

Pou Chen Corporation and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

We have reviewed the accompanying consolidated financial statements of Pou Chen Corporation (the "Company") and its subsidiaries (collectively, the "Group") which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2016, nine months ended September 30, 2017 and 2016, and changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. The Group's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the consolidated financial statements and were based on financial statements reviewed by other auditors. Our opinion, insofar as it relates to the Group's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the reviewed report of other auditors. As of September 30, 2017 and 2016, the carrying value of the investments was 4.75% (\$15,566,857 thousand) and 3.61% (\$10,504,685 thousand) of the total assets, respectively. For the three months ended September 30, 2017 and 2016, nine months ended September 30, 2017 and 2016, the share of profit of the associate was 21.89% (\$1,686,584 thousand), 18.45% (\$1,242,545 thousand), 12.28% (\$2,277,786 thousand) and 13.74% (\$2,568,697 thousand) of the income before income tax, respectively.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements", issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the review report of the other auditors, we are not aware of any material modifications that should be made to the consolidated financial statements referred above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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Deloitte & Touche
Taipei, Taiwan
Republic of China

November 14, 2017

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 58,180,282	18	\$ 35,635,653	12	\$ 39,296,186	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,618,194	1	1,110,141	-	821,672	-
Available-for-sale financial assets - current (Notes 4 and 8)	14,361,544	4	13,875,320	5	13,160,716	5
Held-to-maturity financial assets - current (Notes 4 and 9)	1,031,034	-	972,124	-	883,998	-
Debt investments with no active market - current (Notes 4 and 10)	548,949	-	793,924	-	1,119,900	-
Notes receivable (Notes 4 and 11)	12,193	-	22,743	-	17,482	-
Notes receivable from related parties (Notes 4, 11 and 38)	1	-	17	-	42	-
Accounts receivable (Notes 4 and 11)	36,207,903	11	38,073,679	13	32,982,641	11
Accounts receivable from related parties (Notes 4, 11 and 38)	91,014	-	54,156	-	72,516	-
Other receivables (Notes 4 and 11)	3,542,194	1	4,328,034	2	3,681,544	1
Inventories - manufacturing and retailing (Notes 4 and 12)	49,207,330	15	40,709,470	14	41,761,823	14
Inventories - construction (Notes 4 and 12)	4,776,711	2	4,895,683	2	4,967,328	2
Prepayments for lease (Note 4)	141,707	-	152,980	-	147,666	-
Non-current assets held for sale (Notes 4 and 13)	45,481	-	1,386,879	-	1,493,771	1
Other current assets (Notes 4 and 14)	11,283,691	3	9,309,768	3	10,845,170	4
Total current assets	181,048,228	55	151,320,571	51	151,252,455	52
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	328,492	-	623,460	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,314,187	-	908,711	-	1,067,570	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	4,345,254	1	5,191,289	2	4,525,478	2
Financial assets measured at cost - non-current (Notes 4 and 15)	518,946	-	592,550	-	580,504	-
Debt investments with no active market - non-current (Notes 4, 10 and 39)	35,682	-	35,205	-	33,703	-
Investments accounted for using equity method (Notes 4 and 17)	41,015,599	13	39,108,525	13	40,646,217	14
Property, plant and equipment (Notes 4 and 18)	72,263,946	22	71,464,806	25	68,906,918	24
Investment properties (Notes 4, 19 and 39)	2,269,445	1	2,309,447	1	2,317,211	1
Goodwill (Notes 4 and 20)	8,727,103	3	9,103,660	3	8,948,563	3
Other intangible assets (Notes 4 and 21)	3,874,088	1	2,850,439	1	2,938,609	1
Deferred tax assets (Notes 4 and 29)	1,447,917	-	861,151	-	717,446	-
Long-term prepayments for lease (Note 4)	5,330,481	2	5,575,613	2	5,312,848	2
Other non-current assets (Notes 4 and 14)	5,529,594	2	4,239,402	2	3,151,211	1
Total non-current assets	146,672,242	45	142,569,290	49	139,769,738	48
TOTAL	\$ 327,720,470	100	\$ 293,889,861	100	\$ 291,022,193	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 22)	\$ 37,523,126	11	\$ 24,031,120	8	\$ 29,399,217	10
Short-term bills payable (Note 22)	3,213,199	1	2,544,755	1	3,542,870	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	46,352	-	915,676	-	281,045	-
Notes payable (Notes 4 and 23)	26,679	-	19,526	-	32,212	-
Notes payable to related parties (Notes 4, 23 and 38)	31,670	-	26,809	-	30,022	-
Accounts payable (Notes 4 and 23)	14,961,239	5	13,189,428	4	16,134,917	6
Accounts payable to related parties (Notes 4, 23 and 38)	1,172,148	-	1,450,017	1	1,431,793	-
Other payables (Note 24)	36,562,875	11	25,218,684	9	24,164,054	8
Current tax liabilities (Notes 4 and 29)	2,359,046	1	1,574,657	1	1,612,996	1
Liabilities directly associated with non-current assets held for sale (Notes 4 and 13)	-	-	1,067,765	-	1,116,008	-
Current portion of long-term borrowings (Note 22)	3,017,960	1	-	-	1,499,853	1
Other current liabilities	5,892,306	2	4,693,927	2	4,785,973	2
Total current liabilities	104,806,600	32	74,732,364	26	84,030,960	29
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 22)	61,880,538	19	50,363,126	17	44,553,668	15
Deferred tax liabilities (Notes 4 and 29)	1,948,156	1	1,774,228	1	1,579,298	1
Long-term payables (Note 24)	152,964	-	159,330	-	171,786	-
Net defined benefit liabilities (Note 4)	3,417,319	1	3,810,791	1	3,164,840	1
Other non-current liabilities	39,013	-	39,318	-	38,801	-
Total non-current liabilities	67,437,990	21	56,146,793	19	49,508,393	17
Total liabilities	172,244,590	53	130,879,157	45	133,539,353	46
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)						
Share capital						
Common shares	29,467,872	9	29,467,872	10	29,467,872	10
Capital surplus	4,491,335	2	4,540,163	2	4,618,645	1
Retained earnings						
Legal reserve	12,518,889	4	11,213,184	4	11,213,184	4
Special reserve	13,636,368	4	11,905,595	4	11,905,595	4
Unappropriated earnings	33,971,232	10	32,214,698	11	28,429,443	10
Total retained earnings	60,126,489	18	55,333,477	19	51,548,222	18
Other equity	(12,655,790)	(4)	(13,636,368)	(5)	(12,360,000)	(4)
Total equity attributable to owners of the Company	81,429,906	25	75,705,144	26	73,274,739	25
NON-CONTROLLING INTERESTS	74,045,974	22	87,305,560	29	84,208,101	29
Total equity	155,475,880	47	163,010,704	55	157,482,840	54
TOTAL	\$ 327,720,470	100	\$ 293,889,861	100	\$ 291,022,193	100

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

(With Deloitte & Touche review report dated November 14, 2017)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 38)	\$ 69,192,312	100	\$ 64,204,345	100	\$ 206,014,128	100	\$ 204,949,186	100
OPERATING COSTS (Notes 25, 28 and 38)	<u>51,366,124</u>	<u>74</u>	<u>47,899,483</u>	<u>75</u>	<u>152,767,180</u>	<u>74</u>	<u>153,185,387</u>	<u>75</u>
GROSS PROFIT	<u>17,826,188</u>	<u>26</u>	<u>16,304,862</u>	<u>25</u>	<u>53,246,948</u>	<u>26</u>	<u>51,763,799</u>	<u>25</u>
OPERATING EXPENSES (Notes 25 and 28)								
Selling and marketing expenses	7,234,437	11	6,071,598	9	21,595,814	11	19,201,580	9
General and administrative expenses	5,293,896	8	4,817,147	8	14,628,592	7	14,408,622	7
Research and development expenses	<u>1,556,697</u>	<u>2</u>	<u>1,815,473</u>	<u>3</u>	<u>4,885,013</u>	<u>2</u>	<u>5,398,680</u>	<u>3</u>
Total operating expenses	<u>14,085,030</u>	<u>21</u>	<u>12,704,218</u>	<u>20</u>	<u>41,109,419</u>	<u>20</u>	<u>39,008,882</u>	<u>19</u>
INCOME FROM OPERATIONS	<u>3,741,158</u>	<u>5</u>	<u>3,600,644</u>	<u>5</u>	<u>12,137,529</u>	<u>6</u>	<u>12,754,917</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 28)	1,706,176	3	1,859,001	3	3,487,922	2	3,129,217	1
Other gains and losses (Note 28)	298,179	-	(553,665)	(1)	347,855	-	(99,057)	-
Finance costs (Note 28)	(471,136)	(1)	(325,630)	-	(1,325,836)	(1)	(966,067)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	<u>2,431,633</u>	<u>4</u>	<u>2,153,413</u>	<u>3</u>	<u>3,906,633</u>	<u>2</u>	<u>3,869,841</u>	<u>2</u>
Total non-operating income and expenses	<u>3,964,852</u>	<u>6</u>	<u>3,133,119</u>	<u>5</u>	<u>6,416,574</u>	<u>3</u>	<u>5,933,934</u>	<u>3</u>
INCOME BEFORE INCOME TAX	7,706,010	11	6,733,763	10	18,554,103	9	18,688,851	9
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(696,265)</u>	<u>(1)</u>	<u>(599,923)</u>	<u>(1)</u>	<u>(2,680,198)</u>	<u>(1)</u>	<u>(2,457,527)</u>	<u>(1)</u>
NET INCOME	<u>7,009,745</u>	<u>10</u>	<u>6,133,840</u>	<u>9</u>	<u>15,873,905</u>	<u>8</u>	<u>16,231,324</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	271,819	-	(1,902,252)	(3)	(2,787,459)	(1)	(3,455,496)	(2)
Unrealized (losses) gain on available-for-sale financial assets	(468,213)	(1)	(867,793)	(1)	953,645	-	953,372	1
Share of the other comprehensive income of associates and joint ventures	<u>1,095,485</u>	<u>2</u>	<u>(81,611)</u>	<u>-</u>	<u>4,090,442</u>	<u>2</u>	<u>2,001,283</u>	<u>1</u>
Other comprehensive income (losses) for the period, net of income tax	<u>899,091</u>	<u>1</u>	<u>(2,851,656)</u>	<u>(4)</u>	<u>2,256,628</u>	<u>1</u>	<u>(500,841)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,908,836</u>	<u>11</u>	<u>\$ 3,282,184</u>	<u>5</u>	<u>\$ 18,130,533</u>	<u>9</u>	<u>\$ 15,730,483</u>	<u>8</u>

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 4,794,713	7	\$ 3,721,076	6	\$ 9,080,947	5	\$ 8,892,276	4
Non-controlling interests	<u>2,215,032</u>	<u>3</u>	<u>2,412,764</u>	<u>3</u>	<u>6,792,958</u>	<u>3</u>	<u>7,339,048</u>	<u>4</u>
	<u>\$ 7,009,745</u>	<u>10</u>	<u>\$ 6,133,840</u>	<u>9</u>	<u>\$ 15,873,905</u>	<u>8</u>	<u>\$ 16,231,324</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	\$ 5,147,130	7	\$ 731,480	1	\$ 10,061,525	5	\$ 8,437,870	4
Non-controlling interests	<u>2,761,706</u>	<u>4</u>	<u>2,550,704</u>	<u>4</u>	<u>8,069,008</u>	<u>4</u>	<u>7,292,613</u>	<u>4</u>
	<u>\$ 7,908,836</u>	<u>11</u>	<u>\$ 3,282,184</u>	<u>5</u>	<u>\$ 18,130,533</u>	<u>9</u>	<u>\$ 15,730,483</u>	<u>8</u>
EARNINGS PER SHARE								
(Note 30)								
Basic	<u>\$1.63</u>		<u>\$1.27</u>		<u>\$3.08</u>		<u>\$3.02</u>	
Diluted	<u>\$1.58</u>		<u>\$1.23</u>		<u>\$2.99</u>		<u>\$2.93</u>	

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

(With Deloitte & Touche review report dated November 14, 2017)

