Pou Chen Corporation

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

Opinion

We have audited the accompanying financial statements of Pou Chen Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2018. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Below is the key audit matter of the financial statements for the year ended December 31, 2018.

<u>Impairment Assessment on Goodwill - Investments Accounted for Using Equity Method</u>

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

Management evaluates impairment of an asset by estimating the recoverable amount of such an asset based on forecast sales, estimated future cash flows, and discount rate. Impairment test involves the management's critical estimations and judgments. Therefore, we considered impairment assessment of goodwill of investments accounted for using equity method as a key audit matter for the year ended December 31, 2018.

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

Other Matter

The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method and were based on its financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Company's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2018 and 2017, the carrying amounts of the investment were $8,403,275 thousand and $16,659,984 thousand which constituted 7.32% and 14.40% of the Company's total assets, respectively. For the years ended December 31, 2018 and 2017, the profit of the associate which the Company recognized were $4,491,495 thousand and $3,775,090 thousand which constituted 38.69% and 28.29% of the income before income tax, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

Notice to Readers

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

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

POU CHEN CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 194,630	-	$ 1,199,584	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	5,005,749	4	-	-
Available-for-sale financial assets - current (Notes 4 and 9)	-	-	4,685,590	4
Financial assets at amortized cost - current (Notes 4 and 10)	689,271	1	-	-
Notes receivable (Notes 4 and 11)	1,180	-	54,923	-
Notes receivable from related parties (Notes 4, 11 and 32)	-	-	64	-
Accounts receivable (Notes 4 and 11)	1,127	-	48,466	-
Accounts receivable from related parties (Notes 4, 11 and 32)	1,981,697	2	1,445,747	2
Other receivables (Notes 4, 11 and 32)	344,215	-	257,958	-
Inventories (Notes 4 and 12)	52,092	-	38,650	-
Other current assets (Notes 4 and 13)	57,190	-	132,375	-
Total current assets	8,327,151	7	7,863,357	7
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	60,756	-	-	-
Held-to-maturity financial assets - non-current (Notes 4 and 14)	-	-	282,432	-
Financial assets measured at cost - non-current (Notes 4 and 15)	-	-	61,000	-
Investments accounted for using equity method (Notes 4 and 16)	98,566,569	86	100,234,720	87
Property, plant and equipment (Notes 4 and 17)	5,341,147	5	4,859,896	4
Investment properties (Notes 4 and 18)	1,985,597	2	2,039,425	2
Deferred tax assets (Notes 4 and 26)	4,532	-	3,510	-
Other non-current assets (Notes 4 and 13)	535,493	-	324,130	-
Total non-current assets	106,494,094	93	107,805,113	93
TOTAL	$ 114,821,245	100	$ 115,668,470	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 14,654,000	13	$ 9,275,200	8
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	30,751	-	206,060	-
Notes payable (Notes 4 and 20)	7,678	-	47,850	-
Notes payable to related parties (Notes 4, 20 and 32)	74	-	11,211	-
Accounts payable (Notes 4 and 20)	1,224,211	1	1,123,244	1
Accounts payable to related parties (Notes 4, 20 and 32)	82,876	-	44,428	-
Other payables (Note 21)	1,954,626	2	2,352,183	2
Current tax liabilities (Notes 4 and 26)	717,895	-	1,006,020	1
Current portion of long-term borrowings (Note 19)	4,194,398	4	750,000	1
Other current liabilities	177,126	-	71,461	-
Total current liabilities	23,043,635	20	14,887,657	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	12,905,602	11	16,250,000	14
Deferred tax liabilities (Notes 4 and 26)	291,324	-	125,106	-
Net defined benefit liabilities (Notes 4 and 22)	670,776	1	752,580	1
Other non-current liabilities (Note 16)	46,516	-	37,749	-
Total non-current liabilities	13,914,218	12	17,165,435	15
Total liabilities	36,957,853	32	32,053,092	28
EQUITY (Notes 4 and 23)				
Share capital				
Ordinary shares	29,467,872	26	29,467,872	25
Capital surplus	4,600,092	4	4,615,341	4
Retained earnings				
Legal reserve	13,811,050	12	12,518,889	11
Special reserve	13,917,230	12	13,636,368	12
Unappropriated earnings	38,360,517	33	37,294,138	32
Total retained earnings	66,088,797	57	63,449,395	55
Other equity	(22,293,369)	(19)	(13,917,230)	(12)
Total equity	77,863,392	68	83,615,378	72
TOTAL	$ 114,821,245	100	$ 115,668,470	100

