Pou Chen Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors’ Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

POU CHEN CORPORATION

By

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March 26, 2018

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

Opinion

We have audited the accompanying consolidated financial statements of Pou Chen Corporation (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to in the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following are the key audit matters of the consolidated financial statements of the Group as of and for the year ended December 31, 2017:

Write-down of Inventory

As of December 31, 2017, the carrying amount of finished goods for the retail products included in the inventories was $25,363,734 thousand. For the related disclosures, refer to Notes 4, 5 and 12 to the consolidated financial statements.

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

We obtained the inventory valuation sheets prepared by the management, selected samples of estimated selling prices and traced them to the recent sales records to assess the rationale of the net realizable value determined by the management. In addition, we selected samples from the inventory aging report prepared by the management to verify the correctness of its classification and the reasonableness of the amount of inventory write-downs.

Impairment of Goodwill

As of December 31, 2017, goodwill allocated to the manufacturing and marketing of footwear materials and the retail and distribution of sportswear products of the Group amounted to $5,460,722 thousand and $2,454,932 thousand, respectively. For the related disclosures, refer to Notes 4, 5 and 20 to the consolidated financial statements.

The management evaluated the impairment of the assets above based on their recoverable amount. The recoverable amount is determined according to the forecast of the trading performance and future cash flows and the discount rate. The test of impairment involved significant judgments and estimations made by management. As a result, the impairment of goodwill is regarded as a key audit matter of the 2017 consolidated financial statements.

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

Other Matter

The Group's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method based on its financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Group's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2017 and 2016, the carrying value of the investments were $16,659,984 thousand and $8,912,633 thousand which constituted 5.52% and 3.03% of the Group's consolidated total assets, respectively. For the years ended December 31, 2017 and 2016, the share of profit of the associate were $3,775,090 thousand and $4,255,105 thousand which constituted 15.21% and 16.19% of the income before income tax, respectively.

We have also audited the parent company only financial statements of Pou Chen Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

Notice to Readers

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

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

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 34,108,353	11	$ 35,635,653	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,096,915	-	1,110,141	-
Available-for-sale financial assets - current (Notes 4 and 8)	14,590,513	5	13,875,320	5
Held-to-maturity financial assets - current (Notes 4 and 9)	1,359,820	1	972,124	-
Debt investments with no active market - current (Notes 4 and 10)	372,848	-	793,924	-
Notes receivable (Notes 4 and 11)	54,953	-	22,743	-
Notes receivable from related parties (Notes 4, 11 and 38)	64	-	17	-
Accounts receivable (Notes 4 and 11)	36,805,201	12	38,073,679	13
Accounts receivable from related parties (Notes 4, 11 and 38)	61,539	-	54,156	-
Other receivables (Notes 4 and 11)	3,665,966	1	4,328,034	2
Inventories - manufacturing and retailing (Notes 4 and 12)	47,776,580	16	40,709,470	14
Inventories - construction (Notes 4 and 12)	4,777,895	2	4,895,683	2
Prepayments for leases (Note 4)	138,455	-	152,980	-
Non-current assets held for sale (Notes 4 and 13)	23,659	-	1,386,879	-
Other current assets (Notes 4 and 14)	9,834,604	3	9,309,768	3
Total current assets	154,667,365	51	151,320,571	51
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	582,701	-	328,492	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,146,061	-	908,711	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	4,286,504	1	5,191,289	2
Financial assets measured at cost - non-current (Notes 4 and 15)	495,121	-	592,550	-
Debt investments with no active market - non-current (Notes 4, 10 and 39)	40,029	-	35,205	-
Investments accounted for using equity method (Notes 4 and 17)	40,826,193	14	39,108,525	13
Property, plant and equipment (Notes 4 and 18)	71,517,038	24	71,464,806	25
Investment properties (Notes 4, 19 and 39)	2,247,431	1	2,309,447	1
Goodwill (Notes 4 and 20)	8,691,600	3	9,103,660	3
Other intangible assets (Notes 4 and 21)	3,703,027	1	2,850,439	1
Deferred tax assets (Notes 4 and 29)	1,418,577	1	861,151	-
Long-term prepayments for leases (Note 4)	5,575,528	2	5,575,613	2
Other non-current assets (Notes 4 and 14)	6,707,255	2	4,239,402	2
Total non-current assets	147,237,065	49	142,569,290	49
TOTAL	$ 301,904,430	100	$ 293,889,861	100

	2017		2016	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings (Note 22)	$ 33,448,199	11	$ 24,031,120	8
Short-term bills payable (Note 22)	2,966,334	1	2,544,755	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	232,577	-	915,676	-
Notes payable (Notes 4 and 23)	51,547	-	19,526	-
Notes payable to related parties (Notes 4, 23 and 38)	11,250	-	26,809	-
Accounts payable (Notes 4 and 23)	12,730,775	4	13,189,428	4
Accounts payable to related parties (Notes 4, 23 and 38)	1,126,538	-	1,450,017	1
Other payables (Note 24)	26,027,401	9	25,218,684	9
Current tax liabilities (Notes 4 and 29)	2,497,360	1	1,574,657	1
Liabilities directly associated with non-current assets held for sale (Notes 4 and 13)	-	-	1,067,765	-
Current portion of long-term borrowings (Note 22)	750,000	-	-	-
Other current liabilities	4,619,043	2	4,693,927	2
Total current liabilities	84,461,024	28	74,732,364	26
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 22)	54,461,632	18	50,363,126	17
Deferred tax liabilities (Notes 4 and 29)	1,121,029	1	1,774,228	1
Long-term payables (Note 24)	151,364	-	159,330	-
Net defined benefit liabilities (Notes 4 and 25)	3,284,204	1	3,810,791	1
Other non-current liabilities	45,231	-	39,318	-
Total non-current liabilities	59,063,460	20	56,146,793	19
Total liabilities	143,524,484	48	130,879,157	45
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)				
Share capital				
Common shares	29,467,872	10	29,467,872	10
Capital surplus	4,615,341	1	4,540,163	2
Retained earnings				
Legal reserve	12,518,889	4	11,213,184	4
Special reserve	13,636,368	5	11,905,595	4
Unappropriated earnings	37,294,138	12	32,214,698	11
Total retained earnings	63,449,395	21	55,333,477	19
Other equity	(13,917,230)	(5)	(13,636,368)	(5)
Total equity attributable to owners of the Company	83,615,378	27	75,705,144	26
NON-CONTROLLING INTERESTS	74,764,568	25	87,305,560	29
Total equity	158,379,946	52	163,010,704	55
TOTAL	$ 301,904,430	100	$ 293,889,861	100

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

(With Deloitte & Touche audit report dated March 26, 2018)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 27 and 38)	$ 278,631,872	100	$ 274,895,346	100
OPERATING COSTS (Notes 25, 28 and 38)	205,563,548	74	204,512,552	75
GROSS PROFIT	73,068,324	26	70,382,794	25
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	30,051,746	11	26,038,771	9
General and administrative expenses	19,517,193	7	19,366,648	7
Research and development expenses	6,431,287	2	7,192,192	3
Total operating expenses	56,000,226	20	52,597,611	19
INCOME FROM OPERATIONS	17,068,098	6	17,785,183	6
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 28)	4,131,649	2	4,181,557	1
Other gains and losses (Note 28)	(179,369)	-	(642,987)	-
Finance costs (Note 28)	(1,986,075)	(1)	(1,316,016)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	5,783,201	2	6,272,065	2
Total non-operating income and expenses	7,749,406	3	8,494,619	3
INCOME BEFORE INCOME TAX	24,817,504	9	26,279,802	9
INCOME TAX EXPENSE (Notes 4 and 29)	(3,086,914)	(1)	(3,277,883)	(1)
NET INCOME FOR THE YEAR	21,730,590	8	23,001,919	8
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 25)	(494,241)	-	(441,804)	-
Share of the other comprehensive loss of associates and joint ventures	(40,298)	-	(26,353)	-

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (3,497,789)	(1)	$ (3,059,800)	(1)
Unrealized gain on available-for-sale financial assets	1,033,280	-	1,473,111	-
Share of the other comprehensive income (loss) of associates and joint ventures	3,718,571	1	(1,257,357)	-
Other comprehensive income (loss) for the year, net of income tax	719,523	-	(3,312,203)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 22,450,113	8	$ 19,689,716	7
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 12,921,606	5	$ 13,057,050	5
Non-controlling interests	8,808,984	3	9,944,869	3
	$ 21,730,590	8	$ 23,001,919	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 12,255,237	4	$ 10,946,757	4
Non-controlling interests	10,194,876	4	8,742,959	3
	$ 22,450,113	8	$ 19,689,716	7
EARNINGS PER SHARE (Note 30)				
Basic	$ 4.38		$ 4.43	
Diluted	$ 4.37		$ 4.29	

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

(With Deloitte & Touche audit report dated March 26, 2018) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation Foreign Operation	Unrealized Loss on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
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 dividends	-	-	-	-	(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 year ended December 31, 2016	-	-	-	-	13,057,050	-	-	13,057,050	9,944,869	23,001,919
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(379,519)	(1,911,713)	180,939	(2,110,293)	(1,201,910)	(3,312,203)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	12,677,531	(1,911,713)	180,939	10,946,757	8,742,959	19,689,716
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(93,840)	-	-	-	-	-	(93,840)	-	(93,840)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	2,295	-	-	-	-	-	2,295	-	2,295
Change in non-controlling interests	-	-	-	-	-	-	-	-	(6,970,953)	(6,970,953)
Change in equity for the year ended December 31, 2016	-	(91,545)	953,136	6,297,042	1,007,172	(1,911,713)	180,939	6,435,031	1,772,006	8,207,037
BALANCE AT DECEMBER 31, 2016	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 dividends	-	-	-	-	(4,420,181)	-	-	(4,420,181)	-	(4,420,181)
	-	-	1,305,705	1,730,773	(7,456,659)	-	-	(4,420,181)	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	12,921,606	8,808,984	21,730,590
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,840	(666,369)	1,385,892	719,523
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,840	12,255,237	10,194,876	22,450,113
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(47,650)	-	-	-	-	-	(47,650)	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(7,579)	-	-	-	-	-	(7,579)	-	(7,579)
Changes in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 26)	-	130,407	-	-	-	-	-	130,407	-	130,407
Change in non-controlling interests	-	-	-	-	-	-	-	-	(22,735,868)	(22,735,868)
Change in equity for the year ended December 31, 2017	-	75,178	1,305,705	1,730,773	5,079,440	(4,899,702)	4,618,840	7,910,234	(12,540,992)	(4,630,758)
BALANCE AT DECEMBER 31, 2017	$ 29,467,872	$ 4,615,341	$ 12,518,889	$ 13,636,368	$ 37,294,138	$ (1,790,529)	$ (12,126,701)	$ 83,615,378	$ 74,764,568	$ 158,379,946