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owner of the Company					Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets			
			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2016	\$ 29,467,872	\$ 4,631,708	\$ 10,260,048	\$ 5,608,553	\$ 31,207,526	\$ 5,020,886	\$ (16,926,480)	\$ 69,270,113	\$ 85,533,554	\$ 154,803,667
Appropriation of 2015 earnings (Note 26)										
Legal reserve	-	-	953,136	-	(953,136)	-	-	-	-	-
Special reserve	-	-	-	6,297,042	(6,297,042)	-	-	-	-	-
Cash dividend	-	-	-	-	(4,420,181)	-	-	(4,420,181)	-	(4,420,181)
	-	-	953,136	6,297,042	(11,670,359)	-	-	(4,420,181)	-	(4,420,181)
Net income for the nine months ended September 30, 2016	-	-	-	-	8,892,276	-	-	8,892,276	7,339,048	16,231,324
Other comprehensive (loss) income for the nine months ended September 30, 2016	-	-	-	-	-	(3,302,213)	2,847,807	(454,406)	(46,435)	(500,841)
Total other comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	8,892,276	(3,302,213)	2,847,807	8,437,870	7,292,613	15,730,483
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(10,055)	-	-	-	-	-	(10,055)	-	(10,055)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(3,008)	-	-	-	-	-	(3,008)	-	(3,008)
Change in non-controlling interests	-	-	-	-	-	-	-	-	(8,618,066)	(8,618,066)
Change in equity for the nine months ended September 30, 2016	-	(13,063)	953,136	6,297,042	(2,778,083)	(3,302,213)	2,847,807	4,004,626	(1,325,453)	2,679,173
BALANCE AT SEPTEMBER 30, 2016	\$ 29,467,872	\$ 4,618,645	\$ 11,213,184	\$ 11,905,595	\$ 28,429,443	\$ 1,718,673	\$ (14,078,673)	\$ 73,274,739	\$ 84,208,101	\$ 157,482,840
BALANCE AT JANUARY 1, 2017	\$ 29,467,872	\$ 4,540,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ 3,109,173	\$ (16,745,541)	\$ 75,705,144	\$ 87,305,560	\$ 163,010,704
Appropriation of 2016 earnings (Note 26)										
Legal reserve	-	-	1,305,705	-	(1,305,705)	-	-	-	-	-
Special reserve	-	-	-	1,730,773	(1,730,773)	-	-	-	-	-
Cash dividend	-	-	-	-	(4,420,181)	-	-	(4,420,181)	-	(4,420,181)
	-	-	1,305,705	1,730,773	(7,456,659)	-	-	(4,420,181)	-	(4,420,181)
Net income for the nine months ended September 30, 2017	-	-	-	-	9,080,947	-	-	9,080,947	6,792,958	15,873,905
Other comprehensive (loss) income for the nine months ended September 30, 2017	-	-	-	-	-	(3,867,784)	4,848,362	980,578	1,276,050	2,256,628
Total other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	9,080,947	(3,867,784)	4,848,362	10,061,525	8,069,008	18,130,533
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(47,650)	-	-	-	-	-	(47,650)	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(1,178)	-	-	-	-	-	(1,178)	-	(1,178)
Share of changes in net assets of associates (Note 4)	-	-	-	-	132,246	-	-	132,246	-	132,246
Change in non-controlling interests	-	-	-	-	-	-	-	-	(21,328,594)	(21,328,594)
Change in equity for the nine months ended September 30, 2017	-	(48,828)	1,305,705	1,730,773	1,756,534	(3,867,784)	4,848,362	5,724,762	(13,259,586)	(7,534,824)
BALANCE AT SEPTEMBER 30, 2017	\$ 29,467,872	\$ 4,491,335	\$ 12,518,889	\$ 13,636,368	\$ 33,971,232	\$ (758,611)	\$ (11,897,179)	\$ 81,429,906	\$ 74,045,974	\$ 155,475,880

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

(With Deloitte & Touche review report dated November 14, 2017)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 18,554,103	\$ 18,688,851
Adjustments for:		
Depreciation expenses	6,550,199	6,392,897
Amortization expenses	531,977	291,964
(Reversal) recognized of impairment loss on accounts receivable	(170,169)	57,867
Net gain on fair value change of financial instruments at fair value through profit or loss	(1,274,766)	(1,131,865)
Finance costs	1,325,836	966,067
Interest income	(436,472)	(397,914)
Dividend income	(856,941)	(871,985)
Compensation cost of employee share options	80,558	28,426
Share of profit of associates and joint ventures	(3,906,633)	(3,869,841)
Net loss on disposal of property, plant and equipment	583,202	161,061
Net gain on disposal of investment properties	(15,855)	-
Net gain on disposal of investments	(11,472)	(5,133)
Net gain on disposal of subsidiaries, associates and joint ventures	(383,052)	(27,918)
Recognized of impairment loss	22,522	44,023
Changes in operating assets and liabilities		
Financial instruments held for trading	217,195	(215,634)
Notes receivable	10,550	(5,261)
Notes receivable from related parties	16	(22)
Accounts receivable	2,035,945	756,114
Accounts receivable from related parties	(36,858)	5,590
Other receivables	731,274	7,168
Inventories	(8,378,888)	(470,809)
Other current assets	(1,973,923)	(1,554,953)
Other operating assets	(103,311)	187,396
Notes payable	7,153	10,875
Notes payable to related parties	4,861	14,942
Accounts payable	1,771,811	704,661
Accounts payable to related parties	(277,869)	(434,490)
Other payables	(2,133,331)	(3,063,702)
Other current liabilities	1,198,379	403,599
Net defined benefit liabilities	(393,472)	(190,287)
Other operating liabilities	(6,366)	(5,401)
Cash generated from operations	13,266,203	16,476,286
Interest paid	(1,330,217)	(967,223)
Income tax paid	(2,895,502)	(3,537,028)
Net cash generated from operating activities	<u>9,040,484</u>	<u>11,972,035</u>

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of financial assets design at FVTPL	\$ 8,686	\$ 14,972
Acquisition of debt investments with no active market	(680,101)	(615,856)
Proceeds on sale of debt investments with no active market	924,599	885,721
Acquisition of held-to-maturity financial assets	(404,837)	(4,241,119)
Proceeds on sale of held-to-maturity financial assets	1,006,964	49,960
Acquisition of sale of financial assets measured at cost	(3,341)	(2,195)
Proceeds on sale of financial assets measured at cost	56,498	60,414
Acquisition of associates and joint ventures	(115,283)	(118,514)
Proceeds from disposal of associates and joint ventures	978,536	12,983
Net cash inflow on acquisition of subsidiaries	119,459	-
Net cash inflow on disposal of subsidiaries	310,838	103,343
Acquisition of property, plant and equipment	(10,659,467)	(9,441,166)
Proceeds from disposal of property, plant and equipment	369,324	1,031,177
Increase in refundable deposits	(158,749)	(103,567)
Acquisition of intangible assets	(22)	-
Acquisition of investment properties	(3,780)	(55,537)
Proceeds from disposal of investment properties	92,234	-
Increase in prepayments for equipment	(1,028,132)	(294,523)
Acquisition of long-term prepayments for lease	(7,582)	(187,894)
Proceeds from disposal of long-term prepayments for lease	1,725	65,700
Interest received	493,999	310,345
Dividend received	2,570,030	2,272,578
Cash dividend from reduction of capital surplus from associates	-	5,435
	<u>(6,128,402)</u>	<u>(10,247,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	13,492,006	13,690,464
Proceeds from short-term bills payable	668,500	953,000
Proceeds from long-term borrowings	14,881,700	-
Repayment of long-term borrowings	-	(4,894,381)
Increase in guarantee deposits	-	378
Decrease in guarantee deposits	(305)	-
Cash dividend	(4,420,181)	(4,420,181)
Change in non-controlling interests	<u>(8,862,176)</u>	<u>(6,993,040)</u>
	<u>15,759,544</u>	<u>(1,663,760)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>3,829,498</u>	<u>1,474,139</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	2016
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 22,501,124	\$ 1,534,671
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>35,679,158</u>	<u>37,820,911</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 58,180,282</u>	<u>\$ 39,355,582</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at September 30, 2017 and 2016:

	September 30	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	\$ 58,180,282	\$ 39,296,186
Cash and cash equivalents included in a disposal group held for sale	<u>-</u>	<u>59,396</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 58,180,282</u>	<u>\$ 39,355,582</u>

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

(With Deloitte & Touche review report dated November 14, 2017)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Pou Chen Corporation (the “Company”) has main business activities which include manufacturing and sales of various kinds of shoes and import and export of related products and materials. The Company also invests significantly in shoes and electronics industries to diversify its business operation. 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 Hong Kong Exchange and Clearing Limited.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors on November 14, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

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

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

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within (Level 2/Level 3), the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

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

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

The amended IAS 38 “Intangible Assets” clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 38 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

The Group shall apply the aforementioned amendments retrospectively.

2) IFRS 9 “Financial Instruments”

Recognition, measurement and impairment of financial assets

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

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

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

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

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, and certain written loan commitments. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

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

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

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

2) IFRS 16 “Leases”

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

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

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of consolidation

The basis of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2016.

See Note 16 for the detailed information of subsidiaries including the percentage of ownership and main business.

c. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2016.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	\$ 36,818	\$ 37,039	\$ 40,979
Checking accounts and demand deposits	50,233,708	21,881,193	26,725,091
Cash equivalent (investments with original maturities less than three months)			
Time deposits	6,745,620	12,451,531	11,051,178
Repurchase agreements collateralized by bonds	<u>1,164,136</u>	<u>1,265,890</u>	<u>1,478,938</u>
	<u>\$ 58,180,282</u>	<u>\$ 35,635,653</u>	<u>\$ 39,296,186</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets designated as at FVTPL</u>			
Structured deposit (a)	\$ 306,711	\$ 328,492	\$ 623,460
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts (b)	26,783	55,324	312
Exchange rate option contracts (c)	4,230	-	5,664
Exchange rate swap contracts (d)	207,951	118,917	26,359
Cross-currency swap contracts (e)	3,821	12,998	2,799
Interest rate swap contracts (f)	34,038	33,365	2,371
Non-derivative financial assets			
Domestic open-ended mutual funds	<u>1,034,660</u>	<u>889,537</u>	<u>784,167</u>
	<u>\$ 1,618,194</u>	<u>\$ 1,438,633</u>	<u>\$ 1,445,132</u>
Current	\$ 1,618,194	\$ 1,110,141	\$ 821,672
Non-current	<u>-</u>	<u>328,492</u>	<u>623,460</u>
	<u>\$ 1,618,194</u>	<u>\$ 1,438,633</u>	<u>\$ 1,445,132</u>
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts (b)	\$ 11,871	\$ -	\$ -
Exchange rate option contracts (c)	13,831	768,646	160,610
Exchange rate swap contracts (d)	-	129,784	83,025
Cross-currency swap contracts (e)	14,519	-	12,424
Interest rate swap contracts (f)	<u>6,131</u>	<u>17,246</u>	<u>24,986</u>
	<u>\$ 46,352</u>	<u>\$ 915,676</u>	<u>\$ 281,045</u>
Current	<u>\$ 46,352</u>	<u>\$ 915,676</u>	<u>\$ 281,045</u>

a. Structured deposits

- 1) Wealthplus entered into a five years USD structured time deposit contract with a bank in January 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract, recorded under “financial assets at FVTPL - current”.
- 2) Wealthplus entered into a three years and six months RMB structured time deposit contract with a bank in March 2015. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract, recorded under “financial assets at FVTPL - non-current”. The RMB structured time deposit contract had been cancelled in December 2016.

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

September 30, 2017

Notional Amount	Forward Exchange Rates
HK\$ 329,000,000	Sell HK\$/buy US\$ at 7.7490
US\$ 368,800,000	Sell HK\$/buy US\$ at 7.8145 to 7.8147
US\$ 79,500,000	Sell US\$/buy IDR at 13,680

December 31, 2016

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

September 30, 2016

Notional Amount	Forward Exchange Rates
HK\$ 299,000,000	Sell HK\$/buy US\$ at 7.7491

The Group entered into forward exchange contracts for the nine months ended September 30, 2017 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

September 30, 2017

Notional Amount	Type	Buy/Sale	Maturity	Rate
US\$ 104,000,000	Put	Sell	2017.10-2018.10	US\$:NT\$31.075
US\$ 48,000,000	Put	Sell	2017.12-2018.11	US\$:RMB6.9000
US\$ 48,000,000	Put	Sell	2017.12-2018.11	US\$:RMB6.9000
US\$ 32,000,000	Put	Sell	2017.10-2019.01	US\$:RMB6.7300

December 31, 2016

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

(Continued)

Notional Amount	Type	Buy/Sale	Maturity	Rate
US\$ 24,000,000	Put	Sell	2017.01-2017.06	US\$:RMB6.7000
US\$ 28,000,000	Put	Sell	2017.01-2017.06	US\$:RMB6.7530
US\$ 24,000,000	Put	Sell	2017.06-2018.05	US\$:RMB7.2000
US\$ 24,000,000	Put	Sell	2017.06-2018.05	US\$:RMB7.5000
US\$ 42,000,000	Put	Sell	2017.01-2017.07	US\$:RMB6.3485
US\$ 28,000,000	Put	Sell	2017.01-2017.07	US\$:RMB6.3485
US\$ 28,000,000	Put	Sell	2017.01-2017.07	US\$:RMB6.3485
US\$ 42,000,000	Put	Sell	2017.01-2017.07	US\$:RMB6.3900
US\$ 48,000,000	Put	Sell	2017.01-2017.08	US\$:RMB6.5200
US\$ 10,000,000	Put	Sell	2017.01	US\$:NT\$32.30
US\$ 20,000,000	Put	Sell	2017.01	US\$:NT\$32.20
US\$ 82,000,000	Put	Sell	2017.01-2017.10	US\$:NT\$33.00
US\$ 92,000,000	Put	Sell	2017.01-2017.11	US\$:NT\$32.95

(Concluded)