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 24 and 32)	$ 12,062,778	100	$ 11,704,905	100
OPERATING COSTS (Notes 25 and 32)	7,452,651	62	7,736,216	66
GROSS PROFIT	4,610,127	38	3,968,689	34
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	-	-	13,533	-
REALIZED GROSS PROFIT	4,610,127	38	3,982,222	34
OPERATING EXPENSES (Notes 22 and 25)				
Selling and marketing expenses	67,731	-	68,949	1
General and administrative expenses	2,286,232	19	1,785,903	15
Research and development expenses	1,778,265	15	1,648,447	14
Total operating expenses	4,132,228	34	3,503,299	30
INCOME FROM OPERATIONS	477,899	4	478,923	4
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 32)	589,671	5	670,751	6
Other gains and losses (Note 25)	1,026,890	8	(1,424,361)	(12)
Net loss on derecognition of financial assets at amortized cost	(224)	-	-	-
Finance costs (Note 25)	(319,999)	(3)	(313,483)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 16)	9,835,610	82	13,932,128	119
Total non-operating income and expenses	11,131,948	92	12,865,035	110
INCOME BEFORE INCOME TAX	11,609,847	96	13,343,958	114
INCOME TAX EXPENSE (Notes 4 and 26)	(901,201)	(7)	(422,352)	(3)
NET INCOME FOR THE YEAR	10,708,646	89	12,921,606	111

(Continued)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 22)	$ (37,152)	-	$ (206,462)	(2)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	316,990	2	-	-
Share of the other comprehensive loss of subsidiaries and associates	(378,343)	(3)	(179,045)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	-	-	217,073	2
Share of the other comprehensive loss of subsidiaries and associates	(24,156,118)	(200)	(497,935)	(5)
Other comprehensive loss for the year, net of income tax	(24,254,623)	(201)	(666,369)	(6)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (13,545,977)	(112)	$ 12,255,237	105
EARNINGS PER SHARE (Note 27)				
Basic	$ 3.63		$ 4.38	
Diluted	$ 3.62		$ 4.37	

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

(With Deloitte & Touche audit report dated March 25, 2019) (Concluded)

POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Others	Total Equity
BALANCE AT JANUARY 1, 2017	$ 29,467,872	$ 4,540,163	$ 11,213,184	$ 11,905,595	$ 32,214,698	$ 3,109,173	$ (16,745,893)	$ -	$ 352	$ 75,705,144
Appropriation of 2016 earnings (Note 23)										
Legal reserve	-	-	1,305,705	-	(1,305,705)	-	-	-	-	-
Special reserve	-	-	-	1,730,773	(1,730,773)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,420,181)	-	-	-	-	(4,420,181)
	-	-	1,305,705	1,730,773	(7,456,659)	-	-	-	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	-	-	12,921,606
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,754	-	86	(666,369)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,754	-	86	12,255,237
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 23)	-	(47,650)	-	-	-	-	-	-	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(7,579)	-	-	-	-	-	-	-	(7,579)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	130,407	-	-	-	-	-	-	-	130,407
BALANCE AT DECEMBER 31, 2017	29,467,872	4,615,341	12,518,889	13,636,368	37,294,138	(1,790,529)	(12,127,139)	-	438	83,615,378
Effect of retrospective application	-	-	-	-	292,111	-	12,127,139	1,860,011	(506,875)	13,772,386
BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,636,368	37,586,249	(1,790,529)	-	1,860,011	(506,437)	97,387,764
Appropriation of 2017 earnings (Note 23)										
Legal reserve	-	-	1,292,161	-	(1,292,161)	-	-	-	-	-
Special reserve	-	-	-	280,862	(280,862)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,893,574)	-	-	-	-	(5,893,574)
	-	-	1,292,161	280,862	(7,466,597)	-	-	-	-	(5,893,574)
Net income for the year ended December 31, 2018	-	-	-	-	10,708,646	-	-	-	-	10,708,646
Other comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	(64,539)	1,478,405	-	(12,677,612)	(12,990,877)	(24,254,623)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	10,644,107	1,478,405	-	(12,677,612)	(12,990,877)	(13,545,977)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	404	-	-	(2,333,670)	-	-	2,333,670	-	404
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(15,653)	-	-	(69,572)	-	-	-	-	(85,225)
Change in equity for the year ended December 31, 2018	-	(15,249)	1,292,161	280,862	774,268	1,478,405	-	(10,343,942)	(12,990,877)	(19,524,372)
BALANCE AT DECEMBER 31, 2018	$ 29,467,872	$ 4,600,092	$ 13,811,050	$ 13,917,230	$ 38,360,517	$ (312,124)	$ -	$ (8,483,931)	$ (13,497,314)	$ 77,863,392