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

(With Deloitte & Touche audit report dated March 26, 2018)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the year	$ 24,817,504	$ 26,279,802
Adjustments for:		
Depreciation expenses	8,895,832	8,427,917
Amortization expenses	689,903	365,488
(Reversal of) provision for impairment of accounts receivable	(141,115)	65,832
Net gain on fair value change of financial instruments at fair value through profit or loss	(956,473)	(781,268)
Finance costs	1,986,075	1,316,016
Interest income	(605,978)	(530,490)
Dividends income	(856,941)	(874,208)
Compensation cost of employee share options	142,912	58,890
Share of profit of associates and joint ventures	(5,783,201)	(6,272,065)
Net loss on disposal of property, plant and equipment	821,180	251,490
Net gain on disposal of investment properties	(14,199)	-
Net gain on disposal of investments	(37,984)	(31,530)
Net gain on disposal of subsidiaries, associates and joint ventures	(480,603)	(70,892)
Recognized of impairment loss	161,865	272,723
Gain from bargain purchase - acquisition of subsidiaries	(2,320)	-
Changes in operating assets and liabilities		
Financial instruments held for trading	615,937	(289,872)
Notes receivable	(32,210)	(10,522)
Notes receivable from related parties	(47)	3
Accounts receivable	1,409,593	(4,342,889)
Accounts receivable from related parties	(7,383)	23,950
Other receivables	648,793	(600,687)
Inventories	(6,949,322)	653,189
Other current assets	(524,836)	(19,551)
Other operating assets	(153,730)	186,924
Notes payable	32,021	(1,811)
Notes payable to related parties	(15,559)	11,729
Accounts payable	(458,653)	(2,240,828)
Accounts payable to related parties	(323,479)	(416,266)
Other payables	605,563	(660,928)
Other current liabilities	(74,884)	311,553
Net defined benefit liabilities	(1,020,828)	13,860
Other operating liabilities	(7,966)	(17,857)
Cash generated from operations	22,379,467	21,077,702
Interest paid	(1,878,472)	(1,297,091)
Income tax paid	(3,692,347)	(4,074,686)
Net cash generated from operating activities	16,808,648	15,705,925

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets design at FVTPL	$ (595,200)	$ -
Proceeds on sale of financial assets design at FVTPL	11,654	379,743
Acquisition of debt investments with no active market	(687,838)	(766,383)
Proceeds on sale of debt investments with no active market	1,104,090	1,360,722
Acquisition of held-to-maturity financial assets	(672,677)	(5,024,724)
Proceeds on held-to-maturity financial assets	1,007,080	49,960
Acquisition of financial assets measured at cost	(4,085)	(12,191)
Proceed on sale of financial assets measured at cost	99,891	99,844
Acquisition of associates and joint ventures	(115,283)	(118,514)
Proceeds from disposal of associates and joint ventures	1,825,208	12,467
Net cash outflow on acquisition of subsidiaries	52,647	-
Net cash outflow (inflow) on disposal of subsidiaries	175,411	(37,557)
Acquisition of property, plant and equipment	(15,107,635)	(13,569,790)
Proceeds from disposal of property, plant and equipment	531,478	1,760,564
Increase in refundable deposits	(173,888)	(201,540)
Acquisition of intangible assets	(22)	-
Acquisition of investment properties	(978)	(57,094)
Proceeds from disposal of investment properties	86,103	-
Increase in prepayments for equipment	(2,140,235)	(1,284,269)
Acquisition of long-term prepayments for leases	(15,469)	(59,313)
Proceeds from disposal of long-term prepayments for leases	25,542	75,693
Interest received	618,857	402,892
Dividends received	3,307,163	3,141,728
Cash dividends from reduction of capital surplus from associates	-	5,435
Net cash used in investing activities	(10,668,186)	(13,842,327)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	9,417,079	8,322,367
Proceeds from short-term bills payable	422,000	-
Repayments of short-term bills payable	-	(45,500)
Proceeds from long-term borrowings	5,156,200	-
Repayments of long-term borrowings	-	(586,500)
Increase in guarantee deposits	5,913	895
Cash dividend	(4,420,181)	(4,420,181)
Change in non-controlling interests	(22,735,868)	(6,970,953)
Net cash used in financing activities	(12,154,857)	(3,699,872)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	4,443,590	(305,479)

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (1,570,805)	$ (2,141,753)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	35,679,158	37,820,911
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 34,108,353	$ 35,679,158

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2017 and 2016:

	December 31	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	$ 34,108,353	$ 35,635,653
Cash and cash equivalents included in a disposal group held for sale	-	43,505
Cash and cash equivalents in consolidated statements of cash flow	$ 34,108,353	$ 35,679,158

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

(With Deloitte & Touche audit report dated March 26, 2018) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

In January 1990, the Company started to trade its 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 approved by the Company's board of directors on March 26, 2018.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

   1) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendments clarify 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 the 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 or 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 the present value technique. When the amendments are applied retrospectively from January 1, 2017, the application of amendments will not have a significant effect on the accounting of the Group.

2) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues the related liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time (such as the generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached. When the amendments are applied retrospectively from January 1, 2017, the application of IFRIC 21 will not have a significant effect on the accounting of the Group.

3) 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 combinations with acquisition dates 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. The judgments made in applying the aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

Under the amended IFRS 13, short-term receivables and payables with no stated interest rate are 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 services 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.

4) 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 which do not meet the definitions of financial assets or financial liabilities within IAS 32.

When the amendments are applied retrospectively from January 1, 2017, the application of amendments will not have a significant effect on the accounting of the Group.

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

An entity should use the appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of property, plant and equipment and intangible assets 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 that 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 when:

a) The intangible asset is expressed as a measure of revenue (for example, when there is a contract that specifies the entity's use of the intangible asset will expire upon the achievement of a revenue threshold); or

b) It can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

6) Annual Improvements to IFRSs 2012-2014 Cycle

Several standards, including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34, were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal groups) "held for sale" and non-current assets "held for distribution to owners" does not constitute a change to a plan of sale or distribution. Therefore, the previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for "held for distribution to owners" and do not meet the criteria for "held for sale" should be treated in the same way as assets that cease to be classified as held for sale. The amendment is applied prospectively to transactions that occur on or after January 1, 2017.

7) 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 an 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 of the Group, 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 relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions 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 conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transaction is enhanced, please refer to Note 38.

b. IFRSs endorsed by the FSC for application starting from 2018

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014 - 2016 Cycle	Note 2
Amendments 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
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

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 amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

The amendment to IFRS 12 clarifies 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.

2) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard 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 contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. 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 collecting contractual cash flows and selling 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 gains or losses are 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 measurements, 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.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Debt investments classified as held-to-maturity financial assets or debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 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.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9; the cumulative effect of the initial application is recognized at the date of initial application and disclosures related to the classification and the adjustment information are made on initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss - current	$ 1,096,915	$ 577,878	$ 1,674,793
Financial assets at fair value through other comprehensive income - current	-	14,012,635	14,012,635
Available-for-sale financial assets - current	14,590,513	(14,590,513)	-
Held-to-maturity financial assets - current	1,359,820	(1,359,820)	-
Debt investments with no active market - current	372,848	(372,848)	-
Financial assets measured at amortized cost - current	-	1,732,668	1,732,668
Financial assets at fair value through other comprehensive income - non-current	-	1,488,619	1,488,619
Financial assets at fair value through profit or loss - non-current	582,701	316,698	899,399
Available-for-sale financial assets - non-current	1,146,061	(1,146,061)	-
Financial assets measured at cost - non-current	495,121	(495,121)	-
Financial assets measured at amortized cost - non-current	-	4,326,533	4,326,533
Held-to-maturity financial assets - non-current	4,286,504	(4,286,504)	-
Debt investments with no active market - non-current	40,029	(40,029)	-
Investments accounted for using equity method	40,826,193	13,608,251	54,434,444
Total effect on assets	$ 64,796,705	$ 13,772,386	$ 78,569,091

(Continued)

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Financial liabilities at fair value through profit or loss - current	$ 232,577	$ -	$ 232,577
Total effect on liabilities	$ 232,577	$ -	$ 232,577
Retained earnings	$ 63,449,395	$ 292,111	$ 63,741,506
Other equity	(13,917,230)	13,480,275	(436,955)
Non-controlling interests	74,764,568	-	74,764,568
Total effect on equity	$ 124,296,733	$ 13,772,386	$ 138,069,119

(Concluded)

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

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

When applying IFRS 15, the Group 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 Group satisfies a performance obligation.

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

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

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

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

In assessing a deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

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

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

There is no material impact of the amendments to reflect the conditions that exist at January 1, 2018.

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

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed application of other standards and interpretations will not have significant effect on the Group's financial position and financial performance.

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

   The amendments stipulate that, when 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 over 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 leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

   The application of IFRS 16 will not have a significant effect 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.

On initial application, the Group shall 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.

4) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

6) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the construction business, which has an operating cycle of over one year; the normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates and joint ventures in other countries or currencies used are different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income, and attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process and merchandise, are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investments in real estate, and land and buildings for development are measured initially at cost or related development costs. Cost includes borrowing costs capitalized before the assets are ready for development.

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, the investment in associates or joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. The Group also recognizes the changes in the Group's share of equity of associates and joint ventures.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate and joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and joint venture, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that the associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a Group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and joint venture that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

k. Goodwill

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

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

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the development phase of an internal project is recognized in accordance with the IAS 38 "Intangible Assets". Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment loss.

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

n. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When a sale plan would result in loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment, or a portion of an investment, in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence nor joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. Financial instruments

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

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

Financial assets

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

1) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 37.

b) Held-to-maturity financial assets

Commercial paper and foreign corporate bonds, which are above specific credit ratings and the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as "financial assets measured at cost". If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

d) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalent, debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Equity instruments

Equity instruments issued by a Group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

1) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading and stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 37.

2) Derecognition of financial liabilities

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

Derivative financial instruments

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

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

p. Levies

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

q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale based on the seller's reliable estimate future returns and based on past experience and other relevant factors.

1) Sale of goods

Sales of goods are recognized when goods are delivered and legal ownership has passed.

2) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

r. Construction contracts

Revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as "amounts due from customers for contract work". For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the "amounts due to customers for contract work".

s. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Lease incentives received under operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

t. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

u. Share-based payment arrangements

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

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

v. Taxation

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

1) Current tax

According to the Income Tax Law in the Republic of China ("ROC"), an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 32,791	$ 37,039
Checking accounts and demand deposits	26,736,680	21,881,193
Cash equivalent (investments with original maturities of less than three months)		
Time deposits	6,737,778	12,451,531
Repurchase agreements collateralized by bonds	601,104	1,265,890
	$ 34,108,353	$ 35,635,653

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	**2016**
Financial assets designated as at FVTPL		
Structured deposit (a)	$ 882,574	$ 328,492
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts (b)	47,108	55,324
Exchange rate option contracts (c)	7,280	-
Exchange rate swap contracts (d)	-	118,917
Cross-currency swap contracts (e)	-	12,998
Interest rate swap contracts (f)	29,705	33,365
Non-derivative financial assets		
Domestic open-ended mutual funds	712,949	889,537
	$ 1,679,616	$ 1,438,633
Current	$ 1,096,915	$ 1,110,141
Non-current	582,701	328,492
	$ 1,679,616	$ 1,438,633
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate option contracts (c)	$ -	$ 768,646
Exchange rate swap contracts (d)	197,154	129,784
Cross-currency swap contracts (e)	32,314	-
Interest rate swap contracts (f)	3,109	17,246
	$ 232,577	$ 915,676
Current	$ 232,577	$ 915,676

a. Structured deposits

1) Wealthplus entered into a five-year USD structured time deposit contract with a bank in January 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. As of December 31, 2017 and 2016, the structured time deposit was recorded under “financial assets at FVTPL - current” and “financial assets at FVTPL - non-current”, respectively.

2) Wealthplus entered into a five-year USD structured time deposit contract with a bank in October 25, 2017. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. As of December 31, 2017, the structured time deposit was recorded under “financial assets at FVTPL - non-current”.