September 30, 2016

Notional Amount	Type	Buy/Sale	Maturity	Rate
US\$ 32,000,000	Put	Sell	2016.10-2017.05	US\$:RMB6.6700
US\$ 36,000,000	Put	Sell	2016.10-2017.06	US\$:RMB6.7000
US\$ 20,000,000	Put	Sell	2016.10-2017.07	US\$:RMB6.7500
US\$ 60,000,000	Put	Sell	2016.10-2017.07	US\$:RMB6.8000
US\$ 14,000,000	Put	Sell	2016.10-2017.04	US\$:RMB6.7600
US\$ 18,000,000	Put	Sell	2016.10-2017.06	US\$:RMB6.7000
US\$ 16,000,000	Put	Sell	2016.10-2017.04	US\$:RMB6.7700
US\$ 40,000,000	Put	Sell	2016.10-2017.07	US\$:RMB6.7500
US\$ 36,000,000	Put	Sell	2016.10-2017.06	US\$:RMB6.7000
US\$ 14,000,000	Put	Sell	2016.10-2017.05	US\$:RMB6.7530
US\$ 36,000,000	Put	Sell	2016.10-2017.06	US\$:RMB6.7000
US\$ 40,000,000	Put	Sell	2016.10-2017.06	US\$:RMB6.7530
US\$ 46,000,000	Put	Sell	2016.10-2018.08	US\$:RMB6.5200
US\$ 60,000,000	Put	Sell	2016.10-2017.07	US\$:RMB6.3485
US\$ 40,000,000	Put	Sell	2016.10-2017.07	US\$:RMB6.3485
US\$ 40,000,000	Put	Sell	2016.10-2017.07	US\$:RMB6.3485
US\$ 60,000,000	Put	Sell	2016.10-2017.07	US\$:RMB6.3900
US\$ 66,000,000	Put	Sell	2016.10-2017.08	US\$:RMB6.5200
US\$ 24,000,000	Put	Sell	2017.06-2018.05	US\$:RMB7.2000
US\$ 24,000,000	Put	Sell	2017.06-2018.05	US\$:RMB7.5000
US\$ 40,000,000	Put	Sell	2017.10	US\$:HK\$7.7495

The Group entered into exchange rate option contracts for the nine months ended September 30, 2017 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

September 30, 2017

Notional Amount	Maturity Date	Rate
US\$ 15,400,000	2017.10	US\$:NT\$30.0720
US\$ 34,000,000	2017.10	US\$:NT\$30.0720
US\$ 10,000,000	2017.10	US\$:NT\$29.9770
US\$ 31,000,000	2017.10	US\$:NT\$29.9980
US\$ 25,000,000	2017.10	US\$:NT\$29.9810
US\$ 30,300,000	2017.10	US\$:NT\$29.9810
US\$ 35,000,000	2017.10	US\$:NT\$29.9810
US\$ 26,800,000	2017.10	US\$:NT\$29.9810
US\$ 40,000,000	2017.10	US\$:NT\$29.9815
US\$ 35,000,000	2017.10	US\$:NT\$29.9810
US\$ 32,300,000	2017.10	US\$:NT\$29.9810
US\$ 26,000,000	2017.10	US\$:NT\$29.9810
US\$ 3,000,000	2017.10	US\$:NT\$29.9810
US\$ 32,200,000	2017.10	US\$:NT\$29.9810
US\$ 32,000,000	2017.10	US\$:NT\$29.9810
US\$ 30,000,000	2017.10	US\$:NT\$29.9790
US\$ 7,300,000	2017.10	US\$:NT\$29.9790
US\$ 23,400,000	2017.10	US\$:NT\$29.9790
US\$ 20,600,000	2017.10	US\$:NT\$29.9790
US\$ 41,000,000	2017.10	US\$:NT\$29.9790
US\$ 48,000,000	2017.10	US\$:NT\$30.0360
US\$ 6,000,000	2017.10	US\$:NT\$30.0360
US\$ 30,000,000	2017.10	US\$:NT\$30.0360
US\$ 2,000,000	2017.10	US\$:NT\$30.0360
US\$ 21,300,000	2017.10	US\$:NT\$30.1355
US\$ 10,000,000	2017.10	US\$:NT\$30.1355
US\$ 23,900,000	2017.10	US\$:NT\$30.1335
US\$ 23,500,000	2017.10	US\$:NT\$30.1355

December 31, 2016

Notional Amount	Maturity Date	Rate
US\$ 7,300,000	2017.01	US\$:NT\$31.820
US\$ 20,600,000	2017.01	US\$:NT\$31.820
US\$ 23,400,000	2017.01	US\$:NT\$31.870
US\$ 30,000,000	2017.01	US\$:NT\$31.859
US\$ 48,000,000	2017.01	US\$:NT\$31.805
US\$ 6,000,000	2017.01	US\$:NT\$31.805
US\$ 30,000,000	2017.01	US\$:NT\$31.805
US\$ 2,000,000	2017.01	US\$:NT\$31.805
US\$ 21,300,000	2017.01	US\$:NT\$31.881
US\$ 10,000,000	2017.01	US\$:NT\$31.881
US\$ 18,000,000	2017.01	US\$:NT\$32.012
US\$ 35,000,000	2017.02	US\$:NT\$32.017
US\$ 35,000,000	2017.02	US\$:NT\$32.017

(Continued)

Notional Amount	Maturity Date	Rate
US\$ 32,300,000	2017.02	US\$:NT\$32.017
US\$ 26,000,000	2017.02	US\$:NT\$32.187
US\$ 3,000,000	2017.02	US\$:NT\$32.187
US\$ 32,200,000	2017.02	US\$:NT\$32.187
US\$ 30,300,000	2017.02	US\$:NT\$32.187
US\$ 25,000,000	2017.02	US\$:NT\$32.187
US\$ 26,800,000	2017.02	US\$:NT\$32.187
US\$ 40,000,000	2017.02	US\$:NT\$32.187
RMB 45,000,000	2017.03	RMB:NT\$4.8513
RMB 123,900,000	2017.03	RMB:NT\$4.8500
RMB 53,000,000	2017.03	RMB:NT\$4.8500
RMB 30,000,000	2017.03	RMB:NT\$4.6150
RMB 50,000,000	2017.07	RMB:NT\$4.6993
RMB 91,000,000	2017.03	US\$:RMB6.7800
RMB 40,000,000	2017.03	US\$:RMB6.7799
RMB 50,208,000	2017.03	US\$:RMB6.7800

(Concluded)

September 30, 2016

Notional Amount	Maturity Date	Rate
US\$ 48,000,000	2016.10	US\$:NT\$31.3205
US\$ 6,000,000	2016.10	US\$:NT\$31.3205
US\$ 30,000,000	2016.10	US\$:NT\$31.3205
US\$ 2,000,000	2016.10	US\$:NT\$31.3205
US\$ 18,000,000	2016.10	US\$:NT\$31.3140
US\$ 26,000,000	2016.10	US\$:NT\$31.2365
US\$ 3,000,000	2016.10	US\$:NT\$31.2365
US\$ 26,800,000	2016.10	US\$:NT\$31.2375
US\$ 30,300,000	2016.10	US\$:NT\$31.2380
US\$ 32,200,000	2016.10	US\$:NT\$31.2365
US\$ 40,000,000	2016.10	US\$:NT\$31.2380
US\$ 25,000,000	2016.10	US\$:NT\$31.2367
US\$ 23,400,000	2016.10	US\$:NT\$31.6790
US\$ 30,000,000	2016.10	US\$:NT\$31.6790
US\$ 21,300,000	2016.10	US\$:NT\$31.5670
US\$ 10,000,000	2016.10	US\$:NT\$31.5670
US\$ 7,300,000	2016.11	US\$:NT\$31.2365
US\$ 20,600,000	2016.11	US\$:NT\$31.2380
RMB 30,000,000	2017.03	RMB:NT\$4.6150
RMB 45,000,000	2017.03	RMB:NT\$4.8513
RMB 123,900,000	2017.03	RMB:NT\$4.8500
RMB 53,000,000	2017.03	RMB:NT\$4.8500
RMB 91,000,000	2017.03	US\$:RMB6.7800
RMB 40,000,000	2017.03	US\$:RMB6.7799
RMB 50,208,000	2017.03	US\$:RMB6.7800
RMB 50,000,000	2017.07	RMB:NT\$4.6993
JPY 2,033,200,000	2016.10	US\$:JPY101.5600

The Group entered into exchange rate swap contracts for the nine months ended September 30, 2017 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

September 30, 2017

Notional Amount	Maturity Date	Rate	Interest %
US\$ 10,000,000	2017.11	US\$:NT\$30.3080	0.60
US\$ 10,000,000	2017.12	US\$:NT\$30.0180	0.58
US\$ 20,000,000	2018.02	US\$:NT\$31.0200	0.75

December 31, 2016

Notional Amount	Maturity Date	Rate	Interest %
US\$ 10,000,000	2017.02	US\$:NT\$31.920	0.76
US\$ 10,000,000	2017.03	US\$:NT\$31.263	0.76

September 30, 2016

Notional Amount	Maturity Date	Rate	Interest %
US\$ 10,000,000	2016.11	US\$:NT\$32.630	0.81
US\$ 10,000,000	2017.03	US\$:NT\$31.263	0.76
US\$ 10,000,000	2016.12	US\$:RMB6.9535	1.50

The Group entered into cross-currency swap contracts for the nine months ended September 30, 2017 and 2016 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

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

September 30, 2017

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
\$ 250,000	2018.06	1.340	0.65778
450,000	2018.06	1.310	0.65778
300,000	2018.06	1.310	0.65778
250,000	2018.06	1.290	0.65778
250,000	2018.06	1.278	0.65778
150,000	2018.06	1.265	0.65778
250,000	2018.06	1.280	0.65778
100,000	2018.06	1.260	0.65778
US\$ 60,000,000	2020.01	1.545	1.30411
US\$ 50,000,000	2021.03	0.840	1.31917

December 31, 2016

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

September 30, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
\$ 500,000	2018.06	1.340	0.65689
900,000	2018.06	1.310	0.65689
600,000	2018.06	1.310	0.65689
500,000	2018.06	1.290	0.65689
500,000	2018.06	1.278	0.65689
300,000	2018.06	1.265	0.65689
500,000	2018.06	1.280	0.65689
200,000	2018.06	1.260	0.65689
US\$ 50,000,000	2021.03	0.840	0.85578

The Group entered into interest rate swap contracts for the nine months ended September 30, 2017 and 2016 to manage exposures to interest rate fluctuations.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Domestic investments</u>			
Listed shares	\$ 15,159,915	\$ 14,264,621	\$ 13,830,855
<u>Foreign investments</u>			
Listed shares	<u>515,816</u>	<u>519,410</u>	<u>397,431</u>
	<u>\$ 15,675,731</u>	<u>\$ 14,784,031</u>	<u>\$ 14,228,286</u>
Current	\$ 14,361,544	\$ 13,875,320	\$ 13,160,716
Non-current	<u>1,314,187</u>	<u>908,711</u>	<u>1,067,570</u>
	<u>\$ 15,675,731</u>	<u>\$ 14,784,031</u>	<u>\$ 14,228,286</u>

9. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Domestic investments</u>			
Corporate bonds	\$ 735,452	\$ 749,828	\$ 558,353
<u>Foreign investments</u>			
Corporate bonds	1,216,749	1,918,939	1,809,385
Commercial paper	2,464,738	2,518,046	2,544,889
Structured product	<u>959,349</u>	<u>976,600</u>	<u>496,849</u>
	<u>\$ 5,376,288</u>	<u>\$ 6,163,413</u>	<u>\$ 5,409,476</u>
Current	\$ 1,031,034	\$ 972,124	\$ 883,998
Non-current	<u>4,345,254</u>	<u>5,191,289</u>	<u>4,525,478</u>
	<u>\$ 5,376,288</u>	<u>\$ 6,163,413</u>	<u>\$ 5,409,476</u>

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	September 30, 2017	December 31, 2016	September 30, 2016
Time deposits with original maturity more than three months			
Others	\$ 548,949	\$ 793,924	\$ 1,119,900
	<u>35,682</u>	<u>35,205</u>	<u>33,703</u>
	<u>\$ 584,631</u>	<u>\$ 829,129</u>	<u>\$ 1,153,603</u>
Current	\$ 548,949	\$ 793,924	\$ 1,119,900
Non-current	<u>35,682</u>	<u>35,205</u>	<u>33,703</u>
	<u>\$ 584,631</u>	<u>\$ 829,129</u>	<u>\$ 1,153,603</u>

Refer to Note 39 for information relating to debt investments with no active market pledged as security.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Notes receivable (included related parties)</u>			
Notes receivable - operating	\$ 12,143	\$ 22,514	\$ 15,089
Notes receivable - non-operating	51	246	2,435
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,194</u>	<u>\$ 22,760</u>	<u>\$ 17,524</u>