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 11,609,847	$ 13,343,958
Adjustments for:		
Depreciation expenses	298,587	261,758
Net gain on fair value change of financial instruments at FVTPL	(574,565)	(60,430)
Finance costs	319,999	313,483
Net loss on derecognition of financial assets at amortized cost	224	-
Interest income	(30,808)	(27,010)
Dividends income	(291,438)	(275,865)
Share of the profit of subsidiaries and associates	(9,835,610)	(13,932,128)
Net loss on disposal of property, plant and equipment	30,723	21,149
Realized gain on the transactions with subsidiaries	-	(13,533)
Unrealized loss on foreign currency exchange	6,014	3,203
Changes in operating assets and liabilities		
Financial instruments held for trading	-	285,121
Financial assets mandatorily at fair value through profit or loss	399,256	-
Notes receivable	53,743	(33,670)
Notes receivable from related parties	64	(47)
Accounts receivable	47,339	(18,962)
Accounts receivable from related parties	(535,950)	409,030
Other receivables	98,966	6,437
Inventories	(13,218)	37,607
Other current assets	74,933	(71,095)
Other operating assets	9,299	(24,766)
Notes payable	(40,172)	31,174
Notes payable to related parties	(11,137)	(14,513)
Accounts payable	100,967	(201,396)
Accounts payable to related parties	38,448	(56,825)
Other payables	(453,168)	850,727
Other current liabilities	105,665	(41,571)
Net defined benefit liabilities	(118,956)	(1,243,050)
Cash generated from (used in) operations	1,289,052	(451,214)
Interest paid	(302,729)	(305,514)
Income tax paid	(1,024,131)	(651,808)
Net cash used in operating activities	(37,808)	(1,408,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(692,670)	-
Proceeds from financial assets at amortized cost	279,488	-
Proceeds on sale of debt investments with no active market	-	90,493
Acquisition of associates under equity method	(70,000)	(82,000)
Acquisition of property, plant and equipment	(794,936)	(604,314)
Proceeds from disposal of property, plant and equipment	99,197	64,548
Increase in refundable deposits	(671)	(1,964)

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POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Decrease in refundable deposits	$ 6,178	$ -
Loans to related parties	(189,000)	-
Increase in other current liabilities	(236,267)	-
Increase in prepayments for equipment	(3,667)	(13,974)
Increase in other prepayments	-	(226,594)
Interest received	34,691	29,825
Dividends received	932,160	4,471,593
Cash dividends from reduction of capital surplus from associates	70,067	-
Net cash (used in) generated from investing activities	(565,430)	3,727,613
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,378,800	2,760,200
Proceeds from long-term borrowings	3,500,000	-
Repayments of long-term borrowings	(3,400,000)	-
Cash dividend	(5,893,574)	(4,420,181)
Increase in guarantee deposits	13,059	-
Decrease in guarantee deposits	-	(305)
Net cash used in financing activities	(401,715)	(1,660,286)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,004,953)	658,791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,199,584	540,793
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 194,631	$ 1,199,584

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

(With Deloitte & Touche audit report dated March 25, 2019) (Concluded)

POU CHEN CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

The financial statements are presented in New Taiwan dollars, the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 25, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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 did not have any material impact on the Company’s accounting policies:

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

2) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following tables show the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company’s financial assets as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,199,584	$ 1,199,584	
Structured deposits	Held-to-maturity	Amortized cost	172,557	172,557	a)
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	4,746,590	4,749,513	b)
Debt securities	Held-to-maturity	Amortized cost	109,875	109,875	c)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	1,807,158	1,807,158	d)
Refundable deposits	Loans and receivables	Amortized cost	9,142	9,142	d)

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI - equity instruments	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	4,685,590	-	4,685,590	-	-	b)
Remeasurement of financial assets measured at cost (IAS 39)	-	61,000	2,923	63,923	-	2,923	b)
	-	4,746,590	2,923	4,749,513	-	2,923	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from held-to-maturity (IAS 39)	-	282,432	-	282,432	-	-	a), c)
Add: Reclassification from loans and receivables (IAS 39)	-	3,015,884	-	3,015,884	-	-	d)
	-	3,298,316	-	3,298,316	-	-	
	$ -	$ 8,044,906	$ 2,923	$ 8,047,829	$ -	$ 2,923	
Investments accounted for using equity method	$ 100,234,720	$ -	$ 13,769,463	$ 114,004,183	$ 292,111	$ 13,477,352	e)

a) Structured deposits previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 have been measured at amortized cost with an assessment of expected credit losses under IFRS 9 because, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.

b) Equity security investments classified as available-for-sale under IAS 39 (recognized as “financial assets measured at cost - non-current”) were not held for trading; thus, the Company elected to designate those investments as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gain or loss on available-for-sale financial assets of $904,504 thousand was reclassified to other equity - unrealized gain or loss on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $2,923 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain or loss on financial assets at FVTOCI on January 1, 2018.

c) Investments previously classified as held-to-maturity financial assets and debt investments with no active market measured at amortized cost under IAS 39 are classified as at amortized cost under IFRS 9 because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.

d) Notes receivable, accounts receivable, other receivables and refunds that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

f) As a result of the retrospective application of IFRS 9 by associates accounted for using the equity method, there was an increase in investments accounted for using the equity method of $13,769,463 thousand, an increase in other equity - unrealized gain or loss on financial assets at FVTOCI of $446,147 thousand, a increase in other equity - unrealized gain or loss on available-for-sale financial assets of $13,031,205 thousand and a increase in retained earnings of $292,111 thousand on January 1, 2018.

Classification and measurement of financial liabilities

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial liabilities and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial liabilities as at January 1, 2018.

Financial Liabilities	**Measurement Category**		**Carrying Amount**	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
Derivatives	Held-for-trading	Mandatorily at FVTPL	$ 206,060	$ 206,060

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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

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 Company 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 Company 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 a 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 Company's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company 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.