3) 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:

December 31, 2017

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

December 31, 2016

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

The Group entered into forward exchange contracts for the years ended December 31, 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:

December 31, 2017

Notional Amount (In Thousands)		Type	Buy/Sale	Maturity	Rate
US$	44,000	Put	Sell	2018.01-2018.11	US$:RMB6.9000
US$	44,000	Put	Sell	2018.01-2018.11	US$:RMB6.9000

December 31, 2016

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

(Continued)

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

(Concluded)

The Group entered into exchange rate option contracts for the years ended December 31, 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:

December 31, 2017

Notional Amount (In Thousands)		Maturity Date	Rate
US$	10,000	2018.01	US$:NT$ 30.0725
US$	25,000	2018.01	US$:NT$ 30.0720
US$	31,000	2018.01	US$:NT$ 30.0720
US$	30,300	2018.01	US$:NT$ 30.0720
US$	35,000	2018.01	US$:NT$ 30.0720
US$	26,800	2018.01	US$:NT$ 30.0720
US$	40,000	2018.01	US$:NT$ 30.0730
US$	35,000	2018.01	US$:NT$ 30.0720
US$	32,300	2018.01	US$:NT$ 30.0720
US$	32,200	2018.01	US$:NT$ 30.0720
US$	32,000	2018.01	US$:NT$ 30.0720
US$	30,000	2018.01	US$:NT$ 30.0740
US$	20,600	2018.01	US$:NT$ 30.0740
US$	7,300	2018.01	US$:NT$ 30.0740
US$	23,400	2018.01	US$:NT$ 30.0740
US$	41,000	2018.01	US$:NT$ 30.0740
US$	48,000	2018.01	US$:NT$ 29.9500
US$	6,000	2018.01	US$:NT$ 29.9500
US$	30,000	2018.01	US$:NT$ 29.9500
US$	2,000	2018.01	US$:NT$ 29.9500
US$	23,500	2018.01	US$:NT$ 29.9290
US$	72,900	2018.01	US$:NT$ 29.8690
US$	21,300	2018.02	US$:NT$ 29.8730
US$	34,000	2018.02	US$:NT$ 29.9090
US$	26,000	2018.02	US$:NT$ 29.8870
US$	38,400	2018.02	US$:NT$ 29.8290

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate	
US$	7,300	2017.01	US$:NT$	31.820
US$	20,600	2017.01	US$:NT$	31.820
US$	23,400	2017.01	US$:NT$	31.870
US$	30,000	2017.01	US$:NT$	31.859
US$	48,000	2017.01	US$:NT$	31.805
US$	6,000	2017.01	US$:NT$	31.805
US$	30,000	2017.01	US$:NT$	31.805
US$	2,000	2017.01	US$:NT$	31.805
US$	21,300	2017.01	US$:NT$	31.881
US$	10,000	2017.01	US$:NT$	31.881
US$	18,000	2017.01	US$:NT$	32.012
US$	35,000	2017.02	US$:NT$	32.017
US$	35,000	2017.02	US$:NT$	32.017
US$	32,300	2017.02	US$:NT$	32.017
US$	26,000	2017.02	US$:NT$	32.187
US$	3,000	2017.02	US$:NT$	32.187
US$	32,200	2017.02	US$:NT$	32.187
US$	30,300	2017.02	US$:NT$	32.187
US$	25,000	2017.02	US$:NT$	32.187
US$	26,800	2017.02	US$:NT$	32.187
US$	40,000	2017.02	US$:NT$	32.187
RMB	45,000	2017.03	RMB:NT$	4.8513
RMB	123,900	2017.03	RMB:NT$	4.8500
RMB	53,000	2017.03	RMB:NT$	4.8500
RMB	30,000	2017.03	RMB:NT$	4.6150
RMB	50,000	2017.07	RMB:NT$	4.6993
RMB	91,000	2017.03	US$:RMB	6.7800
RMB	40,000	2017.03	US$:RMB	6.7799
RMB	50,208	2017.03	US$:RMB	6.7800

The Group entered into exchange rate swap contracts for the years ended December 31, 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:

December 31, 2017

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US$	20,000	2018.02	US$:NT$	31.020	0.75
US$	10,000	2018.02	US$:NT$	30.165	0.42
US$	10,000	2018.03	US$:NT$	30.010	0.40

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US$	10,000	2017.02	US$:NT$	31.920	0.76
US$	10,000	2017.03	US$:NT$	31.263	0.76

The Group entered into cross-currency swap contracts for the years ended December 31, 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:

December 31, 2017

Notional Amount (In Thousands)		Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
$	125,000	2018.06	1.340	0.65833
	225,000	2018.06	1.310	0.65833
	150,000	2018.06	1.310	0.65833
	125,000	2018.06	1.290	0.65833
	125,000	2018.06	1.278	0.65833
	75,000	2018.06	1.265	0.65833
	125,000	2018.06	1.280	0.65833
	50,000	2018.06	1.260	0.65833
US$	50,000	2021.03	0.840	1.50000

December 31, 2016

Notional Amount (In Thousands)		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	2020.01	1.545	0.93417
US$	50,000	2021.03	0.840	0.95872

The Group entered into interest rate swap contracts for the years ended December 31, 2017 and 2016 to manage exposures to interest rate fluctuations.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Listed shares	$ 15,158,696	$ 14,264,621
Foreign investments		
Listed shares	577,878	519,410
	$ 15,736,574	$ 14,784,031
Current	$ 14,590,513	$ 13,875,320
Non-current	1,146,061	908,711
	$ 15,736,574	$ 14,784,031

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Bonds	$ 737,359	$ 749,828
Foreign investments		
Bonds	1,477,320	1,918,939
Commercial paper	2,469,347	2,518,046
Structured product	962,298	976,600
	$ 5,646,324	$ 6,163,413
Current	$ 1,359,820	$ 972,124
Non-current	4,286,504	5,191,289
	$ 5,646,324	$ 6,163,413

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Time deposits with original maturity more than three months	$ 372,848	$ 793,924
Others	40,029	35,205
	$ 412,877	$ 829,129
Current	$ 372,848	$ 793,924
Non-current	40,029	35,205
	$ 412,877	$ 829,129

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

	December 31 2017	December 31 2016
Notes receivable (including related parties)		
Notes receivable - operating	$ 2,162	$ 22,514
Notes receivable - non-operating	52,855	246
Less: Allowance for doubtful accounts	-	-
	$ 55,017	$ 22,760
Accounts receivable (including related parties)		
Accounts receivable	$ 37,418,873	$ 38,867,053
Less: Allowance for doubtful accounts	(552,133)	(739,218)
	$ 36,866,740	$ 38,127,835
Other receivables		
Tax refund receivables	$ 1,742,347	$ 1,632,482
Others	1,924,478	2,696,410
Less: Allowance for doubtful accounts	(859)	(858)
	$ 3,665,966	$ 4,328,034

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 December 31, 2017 and 2016 were not past due.

b. Accounts receivable

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

December 31, 2017

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

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	-	-	217,720	734,329	952,049
	$ 36,831,417	$ -	$ 1,296,418	$ 739,218	$ 38,867,053

The above aging schedule was based on the invoice date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 739,218	$ -	$ 739,218
Less: Reversal of impairment losses	(141,115)	-	(141,115)
Less: Amounts written off during the year as uncollectable	(3,270)	-	(3,270)
Effects of exchange rate changes	(42,700)	-	(42,700)
Balance at December 31, 2017	$ 552,133	$	$ 552,133
Balance at January 1, 2016	$ 985,154	$ -	$ 985,154
Add: Recognized impairment losses	65,832	-	65,832
Less: Amounts written off during the year as uncollectable	(269,703)	-	(269,703)
Effects of exchange rate changes	(42,065)	-	(42,065)
Balance at December 31, 2016	$ 739,218	$ -	$ 739,218

12. INVENTORIES

	December 31	
	2017	2016
Inventories - manufacturing and retailing	$ 47,776,580	$ 40,709,470
Inventories - construction	4,777,895	4,895,683
	$ 52,554,475	$ 45,605,153

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

	December 31	
	2017	2016
Raw materials	$ 7,647,272	$ 7,728,453
Work in progress	5,068,405	4,462,189
Finished goods and merchandise	35,060,903	28,518,828
	$ 47,776,580	$ 40,709,470

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $205,287,477 thousand and $204,274,366 thousand, respectively.

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

	December 31	
	2017	2016
Land and buildings held for development	$ 4,612,454	$ 4,730,966
Land and buildings held for sale	54,549	53,825
Land held for construction site	110,892	110,892
	$ 4,777,895	$ 4,895,683

The cost of construction inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $276,071 thousand and $238,186 thousand, respectively.

13. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	December 31	
	2017	2016
Assets associated with non-current assets held for sale		
Cash and cash equivalents	$ -	$ 43,505
Accounts receivable and other receivables	-	694,085
Inventories	-	488,007
Investments accounted for using equity method	-	46,376
Property, plant and equipment	23,659	18,963
Other assets	-	95,943
	$ 23,659	$ 1,386,879
Liabilities directly associated with non-current assets held for sale		
Accounts payable and other payables	$ -	$ 1,067,765

a. Yue Yuen resolved to dispose assets of its subsidiaries during 2017 and reclassified the assets to “non-current assets held for sale”. The carrying amount of the assets was $23,659 thousand (US$795 thousand) at December 31, 2017.

b. Pou Sheng resolved to dispose its joint venture during 2016 and reclassified it to “non-current assets held for sale”. The carrying amount was $46,376 thousand (US$1,438 thousand) at December 31, 2016.

c. Pou Sheng resolved to dispose its subsidiaries during 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 was $272,738 thousand (US$8,457 thousand) at December 31, 2016.

14. OTHER ASSETS

	December 31	
	2017	2016
Prepayments	$ 8,144,841	$ 7,937,123
Refundable deposits	531,329	357,441
Defined benefit assets (Note 25)	43,754	43,754
Prepayments for equipment	5,616,393	3,476,158
Others	2,205,542	1,734,694
	$ 16,541,859	$ 13,549,170
Current	$ 9,834,604	$ 9,309,768
Non-current	6,707,255	4,239,402
	$ 16,541,859	$ 13,549,170

15. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Domestic investments		
Unlisted shares	$ 73,167	$ 73,221
Foreign investments		
Unlisted shares	166,440	196,825
Mutual funds	255,514	322,504
	421,954	519,329
	$ 495,121	$ 592,550
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 495,121	$ 592,550

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 December 31 2017	Proportion of Ownership December 31 2016
Wealthplus Holdings Limited ("Wealthplus")	British Virgin Islands	Investing in footwear, electronic and peripheral products	100.00%	100.00%
Win Fortune Investments Limited	British Virgin Islands	Investing activities	100.00%	100.00%
Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	100.00%	100.00%
Pou Shine Investments Co., Ltd.	ROC	Investing activities	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	ROC	Design and manufacture of footwear products	100.00%	100.00%
Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	99.81%	99.81%
Barits Development Corporation	ROC	Import and export of shoe related materials and investing activities	99.62%	99.62%

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31 2017	Proportion of Ownership December 31 2016
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	48.94%	48.93%
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	30.55%	30.54%
Crown Master Investments Limited	British Virgin Islands	Investment holding	100.00%	100.00%
Tetor Ventures Ltd.	British Virgin Islands	Investment holding	100.00%	100.00%
Star Eagle Consultants Limited	British Virgin Islands	Agency of property and casualty insurance	100.00%	100.00%
Pou Yu Biotechnology Co., Ltd.	ROC	Manufacturing of medical appliance and sale of related equipment	69.44%	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 management 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 December 31, 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 December 31 2017	Proportion of Ownership December 31 2016
Vantage Capital Investments Ltd.	British Virgin Islands	Investment holdings	100.00%	100.00%