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Accounts receivable (included related parties)</u>			
Accounts receivable	\$ 36,831,029	\$ 38,867,053	\$ 33,964,639
Less: Allowance for doubtful accounts	<u>(532,112)</u>	<u>(739,218)</u>	<u>(909,482)</u>
	<u>\$ 36,298,917</u>	<u>\$ 38,127,835</u>	<u>\$ 33,055,157</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 1,645,321	\$ 1,632,482	\$ 1,339,462
Others	1,897,731	2,696,410	2,343,627
Less: Allowance for doubtful accounts	<u>(858)</u>	<u>(858)</u>	<u>(1,545)</u>
	<u>\$ 3,542,194</u>	<u>\$ 4,328,034</u>	<u>\$ 3,681,544</u> (Concluded)

In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful account was recognized based on past due amounts at the end of the reporting period and past default experience.

a. Notes receivable

The notes receivable balances at September 30, 2017, December 31, 2016 and September 30, 2016 were not past due.

b. Accounts receivable

1) The aging analysis tables of the accounts receivable as at September 30, 2017, December 31, 2016 and September 30, 2016 were as follows:

September 30, 2017

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 24,955,012	\$ -	\$ -	\$ -	\$ 24,955,012
31-90 days	10,145,337	-	1,125,369	3,026	11,273,732
More than 90 days	<u>-</u>	<u>-</u>	<u>73,199</u>	<u>529,086</u>	<u>602,285</u>
	<u>\$ 35,100,349</u>	<u>\$ -</u>	<u>\$ 1,198,568</u>	<u>\$ 532,112</u>	<u>\$ 36,831,029</u>

December 31, 2016

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 23,294,010	\$ -	\$ -	\$ -	\$ 23,294,010
31-90 days	13,537,407	-	1,078,698	4,889	14,620,994
More than 90 days	<u>-</u>	<u>-</u>	<u>217,720</u>	<u>734,329</u>	<u>952,049</u>
	<u>\$ 36,831,417</u>	<u>\$ -</u>	<u>\$ 1,296,418</u>	<u>\$ 739,218</u>	<u>\$ 38,867,053</u>

September 30, 2016

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 22,998,781	\$ -	\$ -	\$ -	\$ 22,998,781
31-90 days	8,637,801	-	1,192,495	1,590	9,831,886
More than 90 days	<u>-</u>	<u>-</u>	<u>226,080</u>	<u>907,892</u>	<u>1,133,972</u>
	<u>\$ 31,636,582</u>	<u>\$ -</u>	<u>\$ 1,418,575</u>	<u>\$ 909,482</u>	<u>\$ 33,964,639</u>

The above aging schedule was based on the invoice date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 739,218	\$ -	\$ 739,218
Less: Reversal of impairment losses	(170,169)	-	(170,169)
Less: Amounts write - off during the period as uncollectable	(3,325)	-	(3,325)
Effect of exchange rate changes	<u>(33,612)</u>	<u>-</u>	<u>(33,612)</u>
Balance at September 30, 2017	<u>\$ 532,112</u>	<u>\$ -</u>	<u>\$ 532,112</u>
Balance at January 1, 2016	\$ 985,154	\$ -	\$ 985,154
Add: Recognized of impairment losses	57,867	-	57,867
Less: Amounts write - off during the period as uncollectable	(76,294)	-	(76,294)
Effect of exchange rate changes	<u>(57,245)</u>	<u>-</u>	<u>(57,245)</u>
Balance at September 30, 2016	<u>\$ 909,482</u>	<u>\$ -</u>	<u>\$ 909,482</u>

12. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Inventories - manufacturing and retailing	\$ 49,207,330	\$ 40,709,470	\$ 41,761,823
Inventories - construction	<u>4,776,711</u>	<u>4,895,683</u>	<u>4,967,328</u>
	<u>\$ 53,984,041</u>	<u>\$ 45,605,153</u>	<u>\$ 46,729,151</u>

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

	September 30, 2017	December 31, 2016	September 30, 2016
Raw materials	\$ 8,621,116	\$ 7,728,453	\$ 7,424,263
Work in progress	4,869,307	4,462,189	4,857,715
Finished goods and merchandise	<u>35,716,907</u>	<u>28,518,828</u>	<u>29,479,845</u>
	<u>\$ 49,207,330</u>	<u>\$ 40,709,470</u>	<u>\$ 41,761,823</u>

- 1) The cost of manufacturing and retailing inventories recognized as cost of goods sold for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016 was \$51,339,242 thousand, \$47,763,944 thousand, \$152,578,244 thousand and \$153,047,142 thousand, respectively.
 - 2) The cost of manufacturing and retailing inventories recognized as cost of goods sold for the nine months ended September 30, 2017 included inventory write-downs of \$361,415 thousand.
- b. Inventories - construction at the end of the reporting period consisted of the following:

	September 30, 2017	December 31, 2016	September 30, 2016
Land and buildings held for development	\$ 4,612,023	\$ 4,730,966	\$ 4,793,715
Land and buildings held for sale	53,796	53,825	53,813
Land held for construction site	<u>110,892</u>	<u>110,892</u>	<u>119,800</u>
	<u>\$ 4,776,711</u>	<u>\$ 4,895,683</u>	<u>\$ 4,967,328</u>

The cost of construction inventories recognized as cost of goods sold for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016 was \$26,882 thousand, \$135,539 thousand, \$188,936 thousand and \$138,245 thousand, respectively.

13. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Assets associated with non-current assets held for sale</u>			
Cash and cash equivalents	\$ -	\$ 43,505	\$ 59,396
Accounts receivable and other receivables	-	694,085	705,694
Inventories	-	488,007	519,071
Investments accounted for using equity method	45,481	46,376	46,977
Property, plant and equipment	-	18,963	27,534
Other assets	<u>-</u>	<u>95,943</u>	<u>135,099</u>
	<u>\$ 45,481</u>	<u>\$ 1,386,879</u>	<u>\$ 1,493,771</u>
<u>Liabilities directly associated with non-current assets held for sale</u>			
Accounts payable and other payables	<u>\$ -</u>	<u>\$ 1,067,765</u>	<u>\$ 1,116,008</u>

- a. Pou Sheng resolved to dispose its joint venture during the nine months ended September 30, 2016 and reclassified it to “non-current assets held for sale”. The carrying amount is \$45,481 thousand (US\$1,503 thousand), \$46,376 thousand (US\$1,438 thousand) and \$46,977 thousand (US\$1,498 thousand) at September 30, 2017, December 31, 2016 and September 30, 2016, respectively.
- b. Pou Sheng resolved to dispose its subsidiaries during the nine months ended September 30, 2016 and reclassified it to “non-current assets held for sale” and “liabilities directly associated with non-current assets held for sale”. The carrying amount as of December 31, 2016 and September 30, 2016 is \$272,738 thousand (US\$8,457 thousand) and \$330,786 thousand (US\$10,548 thousand), respectively. Pou Sheng had disposed the subsidiaries in April 2017. Refer to Note 33 for related disclosures.

14. OTHER ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Prepayments	\$ 9,202,339	\$ 7,937,123	\$ 9,418,433
Refundable deposits	516,190	357,441	259,468
Defined benefit assets	43,754	43,754	43,754
Prepayments for equipment	4,504,290	3,476,158	2,486,412
Others	<u>2,546,712</u>	<u>1,734,694</u>	<u>1,788,314</u>
	<u>\$ 16,813,285</u>	<u>\$ 13,549,170</u>	<u>\$ 13,996,381</u>
Current	\$ 11,283,691	\$ 9,309,768	\$ 10,845,170
Non-current	<u>5,529,594</u>	<u>4,239,402</u>	<u>3,151,211</u>
	<u>\$ 16,813,285</u>	<u>\$ 13,549,170</u>	<u>\$ 13,996,381</u>

15. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Domestic investments</u>			
Unlisted shares	<u>\$ 73,184</u>	<u>\$ 73,221</u>	<u>\$ 63,225</u>
<u>Foreign investments</u>			
Unlisted shares	169,236	196,825	191,394
Mutual funds	<u>276,526</u>	<u>322,504</u>	<u>325,885</u>
	<u>445,762</u>	<u>519,329</u>	<u>517,279</u>
	<u>\$ 518,946</u>	<u>\$ 592,550</u>	<u>\$ 580,504</u>
<u>Classified according to financial asset measurement categories</u>			
Available-for-sale financial assets	<u>\$ 518,946</u>	<u>\$ 592,550</u>	<u>\$ 580,504</u>

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

16. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			September 30, 2017	December 31, 2016	September 30, 2016
Wealthplus Holdings Limited (“Wealthplus”)	British Virgin Islands	Investing activities of footwear and electronic and peripheral products	100.00	100.00	100.00
Win Fortune Investments Limited	British Virgin Islands	Investing activities	100.00	100.00	100.00
Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operation	100.00	100.00	100.00
Pou Shine Investments Co., Ltd.	ROC	Investing activities	100.00	100.00	100.00
Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	100.00	100.00	100.00
Pro Arch International Development Enterprise Inc.	ROC	Design and manufacturing of footwear product	100.00	100.00	100.00
Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	99.81	99.81	99.81
Barits Development Corporation	ROC	Import and export of the shoe related materials and investing activities	99.62	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		
			September 30, 2017	December 31, 2016	September 30, 2016
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	48.93	48.93	48.93
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	30.54	30.54	30.22
Crown Master Investments Limited	British Virgin Islands	Investment holding	100.00	100.00	100.00
Tetor Ventures Ltd.	British Virgin Islands	Investment holding	100.00	100.00	100.00
Star Eagle Consultants Limited	British Virgin Islands	Agency of property and casualty insurance	100.00	100.00	100.00
Pou Yu Biotechnology Co., Ltd.	ROC	Manufacturing of medical appliance and sale of related equipment	69.44	69.44	69.44

The Group holds less than 50% interests in Yue Yuen and Pou Sheng, companies listed on the Hong Kong Stock Exchange (HKEx). The directors considered the Group’s absolute amount, relative size and dispersion of voting rights relative to the other shareholders and concluded that the Group has the practical ability to direct the relevant activities of Yue Yuen and Pou Sheng and therefore the Group has control over Yue Yuen and Pou Sheng.

Win Fortune Investments Limited (“Win Fortune”) invested in Yue Yuen (as at September 30, 2017 the ownership percentage was 1.05%). Investing is its primary operation activities.

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			September 30, 2017	December 31, 2016	September 30, 2016
Vantage Capital Investments Ltd.	British Virgin Islands	Investment holdings	100.00	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		
			September 30, 2017	December 31, 2016	September 30, 2016
Song Ming Investments Co., Ltd.	ROC	Investing activities	100.00	100.00	100.00
Pou Chin Development Co., Ltd.	ROC	Agency of land demarcation	100.00	100.00	100.00
Yu Hong Development Co., Ltd.	ROC	Development of real estate	100.00	100.00	100.00
Wang Yi Construction Co., Ltd.	ROC	Construction	89.75	89.75	89.75
Pou Yii Development Co., Ltd.	ROC	Rental and sale of real estate	75.00	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		
	September 30, 2017	December 31, 2016	September 30, 2016
Yue Yuen Industrial (Holdings) Limited	50.02	50.02	50.02
Pou Sheng International (Holdings) Limited	37.59	37.59	38.24

Name of Subsidiary	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended September 30		For the Nine Months Ended September 30		September 30,	December 31,	September 30,
	2017	2016	2017	2016	2017	2016	2016
Yue Yuen Industrial (Holdings) Limited	\$ 2,061,853	\$ 2,060,583	\$ 6,018,442	\$ 6,123,366	\$ 62,374,404	\$ 75,958,104	\$ 72,153,850
Pou Sheng International (Holdings) Limited	68,373	291,448	565,521	1,024,203	10,554,083	10,319,355	10,853,508