When the amendments are applied retrospectively starting from January 1, 2018, the application will not have a significant impact on the accounting of the Company in assessing deferred tax assets.

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

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of 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 significant impact of the amendments that reflect the conditions that exist as of 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 Company applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Revised or Amended Standards or Interpretations (the "New IFRSs")	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)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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: The shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

Definition of a lease

Upon initial application of IFRS 16, the Company will reassess whether a contract is a lease in accordance with the definition of a lease under IFRS 16. Part of contracts, which are currently identified as containing a lease under IAS 17 and IFRIC 4, will not meet the definition of a lease under IFRS 16 and will be accounted for in accordance with other standards because the customers do not have the right to direct the use of the identified assets.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Before the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company applied IFRS 16 retrospectively. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Other assets - current	$ 57,190	$ (2,773)	$ 54,417
Right-of-use assets	-	49,233	49,233
Total effect on assets	$ 57,190	$ 46,460	$ 103,650
Lease liabilities - current	$ -	$ 16,366	$ 16,366
Lease liabilities - non-current	-	30,094	30,094
Total effect on liabilities	$ -	$ 46,460	$ 46,460

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

The initial application of IFRIC 23 will not have a significant effect on the accounting of the Company.

3) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

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

The initial application of the above amendments will not have a significant effect on the accounting of the Company.

4) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement to IFRSs 2015-2017 Cycle. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assessed the application of other standards and interpretations will not have a significant impact on the Company’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 or Interpretations (the “New IFRSs”)	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date falls on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

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

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

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create output. The amendments narrow the definition of output by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce output.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liability which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

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

When preparing its parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries and associates. The amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements are the same with the amounts attributable to the owner of the Company in its consolidated financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

In preparing the Company's financial statement, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

For the purposes of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign subsidiaries (in other countries or currencies used are different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign subsidiary and the Company loss of control over the subsidiary, all of the exchange differences accumulated in equity are reclassified to profit or loss.

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

e. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process and merchandise, are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to 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.

f. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company. Investments in subsidiaries are accounted for by the equity method.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company’s loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from upstream and downstream transactions with a subsidiary are eliminated in full.

g. Investments in an associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for by the equity method.

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

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

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

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

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

At the date on which the Company ceases to have significant influence over the associates, any retained investment is measured at fair value. The difference between the previous carrying amount of the associates attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associates on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

h. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (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.

For a transfer of a property from the classification of investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of a property from the classification of property, plant and equipment to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

j. Impairment of assets

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

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

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.

k. Financial instruments

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

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

Financial assets

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

1) Measurement category

   2018

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

   a) Financial assets at FVTPL

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

      Financial assets at FVTPL are subsequently measured 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 31.

   b) Financial assets at amortized cost

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

      i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

      ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

      Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

      Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

      i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and ii Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

2017

Financial assets are classified into the following categories: financial assets at FVTPL, available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

Financial assets at FVTPL 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 31.

b) 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 FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to 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 such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company'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 presented as 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 the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment loss is recognized in profit and loss.

c) Held-to-maturity investments

Foreign bonds and bills, which are above specific credit ratings and which the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

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

d) Loans and receivables

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

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

2) Impairment of financial assets

<u>2018</u>

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, 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, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets at amortized cost, such as accounts receivable, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets 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 any 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 is 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, 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 such an 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 a 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, and uncollectible accounts receivable are written off against the allowance account.

3) Derecognition of financial assets

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

On derecognition of a financial asset 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 Company entity are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

1) Subsequent measurement

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

   Financial liabilities are classified as at FVTPL when such a financial liability is held for trading. Such financial liabilities are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

2) Derecognition of financial liabilities

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

Derivative financial instruments

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

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts, which contain financial asset hosts within the scope of IFRS 9, are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

l. Revenue recognition

2018

1) Sale of goods

The Company identifies a contract with a customer, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

The Company's revenue from the sale of goods comes from footwear sales. Sales of products are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

2) Rendering of services

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

3) Dividend and interest income

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

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

2017

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 of 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 Company and the amount of income can be measured reliably.

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

m. 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 Company as lessor

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

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

o. Taxation

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

1) Current tax

The Company which established in the ROC according to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized when taxable profits are likely to deduct temporary differences and income tax deduction produced by expenditure.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Investments Accounted for Using Equity Method

The Company immediately recognizes impairment losses on its net investment accounted for using equity method when there is any indication that the investment may be impaired and the carrying amounts may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the investment. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of the relevant assumptions.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 1,202	$ 1,110
Checking accounts and demand deposits	193,428	568,623
Cash equivalent (time deposits with original maturities of less than three months)		
Time deposits	-	327,847
Repurchase agreements collateralized by bonds	-	302,004
	$ 194,630	$ 1,199,584

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	December 31	
	2018	**2017**
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 30,751	$ 197,154
Cross-currency swap contracts (b)	-	5,797
Interest rate swap contracts (c)	-	3,109
	$ 30,751	$ 206,060

