Limited and Yue Yuen Industrial Holdings Limited.
- Other.

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

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

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

Note 3: Financial assets at FVTOCI

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

(Concluded)



**TABLE 7**

**POU CHEN CORPORATION**

**INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
PC Holdings Limited	213,270,710	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 preference 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.



**6.6 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.**



# POU CHEN CORPORATION

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

### 7.1 Financial Conditions

(In NT\$ thousands)

Item \ Year	2021	2022	Difference	
			Amount	Percentage
Current Assets	162,894,673	159,397,233	(3,497,440)	(2.15%)
Non-Current Assets	203,996,153	165,132,170	(38,863,983)	(19.05%)
Total Assets	366,890,826	324,529,403	(42,361,423)	(11.55%)
Current Liabilities	88,808,973	81,429,205	(7,379,768)	(8.31%)
Non-Current Liabilities	70,585,101	60,972,720	(9,612,381)	(13.62%)
Total Liabilities	159,394,074	142,401,925	(16,992,149)	(10.66%)
Share Capital	29,467,872	29,467,872	-	-
Capital Surplus	4,419,400	4,420,389	989	0.02%
Retained Earnings	85,726,878	94,447,354	8,720,476	10.17%
Other Equity	19,818,804	(21,323,594)	(41,142,398)	(207.59%)
Non-Controlling Interests	68,063,798	75,115,457	7,051,659	10.36%
Total Equity	207,496,752	182,127,478	(25,369,274)	(12.23%)

(1) Analysis of changes in financial ratios:

Other equity decreased by NT\$41.142 billion mainly due to the NT\$46.057 billion share of loss of associates and joint ventures accounted for using the equity method, the NT\$2.548 billion unrealized loss on financial assets at fair value through other comprehensive profit or loss, and the NT\$7.456 billion exchange gain on translation of foreign financial statements.

(2) Impact: no material impact.

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



## 7.2 Financial Performance

(In NT\$ thousands)

Item \ Year	2021	2022	Difference	
			Amount	Percentage
Operating Revenue	239,884,409	267,496,800	27,612,391	11.51%
Operating Costs	181,661,384	202,890,708	21,229,324	11.69%
Operating Expenses	55,747,316	54,010,022	(1,737,294)	(3.12%)
Income from Operations	2,475,709	10,596,070	8,120,361	328.00%
Non-operating Income and Expenses	14,681,025	10,835,507	(3,845,518)	(26.19%)
Income Before Income Tax	17,156,734	21,431,577	4,274,843	24.92%
Income Tax Expense	553,291	4,542,111	3,988,820	720.93%
Net Income For the Year	16,603,443	16,889,466	286,023	1.72%
Other Comprehensive Net Loss	(8,615,977)	(35,720,868)	(27,104,891)	(314.59%)
Total Comprehensive Income (Loss) For the Year	7,987,466	(18,831,402)	(26,818,868)	(335.76%)

### (1) Analysis of changes in financial ratios :

A. NT\$4.275 billion increased in net profit before tax for the year mainly due to NT\$8.12 billion increase in income from operations and NT\$3.846 billion decrease in non-operating Income and Expenses. Explanations are as follows:

(A) Income from Operations increase NT\$ 8.12 billion due to the footwear manufacturing this year is returning to steady operation as our Vietnam plant progressively resumed operation in the 4th quarter of 2021 and the demand for footwear products has remained stable. Our sporting goods retailing and brand licensing this year continued to be affected by China's COVID-19 control measures, especially city lockdowns and store closures due to COVID-19 cases at various local areas, which affected the overall consumption. In general, the steady growth of footwear manufacturing this year offset the weak sporting goods retailing and brand licensing, which led to the increase of operating revenue by NT\$27.613 billion. Coupled with our rigorous cost control, Income from Operations this year is better than last year.

(B) Non-operating income and expenses decrease 3.846 billion, mainly due to the NT\$3.436 billion decrease in profit from equity-accounted investments.

B. Increase in income tax expense:

Income tax expense increased by NT\$3.989 billion, mainly due to the profit of the business of manufacturing of shoes this year is better than last year.