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

	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	\$ 156,029,898	\$ 128,035,423	\$ 127,452,278
Non-current assets	114,824,275	116,290,696	112,477,683
Current liabilities	(91,928,104)	(54,720,629)	(59,853,479)
Non-current liabilities	<u>(42,439,166)</u>	<u>(26,317,677)</u>	<u>(23,687,776)</u>
Equity	<u>\$ 136,486,903</u>	<u>\$ 163,287,813</u>	<u>\$ 156,388,706</u>
Equity attributable to:			
Owners of the Company	\$ 62,693,495	\$ 76,290,824	\$ 72,478,713
Non-controlling interests of Yue Yuen	62,374,404	75,958,104	72,153,850
Non-controlling interests of Yue Yuen's subsidiaries	<u>11,419,004</u>	<u>11,038,885</u>	<u>11,756,143</u>
	<u>\$ 136,486,903</u>	<u>\$ 163,287,813</u>	<u>\$ 156,388,706</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Operating revenue	<u>\$ 68,701,277</u>	<u>\$ 63,830,970</u>	<u>\$ 205,047,779</u>	<u>\$ 204,091,727</u>
Net income	\$ 4,296,377	\$ 4,469,440	\$ 12,861,783	\$ 13,468,269
Other comprehensive income	<u>890,909</u>	<u>312,634</u>	<u>2,089,947</u>	<u>102,750</u>
Total comprehensive income	<u>\$ 5,187,286</u>	<u>\$ 4,782,074</u>	<u>\$ 14,951,730</u>	<u>\$ 13,571,019</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Net income attributable to:				
Owners of the Company	\$ 2,092,905	\$ 2,062,539	\$ 6,058,907	\$ 6,128,607
Non-controlling interests of Yue Yuen	2,061,853	2,060,583	6,018,442	6,123,366
Non-controlling interests of Yue Yuen's subsidiaries	<u>141,619</u>	<u>346,318</u>	<u>784,434</u>	<u>1,216,296</u>
	<u>\$ 4,296,377</u>	<u>\$ 4,469,440</u>	<u>\$ 12,861,783</u>	<u>\$ 13,468,269</u>
Total comprehensive income attributable to:				
Owners of the Company	\$ 2,437,013	\$ 2,235,662	\$ 6,863,999	\$ 6,265,736
Non-controlling interests of Yue Yuen	2,406,228	2,233,841	6,824,158	6,260,602
Non-controlling interests of Yue Yuen's subsidiaries	<u>344,045</u>	<u>312,571</u>	<u>1,263,573</u>	<u>1,044,681</u>
	<u>\$ 5,187,286</u>	<u>\$ 4,782,074</u>	<u>\$ 14,951,730</u>	<u>\$ 13,571,019</u>
Net cash inflow from:				
Operating activities			\$ 8,371,234	\$ 12,020,997
Investing activities			(7,973,447)	(7,816,147)
Financing activities			<u>23,568,378</u>	<u>(536,752)</u>
Net cash inflow			<u>\$ 23,966,165</u>	<u>\$ 3,668,098</u>
Dividends paid to:				
Non-controlling interests of Yue Yuen			<u>\$ 3,193,291</u>	<u>\$ 2,749,539</u>
Non-controlling interests of Yue Yuen's subsidiaries			<u>\$ 225,952</u>	<u>\$ 156,321</u>

(Concluded)

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2017	December 31, 2016	September 30, 2016
Investments in associates	\$ 32,503,886	\$ 27,252,593	\$ 28,441,789
Investments in joint ventures	<u>8,511,713</u>	<u>11,855,932</u>	<u>12,204,428</u>
	<u>\$ 41,015,599</u>	<u>\$ 39,108,525</u>	<u>\$ 40,646,217</u>

a. Investments in associates

	September 30, 2017	December 31, 2016	September 30, 2016
Material associate			
Ruen Chen Investment Holding Co., Ltd.	\$ 15,566,857	\$ 8,912,633	\$ 10,504,685
Associates that are not individually material	<u>16,937,029</u>	<u>18,339,960</u>	<u>17,937,104</u>
	<u>\$ 32,503,886</u>	<u>\$ 27,252,593</u>	<u>\$ 28,441,789</u>

1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights		
	September 30, 2017	December 31, 2016	September 30, 2016
Ruen Chen Investment Holding Co., Ltd.	20%	20%	20%

The summarized financial information below represents amounts shown in the material associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Ruen Chen Investment Holding Co., Ltd.

	September 30, 2017	December 31, 2016	September 30, 2016
Assets	\$ 3,967,201,914	\$ 3,644,010,238	\$ 3,515,494,185
Liabilities	(3,873,936,069)	(3,587,128,559)	(3,449,733,512)
Non-controlling interests	<u>(15,135,001)</u>	<u>(12,021,953)</u>	<u>(12,940,687)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 78,130,844</u>	<u>\$ 44,859,726</u>	<u>\$ 52,819,986</u>
Proportion of the Group	20%	20%	20%
Equity attributable to the Group	\$ 15,626,169	\$ 8,971,945	\$ 10,563,997
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 15,566,857</u>	<u>\$ 8,912,633</u>	<u>\$ 10,504,685</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Operating revenue	<u>\$ 181,829,908</u>	<u>\$ 164,237,698</u>	<u>\$ 502,392,683</u>	<u>\$ 503,437,173</u>
Net income	\$ 9,311,385	\$ 6,854,069	\$ 12,573,653	\$ 14,166,347
Other comprehensive income	<u>5,892,348</u>	<u>709,173</u>	<u>22,681,225</u>	<u>11,248,090</u>
Total comprehensive income	<u>\$ 15,203,733</u>	<u>\$ 7,563,242</u>	<u>\$ 35,254,878</u>	<u>\$ 25,414,437</u>

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	September 30, 2017	December 31, 2016	September 30, 2016
Luen Thai Holdings Ltd.	-	9.74	9.74
Eagle Nice (International) Holdings Limited	38.42	38.42	38.42
Evermore Chemical Industry Co., Ltd.	29.05	29.05	29.05
San Fang Chemical Industry Co., Ltd.	44.72	44.72	44.72
Elitegroup Computer Systems Co., Ltd.	19.50	19.50	19.50
Ace Top Group Limited	40.00	40.00	40.00
Bigfoot Limited	48.76	48.76	48.76
Enthroned Group Limited	48.76	48.76	48.76
Faith Year Investments Ltd.	30.00	30.00	30.00
Full Pearl International Ltd.	40.04	40.04	40.04
Haicheng Information Technology Co., Ltd.	50.00	50.00	50.00
Hengqin New District of Zhuhai City Baolee Property Management Co., Ltd.	-	40.00	40.00
Just Lucky Investments Limited	38.30	38.30	38.30
Natural Options Limited	38.30	38.30	38.30
Oftenrich Holdings Limited	45.00	45.00	45.00
Original Designs Developments Limited	49.47	49.47	49.47
Pine Wood Industries Limited	37.00	37.00	37.00
Pou Ming Paper Products Manufacturing Co., Ltd.	20.00	20.00	20.00
Prosperlink Limited	38.00	38.00	38.00
Prosperous Industrial (Holdings) Ltd.	30.00	30.00	30.00
Rise Bloom International Limited	38.00	38.00	38.00
Silver Island Trading Ltd.	50.00	50.00	50.00
Supplyline Logistics Ltd.	49.00	49.00	49.00
Tien Pou International Ltd.	40.00	40.00	-
Venture Well Holdings Ltd.	31.55	31.55	31.55
Zhuhai Baosheng Technology Service Co., Ltd.	-	40.00	40.00
Zhuhai Poulik Properties Management Co., Ltd.	40.00	40.00	40.00
Nan Pao Resins Chemical Co., Ltd.	19.52	20.09	21.32
Techview International Technology Inc.	50.00	50.00	50.00

- a) The summarized financial information below represents amounts shown in the financial statements of associates that are not individually material which were prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
The Group's share of:				
Net income	\$ 474,117	\$ 665,642	\$ 1,194,704	\$ 1,185,892
Other comprehensive (loss) income	<u>(12,350)</u>	<u>100,546</u>	<u>155,451</u>	<u>74,481</u>
Total comprehensive income	<u>\$ 461,767</u>	<u>\$ 766,188</u>	<u>\$ 1,350,155</u>	<u>\$ 1,260,373</u>

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

Name of Associate	September 30, 2017	December 31, 2016	September 30, 2016
Luen Thai Holdings Ltd.	<u>\$ -</u>	<u>\$ 1,028,561</u>	<u>\$ 651,905</u>
Eagle Nice (International) Holdings Limited	<u>\$ 2,870,676</u>	<u>\$ 1,748,611</u>	<u>\$ 1,785,922</u>
Evermore Chemical Industry Co., Ltd.	<u>\$ 392,404</u>	<u>\$ 356,400</u>	<u>\$ 349,428</u>
San Fang Chemical Industry Co., Ltd.	<u>\$ 6,245,255</u>	<u>\$ 6,287,101</u>	<u>\$ 6,469,434</u>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 2,511,093</u>	<u>\$ 1,695,802</u>	<u>\$ 1,424,039</u>

b. Investments in joint ventures

	September 30, 2017	December 31, 2016	September 30, 2016
Joint ventures that are not individually material	\$ 8,498,071	\$ 11,842,023	\$ 12,016,378
Long-term receivable			
Joint ventures that are not individually material	<u>13,642</u>	<u>13,909</u>	<u>188,050</u>
	<u>\$ 8,511,713</u>	<u>\$ 11,855,932</u>	<u>\$ 12,204,428</u>

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

Name of Joint Ventures	Proportion of Ownership and Voting Rights (%)		
	September 30, 2017	December 31, 2016	September 30, 2016
Artesol Limited	50.00	50.00	50.00
Beijing Baojing Kangtai Trading Co., Ltd.	50.00	50.00	50.00
Best Focus Holdings Ltd.	50.00	50.00	50.00
Blessland Enterprises Limited	50.00	50.00	50.00
Cohen Enterprises Inc.	50.00	50.00	50.00
Din Tsun Holding Co., Ltd.	50.00	50.00	50.00
Great Skill Industrial Limited	50.00	50.00	50.00
Guiyang Baoshang Sports Goods Company Limited	-	50.00	50.00
Hangzhou Baohong Sports Goods Company Limited	50.00	50.00	50.00
Hua Jian Industrial Holding Co., Limited	50.00	50.00	50.00
Jilin Lingpao Sports Goods Company Limited	50.00	50.00	50.00
Jilin Xinfangwei Sports Goods Company Limited	50.00	50.00	50.00
Jumbo Power Enterprises Limited	50.00	50.00	50.00
Ka Yuen Rubber Factory Limited	50.00	50.00	50.00
Poulik Properties Management Co., Ltd.	30.00	30.00	30.00
Texas Clothing Holdings Corp.	-	49.99	49.99
Twinways Investments Limited	50.00	50.00	50.00
Willpower Industries Limited	44.84	44.84	44.84
Zhong Ao Multiplex Management Limited	46.82	46.82	46.82

- 2) The summarized financial information below represents amounts shown in the financial statements of joint ventures that are not individually material which were prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
The Group's share of:				
Net income	\$ 270,932	\$ 245,226	\$ 434,143	\$ 115,252
Other comprehensive income (loss)	<u>79,118</u>	<u>(6,946)</u>	<u>149,529</u>	<u>14,285</u>
Total comprehensive income	<u>\$ 350,050</u>	<u>\$ 238,280</u>	<u>\$ 583,672</u>	<u>\$ 129,537</u>

18. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2017	December 31, 2016	September 30, 2016
Land	\$ 2,276,644	\$ 2,370,490	\$ 2,351,974
Buildings and improvements	45,028,311	45,228,033	43,723,714
Machinery and equipment	18,023,770	17,168,828	16,775,219
Transportation equipment	405,303	404,772	387,084
Office equipment	2,737,853	2,302,749	2,098,964
Other equipment	37,901	36,944	32,542
Construction in progress	<u>3,754,164</u>	<u>3,952,990</u>	<u>3,537,421</u>
	<u>\$ 72,263,946</u>	<u>\$ 71,464,806</u>	<u>\$ 68,906,918</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of property, plant and equipment during the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016.
- b. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

<u>Items</u>	<u>Estimated Useful Life</u>
Buildings and improvements	
Main buildings	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 three parcels of land located in Changhwa County with carrying value of \$56,102 thousand. Due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property.

19. INVESTMENT PROPERTIES

	September 30, 2017	December 31, 2016	September 30, 2016
Investment properties	<u>\$ 2,269,445</u>	<u>\$ 2,309,447</u>	<u>\$ 2,317,211</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of investment properties during the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016.
- b. The investment properties are depreciated by the straight-line method over 30-55 year.
- c. The fair values of the Group's investment properties as of December 31, 2016 and 2015 was \$3,498,353 thousand and \$3,297,811 thousand, respectively. The Group's management team evaluated the fair value of investment properties during the nine months ended September 30, 2017 and 2016 had not changed significantly.

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

20. GOODWILL

After the Group's goodwill has been tested at December 31, 2016 and 2015. The Group's management team evaluated goodwill as at September 30, 2017 and 2016 had not changed significantly and impaired.