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

December 31, 2018

Notional Amount (In Thousands)		Maturity Date	Rate	
US$	60,000	2019.01	US$:NT$	30.7720
US$	27,200	2019.03	US$:NT$	30.6250
US$	31,000	2019.03	US$:NT$	30.6250
US$	55,000	2019.03	US$:NT$	30.6240
US$	30,000	2019.03	US$:NT$	30.5770
US$	27,000	2019.03	US$:NT$	30.5730

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

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

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

December 31, 2017

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

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

c. 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

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

8. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2017
Current	
Domestic investments	
Listed shares	$ 5,005,749
Non-current	
Domestic investments	
Unlisted shares	$ 60,756

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale (included in financial assets measured at cost - non-current) under IAS 39. Refer to Notes3, 9 and 15 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Domestic investments	
Listed shares	$ 4,685,590

10. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Time deposits with original maturity of more than 3 months	$ 689,271

The time deposits were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 14 for information relating to their reclassification and comparative information for 2017.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable (including related parties)		
At amortized cost		
Notes receivable - operating	$ 681	$ 2,147
Notes receivable - non-operating	499	52,840
Less: Allowance for doubtful accounts	-	-
	$ 1,180	$ 54,987
Accounts receivable (including related parties)		
At amortized cost		
Accounts receivable	$ 1,982,824	$ 1,494,213
Less: Allowance for doubtful accounts	-	-
	$ 1,982,824	$ 1,494,213
Other receivables (including related parties)		
Tax refund receivables	$ 49,232	$ 31,984
Others	294,983	225,974
Less: Allowance for doubtful accounts	-	-
	$ 344,215	$ 257,958

a. Notes receivable

The notes receivable balances at December 31, 2018 and 2017 were not past due.

b. Accounts receivable

2018

In determining the recoverability of accounts receivable, the Company 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 impairment loss was recognized based on the expected loss rate of individual customers by reference to the past default record of the debtor and an analysis of the debtor’s current financial position.

The Company writes off an account receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of the relevant receivable's recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

For some accounts receivable balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts.

The aging of receivables based on the invoice date was as follows:

	December 31, 2018
Up to 30 days	$ 1,043,793
31-90 days	893,589
More than 90 days	45,442
	$ 1,982,824

2017

The Group applied the same credit policy in 2018 and 2017. An allowance for doubtful accounts was recognized based on past due amounts at the end of the reporting period and past default experience.

For some accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts.

The aging analysis of the accounts receivable was 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	$ 644,310	$ -	$ -	$ -	$ 644,310
31-90 days	849,903	-	-	-	849,903
More than 90 days	-	-	-	-	-
	$ 1,494,213	$ -	$ -	$ -	$ 1,494,213

The above aging schedule was based on the invoice date.

12. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 25,254	$ 22,225
Supplies	147	172
Work in progress	1,753	891
Finished goods	18,027	12,957
Merchandise	6,911	2,405
	$ 52,092	$ 38,650

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $7,452,651 thousand and $7,736,216 thousand, respectively.

13. OTHER ASSETS

	December 31	
	2018	2017
Current		
Prepayments	$ 41,196	$ 29,808
Supplies inventory	1,145	64,313
Temporary payments	3,601	2,418
Value-added tax retained	11,248	35,836
	$ 57,190	$ 132,375
Non-current		
Prepayments	$ 519,210	$ 289,742
Prepayments for equipment	3,779	21,377
Refundable deposits	3,635	9,142
Others	8,869	3,869
	$ 535,493	$ 324,130

14. HELD-TO-MATURITY FINANCIAL ASSETS - NON-CURRENT - 2017

	December 31, 2017
Foreign investments	
Corporate bonds	$ 109,875
Structured product	172,557
	$ 282,432

15. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic shares	
Unlisted shares	$ 61,000
Classified according to measurement categories	
Available-for-sale financial assets	$ 61,000

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

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 88,779,215	$ 82,115,785
Investments in associates	9,787,354	18,118,935
	$ 98,566,569	$ 100,234,720

a. Investments in subsidiaries

	December 31	
	2018	2017
Unlisted companies	$ 88,779,215	$ 82,115,785

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

	December 31	
Name of Subsidiary	2018	2017
Wealthplus Holdings Limited	100.00%	100.00%
Win Fortune Investments Limited	100.00%	100.00%
Windsor Entertainment Co., Ltd.	100.00%	100.00%
Pou Shine Investments Co., Ltd.	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	100.00%	100.00%
Barits Development Corporation	99.49%	99.49%
Pou Yuen Technology Co., Ltd.	97.82%	97.82%
Pou Yii Development Co., Ltd.	15.00%	15.00%
Wang Yi Construction Co., Ltd.	7.82%	7.82%

1) For the information of subsidiaries' nature of business, business location and registered country, please refer to Table 6 (Information on investees).