C. Other Comprehensive Net Loss increased NT\$27.105 billion. Explanations are as follows:

(A) The share of loss of associates and joint ventures accounted for using the equity method increased by NT\$37.87 billion, which is mainly due to the increase in unrealized loss on financial assets at fair value through other comprehensive profit or loss, as recognized by Ruen Chen Investment and Nan Shan Life Insurance Co., Ltd. of the Pou Chen Group compared to the corresponding period last year;

(B) Unrealized revaluation loss on investments in equity instruments that are measured at fair value through the statement of other comprehensive loss increased by NT\$6.056 billion, mainly due to the fall in the prices of the shares of Mega Financial Holdings and Paiho Group held by the Group in 2022, 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 loss, and it was unrealized revaluation income compared to the corresponding period last year;

(C) Exchange income on translation of foreign financial statements increased by NT\$16.203 billion, primarily because the functional currency in foreign operations is USD, and the depreciation of exchange rate in USD to NTD in 2022, which caused a increase in the year's exchange income 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 :

Due to pressures from high inflation around the world, inventory of consumer footwear products remained high. Our brand customers have begun adjustments by destocking since the 4th quarter of 2022, which led to the decrease in purchase orders of footwear products and will have impact on the Group's manufacturing performance in the short term. Given the many uncertainties in the macroeconomic outlook and the concerns in our overall business development, the Company will continue its globalizing approach and adjust production plans in all areas with maximum flexibility. In addition, as lockdown in China is fully lifted and the economy is recovering, the footwear manufacturing industry is expected to recover too after China expands domestic demand.

(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 2022

(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
28,450,346	24,046,230	5,367,486	(21,709,381)	3,162,948	39,317,629

A. Operating activities:

Net cash inflow from operating activities is NT\$24.046 billion, mainly due to the NT\$21.432 billion operating income before tax. Adding NT\$15.272 billion depreciation expense and amortization expense, deducting the NT\$7.541 billion share of the profit of associates and joint ventures accounted for using the equity method, NT\$7.045 billion decrease in inventory which affected cash inflow, NT\$2.729 billion increase in accounts receivable, NT\$983 million increase in other receivables, NT\$4.858 billion decrease in accounts payable, NT\$837 million decrease in net defined benefit liabilities, NT\$2.405 billion in income tax paid.

B. Investing activities:

Net cash inflow from investing activities is NT\$5.367 billion, mainly due to the NT\$6.121 billion cash outflow for acquisition and disposal of property, plant, and equipment, NT\$7.501 billion cash inflow from acquisition and disposal of financial assets carried at cost after amortization, NT\$3.006 billion cash inflow from collection of dividends; and NT\$958 million cash inflow from collection of interest.

C. Financing activities:

Net cash outflow from financing activities is NT\$21.709 billion, mainly due to the NT\$9.225 billion cash outflow for short-term and long-term borrowings, NT\$983 million cash outflow for paying short-term bills payable, NT\$4.876 billion cash outflow for paying lease liability principals, NT\$4.420 billion cash outflow for distribution of cash dividends by Pou Chen Corporation and NT\$2.219 billion cash outflow for distribution of cash dividends for non-controlling shareholders by Yue Yuen Industrial (Holdings) Limited.

(2) Improvement plan(s) for inadequate liquidity: N/A.



# POU CHEN CORPORATION

## (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
39,317,629	17,924,775	(21,979,798)	35,262,606	-	-

### 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 2022, is NT\$7.541 billion, a decrease of NT\$3.436 billion compared to 2021. This decrease is mainly attributed to the NT\$5.063 billion decrease in investment income recognized by Ruen Chen Investment Co., Ltd. and Nan Shan Life Insurance Co., Limited, the NT\$703 million increase in investment income recognized by Kunshan Baowei Information Technology Co. Ltd., the NT\$227 million increase in investment income recognized by Oftenrich Holdings Limited, the NT\$168 million and NT\$140 million increase in investment income recognized by San Fang Chemical Industry Co., Limited and Nan Pao Resins Chemical Co., Limited.
- (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 Duty

The company has always adopted a global diversified layout and is an important partner of dozens of international brands. In view of the constant competition and challenges in the business environment, 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. 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 2022, 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

Due to the impact of COVID-19, geopolitical conflicts, and high inflation, the economic growths of major countries and regions have slowed down in 2022 compared to 2021. Many countries adopted tight monetary policies to control inflation. The impact of inflation and tightening procedures led to a more conservative stance in the consumer market. As a result, distribution channels piled up unsold stocks, and the economy showed signs of recession, predicted to continue in 2023. The Economist Intelligence Unit and S&P Global estimated growth of 2.8% and 2.9%, respectively, for the global economy in 2022, and predicted growth of 1.6% and 1.5%, respectively, in 2023.