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31 2017	2016
Song Ming Investments Co., Ltd.	ROC	Investing activities	100.00%	100.00%
Pou Chin Development Co., Ltd.	ROC	Agency of land demarcation	100.00%	100.00%
Yu Hong Development Co., Ltd.	ROC	Development of real estate	100.00%	100.00%
Wang Yi Construction Co., Ltd.	ROC	Construction	89.75%	89.75%
Pou Yii Development Co., Ltd.	ROC	Rental and sale of real estate	75.00%	75.00%

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests 2017	2016
Yue Yuen Industrial (Holdings) Limited	50.01%	50.02%
Pou Sheng International (Holdings) Limited	37.59%	37.59%

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2017	2016	Accumulated Non-controlling Interests December 31 2017	2016
Yue Yuen Industrial (Holdings) Limited	$ 7,902,157	$ 8,600,772	$ 63,128,345	$ 75,958,104
Pou Sheng International (Holdings) Limited	665,178	1,041,992	10,921,682	10,319,355

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

	December 31 2017	2016
Current assets	$ 130,449,506	$ 128,035,423
Non-current assets	114,198,106	116,290,696
Current liabilities	(64,831,535)	(54,720,629)
Non-current liabilities	(41,830,150)	(26,317,677)
Equity	$ 137,985,927	$ 163,287,813
Equity attributable to:		
Owners of the Company	$ 63,473,013	$ 76,290,824
Non-controlling interests of Yue Yuen	63,128,345	75,958,104
Non-controlling interests of Yue Yuen's subsidiaries	11,384,569	11,038,885
	$ 137,985,927	$ 163,287,813

	For the Year Ended December 31	
	2017	2016
Operating revenue	$ 277,409,708	$ 273,572,133
Net income	$ 16,773,963	$ 18,547,628
Other comprehensive loss	2,157,269	(1,704,608)
Total comprehensive income	$ 18,931,232	$ 16,843,020
Net income attributable to:		
Owners of the Company	$ 7,954,806	$ 8,603,813
Non-controlling interests of Yue Yuen	7,902,157	8,600,772
Non-controlling interests of Yue Yuen's subsidiaries	917,000	1,343,043
	$ 16,773,963	$ 18,547,628
Total comprehensive income attributable to:		
Owners of the Company	$ 8,714,106	$ 8,071,718
Non-controlling interests of Yue Yuen	8,662,047	8,068,264
Non-controlling interests of Yue Yuen's subsidiaries	1,555,079	703,038
	$ 18,931,232	$ 16,843,020
Net cash (outflow) inflow from:		
Operating activities	$ 14,489,857	$ 17,033,451
Investing activities	(12,632,179)	(10,887,537)
Financing activities	(2,745,020)	(6,183,921)
Net cash outflow	$ (887,342)	$ (38,007)
Dividends paid to:		
Non-controlling interests of Yue Yuen	$ 15,542,155	$ 4,097,523
Non-controlling interests of Yue Yuen's subsidiaries	$ 238,146	$ 450,760

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in associates	$ 33,380,099	$ 27,252,593
Investments in joint ventures	7,446,094	11,855,932
	$ 40,826,193	$ 39,108,525

a. Investments in associates

	December 31	
	2017	2016
Material associate		
Ruen Chen Investment Holding Co., Ltd.	$ 16,659,984	$ 8,912,633
Associates that are not individually material	16,720,115	18,339,960
	$ 33,380,099	$ 27,252,593

1) Material associate

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

	December 31 2017	2016
Assets	$ 4,035,948,083	$ 3,644,010,238
Liabilities	(3,936,746,594)	(3,587,128,559)
Non-controlling interests	(15,605,007)	(12,021,953)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 83,596,482	$ 44,859,726
Proportion of the Group	20%	20%
Equity attributable to the Group	$ 16,719,296	$ 8,971,945
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 16,659,984	$ 8,912,633

	For the Year Ended December 31 2017	2016
Operating revenue	$ 674,451,923	$ 657,143,807
Net income	$ 20,864,196	$ 23,499,027
Other comprehensive income (loss)	20,744,687	(6,963,584)
Total comprehensive income	$ 41,608,883	$ 16,535,443

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights (%) December 31 2017	2016
Luen Thai Holdings Ltd.	-	9.74
Eagle Nice (International) Holdings Limited	38.42	38.42
Evermore Chemical Industry Co., Ltd. (Note 41)	29.05	29.05
San Fang Chemical Industry Co., Ltd.	44.72	44.72
Elitegroup Computer Systems Co., Ltd.	19.50	19.50
Ace Top Group Limited	40.00	40.00
Bigfoot Limited	48.76	48.76
Enthroned Group Limited	48.76	48.76
Faith Year Investments Ltd.	-	30.00
Full Pearl International Ltd.	40.04	40.04
Haicheng Information Technology Co., Ltd.	50.00	50.00
Hengqin New District of Zhuhai City Baolee Property Management Co., Ltd.	-	40.00
Just Lucky Investments Limited	38.30	38.30
Natural Options Limited	38.30	38.30
Oftenrich Holdings Limited	45.00	45.00
Original Designs Developments Limited	49.47	49.47
Pine Wood Industries Limited	37.00	37.00
Pou Ming Paper Products Manufacturing Co., Ltd.	20.00	20.00
Prosperlink Limited	38.00	38.00
Prosperous Industrial (Holdings) Ltd.	30.00	30.00
Rise Bloom International Limited	38.00	38.00
Silver Island Trading Ltd.	50.00	50.00
Supplyline Logistics Ltd.	49.00	49.00
Tien Pou International Ltd.	40.00	40.00
Venture Well Holdings Ltd.	31.55	31.55
Zhuhai Baohong Technology Service Co., Ltd.	-	40.00
Zhuhai Poulik Properties Management Co., Ltd.	40.00	40.00
Nan Pao Resins Chemical Co., Ltd.	19.52	20.09
Techview International Technology Inc.	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 Year Ended December 31 2017	2016
The Group's share of:		
Net income	$ 1,373,246	$ 1,664,297
Other comprehensive income (loss)	215,417	(124,318)
Total comprehensive income	$ 1,588,663	$ 1,539,979

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	December 31 2017	December 31 2016
Luen Thai Holdings Ltd.	$ -	$ 1,028,561
Eagle Nice (International) Holdings Limited	$ 2,509,314	$ 1,748,611
Evermore Chemical Industry Co., Ltd.	$ 552,391	$ 356,400
San Fang Chemical Industry Co., Ltd.	$ 5,995,225	$ 6,287,101
Elitegroup Computer Systems Co., Ltd.	$ 2,157,800	$ 1,695,802

b. Investments in joint ventures

	December 31 2017	December 31 2016
Joint ventures that are not individually material	$ 7,432,475	$ 11,842,023
Long-term receivable		
Joint ventures that are not individually material	13,619	13,909
	$ 7,446,094	$ 11,855,932

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 (%) December 31 2017	Proportion of Ownership and Voting Rights (%) December 31 2016
Artesol Limited	-	50.00
Beijing Baojing Kangtai Trading Co., Ltd.	50.00	50.00
Best Focus Holdings Ltd.	50.00	50.00
Blessland Enterprises Limited	50.00	50.00
Cohen Enterprises Inc.	50.00	50.00
Din Tsun Holding Co., Ltd.	-	50.00
Great Skill Industrial Limited	50.00	50.00
Guiyang Baoshang Sports Goods Company Limited	-	50.00
Hangzhou Baohong Sports Goods Company Limited	50.00	50.00
Hua Jian Industrial Holding Co., Limited	50.00	50.00
Jilin Lingpao Sports Goods Company Limited	50.00	50.00
Jilin Xinfangwei Sports Goods Company Limited	50.00	50.00
Jumbo Power Enterprises Limited	50.00	50.00
Ka Yuen Rubber Factory Limited	50.00	50.00
Poulik Properties Management Co., Ltd.	-	30.00
Texas Clothing Holdings Corp.	-	49.99
Top Units Developments Limited	49.00	-
Twinways Investments Limited	50.00	50.00
Willpower Industries Limited	44.84	44.84
Zhong Ao Multiplex Management Limited	46.82	46.82

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

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Net income	$ 634,866	$ 352,662
Other comprehensive income (loss)	194,420	(179,233)
Total comprehensive income	$ 829,286	$ 173,429

18. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2016	$ 2,247,610	$ 73,969,765	$ 44,728,659	$ 1,321,057	$ 7,416,506	$ 188,831	$ 2,868,370	$ 132,740,798
Additions	18	3,675,281	5,721,177	128,455	1,020,836	13,281	3,158,371	13,717,419
Disposal	-	(3,110,042)	(3,938,808)	(108,213)	(810,088)	(6,513)	(20,930)	(7,994,594)
Disposal of subsidiaries	-	(97,177)	(235,339)	(10,163)	(25,317)	-	-	(367,996)
Reclassification - other	128,103	2,977,775	(1,345,850)	2,380	(64,930)	3,919	(1,946,708)	(245,311)
Reclassified as non-current assets held for sale	-	(238,005)	-	(3,999)	(64,210)	-	-	(306,214)
Effects of exchange rate changes	-	(1,653,570)	(779,681)	(26,599)	(178,572)	(60)	(49,016)	(2,687,498)
Balance at December 31, 2016	$ 2,375,731	$ 75,524,027	$ 44,150,158	$ 1,302,918	$ 7,294,225	$ 199,458	$ 4,010,087	$ 134,856,604
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ (5,241)	$ (28,699,201)	$ (27,930,965)	$ (902,114)	$ (5,208,947)	$ (158,234)	$ (57,097)	$ (62,961,799)
Depreciation expenses	-	(3,610,504)	(3,990,212)	(124,786)	(660,938)	(10,545)	-	(8,396,985)
Recognized impairment losses	-	(8,333)	-	(413)	(3,145)	-	-	(11,891)
Disposal	-	2,102,928	3,092,166	99,703	681,534	6,209	-	5,982,540
Disposal of subsidiaries	-	22,883	152,505	6,647	17,028	-	-	199,063
Reclassification - other	-	(1,041,403)	1,201,958	-	4,805	-	-	165,360
Reclassified as non-current assets held for sale	-	224,621	-	3,354	59,276	-	-	287,251
Effects of exchange rate changes	-	713,015	493,218	19,463	118,911	56	-	1,344,663
Balance at December 31, 2016	$ (5,241)	$ (30,295,994)	$ (26,981,330)	$ (898,146)	$ (4,991,476)	$ (162,514)	$ (57,097)	$ (63,391,798)
Carrying amounts at January 1, 2016	$ 2,242,369	$ 45,270,564	$ 16,797,694	$ 418,943	$ 2,207,559	$ 30,597	$ 2,811,273	$ 69,778,999
Carrying amounts at December 31, 2016	$ 2,370,490	$ 45,228,033	$ 17,168,828	$ 404,772	$ 2,302,749	$ 36,944	$ 3,952,990	$ 71,464,806
Cost								
Balance at January 1, 2017	$ 2,375,731	$ 75,524,027	$ 44,150,158	$ 1,302,918	$ 7,294,225	$ 199,458	$ 4,010,087	$ 134,856,604
Additions	-	4,144,361	6,429,475	134,731	1,152,797	7,996	3,420,971	15,290,331
Acquisitions through business combinations	-	209,387	32,420	2,410	289,410	-	44,535	578,162
Disposal	-	(2,134,700)	(3,423,400)	(112,356)	(793,730)	(7,075)	(7,470)	(6,478,731)
Disposal of subsidiaries	-	(485,261)	(135,378)	(7,797)	(4,586)	-	(146,032)	(779,054)
Reclassification - other	(92,666)	2,109,486	24,167	-	107,198	4,400	(3,008,193)	(855,608)
Reclassified as non-current assets held for sale	-	(65,769)	-	-	-	-	-	(65,769)
Effects of exchange rate changes	-	(4,912,554)	(3,291,357)	(70,769)	(475,697)	(13)	(286,636)	(9,037,026)
Balance at December 31, 2017	$ 2,283,065	$ 74,388,977	$ 43,786,085	$ 1,249,137	$ 7,569,617	$ 204,766	$ 4,027,262	$ 133,508,909
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ (5,241)	$ (30,295,994)	$ (26,981,330)	$ (898,146)	$ (4,991,476)	$ (162,514)	$ (57,097)	$ (63,391,798)
Depreciation expenses	-	(4,160,013)	(3,776,408)	(106,899)	(810,308)	(11,467)	-	(8,865,095)
Acquisitions through business combinations	-	-	-	(301)	(198)	-	-	(499)
Reversal of impairment losses	-	116	-	-	-	-	-	116
Disposal	-	1,543,466	2,750,711	100,733	724,553	6,610	-	5,126,073
Disposal of subsidiaries	-	303,759	72,405	3,989	3,107	-	-	383,260
Reclassification - other	-	161,650	-	-	(7,886)	(7)	57,097	210,854
Reclassified as non-current assets held for sale	-	42,110	-	-	-	-	-	42,110
Effects of exchange rate changes	-	1,984,036	2,122,257	50,550	346,227	38	-	4,503,108
Balance at December 31, 2017	$ (5,241)	$ (30,420,870)	$ (25,812,365)	$ (850,074)	$ (4,735,981)	$ (167,340)	$ -	$ (61,991,871)
Carrying amounts at January 1, 2017	$ 2,370,490	$ 45,228,033	$ 17,168,828	$ 404,772	$ 2,302,749	$ 36,944	$ 3,952,990	$ 71,464,806
Carrying amounts at December 31, 2017	$ 2,277,824	$ 43,968,107	$ 17,973,720	$ 399,063	$ 2,833,636	$ 37,426	$ 4,027,262	$ 71,517,038