2) The Company holds less than 50% interest in Pou Yii and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yii and Wang Yi; therefore, the Company has control over Pou Yii and Wang Yi. Furthermore, the carrying amount of investment in Wang Yi is negative for the year ended December 31, 2018 and 2017. Therefore, the Company recognized $15,563 thousand and $19,855 thousand, respectively, in "other non-current liabilities".

3) The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2018	**2017**
Material associates		
Ruen Chen Investment Holding Co., Ltd.	$ 8,403,275	$ 16,659,984
Associates that are not individually material	1,384,079	1,458,951
	$ 9,787,354	$ 18,118,935

1) Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	**2018**	**2017**
Ruen Chen Investment Holding Co., Ltd.	20%	20%

a) For the information of subsidiaries' nature of business, business location and registered country, please refer to Table 6 (Information on investees).

b) The summarized financial information below represents amounts shown in the material associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Ruen Chen Investment Holding Co., Ltd.

	December 31	
	2018	**2017**
Assets	$ 4,362,687,326	$ 4,035,948,083
Liabilities	(4,309,426,713)	(3,936,746,594)
Non-controlling interests	(10,947,677)	(15,605,007)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 42,312,936	$ 83,596,482
Proportion of the Company	20.00%	20.00%
Equity attributable to the Company	$ 8,462,587	$ 16,719,296
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 8,403,275	$ 16,659,984

	For the Year Ended December 31	
	2018	2017
Operating revenue	$ 636,836,934	$ 674,451,923
Net income	$ 24,301,356	$ 20,864,196
Other comprehensive income (loss)	(150,286,690)	20,744,687
Total comprehensive income	$(125,985,334)	$ 41,608,883

2) Associates that are not individually material

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2018	2017
Elitegroup Computer Systems Co., Ltd.	12.57%	12.57%
Techview International Technology Inc.	30.00%	30.00%

a) For the information of subsidiaries' nature of business, business location and registered country, please refer to Table 6 (Information on investees).

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

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Net (loss) income	$ 2,566	$ 27,870
Other comprehensive loss	(8,909)	(52,147)
Total comprehensive (loss) income	$ (6,343)	$ (24,277)

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

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

	December 31	
	2018	2017
Elitegroup Computer Systems Co., Ltd.	$ 865,327	$ 1,390,829

17. 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, 2017	$ 1,771,359	$ 4,037,422	$ 659,468	$ 166,203	$ 347,635	$ 88,918	$ 197,201	$ 7,268,206
Additions	-	12,377	201,814	19,143	31,179	3,517	435,280	703,310
Disposals	-	(69,091)	(126,804)	(10,406)	(34,666)	(1,678)	-	(242,645)
Transfers from prepayments for equipment	-	-	24,120	-	657	-	35,090	59,867
Reclassified	(94,223)	2,808	47	-	-	4,400	(30,733)	(117,701)
Balance at December 31, 2017	$ 1,677,136	$ 3,983,516	$ 758,645	$ 174,940	$ 344,805	$ 95,157	$ 636,838	$ 7,671,037
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 1,888,431	$ 369,782	$ 134,948	$ 302,916	$ 68,338	$ -	$ 2,764,415
Disposals	-	(44,870)	(72,692)	(10,097)	(31,799)	(1,267)	-	(160,725)
Depreciation expenses	-	102,227	69,439	11,893	18,876	5,675	-	208,110
Reclassified	-	(666)	-	-	-	7	-	(659)
Balance at December 31, 2017	$ -	$ 1,945,122	$ 366,529	$ 136,744	$ 289,993	$ 72,753	$ -	$ 2,811,141
Carrying amounts at December 31, 2017	$ 1,677,136	$ 2,038,394	$ 392,116	$ 38,196	$ 54,812	$ 22,404	$ 636,838	$ 4,859,896
Cost								
Balance at January 1, 2018	$ 1,677,136	$ 3,983,516	$ 758,645	$ 174,940	$ 344,805	$ 95,157	$ 636,838	$ 7,671,037
Additions	997	13,484	129,758	12,866	46,693	33,275	596,457	833,530
Disposals	-	(122,946)	(121,586)	(23,724)	(28,970)	(5,244)	-	(302,470)
Transfers from prepayments for equipment	-	-	6,325	985	6,695	7,035	-	21,040
Reclassified	(7,502)	1,073,840	64,288	-	-	-	(1,138,128)	(7,502)
Urban renewal	(3,962)	(23,547)	-	-	-	-	-	(27,509)
Balance at December 31, 2018	$ 1,666,669	$ 4,924,347	$ 837,430	$ 165,067	$ 369,223	$ 130,223	$ 95,167	$ 8,188,126
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 1,945,122	$ 366,529	$ 136,744	$ 289,993	$ 72,753	$ -	$ 2,811,141
Disposals	-	(97,156)	(45,001)	(23,158)	(28,551)	(4,828)	-	(198,694)
Depreciation expenses	-	107,456	89,630	11,275	27,597	8,801	-	244,759
Urban renewal	-	(10,227)	-	-	-	-	-	(10,227)
Balance at December 31, 2018	$ -	$ 1,945,195	$ 411,158	$ 124,861	$ 289,039	$ 76,726	$ -	$ 2,846,979
Carrying amounts at December 31, 2018	$ 1,666,669	$ 2,979,152	$ 426,272	$ 40,206	$ 80,184	$ 53,497	$ 95,167	$ 5,341,147

a. Except for depreciation expenses recognized the Company had neither significant disposal nor impairment of properties in 2018 and 2017.

b. The Company participated in urban renewal with the land located in Songshan District, Taipei City. The carrying amount of old building $13,320 thousand was reduced by the compensation for rights transformation plan, rent and removal 17,282 thousand, which was recorded as a reduction of the initial carrying amount of urban renewal land.