In 2022, the FED lifted rates by 17 quarter points, and the federal funds rate was raised to 4.25-4.5%. In February 2023, the FED lifted rates by another quarter point and reiterated its policy to continually lift rates because inflation remained high despite its recent deceleration; furthermore, after the announcement of the PCE price index for January 2022, which was higher than market estimates, vigorous economic activities and the subsiding of inflation may progress slower than expected, which may lead to interest rate hikes by the FED for a longer time than expected. Future interest rate hikes will depend on the cumulative actions taken in the past, monetary policy hysteresis, and the progress of economic development and financial conditions.

At the beginning of 2022, Taiwan's economy continued to be affected by COVID-19, port congestion, and container shortage. In the wake of the armed conflicts between Russia and Ukraine, Taiwan's economic performance was on the decline monthly. Due to the weakening demand, suppliers' continual destocking, and the high base period of 2021, exports of Taiwan have been weak without significant improvements by January 2023. As for imports, the price fall of raw materials and suppliers' conservative stance toward procurement of raw materials have led to the downward trend in the annual growth of importation of equipment, agricultural and manufacturing raw materials, and consumer goods. The economic outlook for the entire year has therefore turned conservative.

The economic condition influences the Central Bank's interest rate policies. Although for the Company and its consolidated companies, the income derived from interest incurred in investments of cash and fixed-income products will benefit from interest rate hikes. The costs of floating-rate loans will increase as interest rates hike too. In response to interest rate hikes, the Company has preemptively locked fixed-rate loans for 1 to 2 years. It's consolidated company also used interest rate swaps or financial derivatives to lock for or reduce long-duration fund costs. In terms of fund use and management, the Company and its consolidated companies set the duration for each time deposit scheme according to the



pace of interest rate hikes and make investments in bonds according to interest rate statuses, with funds centralized in the treasury center, so as to effectively utilize the funds of consolidated companies and increase their investment income.

#### B. Exchange Rate Fluctuation

The Federal Reserve's interest rate hike was one of the main reasons for the US dollar's appreciation in 2022. Based on the latest economic data, the Federal Reserve Chairman stated in early March 2023 that "If the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes than central bank policymakers had expected." If the US accelerates its interest rate hikes while Europe and Asia are still recovering, the US dollar is expected to be vital from the beginning to the middle of 2023. Relevant data on the US economy showed that since the beginning of 2023, the deceleration trend of inflation at the end of 2022, has reversed. And the tightening monetary policy in the future will cause economic growth to slow down.

Regarding foreign currency assets and liabilities from operations of the Company and its consolidated companies, particularly net foreign exchange position, the company uses spot exchange and forward exchange, options, or other financial instruments for hedging or reducing the risk of exchange rate fluctuations based on exchange rate trends and booking costs of assets and liabilities for each currency. The Company will continue to closely monitor changes in the financial market, maintain a balance position in assets and liabilities according to the natural hedging principles to lower the company's total exposure, and appropriately use exchange rate hedging instruments to reduce the effects of exchange rate fluctuations on the company's profits and loss.

#### C. Inflation

The war between Russia and Ukraine has led to dramatic fluctuations of energy and food prices. Although issues of the supply chain have improved, the potential growth deceleration and even recession of global economy may create pressure on pay rise. The annual growth rate of CPI in 2023 is expected to be lower than that of 2022 due to the relatively high base period and the deceleration of economic growth. However, China's adjustments to its COVID-19 control policies are expected to drive growth in demand in 2023, putting pressure on the increase of raw material and labor costs.