21. OTHER INTANGIBLE ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Patents	\$ -	\$ 501	\$ 511
Trademark	1,387,049	102	105
Customer relationship	87,724	47,440	55,351
Brandnames	1,630,560	1,890,592	1,915,688
Licensing agreements	227,646	266,933	282,083
Non-compete agreements	<u>541,109</u>	<u>644,871</u>	<u>684,871</u>
	<u>\$ 3,874,088</u>	<u>\$ 2,850,439</u>	<u>\$ 2,938,609</u>

- a. Except for amortization recognized, the Group had no significant disposal nor impairment of other intangible assets during the three months ended September 30, 2017 and 2016 and nine months ended September 30, 2017 and 2016.
- b. 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>
Patents	15-20 years
Trademark	10 years
Customer relationship	8 years
Brandnames	5 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

22. BORROWINGS

- a. Short-term borrowings

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Unsecured borrowings</u>			
Credit borrowings	<u>\$ 37,523,126</u>	<u>\$ 24,031,120</u>	<u>\$ 29,399,217</u>

The range of effective interest rate on bank borrowings was 0.78%-15.88%, 0.80%-11.90% and 0.80%-5.95%, per annum as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

b. Short-term bills payable

September 30, 2017

	Annual Interest Rate	Amount
Commercial paper	0.46-0.75	\$ 3,214,500
Less: Unamortized discount on bills payable		<u>(1,301)</u>
		<u>\$ 3,213,199</u>

December 31, 2016

	Annual Interest Rate	Amount
Commercial paper	0.45-0.77	\$ 2,546,000
Less: Unamortized discount on bills payable		<u>(1,245)</u>
		<u>\$ 2,544,755</u>

September 30, 2016

	Annual Interest Rate	Amount
Commercial paper	0.35-0.81	\$ 3,544,500
Less: Unamortized discount on bills payable		<u>(1,630)</u>
		<u>\$ 3,542,870</u>

c. Long-term borrowings

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Secured borrowings</u>			
Bank loans	\$ -	\$ 488,000	\$ 488,000
<u>Unsecured borrowings</u>			
Bank loans	<u>65,264,700</u>	<u>49,895,000</u>	<u>45,587,119</u>
	65,264,700	50,383,000	46,075,119
Less: Long-term expenses for syndication loan	(366,202)	(19,874)	(21,598)
Less: Current portion	<u>(3,017,960)</u>	<u>-</u>	<u>(1,499,853)</u>
	<u>\$ 61,880,538</u>	<u>\$ 50,363,126</u>	<u>\$ 44,553,668</u>

Range of maturity dates and interest rates:

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Maturity date</u>			
Long-term borrowings	2019.01.14- 2022.08.18	2018.07.12- 2021.12.21	2018.07.12- 2021.09.03
Current portion of long-term borrowings	2018.07.12- 2018.09.27	-	2016.12.02
<u>Range of interest rate</u>	1.09%-2.53%	1.09%-2.27%	1.09%-2.26%

For information on the collaterals provided by the Group in accordance with the loan contracts, please refer to Note 39.

23. NOTES PAYABLE AND ACCOUNTS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Notes payable (included related parties)</u>			
Operating	\$ 50,090	\$ 45,661	\$ 55,633
Non-operating	<u>8,259</u>	<u>674</u>	<u>6,601</u>
	<u>\$ 58,349</u>	<u>\$ 46,335</u>	<u>\$ 62,234</u>
Accounts payable (included related parties)	<u>\$ 16,133,387</u>	<u>\$ 14,639,445</u>	<u>\$ 17,566,710</u>

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

24. OTHER PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Payable for salaries	\$ 11,021,195	\$ 13,211,352	\$ 11,577,485
Payable for purchase of property, plant and equipment	2,778,346	1,782,976	1,529,469
Compensation due to directors and supervisors	140,828	219,828	160,925
Employee compensation payable	678,177	645,013	612,949
Interest payable	120,300	104,566	81,191
Payable for acquisition of subsidiary and business	68,085	352,783	237,301
Payable for annual leave	1,395,536	1,413,211	1,344,871
Payable for dividends	12,466,418	-	1,625,026
Others	<u>8,046,954</u>	<u>7,648,285</u>	<u>7,166,623</u>
	<u>\$ 36,715,839</u>	<u>\$ 25,378,014</u>	<u>\$ 24,335,840</u>
Current	\$ 36,562,875	\$ 25,218,684	\$ 24,164,054
Non-current	<u>152,964</u>	<u>159,330</u>	<u>171,786</u>
	<u>\$ 36,715,839</u>	<u>\$ 25,378,014</u>	<u>\$ 24,335,840</u>

25. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015, and recognized in the following line items in their respective periods:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Operating cost	\$ 46,601	\$ 31,124	\$ 113,199	\$ 90,258
Marketing expenses	348	531	1,064	3,019
Administration expenses	59,821	63,868	185,720	187,528
Research and development expenses	<u>2,600</u>	<u>3,302</u>	<u>8,194</u>	<u>9,834</u>
	<u>\$ 109,370</u>	<u>\$ 98,825</u>	<u>\$ 308,177</u>	<u>\$ 290,639</u>

26. EQUITY

a. Share capital

	September 30, 2017	December 31, 2016	September 30, 2016
Number of shares authorized (in thousands)	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>
Shares authorized	<u>\$ 45,000,000</u>	<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>	<u>2,946,787</u>
Shares issued	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>

b. Capital surplus

	September 30, 2017	December 31, 2016	September 30, 2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Recognized from issuance of common shares	\$ 848,603	\$ 848,603	\$ 848,603
Recognized from conversion of bonds	1,447,492	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	343,269	390,919	474,704
<u>May be used to offset a deficit only (2)</u>			
Recognized from share of changes in equities of subsidiaries	22,054	23,232	17,929

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
<u>May not be used for any purpose</u>			
Recognized from share of changes in net assets of associates and joint ventures	\$ <u>5,309</u>	\$ <u>5,309</u>	\$ <u>5,309</u>
	<u>\$ 4,491,335</u>	<u>\$ 4,540,163</u>	<u>\$ 4,618,645</u> (Concluded)

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus are recognized from share of changes in equities of subsidiaries that resulted from equity transactions, or from share of changes in capital surplus of subsidiaries accounted by using equity method when there was no actual disposal or acquisition of subsidiaries.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The amendments to the Company's Articles of Incorporation (the "Articles") on earnings distribution policy were approved in the shareholders' meeting on June 15, 2016, particularly the amendment to the policy on distribution of employees' compensation.

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

- 1) For paying taxes.
- 2) For offsetting deficits.
- 3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.
- 4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.

For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 28 g.

In accordance with the "Articles", profits may be distributed after taking into consideration the future development plan, financial condition, business and operational status, and so on. The distribution of profits shall be proposed by the board of directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profits.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 and 2015 had been approved in the shareholders' meetings on June 15, 2017 and 2016, respectively, were as follows:

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

d. Other equity item

1) Exchange differences on translation foreign operations

	<u>For the Nine Months Ended September 30</u>	
	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 3,109,173	\$ 5,020,886
Exchange differences arising on translation of foreign operations	(3,825,200)	(3,213,693)
Share of exchange differences of associates and joint ventures accounted for using equity method	<u>(42,584)</u>	<u>(88,520)</u>
Balance at September 30	<u>\$ (758,611)</u>	<u>\$ 1,718,673</u>

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

	<u>For the Nine Months Ended September 30</u>	
	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ (16,745,541)	\$ (16,926,480)
Unrealized gain on available-for-sale financial assets	715,336	758,004
Unrealized gain on available-for-sale financial assets of associates and joint ventures accounted for using equity method	<u>4,133,026</u>	<u>2,089,803</u>
Balance at September 30	<u>\$ (11,897,179)</u>	<u>\$ (14,078,673)</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2017	2016
Balance at January 1	\$ 87,305,560	\$ 85,533,554
Share of non-controlling interests		
Net income	6,792,958	7,339,048
Exchange differences arising on translation of foreign operations	1,037,741	(241,803)
Unrealized gain on available-for-sale financial assets	238,309	195,368
Change in non-controlling interests	<u>(21,328,594)</u>	<u>(8,618,066)</u>
Balance at September 30	<u>\$ 74,045,974</u>	<u>\$ 84,208,101</u>

27. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Sales revenue	\$ 69,040,242	\$ 64,063,589	\$ 205,548,457	\$ 204,493,208
Revenue from the rendering of services	14,234	13,709	58,599	62,435
Rental income	7,680	7,981	23,216	24,193
Revenue from entertainment and resort	<u>130,156</u>	<u>119,066</u>	<u>383,856</u>	<u>369,350</u>
	<u>\$ 69,192,312</u>	<u>\$ 64,204,345</u>	<u>\$ 206,014,128</u>	<u>\$ 204,949,186</u>

28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Rental income				
Rental income from operating lease				
Investment properties	\$ 8,307	\$ 7,916	\$ 24,563	\$ 25,583
Others	<u>93,081</u>	<u>68,341</u>	<u>255,381</u>	<u>199,460</u>
	<u>101,388</u>	<u>76,257</u>	<u>279,944</u>	<u>225,043</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest income				
Cash in bank	\$ 74,489	\$ 66,718	\$ 232,292	\$ 227,452
Repurchase agreements collateralized by bonds	4,856	3,979	14,663	8,827
Held-to-maturity financial assets	55,485	54,780	172,745	123,052
Debt investments with no active market	3,031	11,131	15,241	36,563
Others	1,102	213	1,531	2,020
	<u>138,963</u>	<u>136,821</u>	<u>436,472</u>	<u>397,914</u>
Dividend income	837,483	857,239	856,941	871,985
Others	<u>628,342</u>	<u>788,684</u>	<u>1,914,565</u>	<u>1,634,275</u>
	<u>\$ 1,706,176</u>	<u>\$ 1,859,001</u>	<u>\$ 3,487,922</u>	<u>\$ 3,129,217</u>

(Concluded)

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Net loss on disposal of property, plant and equipment	\$ (215,527)	\$ (115,771)	\$ (583,202)	\$ (161,061)
Net gain on disposal of investment properties	15,855	-	15,855	-
Net foreign exchange gain (loss)	364,191	(600,625)	(541,070)	(939,525)
Net gain on disposal of subsidiaries, associates and joint ventures	145,131	13,524	383,052	27,918
Net (loss) gain on disposal of financial assets measured at cost	-	(16,988)	11,472	5,133
Net gain arising on financial assets designated as at FVTPL	157,834	171,157	937,883	394,378
Net (loss) gain arising on financial liabilities designated as at FVTPL	(47,675)	74,659	336,883	737,487
Recognized of impairment loss	(22,580)	(41,155)	(22,522)	(44,023)
Others	<u>(99,050)</u>	<u>(38,466)</u>	<u>(190,496)</u>	<u>(119,364)</u>
	<u>\$ 298,179</u>	<u>\$ (553,665)</u>	<u>\$ 347,855</u>	<u>\$ (99,057)</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest on bank borrowings	\$ 455,901	\$ 310,490	\$ 1,280,266	\$ 919,972
Interest on short-term bills payable	5,858	5,372	17,312	16,188
Other interest expense	<u>9,377</u>	<u>9,768</u>	<u>28,258</u>	<u>29,907</u>
	<u>\$ 471,136</u>	<u>\$ 325,630</u>	<u>\$ 1,325,836</u>	<u>\$ 966,067</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Property, plant and equipment	\$ 2,253,860	\$ 2,065,118	\$ 6,525,669	\$ 6,370,062
Investment properties	8,134	7,953	24,530	22,835
Other intangible assets	145,978	51,173	369,491	158,822
Prepayments for lease	<u>47,132</u>	<u>45,076</u>	<u>162,486</u>	<u>133,142</u>
	<u>\$ 2,455,104</u>	<u>\$ 2,169,320</u>	<u>\$ 7,082,176</u>	<u>\$ 6,684,861</u>
An analysis of depreciation by function				
Operating costs	\$ 1,285,119	\$ 1,298,260	\$ 3,908,097	\$ 4,097,192
Operating expenses	973,830	772,314	2,632,953	2,289,513
Non-operating expenses	<u>3,045</u>	<u>2,497</u>	<u>9,149</u>	<u>6,192</u>
	<u>\$ 2,261,994</u>	<u>\$ 2,073,071</u>	<u>\$ 6,550,199</u>	<u>\$ 6,392,897</u>
An analysis of amortization by function				
Operating costs	\$ 294	\$ 309	\$ 891	\$ 947
Operating expenses	<u>192,816</u>	<u>95,940</u>	<u>531,086</u>	<u>291,017</u>
	<u>\$ 193,110</u>	<u>\$ 96,249</u>	<u>\$ 531,977</u>	<u>\$ 291,964</u>

e. Direct operating expenses from investment properties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Direct operating expenses from investment properties that generated rental income	<u>\$ 12,298</u>	<u>\$ 11,010</u>	<u>\$ 36,698</u>	<u>\$ 31,956</u>

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term benefits	\$ 15,677,150	\$ 15,216,259	\$ 46,061,068	\$ 47,236,110
Post-employment benefits				
Defined contribution plans	1,567,357	1,900,942	5,344,960	6,261,787
Defined benefit plans	<u>109,370</u>	<u>98,825</u>	<u>308,177</u>	<u>290,639</u>
	1,676,727	1,999,767	5,653,137	6,552,426
Share-based payments				
Equity-settled	21,398	8,976	80,558	28,426
Termination benefits	<u>4,969</u>	<u>1,710</u>	<u>15,467</u>	<u>3,613</u>
	<u>\$ 17,380,244</u>	<u>\$ 17,226,712</u>	<u>\$ 51,810,230</u>	<u>\$ 53,820,575</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 11,422,788	\$ 12,387,080	\$ 34,976,578	\$ 38,913,851
Operating expenses	<u>5,957,456</u>	<u>4,839,632</u>	<u>16,833,652</u>	<u>14,906,724</u>
	<u>\$ 17,380,244</u>	<u>\$ 17,226,712</u>	<u>\$ 51,810,230</u>	<u>\$ 53,820,575</u>

As of September 30, 2017 and 2016, there were 373,051 and 400,937 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

g. Employees' compensation and remuneration of directors and supervisors

The amendments stipulate that the Company shall distribute employees' compensation and remuneration of directors and supervisors at rates of 1%-5% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. In the case of an accumulated loss, the Company shall allocate an amount to recover such loss before appropriating any employees' compensation and remuneration of directors and supervisors.