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

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

d. The Company has a land located in Changhwa County with a carrying value of $56,102 thousand. Due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property.

18. INVESTMENT PROPERTIES

	2018	2017
Cost		
Balance at January 1	$ 2,660,423	$ 2,542,722
Reclassified	-	117,701
Balance at December 31	$ 2,660,423	$ 2,660,423
Accumulated depreciation and impairment		
Balance at January 1	$ 620,998	$ 566,691
Depreciation expenses	53,828	53,648
Reclassified	-	659
Balance at December 31	$ 674,826	$ 620,998
Carrying amounts at December 31	$ 1,985,597	$ 2,039,425

a. Except for depreciation expenses recognized, the Company had neither significant disposal nor impairment of properties in 2018 and 2017.

b. The above items of investment properties are depreciated on a straight-line method over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings	
Main buildings	50-55 years
Elevators	15 years

c. The fair value valuation was performed by independent qualified professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

	December 31	
	2018	2017
Investment property	$ 3,135,054	$ 3,093,510

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Credit borrowings	$ 14,654,000	$ 9,275,200

The range of effective interest rate on bank borrowings was 0.60%-0.90% and 0.67%-2.10% per annum as of December 31, 2018 and 2017, respectively.

b. Long-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Bank loans	$ 17,100,000	$ 17,000,000
Less: Current portion	(4,194,398)	(750,000)
	$ 12,905,602	$ 16,250,000

Range of maturity dates and interest rates:

	December 31	
	2018	2017
Maturity date		
Long-term borrowings	2020.01.15-2026.07.15	2019.03.27-2021.12.21
Current portion of long-term borrowings	2019.03.27-2019.12.03	2018.09.27
Range of interest rate	1.01%-1.60%	1.09%-1.60%

20. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2018	2017
Notes payable (including related parties)		
Operating	$ 4,333	$ 53,793
Non-operating	3,419	5,268
	$ 7,752	$ 59,061
Accounts payable (including related parties)	$ 1,307,087	$ 1,167,672

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

21. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries	$ 248,824	$ 240,096
Payables for purchase of property, plant and equipment	211,913	183,320
Compensation due to directors and supervisors	107,388	123,428
Employee compensation payables	737,859	678,216
Interest payables	49,134	32,116
Payables for annual leave	114,565	108,186
Others	484,943	986,821
	$ 1,954,626	$ 2,352,183

22. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

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

Defined Benefit Plan

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

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 1,496,483	$ 1,512,580
Fair value of plan assets	(825,707)	(760,000)
Net defined benefit liability	$ 670,776	$ 752,580

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	$ 2,103,407	$ (314,239)	$ 1,789,168
Service cost	21,030	-	21,030
Net interest expense (income)	22,955	(5,947)	17,008
Recognized in profit or loss	43,985	(5,947)	38,038
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	-	(546,796)	(546,796)
Benefits paid	(106,219)	106,219	-
Others	(734,292)	-	(734,292)
Balance at December 31, 2017	$ 1,512,580	$ (760,000)	$ 752,580
Balance at January 1, 2017	$ 1,512,580	$ (760,000)	$ 752,580
Service cost	13,265	-	13,265
Past service cost	39,247	-	39,247
Net interest expense (income)	18,246	(9,900)	8,346
Recognized in profit or loss	70,758	(9,900)	60,858
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(18,460)	(18,460)
Actuarial loss arising from changes in demographic assumptions	24,509	-	24,509
Actuarial loss arising from changes in financial assumptions	21,681	-	21,681
Actuarial loss arising from experience adjustments	9,422	-	9,422
Recognized in other comprehensive income (loss)	55,612	(18,460)	37,152
Contributions from the employer	-	(169,387)	(169,387)
Benefits paid	(132,040)	132,040	-
Others	(10,427)	-	(10,427)
Balance at December 31, 2018	$ 1,496,483	$ (825,707)	$ 670,776

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

	For the Year Ended December 31	
	2018	**2017**
Operating costs	$ 77	$ 109
Selling and marketing expenses	34	22
General and administrative expenses	34,949	27,093
Research and development expenses	25,798	10,814
	$ 60,858	$ 38,038

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

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

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

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

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

	December 31	
	2018	**2017**
Discount rate	1.125%	1.25%
Expected rate of salary increase	2.00%	2.00%