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

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

b. The Group has 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

	2017	2016
Cost		
Balance at January 1	$ 2,886,324	$ 2,885,925
Additions	978	57,094
Disposal	(95,008)	-
Reclassification	114,615	(27,921)
Effects of exchange rate changes	(114,108)	(28,774)
Balance at December 31	$ 2,792,801	$ 2,886,324
Accumulated depreciation and impairment		
Balance at January 1	$ (576,877)	$ (569,344)
Depreciation expenses	(30,737)	(30,932)
Disposal	23,104	-
Reclassification	(1,349)	13,658
Effects of exchange rate changes	40,489	9,741
Balance at December 31	$ (545,370)	$ (576,877)
Carrying amounts at January 1	$ 2,309,477	$ 2,316,581
Carrying amounts at December 31	$ 2,247,431	$ 2,309,447

a. The investment properties are depreciated by the straight-line method over 30-55 years.

b. The fair values of the Group's investment properties as of December 31, 2017 and 2016 were $3,594,750 thousand and $3,498,353 thousand, respectively.

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

20. GOODWILL

	2017	2016
Cost		
Balance at January 1	$ 9,171,837	$ 9,535,733
Acquisitions through business combinations	339,974	-
Effects of exchange rate changes	(597,189)	(363,896)
Balance at December 31	$ 8,914,622	$ 9,171,837
Accumulated impairment		
Balance at January 1	$ (68,177)	$ -
Recognized impairment losses	(161,981)	(67,021)
Effects of exchange rate changes	7,136	(1,156)
Balance at December 31	$ (223,022)	$ (68,177)
Carrying amounts at January 1	$ 9,103,660	$ 9,535,733
Carrying amounts at December 31	$ 8,691,600	$ 9,103,660

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

	December 31	
	2017	2016
Goodwill		
Manufacturing and marking of footwear materials	$ 5,460,722	$ 5,922,713
Manufacturing and marking of sports apparel	10,297	184,599
Retailing business - retail and distribution of sportswear products	2,454,932	2,503,632
Retailing business - retail and distribution of apparel	332,598	-
Others	433,051	492,716
	$ 8,691,600	$ 9,103,660

The Group has evaluated the recoverable amount of these cash-generating units for the years ended December 31, 2017 and 2016, and the recoverable amount of these cash-generating units was determined based on the value in use. The value in use was calculated based on used cash flow forecasts of the financial budgets approved by the management covering a five-year period. The growth rates were based on the forecasts of the relevant industries.

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

	December 31			
	2017		2016	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Manufacturing and marking of footwear materials	15%-22%	3%	13%-14%	2%
Manufacturing and marking of sports apparel	15%-22%	1%	13%-14%	2%
Retailing business - retail and distribution of sportswear products	15%-22%	3%	13%-14%	3%
Retailing business - retail and distribution of apparel	15%-22%	4%	-	-

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

21. OTHER INTANGIBLE ASSETS

	Patents	Trademarks	Customer Relationships	Brand Names	Licensing Agreements	Non-compete Agreements	Total
Cost							
Balance at January 1, 2016	$ 708	$ 180	$ 266,572	$ 2,332,774	$ 497,563	$ 2,220,447	$ 5,318,244
Effects of exchange rate changes	-	(46)	(18,989)	(166,058)	(33,421)	(157,995)	(376,509)
Balance at December 31, 2016	$ 708	$ 134	$ 247,583	$ 2,166,716	$ 464,142	$ 2,062,452	$ 4,941,735
Accumulated amortization and impairment							
Balance at January 1, 2016	$ (168)	$ (65)	$ (184,641)	$ (297,296)	$ (161,500)	$ (1,392,469)	$ (2,036,139)
Amortization expenses	(39)	(13)	(30,009)	-	(48,951)	(130,108)	(209,120)
Effects of exchange rate changes	-	46	14,507	21,172	13,242	104,996	153,963
Balance at December 31, 2016	$ (207)	$ (32)	$ (200,143)	$ (276,124)	$ (197,209)	$ (1,417,581)	$ (2,091,296)
Carrying amounts at January 1, 2016	$ 540	$ 115	$ 81,931	$ 2,035,478	$ 336,063	$ 827,978	$ 3,282,105
Carrying amounts at December 31, 2016	$ 501	$ 102	$ 47,440	$ 1,890,592	$ 266,933	$ 644,871	$ 2,850,439
Cost							
Balance at January 1, 2017	$ 708	$ 134	$ 247,583	$ 2,166,716	$ 464,142	$ 2,062,452	$ 4,941,735
Additions	-	22	-	-	-	-	22
Acquisitions through business combinations	-	1,389,738	420,009	-	-	-	1,809,747
Disposal	-	-	-	-	-	(133,950)	(133,950)
Effects of exchange rate changes	(16)	(26,108)	(14,271)	(45,096)	(9,231)	(47,640)	(142,362)
Balance at December 31, 2017	$ 692	$ 1,363,786	$ 653,321	$ 2,121,620	$ 454,911	$ 1,880,862	$ 6,475,192
Accumulated amortization and impairment							
Balance at January 1, 2017	$ (207)	$ (32)	$ (200,143)	$ (276,124)	$ (197,209)	$ (1,417,581)	$ (2,091,296)
Acquisitions through business combinations	-	-	(351,686)	-	-	-	(351,686)
Disposal	-	-	-	-	-	133,950	133,950
Amortization expenses	(501)	(104)	(31,421)	(313,903)	(45,397)	(120,125)	(511,451)
Effects of exchange rate changes	16	3	11,709	452	3,455	32,683	48,318
Balance at December 31, 2017	$ (692)	$ (133)	$ (571,541)	$ (589,575)	$ (239,151)	$ (1,371,073)	$ (2,772,165)
Carrying amounts at January 1, 2017	$ 501	$ 102	$ 47,440	$ 1,890,592	$ 266,933	$ 644,871	$ 2,850,439
Carrying amounts at December 31, 2017	$ -	$ 1,363,653	$ 81,780	$ 1,532,045	$ 215,760	$ 509,789	$ 3,703,027

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

Items	Estimated Useful Life
Patents	15-20 years
Trademarks	10 years
Customer relationships	8 years
Brand names	5 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

22. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Credit borrowings	$ 33,448,199	$ 24,031,120

The range of effective interest rate on bank borrowings was 0.67%-15.88% and 0.80%-11.90% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

December 31, 2017

	Annual Interest Rate (%)	Amount
Commercial papers	0.5-0.75	$ 2,968,000
Less: Unamortized discount on bills payable		(1,666)
		$ 2,966,334

December 31, 2016

	Annual Interest Rate (%)	Amount
Commercial papers	0.45-0.77	$ 2,546,000
Less: Unamortized discount on bills payable		(1,245)
		$ 2,544,755

c. Long-term borrowings

	December 31	
	2017	2016
Secured borrowings		
Bank loans	$ -	$ 488,000
Unsecured borrowings		
Bank loans	55,539,200	49,895,000
	55,539,200	50,383,000
Less: Long-term expenses for syndicated loan	(327,568)	(19,874)
Less: Current portion	(750,000)	-
	$ 54,461,632	$ 50,363,126

Maturity date and range of annual interest rate:

	December 31	
	2017	**2016**
Maturity date		
Long-term borrowings	2019.03.27-2022.08.18	2018.07.12-2021.12.21
Current portion of long-term borrowings	2018.09.27	-
Range of interest rate	1.09%-2.79%	1.09%-2.27%

Refer to Note 39 for the collateral pledged by the Group in accordance with the loan contract.

23. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2017	**2016**
Notes payable (included related parties)		
Operating	$ 57,529	$ 45,661
Non-operating	5,268	674
	$ 62,797	$ 46,335
Accounts payable (included related parties)	$ 13,857,313	$ 14,639,445

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

	December 31	
	2017	**2016**
Payables for salaries	$ 12,685,110	$ 13,211,352
Payables for purchase of property, plant and equipment	1,965,672	1,782,976
Compensation due to directors and supervisors	186,995	219,828
Employee compensation payables	698,669	645,013
Interest payables	125,024	104,566
Payables for acquisition of subsidiary and business	8,035	352,783
Payables for annual leave	1,512,948	1,413,211
Others	8,996,312	7,648,285
	$ 26,178,765	$ 25,378,014
Current	$ 26,027,401	$ 25,218,684
Non-current	151,364	159,330
	$ 26,178,765	$ 25,378,014

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans – Yue Yuen and its subsidiaries

The net amounts in respect of the defined benefit liability were $2,531,624 thousand and $2,021,623 thousand as of December 31, 2017 and 2016, respectively. Movements in the net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation
Balance at January 1, 2017	$ 2,021,623
Current service cost	255,507
Past service gain	(10,925)
Net interest expense	130,070
Recognized in profit or loss	374,652
Remeasurement	
Actuarial loss arising from changes in demographic assumptions	99,696
Actuarial loss arising from changes in financial assumptions	278,940
Actuarial loss arising from experience adjustments	1,220
Effect of exchange rate changes of remeasurement	3,839
Recognized in other comprehensive loss	383,695
Benefits paid	(98,143)
Effect of exchange rate changes on foreign plans	(150,203)
Balance at December 31, 2017	$ 2,531,624

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

	December 31, 2017
Discount rate	7.00-8.75 %
Expected rate of salary increase	5-10%

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

	December 31, 2017
Discount rate	
0.25% increase	$ (68,457)
0.25% decrease	$ 79,336
Expected rate of salary increase	
0.25% increase	$ 84,144
0.25% decrease	$ (73,463)

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

c. Defined benefit plans - domestic subsidiaries

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

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans under the Labor Standards Law (excluding Yue Yuen and its subsidiaries) were as follows:

	December 31	
	2017	2016
Defined benefit liability	$ 752,580	$ 1,789,168
Less: Defined benefit assets (Note 14)	(43,754)	(43,754)
	$ 708,826	$ 1,745,414

The net amounts included in the consolidated balance sheets in respect of the Group's defined benefit liability and fair value of plan assets were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 1,517,664	$ 2,107,020
Fair value of plan assets	(808,838)	(361,606)
Net defined benefit liability	$ 708,826	$ 1,745,414

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

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	$ 1,887,881	$ (169,779)	$ 1,718,102
Current service cost	27,650	-	27,650
Past service cost	18,416	-	18,416
Net interest expense	24,860	284	25,144
Recognized in profit or loss	70,926	284	71,210
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,132)	(2,132)
Actuarial loss arising from changes in demographic assumptions	78,613	-	78,613
Actuarial loss arising from changes in financial assumptions	48,315	-	48,315
Actuarial loss arising from experience adjustments	147,309	-	147,309
Recognized in other comprehensive income (loss)	274,237	(2,132)	272,105
Contributions from the employer	-	(388,645)	(388,645)
Benefits paid	(126,024)	198,666	72,642
Balance at December 31, 2016	$ 2,107,020	$ (361,606)	$ 1,745,414
Balance at January 1, 2017	$ 2,107,020	$ (361,606)	$ 1,745,414
Current service cost	22,501	-	22,501
Net interest expense	22,955	(5,947)	17,008
Recognized in profit or loss	45,456	(5,947)	39,509
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	763	763
Actuarial loss arising from changes in demographic assumptions	199,141	-	199,141
Actuarial loss arising from changes in financial assumptions	(25,637)	-	(25,637)
Actuarial loss arising from experience adjustments	32,195	-	32,195
Recognized in other comprehensive income	205,699	763	206,462
Contributions from the employer	-	(548,267)	(548,267)
Benefits paid	(106,219)	106,219	-
Others	(734,292)	-	(734,292)
Balance at December 31, 2017	$ 1,517,664	$ (808,838)	$ 708,826

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

	For the Year Ended December 31	
	2017	**2016**
Operating costs	$ 210	$ 148
Selling and marketing expenses	22	62
General and administrative expenses	28,407	52,927
Research and development expenses	10,870	18,073
	$ 39,509	$ 71,210

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	**2016**
Discount rate	1.25%	1.125%
Expected rate of salary increase	2.00%	2.00%

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

	December 31	
	2017	**2016**
Discount rate		
0.25% increase	$ (44,769)	$ (52,270)
0.25% decrease	$ 46,740	$ 54,296
Expected rate of salary increase		
0.25% increase	$ 45,574	$ 52,531
0.25% decrease	$ (43,881)	$ (50,834)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 169,807	$ 554,666
The average duration of the defined benefit obligation	12.1 years	10.1 years

26. EQUITY

a. Share capital

	December 31	
	2017	2016
Number of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,946,787	2,946,787
Shares issued	$ 29,467,872	$ 29,467,872

b. Capital surplus

	December 31	
	2017	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
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	343,269	390,919
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	15,653	23,232
May not be used for any purpose		
Recognized from share of changes in net assets of associates and joint ventures	135,716	5,309
	$ 4,615,341	$ 4,540,163

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

2) Such capital surplus is recognized from share of changes in equities of subsidiaries that resulted from equity transactions, or from share of changes in capital surplus of subsidiaries accounted by using equity method when there was no actual disposal or acquisition of subsidiaries.

c. Retained earnings and dividend policy

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, refer to Employee benefit expense in Note 28f.

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.

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

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 June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2016	**For Year 2015**	**For Year 2016**	**For Year 2015**
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

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 15, 2018.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 3,109,173	$ 5,020,886
Exchange differences arising on translation of foreign operations	(4,849,928)	(1,818,089)
Share of exchange differences of associates and joint ventures accounted for using equity method	(49,774)	(93,624)
Balance at December 31	$ (1,790,529)	$ 3,109,173

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

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (16,745,541)	$ (16,926,480)
Unrealized gain on available-for-sale financial assets	850,495	1,344,672
Unrealized gain (loss) on available-for-sale financial assets of associates and joint ventures accounted for using equity method	3,768,345	(1,163,733)
Balance at December 31	$ (12,126,701)	$ (16,745,541)

e. Non-controlling interests

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 87,305,560	$ 85,533,554
Share of non-controlling interests		
Net income	8,808,984	9,944,869
Exchange differences arising on translation of foreign operations	1,352,139	(1,241,711)
Unrealized gain on available-for-sale financial assets	182,785	128,439
Actuarial loss arising from defined benefit plans	(149,032)	(88,638)
Change in non-controlling interests	(22,735,868)	(6,970,953)
Balance at December 31	$ 74,764,568	$ 87,305,560

27. REVENUE

	For the Year Ended December 31	
	2017	2016
Sales revenue	$ 278,000,934	$ 274,277,613
Revenue from the rendering of services	79,060	82,307
Rental income	30,853	32,227
Revenue from entertainment and resort	521,025	503,199
	$ 278,631,872	$ 274,895,346

28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2017	2016
Rental income		
Rental income from operating lease		
Investment properties	$ 35,123	$ 33,419
Others	355,531	275,267
	390,654	308,686
Interest income		
Cash in bank	332,663	286,722
Repurchase agreements collateralized by bonds	20,490	14,054
Held-to-maturity financial assets	230,613	180,552
Debt investments with no active market	18,073	46,826
Others	4,139	2,336
	605,978	530,490
Dividend income	856,941	874,208
Others	2,278,076	2,468,173
	$ 4,131,649	$ 4,181,557

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net loss on disposal of property, plant and equipment	$ (821,180)	$ (251,490)
Net foreign exchange loss	(529,593)	(839,582)
Net gain on disposal of subsidiaries, associates and joint ventures	480,603	70,892
Net gain on disposal of financial assets measured at cost	37,984	31,530
Net gain on disposal of investment properties	14,199	-
Net gain arising on financial assets designated as at FVTPL	880,482	741,655
Net gain arising on financial liabilities designated as at FVTPL	75,991	39,613
Recognized of impairment loss	(161,865)	(272,723)
Others	(155,990)	(162,882)
	$ (179,369)	$ (642,987)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank borrowings	$ 1,927,332	$ 1,256,080
Interest on short-term bills payable	22,977	21,372
Other interest expense	35,766	38,564
	$ 1,986,075	$ 1,316,016

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 8,865,095	$ 8,396,985
Investment properties	30,737	30,932
Other intangible assets	511,451	209,120
Long-term prepaid expenses	1,345	-
Prepayments for lease	177,107	156,368
	$ 9,585,735	$ 8,793,405
An analysis of depreciation by function		
Operating costs	$ 5,322,933	$ 5,488,170
Operating expenses	3,562,564	2,930,358
Non-operating expenses	10,335	9,389
	$ 8,895,832	$ 8,427,917
An analysis of amortization by function		
Operating costs	$ 1,185	$ 1,256
Operating expenses	688,718	364,232
	$ 689,903	$ 365,488

e. Direct operating expenses from investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses from investment properties that generated rental income	$ 46,612	$ 43,473

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits		
Defined contribution plans	$ 6,865,330	$ 8,019,377
Defined benefit plans	414,161	417,626
	7,279,491	8,437,003
Share-based payments		
Equity-settled	142,912	58,890
Termination benefits	19,244	11,606
Other employee benefits	61,116,001	62,603,706
	$ 68,557,648	$ 71,111,205
An analysis of employee benefits expense by function		
Operating costs	$ 46,298,803	$ 51,036,446
Operating expenses	22,258,845	20,074,759
	$ 68,557,648	$ 71,111,205

As of December 31, 2017 and 2016, there were 364,988 and 358,977 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

- Employees' compensation and remuneration of directors and supervisors for 2017 and 2016

In compliance with the Company Act as amended in May 2015 and the shareholders held their meeting and resolved amendments to the Company's Articles; 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 years ended December 31, 2017 and 2016 which were approved by the Company's board of directors on March 26, 2018 and March 27, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

	For the Year Ended December 31			
	2017		2016	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 246,856	$ -	$ 255,108	$ -
Remuneration of directors and supervisors	123,428	-	127,554	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

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

Information on the employees' compensation and remuneration to of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 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 Year Ended December 31	
	2017	**2016**
Current tax		
In respect of the current year	$ 2,489,271	$ 3,250,101
Income tax on unappropriated earnings	522,087	-
	3,011,358	3,250,101
Deferred tax	25,530	26,729
Adjustments for prior years	50,026	1,053
Income tax expense recognized in profit or loss	$ 3,086,914	$ 3,277,883

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

	For the Year Ended December 31	
	2017	**2016**
Income before income tax	$ 24,817,504	$ 26,279,802
Income tax expense calculated at the statutory rate	4,218,975	4,467,566
Tax effect of adjusting items		
Tax-exempt income	(185,728)	(107,928)
Investment income recognized under equity method	(983,144)	(1,066,251)
Others	(560,832)	(43,286)
Income tax on unappropriated earnings	522,087	-
Current tax	3,011,358	3,250,101
Deferred tax	25,530	26,729
Adjustments for prior years' income tax	50,026	1,053
Income tax expense recognized in profit or loss	$ 3,086,914	$ 3,277,883

The applicable tax rate used by the Company is the corporate tax rate of 17%.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $250,337 thousand and $182,556 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

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

	December 31	
	2017	2016
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ -	$ 47,929
Others	1,418,577	813,222
	$ 1,418,577	$ 861,151
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ -	$ 712,725
Land value increment tax	86,547	86,547
Others	1,034,482	974,956
	$ 1,121,029	$ 1,774,228

c. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ 221,425
Generated on and after January 1, 1998	-	31,993,273
	$ - Note	$ 32,214,698
Imputation credit account	$ - Note	$ 2,562,413

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earning	Note	10.01%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

d. Income tax assessments

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

30. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	**2016**
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 12,921,606	$ 13,057,050
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of common shares in the computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive common shares:		
Employee share options	-	85,463
Bonus to employee	7,888	8,502
Weighted average number of common shares used in the computation of diluted earnings per share	2,954,675	3,040,752
Earnings per share (in dollars)		
Basic earnings per share	$4.38	$4.43
Diluted earnings per share	$4.37	$4.29

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

31. SHARE-BASED PAYMENT ARRANGEMENTS

a. Information about Pou Chen's employee share options

As at November 6, 2007, the Company has issued 125,500,000 units of employee share options to the employees with an exercise price of $29.80 dollars per share. Each of the aforementioned individual employee share options is granted the right to purchase one newly issued common share. If the Company resolved to increase additional share capital through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee share options granted but not exercised will also be adjusted.

Information about employee share options for the years ended December 31, 2017 and 2016 was as follows:

	For the Year Ended December 31			
	2017		2016	
Employee Share Options	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	145,791	$ 17.40	145,791	$ 18.00
Options exercised	(145,791)	16.80	-	-
Balance at December 31	-		145,791	17.40
Exercisable options at December 31	-		145,791	17.40

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

	December 31	
	2017	2016
Exercise price (NT$)	$ -	$ 17.40
Weighted-average remaining contractual life (years)	-	0.85

b. Information about Yue Yuen's employee share options

On January 28, 2014 and amended on March 23, 2016, the board of directors of Yue Yuen adopted a share award scheme. Under the share award scheme, a trustee which is independent of Yue Yuen purchased Yue Yuen shares from the secondary market, and the shares will vest to the selected participants through a trust agreement. The awarded shares shall not exceed 2% of the issued share capital of Yue Yuen as at the date of grant (January 28, 2014) during the valid period (from January 28, 2014 to January 28, 2024). The maximum number of shares which may be awarded to all participants under the scheme shall not exceed 1% of the issued share capital of Yue Yuen.