The employees' compensation and remuneration of directors and supervisors for the nine months ended September 30, 2017 and 2016, respectively, were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2017	2016
Employees' compensation	1.8%	1.8%
Remuneration to directors and supervisors	0.9%	0.9%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Employees' compensation	<u>\$ 87,858</u>	<u>\$ 71,341</u>	<u>\$ 183,045</u>	<u>\$ 173,884</u>
Remuneration to directors and supervisors	<u>\$ 43,928</u>	<u>\$ 35,671</u>	<u>\$ 91,522</u>	<u>\$ 86,942</u>

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.

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which were approved by the Company's board of directors on March 27, 2017 and March 24, 2016, respectively, were as follows:

	For the Year Ended December 31			
	2016		2015	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 255,108	\$ -	\$ 203,472	\$ -
Remuneration of directors and supervisors	127,554	-	101,736	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors approved/paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration to of directors and supervisors resolved in the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	\$ 667,939	\$ 603,181	\$ 2,129,739	\$ 2,404,420
Income tax expense of unappropriated earnings	-	-	522,087	-
	667,939	603,181	2,651,826	2,404,420
Deferred tax	(2,084)	(3,258)	(2,898)	54,545
Adjustments for prior year's income tax	30,410	-	31,270	(1,438)
Income tax expense recognized in profit or loss	<u>\$ 696,265</u>	<u>\$ 599,923</u>	<u>\$ 2,680,198</u>	<u>\$ 2,457,527</u>

b. Integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated earnings			
Generated before January 1, 1998	\$ 221,425	\$ 221,425	\$ 221,425
Generated on and after January 1, 1998	<u>33,749,807</u>	<u>31,993,273</u>	<u>28,208,018</u>
	<u>\$ 33,971,232</u>	<u>\$ 32,214,698</u>	<u>\$ 28,429,443</u>
Imputation credits account	<u>\$ 2,837,695</u>	<u>\$ 2,562,413</u>	<u>\$ 2,530,011</u>
		<u>For the Year Ended December 31</u>	
		2016	2015
Creditable ratio for distribution of earnings		10.01%	12.58%

c. Income tax assessments

Besides 2014, the tax returns of the Company through 2015 have been assessed by the tax authorities.

30. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016 were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2017	2016	2017	2016
<u>Net income (in thousand dollars)</u>				
Earnings used in the computation of earnings per share	<u>\$ 4,794,713</u>	<u>\$ 3,721,076</u>	<u>\$ 9,080,947</u>	<u>\$ 8,892,276</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	2,946,787	2,946,787
Effect of potentially dilutive common shares:				
Employee share options	84,909	89,090	86,124	85,806
Employees' compensation	<u>2,312</u>	<u>1,618</u>	<u>8,574</u>	<u>6,818</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>3,034,008</u>	<u>3,037,495</u>	<u>3,041,485</u>	<u>3,039,411</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
<u>Earnings per share (in dollars)</u>				
Basic earnings per share	<u>\$1.63</u>	<u>\$1.27</u>	<u>\$3.08</u>	<u>\$3.02</u>
Diluted earnings per share	<u>\$1.58</u>	<u>\$1.23</u>	<u>\$2.99</u>	<u>\$2.93</u>
				(Concluded)

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

31. SHARE-BASED PAYMENT ARRANGEMENTS

a. Information about Pou Chen's employee share options

Information about outstanding share options during the nine months ended September 30, 2017 and 2016 was as follows:

	For the Nine Months Ended September 30			
	2017		2016	
Employee Share Options	Number of Shares Purchasable (In Thousand)	Weighted- average Exercise Price (NT\$)	Number of Shares Purchasable (In Thousand)	Weighted- average Exercise Price (NT\$)
Balance at January 1	145,791	\$ 17.40	145,791	\$ 18.00
Options exercised	-	-	-	-
Balance at September 30	<u>145,791</u>	16.80	<u>145,791</u>	17.40
Exercisable options at September 30	<u>145,791</u>	16.80	<u>145,791</u>	17.40

Information about outstanding employee share options as of September 30, 2017, December 31, 2016 and September 30, 2016 was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Exercise price (NT\$)	\$16.80	\$17.40	\$17.40
Weighted-average remaining contractual life (years)	0.10 years	0.85 years	1.10 years

b. Information about Yue Yuen's employee share options

Information about the granted employee share options during the nine months ended September 30, 2017 and 2016 was as follows:

	For the Nine Months Ended September 30	
	2017	2016
	Number of Shares (In Thousands)	Number of Shares (In Thousands)
Balance at January 1	1,120	1,440
Options granted	-	34
Options cancelled	(67)	(67)
Options exercised	<u>-</u>	<u>(1,373)</u>
Balance at September 30	<u><u>1,053</u></u>	<u><u>34</u></u>

Yue Yuen recognized \$38,452 thousand and \$9,484 thousand compensation cost for the nine months ended September 30, 2017 and 2016, respectively.

c. Information about Pou Sheng's employee share options

1) Information about outstanding share options during the nine months ended September 30, 2017 and 2016 was as follows:

	For the Nine Months Ended September 30			
	2017		2016	
Employee Share Options	Number of Shares Purchasable (In Thousand)	Weighted- average Exercise Price (HK\$)	Number of Shares Purchasable (In Thousand)	Weighted- average Exercise Price (HK\$)
Balance at January 1	54,549	\$ 1.63	54,612	\$ 1.39
Options cancelled	-	-	(100)	1.62
Options exercised	<u>(800)</u>	1.28	<u>(10,632)</u>	1.33
Balance at September 30	<u><u>53,749</u></u>	1.64	<u><u>43,880</u></u>	1.40
Exercisable options at September 30	<u><u>43,252</u></u>	1.43	<u><u>43,880</u></u>	1.40

Information about outstanding employee share options as of September 30, 2017, December 31, 2016 and September 30, 2016 was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Range of exercise price (HK\$)	\$1.05-\$2.494	\$1.05-\$2.494	\$1.05-\$1.62
Weighted-average remaining contractual life (years)	1.73 years	2.47 years	1.88 years

Pou Sheng recognized \$10,875 thousand and \$(356) thousand compensation cost (income) for the nine months ended September 30, 2017 and 2016, respectively.

- 2) Information about the granted employee share options during the nine months ended September 30, 2017 and 2016 was as follows:

	For the Nine Months Ended September 30	
	2017	2016
	Number of Shares (In Thousands)	Number of Shares (In Thousands)
Balance at January 1	45,130	27,738
Options granted	6,326	11,990
Options cancelled	(9,205)	(3,375)
Options exercised	<u>(4,934)</u>	<u>-</u>
Balance at September 30	<u>37,317</u>	<u>36,353</u>

Pou Sheng recognized \$31,231 thousand and \$19,298 thousand compensation cost for the nine months ended September 30, 2017 and 2016, respectively.

32. BUSINESS COMBINATIONS

The Group entered into a settlement agreement with joint ventures during the nine months ended September 30, 2017. The joint ventures purchased the treasury stock from other stockholders. After the transaction, the joint ventures became a subsidiary of the Group. The assets and liabilities on the date of acquisition were as follow:

Assets

Cash and cash equivalents	\$ 119,459
Receivables and other receivables	2,039,783
Inventories	2,752,493
Property, plant and equipment	535,909
Intangible assets	1,458,061
Deferred tax assets	399,506

Liabilities

Bank borrowings	(1,766,368)
Payables and other payables	(2,792,860)
Deferred tax liabilities	<u>(506,432)</u>
	<u>\$ 2,239,551</u>

- a. Goodwill arising from the acquisition

Fair value of previously held equity interest in joint ventures	\$ 2,336,347
Add: Non-controlling interests	426
Less: Fair value of the acquisition of net assets	<u>(2,239,551)</u>
Goodwill arising from the acquisition	<u>\$ 97,222</u>

b. Net cash inflow on acquisition of subsidiaries

Cash and cash equivalent balances on acquisition of subsidiaries \$ 119,459

33. DISPOSAL OF SUBSIDIARIES

a. The Group dispose of subsidiaries during the nine months ended September 30, 2017, the assets and liabilities on the date of disposal were as follows:

Assets

Cash and cash equivalents	\$ 41,462
Receivables and other receivables	901,132
Inventory	613,024
Other current assets	45,149
Property, plant and equipment	96,324

Liabilities

Payables and other payables	<u>(1,317,003)</u>
	<u>\$ 380,088</u>

1) Gain on disposal of subsidiaries

Net assets disposed of	\$ 380,088
Less: Non-controlling interests	(145,925)
Cumulative exchange differences released upon disposal	<u>(22,845)</u>

Net value of net assets disposed of	<u>\$ 211,318</u>
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Consideration received in cash and cash equivalents	\$ 352,300
Net value of net assets disposed of	<u>(211,318)</u>

Gain on disposal	<u>\$ 140,982</u>
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2) Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 352,300
Less: Cash and cash equivalents balance disposed of	<u>(41,462)</u>

	<u>\$ 310,838</u>
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- b. The Group dispose of subsidiaries during the nine months ended September 30, 2016, the assets and liabilities on the date of disposal were as follows:

Assets

Receivables and other receivables	\$ 5,196
Other current assets	27,627
Property, plant and equipment	92,339

Liabilities

Payables and other payables	(28,079)
Income tax payables	<u>(4,163)</u>
	<u>\$ 92,920</u>

1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 106,571
Net value of net assets disposed of	<u>(92,920)</u>
Gain on disposal	<u>\$ 13,651</u>

2) Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 106,571
Less: Consideration receivable	<u>(3,228)</u>
	<u>\$ 103,343</u>

34. OPERATING LEASES ARRANGEMENTS

- a. The Group as lessee

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than 1 year	\$ 3,133,795	\$ 2,762,737	\$ 2,328,197
Later than 1 year and not later than 5 years	4,334,682	3,870,418	3,175,918
Later than 5 years	<u>1,575,215</u>	<u>1,697,704</u>	<u>1,691,276</u>
	<u>\$ 9,043,692</u>	<u>\$ 8,330,859</u>	<u>\$ 7,195,391</u>

b. The Group as lessor

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than 1 year	\$ 476,565	\$ 386,129	\$ 313,098
Later than 1 year and not later than 5 years	1,044,847	544,509	425,116
Later than 5 years	<u>806,641</u>	<u>681,733</u>	<u>654,421</u>
	<u>\$ 2,328,053</u>	<u>\$ 1,612,371</u>	<u>\$ 1,392,635</u>

35. EXPLANATORY COMMENTS ABOUT THE SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Group's industry is not seasonal in nature. Based on historical experience, the sales of the Group do not concentrate on specific season.

36. CAPITAL MANAGEMENT

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

37. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Financial assets and financial liabilities that are not measured at fair value were as follows:

	<u>September 30, 2017</u>		<u>December 31, 2016</u>		<u>September 30, 2016</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Held-to-maturity financial assets	\$ 5,376,288	\$ 5,376,288	\$ 6,163,413	\$ 6,163,413	\$ 5,409,476	\$ 5,409,476
Debt investments with no active market	584,631	584,631	829,129	829,129	1,153,603	1,153,603
Other loans and receivables	98,549,777	98,549,777	78,471,723	78,471,723	76,309,879	76,309,879
Financial assets directly associated with non-current assets held for sale	-	-	737,590	737,590	765,090	765,090
<u>Financial liabilities</u>						
Bank borrowings	102,421,624	102,421,624	74,394,246	74,394,246	75,452,738	75,452,738
Short-term bills payable	3,213,199	3,213,199	2,544,755	2,544,755	3,542,870	3,542,870
Financial liabilities measured at amortized cost	52,935,176	52,935,176	40,091,700	40,091,700	41,992,173	41,992,173
Financial liabilities directly associated with non-current assets held for sale	-	-	1,067,765	1,067,765	1,116,008	1,116,008

The above fair value measurements are measured at Level 3 fair value.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets</u>			
Financial assets at FVTPL			
Domestic open-ended mutual funds	\$ 1,034,660	\$ 889,537	\$ 784,167
Available-for-sale financial assets			
Domestic listed securities			
Equity investment	15,159,915	14,264,621	13,830,855
Foreign listed securities			
Equity investment	515,816	519,410	397,431

- 2) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets</u>			
Financial assets at FVTPL			
Derivative financial instruments	\$ 276,823	\$ 220,604	\$ 37,505
Financial assets designated as at FVTPL	306,711	328,492	623,460
<u>Financial liabilities</u>			
Financial liabilities at FVTPL			
Derivative financial instruments	46,352	915,676	281,045

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and financial liabilities are determined as follows:

- a) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices (includes listed bonds). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.
- b) The fair value of derivative instruments were calculated using quoted prices. When such prices were not available, a valuation method was used and the estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.

c. Categories of financial instruments

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 1,311,483	\$ 1,110,141	\$ 821,672
Designated as at FVTPL	306,711	328,492	623,460
Held-to-maturity financial assets	5,376,288	6,163,413	5,409,476
Loans and receivables (Note 1)	99,134,408	80,038,442	78,228,572
Available-for-sale financial assets	15,675,731	14,784,031	14,228,286
Financial assets measured at cost	518,946	592,550	580,504
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	46,352	915,676	281,045
Amortized cost (Note 2)	158,569,999	118,098,466	122,103,789

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables, refundable deposits and financial assets directly associated with non-current assets held for sale.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, current portion of long-term borrowings, long-term borrowings, long-term payables, guarantee deposits and financial liabilities directly associated with non-current assets held for sale.

d. Financial risk management objectives and policies

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

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts and other derivative instruments.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 41.