The Company will keep abreast of changes in raw material supply and prices, control the sources of raw material supplies, control our raw materials inventory, and flexibly adjust our business strategy to lower the effects of changes in raw material supplies on the company's operations.

#### (3) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements or Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss)

- A. The Company focuses on its core business and does not engage in high-risk or high-leverage investments. The Company has stipulated guidelines on the "Procedures for Acquisition and Disposal of Assets" as its guidance for investments or disposals.
- B. To support its affiliates' operation, the Company has stipulated 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, the Company will conduct all of the transactions 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 115. 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 the policies and regulations in effect in each jurisdiction we operate. We also have administrative centers in each location to provide timely updates on local policy and regulatory changes, allowing us to take proper action as may be required.

(6) Impact of Changes in Technology and Industry on the Financial Condition and Operations of the Company and Action Plans

We have introduced an electronic operating system and established an online information network for the management of the group. By integrating with the upstream and downstream industries, we are able to shorten the information transfer process and lead time, therefore improving operating efficiency. In response to changing industry conditions, we also commit our efforts to the development of new products, improvement of manufacturing process and technology to strengthen our competitiveness. Therefore, we expect these changes in technology and industry to have a positive impact on the Company's financial condition and operations.

(7) Impact of Change in Corporate Image to Crises Management and Action Plans

To implement enterprise sustainability management, our company has always upheld the management principles of professionalism and integrity and 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 ranked within 6% to 20% of the 2022 listed companies by Taiwan Stock Exchange. We continued to be included as a constituent of the FTSE4Good Emerging Index and the FTSE4Good TIP Taiwan ESG Index. 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**