Information about the granted Yue Yuen's employee share options during the years ended December 31, 2017 and 2016 was as follows:

	Number of Shares (In Thousands)	
	2017	2016
Balance at January 1	1,120	1,440
Options granted	18	1,120
Options cancelled	(67)	(67)
Options exercised	(18)	(1,373)
Balance at December 31	1,053	1,120

Yue Yuen adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $109,874 thousand (US$3,692 thousand) on the grant date, and the factors were as follows:

	Granted on March 29, 2016	**Granted on October 3, 2016**
Grant date share price	HK$26.45	HK$31.75
Risk free rates	0.64%	0.46%
Expected volatility	28.47%	28.57%
Vesting period	2 years	2 years
Expected dividend yield	4.43%	4.20%

Yue Yuen recognized $53,476 thousand and $23,842 thousand compensation cost for the years ended December 31, 2017 and 2016, respectively.

c. Information about Pou Sheng's employee share options

1) Pou Sheng's share option scheme (the "Pou Sheng Scheme") was adopted on May 14, 2008 and amended on May 7, 2012, and will be expire on May 13, 2018. Under the Pou Sheng Scheme, the board of directors of Pou Sheng may grant options to eligible persons, including directors and employees of Pou Sheng and its subsidiaries, to subscribe for shares in Pou Sheng. The details of the plan under the scheme were as follows:

a) Without prior approval from Pou Sheng's shareholders, the number of shares that may be granted under the following limits:

i. The total number of shares in respect of which options may be granted under the Pou Sheng Scheme is not permitted to exceed 10% of the shares of Pou Sheng in issue at any point in time;

ii. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of Pou Sheng in issue at any point in time; and

iii. Options in excess of 0.1% of Pou Sheng's share capital or with a value in excess of HK$5 million (US$0.6 million) may not be granted to substantial shareholders or independent non-executive directors.

b) Exercise price:

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

i. The closing price of Pou Sheng's shares on the date of grant;

ii. The average closing price of Pou Sheng's shares for the five business days immediately preceding the date of grant; and

iii. The nominal value of Pou Sheng's share.

c) Pou Sheng was granted 11,663 thousand share options on November 14, 2016. The exercise price of these options is HK$2.494. Information about exercise duration and exercise proportion of the Pou Sheng Scheme was as follows:

Exercise Period	Proportion of Exercise Quantity
2017.9.1-2019.9.1	10%
2018.9.1-2020.9.1	10%
2019.9.1-2021.9.1	10%
2020.9.1-2022.9.1	20%
2021.9.1-2023.9.1	50%

Information about the Pou Sheng Scheme for the years ended December 31, 2017 and 2016 was as follows:

	For the Year Ended December 31			
	2017		2016	
Employee Share Options	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (HK$)**	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (HK$)**
Balance at January 1	54,549	$ 1.63	54,612	$ 1.39
Options granted	-	-	11,663	2.494
Options cancelled	-	-	(100)	1.62
Options exercised	(800)	1.28	(11,626)	1.34
Balance at December 31	53,749	1.64	54,549	1.63
Exercisable options at December 31	43,252	1.43	42,886	1.40

Pou Sheng adopted the binomial option pricing model, and the estimated fair value of the share options amounted to $42,735 thousand (US$1,436 thousand) on the grant date, and the factors were as follows:

	Granted on November 14, 2016
Exercise price	HK$2.494
Grant date share price	HK$2.41
Risk free rates	0.99-1.18%
Expected volatility	50-55%
Vesting period	2.8-6.8 years
Expected dividend yield	2.00%

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

	December 31	
	2017	**2016**
Range of exercise price (HK$)	$1.05-$2.494	$1.05-$2.494
Weighted-average remaining contractual life (years)	1.48	2.47

The Group recognized $13,555 thousand and $2,249 thousand in compensation costs for the years ended December 31, 2017 and 2016, respectively.

2) On May 9, 2014, the board of directors of Pou Sheng adopted a share award scheme. Under the share award scheme, a trustee which is independent of Pou Sheng purchased Pou Sheng shares from the secondary market, and the shares will vest to the selected participants through a trust agreement. The awarded shares shall not exceed 2% of the issued share capital of Pou Sheng as at the date of grant (May 9, 2014) during the valid period (from May 9, 2014 to May 9, 2024). The maximum number of shares which may be awarded to all participants under the scheme shall not exceed 1% of the issued share capital of Pou Sheng.

Information about the granted employee share options during the years ended December 31, 2017 and 2016 was as follows:

	Number of Shares (In Thousands)	
	2017	**2016**
Balance at January 1	45,130	27,738
Options granted	11,326	20,927
Options cancelled	(10,443)	(3,535)
Options exercised	(4,934)	-
Balance at December 31	41,079	45,130

Pou Sheng adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $43,390 thousand (US$1,458 thousand) and $124,324 thousand (US$3,855 thousand) on the grant date, respectively, and the factors were as follows:

	Granted on November 14, 2017	**Granted on July 3, 2017**	**Granted on March 25, 2017**	**Granted on November 14, 2016**	**Granted on November 12, 2016**	**Granted on August 13, 2016**	**Granted on May 13, 2016**	**Granted on March 24, 2016**
Grant date share price	HK$1.17	HK$1.48	HK$1.87	HK$2.41	HK$2.55	HK$2.40	HK$2.07	HK$1.61
Risk free rates	0.832-1.257%	0.85%	0.62-1.14%	0.50-1.07%	0.84%	0.48%	0.60%	0.85%
Expected volatility	54-57%	58%	48-59%	51-57%	55%	55%	57%	54%
Vesting period	0.29-3 years	3 years	1-3 years	0.8-4.8 years	2.8 years	3 years	2.3 years	3 years
Expected dividend yield	2.0%	3.0%	2.0%	2.0%	2.0%	2.0%	-	-

Pou Sheng recognized $42,913 thousand and $32,799 thousand compensation cost for the years ended December 31, 2017 and 2016, respectively.

d. Information about Texas Clothing Holdings Corporation's ("TCHC") employee share options

1) TCHC share option scheme was adopted on November 7, 2012. In 2017, TCHC made a repurchase of its own shares and TCHC therefore became an indirect non-wholly owned subsidiary of the Company. The TCHC share option scheme was amended on October 9, 2017 and the amendment will not affect the validity of any of the previously granted TCHC. The validity period of the TCHC share option scheme is ten years from October 9, 2017.

TCHC was granted 249 thousand share options on November 30, 2017. The exercise price of these options is US$24.18. Information about exercise duration and exercise proportion of the TCHC share option scheme was as follows:

Exercise Period	Proportion of Exercise Quantity
2017.11.30-2027.11.30	44%
2018.09.02-2027.11.30	4%
2018.11.30-2027.11.30	21%
2019.09.02-2027.11.30	4%
2019.11.30-2027.11.30	21%
2020.11.30-2027.11.30	3%
2021.11.30-2027.11.30	3%

Information about the TCHC share option scheme for the years ended December 31, 2017 was as follows:

	For the Year Ended December 31 2017	
Employee Share Options	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (US$)**
Balance at January 1	669	$ 19.59
Options granted	249	24.18
Options cancelled	(101)	27.50
Balance at December 31	817	20.01
Exercisable options at December 31	676	19.14

TCHC adopted the binomial option pricing model, and the estimated fair value of the share options amounted to $71,275 thousand (US$2,395 thousand) on the grant date, and the factors were as follows:

	Granted on November 30, 2017
Exercise price	US$24.18
Grant date share price	US$24.18
Risk free rates	1.92-2.14%
Expected volatility	40-40.6%
Expected life of share options	5.31-6.30 years
Expected dividend yield	-

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

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

The Group recognized compensation costs of $32,968 thousand for the years ended December 31, 2017.

32. BUSINESS COMBINATIONS

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

a. Considerations transferred

Cash and cash equivalents	$ 482,619

b. Assets acquired and liabilities assumed at the date of acquisition

Assets	
Cash and cash equivalents	$ 535,266
Debt investments with no active market	3,660
Receivables and other receivables	2,457,346
Inventories	2,872,634
Other current assets	1,964
Property, plant and equipment	577,663
Intangible assets	1,458,061
Deferred tax assets	399,506
Liabilities	
Bank borrowings	(1,766,368)
Payables and other payables	(3,124,803)
Deferred tax liabilities	(506,432)
	$ 2,908,497

c. Goodwill recognized on acquisition

Consideration transferred	$ 482,619
Fair value of the ownership	2,520,354
Plus: Non-controlling interests	243,178
Less: Fair value of identifiable net assets acquired	(2,908,497)
Goodwill recognized on acquisition	$ 337,654

Goodwill on acquisition was $339,974 thousand (US$11,176 thousand) and the amount of gain from bargain purchase of $2,320 thousand (US$78 thousand) was recorded under “other income”.

d. Net cash outflow on acquisition of subsidiaries

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

33. DISPOSAL OF SUBSIDIARIES

a. The Group disposed of subsidiaries during the year ended December 31, 2016, the assets and liabilities on the date of disposal were as follows:

Assets	
Cash and cash equivalents	$ 378,970
Receivables and other receivables	1,257,716
Inventories	690,102
Property, plant and equipment	413,685
Other current assets	80,563
Liabilities	
Payables and other payables	(1,480,235)
Tax payable	(8,452)
	$ 1,332,349

1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 554,381
Consideration received in investments accounted for using equity method	418,991
Net value of net assets disposed of	(1,332,349)
Non-controlling interests	564,916
The reclassification of other comprehensive income in respect of the subsidiary	20,821
Gain on disposal	$ 222,760

2) Net cash outflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 554,381
Less: Cash and cash equivalents balance disposed of	(378,970)
	$ 175,411

b. The Group disposed of subsidiaries during the year ended December 31, 2016, the assets and liabilities on the date of disposal were as follows:

Assets	
Cash and cash equivalents	$ 140,900
Receivables and other receivables	297,370
Inventories	111,972
Property, plant and equipment	168,933
Liabilities	
Payables and other payables	(349,612)
Tax payable	(4,163)
	$ 365,400

1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 106,571
Consideration received in investments accounted for using equity method	262,664
Net value of net assets disposed of	(365,400)
Gain on disposal	$ 3,835

2) Net cash outflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 106,571
Less: Accounts receivable of disposal consideration	(3,228)
Less: Cash and cash equivalents balance disposed of	(140,900)
	$ (37,557)

34. NON-CASH TRANSACTIONS

For the year ended December 31, 2017, the Group entered into non-cash investing activities which refer to the investments accounted for using equity method received as consideration in the disposal of subsidiaries, refer to Note 33.

35. OPERATING LEASES ARRANGEMENTS

a. The Group as lessee

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 3,551,136	$ 2,768,964
Later than 1 year and not later than 5 years	5,329,370	3,880,253
Later than 5 years	1,503,177	1,697,705
	$ 10,383,683	$ 8,346,922

b. The Group as lessor

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 610,953	$ 415,732
Later than 1 year and not later than 5 years	1,377,040	574,823
Later than 5 years	1,197,959	681,733
	$ 3,185,952	$ 1,672,288

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

Except for financial assets measured at cost which cannot be measured by fair value, management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximate fair values.

b. Fair value of financial instruments that are measured at fair value

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.

	December 31	
	2017	**2016**
Financial assets		
Financial assets at FVTPL		
Domestic open-ended mutual funds	$ 712,949	$ 889,537
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	15,158,696	14,264,621
Foreign listed securities		
Equity investment	577,878	519,410

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.