Sensitivity analysis

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

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

	For the Nine Months Ended	
	September 30	
	2017	2016
USD	\$ (79,206)	\$ (92,730)
RMB	(470,302)	(425,717)
HKD	(1,873,914)	(148,269)
JPY	-	(31,518)
VND	36,094	21,271
IDR	(42,854)	38,163

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.

	September 30,	December 31,	September 30,
	2017	2016	2016
Cash flow interest rate risk			
Financial liabilities	\$ 100,134,823	\$ 71,439,001	\$ 78,995,608

Sensitivity analysis

The sensitivity analyses below were based on the Group's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Group to increase its cash-out by \$751,011 thousand and \$562,467 thousand during the nine months ended September 30, 2017 and 2016, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at September 30, 2017, December 31, 2016 and September 30, 2016 would have decrease by \$287,571 thousand, \$271,331 thousand and \$256,904 thousand, respectively.

2) Credit risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached the contracts. The risk includes centralization of credit risk, components, contracts figure, and its accounts receivable. Besides, the Company requires significant clients to provide guarantees or other rights to reduce credit risk of the Company effectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group had available unutilized short-term bank borrowing facilities set out in (c) below.

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

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

September 30, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 31,893,869	\$ 10,646,775	\$ 9,353,213	\$ 105,496	\$ 57,496
Variable interest rate liabilities	1.89	28,336,873	7,613,080	7,118,934	60,768,969	-
Fixed interest rate liabilities	1.50	-	-	750,000	4,750,000	-
Financial guarantee contracts	-	14,720,142	-	-	-	-
		<u>\$ 74,950,884</u>	<u>\$ 18,259,855</u>	<u>\$ 17,222,147</u>	<u>\$ 65,624,465</u>	<u>\$ 57,496</u>

December 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 18,594,409	\$ 9,379,612	\$ 11,257,230	\$ 118,743	\$ 61,267
Variable interest rate liabilities	1.71	22,134,002	3,308,868	1,610,357	45,960,956	-
Fixed interest rate liabilities	1.50	-	-	-	5,500,000	-
Financial guarantee contracts	-	3,715,350	-	-	-	-
		<u>\$ 44,443,761</u>	<u>\$ 12,688,480</u>	<u>\$ 12,867,587</u>	<u>\$ 51,579,699</u>	<u>\$ 61,267</u>

September 30, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 22,139,630	\$ 3,463,793	\$ 9,613,916	\$ 277,892	\$ 48,956
Variable interest rate liabilities	1.53	26,524,875	9,718,688	4,894,434	41,681,361	-
Fixed interest rate liabilities	1.58	-	-	-	4,000,000	-
Financial guarantee contracts	-	3,240,731	-	-	-	-
		<u>\$ 51,905,236</u>	<u>\$ 13,182,481</u>	<u>\$ 14,508,350</u>	<u>\$ 45,959,253</u>	<u>\$ 48,956</u>

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

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

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

September 30, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ 6,131	\$ -	\$ -
Forward exchange contracts	11,871	-	-	-	-
Exchange rate option contracts	-	-	13,831	-	-
Cross-currency swap contracts	-	-	14,519	-	-
	<u>\$ 11,871</u>	<u>\$ -</u>	<u>\$ 34,481</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ -	\$ 17,246	\$ -
Exchange rate option contracts	323,011	-	383,653	61,982	-
Exchange rate swap contracts	-	116,291	13,493	-	-
	<u>\$ 323,011</u>	<u>\$ 116,291</u>	<u>\$ 397,146</u>	<u>\$ 79,228</u>	<u>\$ -</u>

September 30, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ -	\$ 24,986	\$ -
Exchange rate option contracts	100,956	-	59,617	37	-
Cross-currency swap contracts	12,424	-	-	-	-
Exchange rate swap contracts	<u>29,617</u>	<u>62</u>	<u>53,346</u>	<u>-</u>	<u>-</u>
	<u>\$ 142,997</u>	<u>\$ 62</u>	<u>\$ 112,963</u>	<u>\$ 25,023</u>	<u>\$ -</u>

c) Financing facilities

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank facility:			
Amount used	\$ 106,190,016	\$ 76,643,124	\$ 78,685,968
Amount unused	<u>19,015,049</u>	<u>19,879,552</u>	<u>16,651,748</u>
	<u>\$ 125,205,065</u>	<u>\$ 96,522,676</u>	<u>\$ 95,337,716</u>
Secured bank facility:			
Amount used	\$ -	\$ 488,000	\$ 488,000
Amount unused	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 488,000</u>	<u>\$ 488,000</u>

38. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

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

b. Operating revenue

Line Items	Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2017	2016	2017	2016
Sales	Associates	\$ 30,661	\$ 26,484	\$ 98,754	\$ 91,390
	Joint ventures	<u>226,972</u>	<u>202,614</u>	<u>530,808</u>	<u>633,854</u>
		<u>\$ 257,633</u>	<u>\$ 229,098</u>	<u>\$ 629,562</u>	<u>\$ 725,244</u>

The sales prices and receivable terms to related parties were no significant differences with non-related parties.

c. Purchases

Line Items	Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2017	2016	2017	2016
Purchases	Associates	\$ 430,370	\$ 559,648	\$ 1,438,881	\$ 1,703,413
	Joint ventures	<u>969,647</u>	<u>1,136,078</u>	<u>2,990,451</u>	<u>3,677,892</u>
		<u>\$ 1,400,017</u>	<u>\$ 1,695,726</u>	<u>\$ 4,429,332</u>	<u>\$ 5,381,305</u>

The purchases prices and payment terms from related parties were no significant differences with non-related parties.

d. Receivables from related parties

Line Items	Related Party Categories/Name	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable, accounts receivable	Associates	\$ 14,316	\$ 8,020	\$ 16,184
	Joint ventures	<u>76,699</u>	<u>46,153</u>	<u>56,374</u>
		<u>\$ 91,015</u>	<u>\$ 54,173</u>	<u>\$ 72,558</u>

No bad debt expense had been recognized for the nine months ended September 30, 2017 and 2016 for the amounts owed by related parties.

e. Payables to related parties

Line Items	Related Party Categories/Name	September 30, 2017	December 31, 2016	September 30, 2016
Notes payable, accounts payable	Associates	\$ 194,986	\$ 338,288	\$ 359,121
	Joint ventures	<u>1,008,832</u>	<u>1,138,538</u>	<u>1,102,694</u>
		<u>\$ 1,203,818</u>	<u>\$ 1,476,826</u>	<u>\$ 1,461,815</u>

f. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ <u>71,589</u>	\$ <u>50,421</u>	\$ <u>171,243</u>	\$ <u>158,317</u>

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

39. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2017	December 31, 2016	September 30, 2016
Debt investmntnets with no active market	\$ 35,682	\$ 35,205	\$ 33,703
Investment properties	<u>-</u>	<u>657,296</u>	<u>657,296</u>
	\$ <u>35,682</u>	\$ <u>692,501</u>	\$ <u>690,999</u>

40. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

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

(Unit: In Thousands of Foreign Currencies)

Currencies	September 30, 2017	December 31, 2016	September 30, 2016
USD	\$ 3,251	\$ 2,562	\$ 3,906
EUR	219	473	22
IDR	18,754,965	13,618,125	10,447,078

b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provides shares of Yue Yuen in the custody during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or do encumbrance to the shares of Wealthplus which is equal to the shares of Yue Yuen during the trust period.

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

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

41. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 114,989	30.260	\$ 3,479,559
NTD	304,628	1	304,628
RMB	2,222,278	4.551	10,113,587
HKD	9,684,429	3.873	37,507,792
VND	220,861,157	0.00121	267,242
IDR	522,900,897	0.00223	1,166,069
Non-monetary items			
NTD	1,324,146	1	1,324,146
RMB	982,965	4.551	4,473,472
HKD	66,595	3.873	257,922

Financial liabilities

Monetary items			
USD	62,642	30.260	1,895,542
NTD	863,520	1	863,520
RMB	159,568	4.551	726,190
HKD	25,081	3.873	97,137
VND	822,421,488	0.00121	995,130
IDR	133,320,628	0.00223	297,305

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 95,042	32.250	\$ 3,065,111
NTD	320,400	1	320,400
RMB	2,157,779	4.617	9,962,470
HKD	57,550	4.158	239,295
VND	173,390,697	0.00129	223,674
IDR	178,755,144	0.00243	434,375

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Non-monetary items			
USD	\$ 4,090	32.250	\$ 131,915
NTD	918,707	1	918,707
RMB	1,090,648	4.617	5,035,522
HKD	62,464	4.158	259,724

Financial liabilities

Monetary items			
USD	42,231	32.250	1,361,968
NTD	813,081	1	813,081
RMB	167,902	4.617	775,201
HKD	29,949	4.158	124,531
VND	780,350,388	0.00129	1,006,652
IDR	571,515,226	0.00243	1,388,782
			(Concluded)

September 30, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 90,814	31.360	\$ 2,847,925
NTD	147,050	1	147,050
RMB	2,029,114	4.693	9,522,629
HKD	764,125	4.044	3,090,122
VND	328,221,094	0.00128	420,123
IDR	326,931,276	0.00243	794,443
JPY	2,028,212	0.3109	630,571
Non-monetary items			
NTD	1,067,570	1	1,067,570
RMB	919,059	4.693	4,313,142
HKD	49,140	4.044	198,721

Financial liabilities

Monetary items			
USD	31,663	31.360	992,973
NTD	639,107	1	639,107
RMB	217,564	4.693	1,021,023
HKD	30,131	4.044	121,848
VND	682,741,406	0.00128	873,909
IDR	644,957,613	0.00243	1,567,247

For the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, net foreign exchange gain (losses) were \$364,191 thousand, \$(600,625) thousand, \$(541,070) thousand and \$(939,525) thousand, respectively. It is impractical to disclose net foreign exchange gain (losses) by each significant foreign currency due to the variety of the functional currencies of the Group entities.

42. 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 and apparel;
- 2) Retailing of sporting goods and brand licensing business;
- 3) Others.

b. Segment revenues and results

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

For the nine months ended September 30, 2017

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 138,206,598</u>	<u>\$ 67,184,752</u>	<u>\$ 622,778</u>	<u>\$ 206,014,128</u>
Segment income	<u>\$ 20,955,382</u>	<u>\$ 5,390,533</u>	<u>\$ 420,206</u>	\$ 26,766,121
Administrative cost, remuneration to directors and supervisors				(14,628,592)
Rental income				279,944
Interest income				436,472
Dividend income				856,941
Other income				1,914,565
Net loss on disposal of property, plant and equipment				(583,202)
Net gain on disposal of investment properties				15,855
Net foreign exchange loss				(541,070)
Net gain on disposal of subsidiaries, associates and joint ventures				383,052
Net gain on disposal of financial assets measured at cost				11,472
Net gain arising on financial assets designated as at FVTPL				937,883
Net gain arising on financial liabilities designated as at FVTPL				336,883
Reversal of impairment loss				(22,522)
Other loss				(190,496)
Finance costs				(1,325,836)
Share of the profit of associates and joint ventures				<u>3,906,633</u>
Income before income tax				<u>\$ 18,554,103</u>

For the nine months ended September 30, 2016

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 144,245,503</u>	<u>\$ 59,860,945</u>	<u>\$ 842,738</u>	<u>\$ 204,949,186</u>
Segment income	<u>\$ 20,719,356</u>	<u>\$ 6,013,948</u>	<u>\$ 430,235</u>	\$ 27,163,539
Administrative cost, remuneration to directors and supervisors				(14,408,622)
Rental income				225,043
Interest income				397,914
Dividend income				871,985
Other income				1,634,275
Net loss on disposal of property, plant and equipment				(161,061)
Net foreign exchange loss				(939,525)
Net gain on disposal of subsidiaries and associates				27,918
Net gain on disposal of financial assets measured at cost				5,133
Net gain arising on financial assets designated as at FVTPL				394,378
Net gain arising on financial liabilities designated as at FVTPL				737,487
Impairment loss				(44,023)
Other loss				(119,364)
Finance costs				(966,067)
Share of the profit of associates and joint ventures				<u>3,869,841</u>
Income before income tax				<u>\$ 18,688,851</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 to directors and supervisors, rental income, interest income, dividend income, other income, net loss on disposal of property, plant and equipment, net gain on disposal of investment properties, net foreign exchange loss, net gain on disposal of subsidiaries, associates and joint ventures, net gain on disposal of financial assets measured at cost, gain on financial instruments, impairment loss, other loss, finance costs and share of the profit of associates and joint ventures. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.