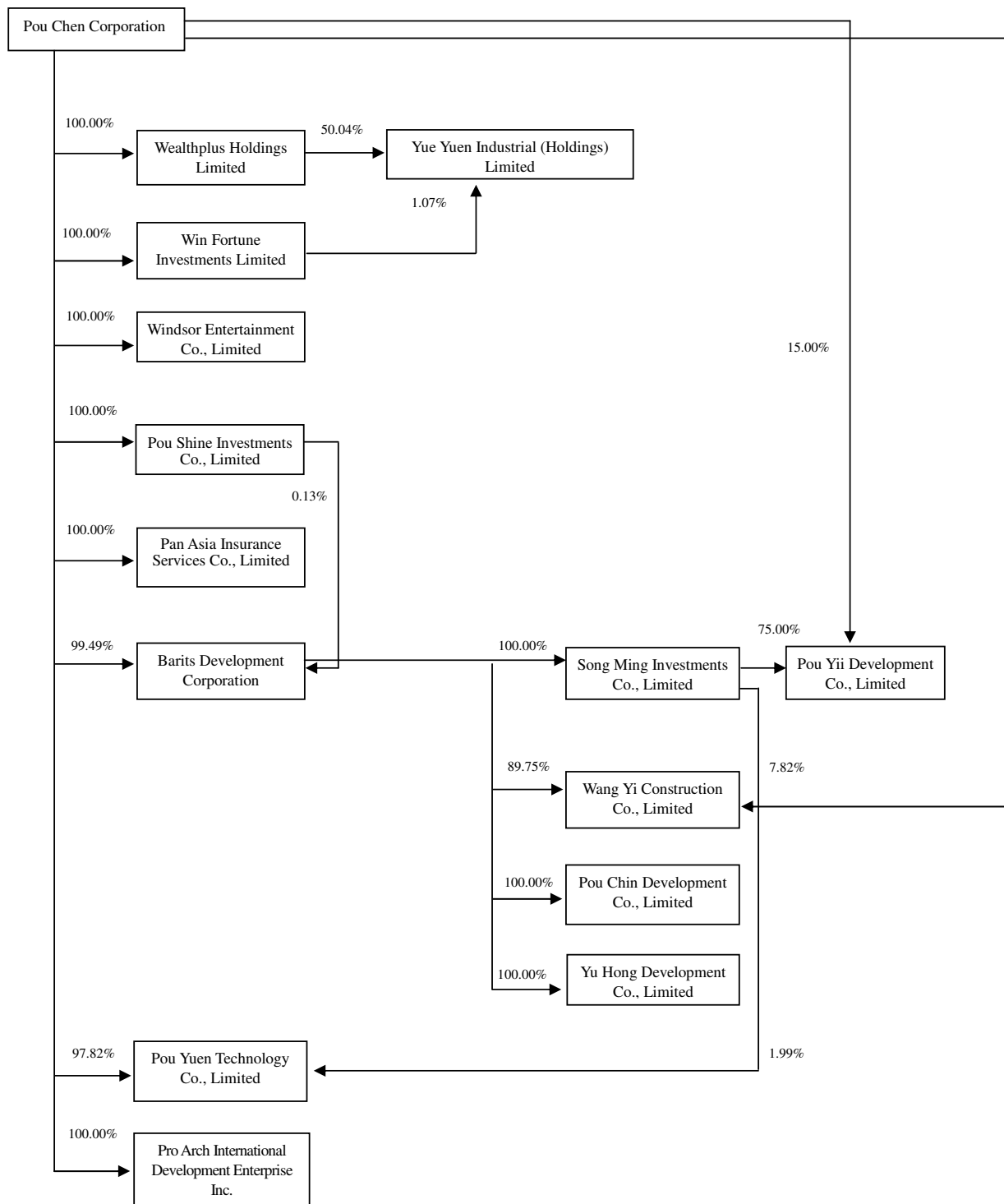
# POU CHEN CORPORATION

## 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	71,000	Entertainment and resort operations
Pou Shine Investments Co., Limited	March 19, 1990	No.2, Fugong 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, Fugong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	2,959,531	Import and export of shoe related materials and investing activities
Pou Yuen Technology Co., Limited	December 22, 1993	No.4, Fugong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	311,340	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, Fugong 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	47,000	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	-	-
Windsor Entertainment Co., Limited	Chairman	Pou Chen Corporation, represented by Lu, Chin-Chu	7,100,000	100.00
	Director	Pou Chen Corporation, represented by Chan, Lu-Min	7,100,000	100.00
	Director	Pou Chen Corporation, represented by Ho, Ming-Kun	7,100,000	100.00
	Supervisor	Pou Chen Corporation, represented by Wu, Huei-Ju	7,100,000	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 Chen, Yuh-Jiun	-	100.00
	Director	Pou Chen Corporation, represented by Chuang, Shao-Jung	-	100.00
	Chairman	Pou Chen Corporation, represented by Ho, Ming-Kun	294,451,784	99.49
Barits Development Corporation	Director	Pou Chen Corporation, represented by Wu, Huei-Ju	294,451,784	99.49
	Director	Pou Chen Corporation, represented by Hsiao, Hsiu-Chen	294,451,784	99.49



# POU CHEN 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	378,342	0.13
	Chairman	Pou Chen Corporation, represented by Ho, Ming-Kun	30,456,252	97.82
	Supervisor	Song Ming Investments Co., Limited, represented by Liu, Shu-Hsuan	619,220	1.99
Pro Arch International Development Enterprise Inc.	Chairman	Pou Chen Corporation, represented by Ho, Ming-Kun	20,000,000	100.00
Song Ming Investments Co., Limited	Chairman	Barits Development Corporation, represented by Ho, Ming-Kun	120,486,400	100.00
Wang Yi Construction Co., Limited	Chairman	Barits Development Corporation, represented by Su, Po-Wei	4,218,250	89.75
	Director	Barits Development Corporation, represented by Zhang, Ming-Jia	4,218,250	89.75
	Director	Lin, Hong-Chang	-	-
Pou Yui Development Co., Limited	Supervisor	Yu, Ming-Ju	-	-
	Chairman	Song Ming Investments Co., Limited, represented by Wu, Chin-Tiao	39,375,000	75.00
	Director	Song Ming Investments Co., Limited, represented by Hsiao, Hsiu-Chen	39,375,000	75.00
Pou Chin Development Co., Limited	Director	Song Ming Investments Co., Limited, represented by Shih, Ching-Yi	39,375,000	75.00
	Supervisor	Pou Chen Corporation, represented by Ho, Ming-Kun	7,875,000	15.00
	Chairman	Barits Development Corporation, represented by Chen, Yuh-Jiun	20,000,000	100.00
Yu Hong Development Co., Limited	Chairman	Barits Development Corporation, represented by Chan, Lu-Min	24,000,000	100.00
Yue Yuen Industrial (Holdings) Limited	Executive Director and Chairman	Lu, Chin-Chu	-	-
	Executive Director and Managing Director	Tsai, Pei-Chun	-	-
	Executive Director	Chan, Lu-Min	-	-
	Executive Director	Lin, Cheng-Tien	-	-



Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Executive Director	Liu, Hong-Chih	-	-
	Executive Director	Shih, Chih-Hung	-	-
	Independent Non-executive Director	Ho, Lai-Hong	-	-
	Independent Non-executive Director	Wong, Hak-Kun	-	-
	Independent Non-executive Director	Lin, Shei -Yuan	-	-
	Independent Non-executive Director	Chen, Chia-Shen	-	-



# POU CHEN CORPORATION

## 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	\$ 86,627,483	\$ 162,412	\$ 86,465,071	\$ 212,157	\$ 159,516	\$ 4,458,227	N/A
Win Fortune Investments Limited	3,230	2,218,764	50	2,218,714	100,066	99,883	92,869	N/A
Windsor Entertainment Co., Limited	71,000	516,145	456,239	59,906	481,492	( 15,595 )	( 18,306 )	N/A
Pou Shine Investments Co., Limited	1,330,945	4,196,814	557,199	3,639,615	208,386	207,926	202,626	N/A
Pan Asia Insurance Services Co., Limited	5,000	28,672	15,849	12,823	28,726	889	2,050	N/A
Barits Development Corporation	2,959,531	12,122,662	2,916,079	9,206,583	216,212	( 28,871 )	310,980	N/A
Pou Yuen Technology Co., Limited	311,340	740,782	597	740,185	15,064	9,736	28,629	N/A
Pro Arch International Development Enterprise Inc.	200,000	304,287	62,831	241,456	109,583	1,653	24,095	N/A
Song Ming Investments Co., Limited	1,204,864	2,566,093	126	2,565,967	111,717	111,366	111,366	N/A
Wang Yi Construction Co., Limited	47,000	63,813	1,565	62,248	-	( 4,560 )	748	N/A
Pou Yui Development Co., Limited	525,000	1,490,936	293,272	1,197,664	2,965	( 2,940 )	51,003	N/A
Pou Chin Development Co., Limited	200,000	203,496	4,466	199,030	3,371	( 242 )	( 144 )	N/A
Yu Hong Development Co., Limited	240,000	665,566	523,587	141,979	-	( 323 )	( 11,358 )	N/A
Yue Yuen Industrial (Holdings) Limited	1,666,437	243,696,779	101,130,978	142,565,801	266,681,518	9,372,293	8,739,781	5.43

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 16, 2023

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, 2022 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*





# POU CHEN CORPORATION

## (3) Consolidated Financial Statements of Group Companies

A. Consolidated Balance Sheets: see page 146

B. Consolidated Income Statements: see page 147~148.

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%
Pearl Dove International Limited	99.81% owned subsidiary	Investment holding	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	Manufacture and sale of athletic and casual footwear and sporting goods	51.11%
Pou Sheng International (Holdings) Limited	31.97% owned subsidiary	Retail of sporting goods and brand licensing	31.97%



- (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 Yui 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 38 in the accompanying notes to the Consolidated Financial Statements.
  - b. Financing provides to others: Please refer to Table 1 of Note 38 in the accompanying notes to the Consolidated Financial Statements.
  - c. Endorsements and guarantees provided: Please refer to Table 2 of Note 38 in the accompanying notes to the Consolidated Financial Statements.
  - d. Financial instruments: Please refer to Note 33 in the accompanying notes to the Consolidated Financial Statements.
  - e. Significant Commitments and unrecognized liabilities: Please refer to Note 36 in the accompanying notes to the Consolidated Financial Statements.
  - f. Significant events after reporting period: N/A.
  - g. Marketable securities and bills held: Please refer to Table 3 and Table 9 of Note 38 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 Publication date of this 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

Chan, Lu-Min  
*Chairman*