	December 31	
	2017	**2016**
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ 84,093	$ 220,604
Financial assets designated as at FVTPL	882,574	328,492
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	232,577	915,676

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). When 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 was 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

	December 31	
	2017	**2016**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 797,042	$ 1,110,141
Designated as at FVTPL	882,574	328,492
Held-to-maturity financial assets	5,646,324	6,163,413
Loans and receivables (Note 1)	75,640,282	80,038,442
Available-for-sale financial assets	15,736,574	14,784,031
Financial assets measured at cost	495,121	592,550
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	232,577	915,676
Amortized cost (Note 2)	131,758,859	118,098,466

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, 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 derivate instruments.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 42.

Sensitivity analysis

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

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

	For the Year Ended December 31	
	2017	**2016**
USD	$ (35,484)	$ (85,120)
RMB	(491,021)	(459,668)
HKD	(21,361)	(5,740)
VND	35,467	36,418
IDR	(10,114)	47,131

b) Interest rate risk

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

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

	December 31	
	2017	**2016**
Cash flow interest rate risk		
Financial liabilities	$ 86,126,165	$ 60,261,584

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 $861,262 thousand and $602,616 thousand during the years ended December 31, 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 December 31, 2017 and 2016 would have decrease by $277,012 thousand and $271,331 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 issued by upper-medium rating grade bank to reduce credit risk of the Company effectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 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.

December 31, 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
Non-derivative financial liabilities						
Non-interest bearing	-	$ 19,064,360	$ 10,054,654	$ 10,847,409	$ 109,723	$ 56,548
Floating interest rate liabilities	2.04	26,032,804	7,476,734	3,672,356	52,959,876	-
Fixed interest rate liabilities	1.50	-	-	750,000	4,750,000	-
Financial guarantee contracts	-	29,183,858	-	-	-	-
		$ 74,281,022	$ 17,531,388	$ 15,269,765	$ 57,819,599	$ 56,548

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
Non-derivative financial liabilities						
Non-interest bearing	-	$ 19,274,848	$ 9,379,612	$ 11,257,230	$ 118,743	$ 61,267
Floating 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	-	-	-	-
		$ 45,124,200	$ 12,688,480	$ 12,867,587	$ 51,579,699	$ 61,267

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

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

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	$ -	$ -	$ 3,109	$ -	$ -
Cross-currency swap contracts	-	5,797	26,517	-	-
Exchange rate swap contracts	173,367	23,787	-	-	-
	$ 173,367	$ 29,584	$ 29,626	$ -	$ -

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	-	-
	$ 323,011	$ 116,291	$ 397,146	$ 79,228	$ -

c) Financing facilities

	December 31	
	2017	2016
Unsecured bank facility:		
Amount used	$ 92,153,212	$ 76,643,124
Amount unused	25,390,742	19,879,552
	$ 117,543,954	$ 96,522,676
Secured bank facility:		
Amount used	$ -	$ 488,000
Amount unused	-	-
	$ -	$ 488,000

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

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

b. Operating revenue

		For the Year Ended December 31	
Account Items	Related Party Categories	2017	2016
Sales	Associates	$ 124,285	$ 119,280
	Joint ventures	627,761	753,551
		$ 752,046	$ 872,831

Sales to related parties have prices and receivable terms that have no significant differences with non-related parties.

c. Purchases

Related Party Categories	For the Year Ended December 31 2017	2016
Associates	$ 1,763,094	$ 2,298,202
Joint ventures	3,977,330	4,975,110
	$ 5,740,424	$ 7,273,312

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

d. Receivables from related parties

Account Items	Related Party Categories	December 31 2017	2016
Notes receivable, accounts receivable	Associates	$ 15,537	$ 7,986
	Joint ventures	46,066	46,187
		$ 61,603	$ 54,173

No bad debt expense had been recognized for the years ended December 31, 2017 and 2016 for the amounts owed by related parties.

e. Payables to related parties

Account Items	Related Party Categories	December 31 2017	2016
Notes payable, accounts payable	Associates	$ 161,310	$ 332,457
	Joint ventures	976,478	1,144,369
		$ 1,137,788	$ 1,476,826

f. Compensation of key management personnel

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

	For the Year Ended December 31 2017	2016
Short-term employee benefits	$ 237,354	$ 232,465

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:

	December 31	
	2017	2016
Debt investmtnets with no active market	$ 40,029	$ 35,205
Investment properties	-	657,296
	$ 40,029	$ 692,501

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

	December 31	
Currencies	**2017**	**2016**
USD	$ 3,010	$ 2,562
EUR	238	473
IDR	24,445,723	13,618,125

b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provided 61,295 thousand ordinary shares of Yue Yuen in the custody of the trust department of Mega Bank during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or make encumbrance to the shares of Wealthplus equal to the share value of Yue Yuen during the trust period.

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

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

e. The contracts of construction in progress that the Group entered into amounted to $988,074 thousand. As of December 31, 2017, the unpaid amount was $399,991 thousand.

41. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. The Group participated in the acquisition of Evermore Chemical Industry Co., Ltd. ("Evermore") proposed by Aica Kogyo Co., Ltd. in November 2017. This transaction was completed in January 2018 and the Group disposed of 20,786 thousand shares with the amount of $415,720 thousand. After the transaction, the proportion of ownership and voting rights of the Group decreased from 29.05% to 8.13%, and lose significant influence over Evermore.

b. Wealthplus entered into a Scheme of Arrangement under the Company Act of Bermuda ("Scheme of Arrangement") to undertake privatization of Pou Sheng International (Holdings) Limited ("The Privatization Plan").

1) Under the Scheme of Arrangement and the Option Offer, Wealthplus will make an appropriate offer to all the ordinary shareholders and optionholders.

   a) To shareholders ("Scheme Shareholders") who hold 5,338,548,615 ordinary shares ("Scheme Shares") of Pou Sheng, the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK$2.03 per Scheme Share; and

   b) Optionholders (350,021,090 shares of Pou Sheng), can get cancellation price as below.

      - When the exercise price of Pou Sheng Option is lower than the cancellation price, an amount equal to the cancellation price minus the exercise price of such Pou Sheng Option; or

      - When the exercise price of Pou Sheng Option is higher than or equal to the cancellation price, a nominal amount of HK$0.00001.

   The transaction amount of Scheme and Options Offer is approximately HK$10,908,308 thousand.

2) Subject to Scheme of Arrangement becoming effective, all the ordinary shares and Options of Pou Sheng will be cancelled, in exchange for the payment of Cancellation Price stated in paragraph (1). On the effective date of Scheme of Arrangement and immediately before the Scheme Shares are cancelled, Pou Sheng will issue one share at par to Wealthplus. After Scheme Shares are cancelled, Pou Sheng will issue 5,338,548,615 ordinary shares to Wealthplus.

3) The Scheme of Arrangement should get the approval and resolution including but not limited to:

   a) Approval of meeting of the Scheme Shareholders of Pou Sheng at the direction of the Bermuda Court;

   b) Approval of Pou Sheng Special General Meeting ("SGM");

   c) The sanction of the Scheme by the Bermuda Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;

   d) The approval by Investment Commission of the Ministry of Economic Affairs of Taiwan on the additional investments in China by the Company du to Privatization;

   e) Approval of Yue Yuen SGM; and

   f) All documents and declarations of the Privatization approved by the Securities and Futures Commission of Hong Kong, and HKEx.

   The Scheme has been approved by Yue Yuen SGM on March 16, 2018.

42. 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:

Unit: All Currencies in Thousands (Including Foreign Currencies and New Taiwan Dollars)

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 99,006	29.760	$ 2,946,437
NTD	214,838	1	214,838
RMB	2,317,249	4.565	10,578,243
HKD	129,622	3.807	493,471
VND	257,052,942	0.00119	305,893
IDR	201,580,269	0.00223	449,524
Non-monetary items			
NTD	1,155,003	1	1,155,003
RMB	983,016	4.565	4,487,467
HKD	75,930	3.807	289,065
Financial liabilities			
Monetary items			
USD	75,161	29.760	2,236,801
NTD	719,784	1	719,784
RMB	163,661	4.565	747,111
HKD	17,198	3.807	65,472
EUR	58	35.57	2,070
VND	848,164,706	0.00119	1,009,316
IDR	109,631,390	0.00223	244,478
Non-monetary items			
USD	7,711	29.760	229,468

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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
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

For the years ended December 31, 2017 and 2016, net foreign exchange losses were $529,593 thousand and $839,582 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the Group entities.

43. SEGMENT INFORMATION

a. Information about reportable segments

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments were as follows:

1) Manufacturing of shoes;
2) Retailing of sporting goods and brand licensing business;
3) Others.

b. Segment revenues and results

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

For the year ended December 31, 2017

	Manufacturing of Shoes	**Retailing of Sporting Goods and Brand Licensing Business**	**Others**	**Total**
Revenues from external customers	$ 185,597,169	$ 92,101,627	$ 933,076	$ 278,631,872
Segment income	$ 28,808,329	$ 7,205,780	$ 571,182	$ 36,585,291
Administrative cost, remuneration to directors and supervisors				(19,517,193)
Rental income				390,654
Interest income				605,978
Dividend income				856,941
Other income				2,278,076
Net loss on disposal of property, plant and equipment				(821,180)
Net foreign exchange loss				(529,593)
Net gain on disposal of subsidiaries, associates and joint ventures				480,603
Net gain on disposal of financial assets measured at cost				37,984
Net gain on disposal of investment property				14,199
Net gain arising on financial assets designated as at FVTPL				880,482
Net gain arising on financial liabilities designated as at FVTPL				75,991
Impairment loss				(161,865)
Other loss				(155,990)
Finance costs				(1,986,075)
Share of the profit of associates and joint ventures				5,783,201
Income before income tax				$ 24,817,504

For the year ended December 31, 2016

	Manufacturing of Shoes	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	$ 194,830,122	$ 78,880,234	$ 1,184,990	$ 274,895,346
Segment income	$ 29,418,079	$ 7,123,502	$ 610,250	$ 37,151,831
Administrative cost, remuneration to directors and supervisors				(19,366,648)
Rental income				308,686
Interest income				530,490
Dividend income				874,208
Other income				2,468,173
Net loss on disposal of property, plant and equipment				(251,490)
Net foreign exchange loss				(839,582)
Net gain on disposal of subsidiaries and associates				70,892
Net gain on disposal of financial assets measured at cost				31,530
Net gain arising on financial assets designated as at FVTPL				741,655
Net gain arising on financial liabilities designated as at FVTPL				39,613
Impairment loss				(272,723)
Other loss				(162,882)
Finance costs				(1,316,016)
Share of the profit of associates and joint ventures				6,272,065
Income before income tax				$ 26,279,802

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 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.

c. Geographical information

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

	Revenues from External Customers	
	For the Year Ended December 31	
	2017	2016
Asia	$ 141,139,345	$ 134,417,566
USA	78,435,723	79,484,350
Europe	53,276,125	54,210,053
Others	5,780,679	6,783,377
	$ 278,631,872	$ 274,895,346

d. Information about major customers

Revenue recognized from the manufacture of shoes in 2017 and 2016, amounted to $185,597,169 thousand and $194,830,122 thousand, respectively. Except as detailed in the following table, no other single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

	For the Year Ended December 31			
	2017		2016	
	Amount	% of Total	Amount	% of Total
Customer A	$ 50,675,853	18	$ 53,816,071	20
Customer B	50,804,185	18	52,176,821	19
	$ 101,480,038	36	$ 105,992,892	39