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

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (43,852)	$ (44,769)
0.25% decrease	$ 45,747	$ 46,740
Expected rate(s) of salary increase		
0.25% increase	$ 44,549	$ 45,574
0.25% decrease	$ (42,928)	$ (43,880)

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	
	2018	2017
The expected contributions to the plan for the next year	$ 169,580	$ 169,807
The average duration of the defined benefit obligation	11.9 years	12.1 years

23. EQUITY

a. Share capital

	December 31	
	2018	2017
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	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Recognized from issuance of ordinary shares	$ 848,603	$ 848,603
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	343,269	343,269
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	-	15,653
May not be used for any purpose		
Recognized from share of changes in net assets of associates	136,120	135,716
	$ 4,600,092	$ 4,615,341

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

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

1) For paying taxes.

2) For offsetting deficits.

3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.

4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to share ownership proportion.

For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 25 (g).

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

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

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

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings on June 15, 2018 and June 15, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2017	**For Year 2016**	**For Year 2017**	**For Year 2016**
Legal reserve	$ 1,292,161	$ 1,305,705	$ -	$ -
Special reserve	280,862	1,730,773	-	-
Cash dividends	5,893,574	4,420,181	2.00	1.50

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 13, 2019.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (1,790,529)	$ 3,109,173
Exchange differences arising on translation of foreign subsidiaries and associates	1,478,405	(4,899,702)
Balance at December 31	$ (312,124)	$ (1,790,529)

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

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (12,127,139)	$ (16,745,893)
Adjustment on initial application of IFRS 9	12,127,139	-
Unrealized gain on available-for-sale financial assets	-	217,073
Unrealized gain on available-for-sale financial assets of subsidiaries and associates	-	4,401,681
Balance at December 31	$ -	$ (12,127,139)

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

	For the Year Ended December 31, 2018
Balance at January 1	$ -
Adjustment on initial application of IFRS 9	1,860,011
Balance at January 1 per IFRS 9	1,860,011
Unrealized gain from equity instruments	316,991
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	2,333,670
Share of loss from associates and joint ventures accounted for using equity method	(12,994,603)
Balance at December 31	$ (8,483,931)

4) Others

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ 438	$ 352
Adjustment on initial application of IFRS 9	(506,875)	-
Balance at January 1 per IFRS 9	(506,437)	352
Share from associates and join ventures accounted for using the equity method	(12,990,877)	86
Balance at December 31	$ (13,497,314)	$ 438

24. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from the products	$ 9,261,693	$ 9,600,331
Revenue from the rendering of services	2,801,085	2,104,574
	$ 12,062,778	$ 11,704,905

25. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income (Note 31)		
Rental income from operating lease		
Investment properties	$ 119,064	$ 119,595
Others	24,899	32,056
	143,963	151,651
Interest income		
Cash in bank	14,775	10,200
Repurchase agreements collateralized by bonds	5,285	4,428
Financial assets at amortized cost	9,874	-
Held-to-maturity financial assets	-	11,480
Debt investment with no active market	-	902
Others	874	-
	30,808	27,010
Dividends income	291,438	275,865
Others	123,462	216,225
	$ 589,671	$ 670,751

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net loss on disposal of property, plant and equipment	$ (30,723)	$ (21,149)
Net foreign exchange gain (loss)	550,020	(1,400,702)
Net gain arising on financial assets designated as at FVTPL	436,180	146,545
Net gain (loss) arising on financial liabilities designated as at FVTPL	138,385	(86,115)
Others	(66,972)	(62,940)
	$ 1,026,890	$ (1,424,361)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank borrowings	$ 317,782	$ 301,952
Interest on short-term bills payable	2,183	3,911
Other interest expense	34	7,620
	$ 319,999	$ 313,483

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 244,759	$ 208,110
Investment properties	53,828	53,648
	$ 298,587	$ 261,758
An analysis of depreciation by function		
Operating costs	$ 7,409	$ 8,384
Operating expenses	237,350	199,726
Non-operating expenses	53,828	53,648
	$ 298,587	$ 261,758

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generate rental income	$ 70,664	$ 70,226
Direct operating expenses from investment properties that did not generate rental income	65	65
	$ 70,729	$ 70,291

f. Employee benefits expense

	2018			2017		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	$ -	$ 23,436	$ 23,436	$ 1,157	$ 11,959	$ 13,116
Remuneration of directors and supervisors	-	113,124	113,124	-	131,992	131,992
Others	17,968	2,336,999	2,354,967	23,052	2,335,557	2,358,609
	17,968	2,473,559	2,491,527	24,209	2,479,508	2,503,717
Labor and health insurance	1,419	225,968	227,387	2,523	221,593	224,116
Post-employment benefit						
Defined contribution plans	725	115,088	115,813	1,276	109,567	110,843
Defined benefit plans	77	60,781	60,858	109	37,929	38,038
	802	175,869	176,671	1,385	147,496	148,881
Other employee benefits	502	75,501	76,003	917	76,123	77,040
Total employee benefits expense	$ 20,691	$ 2,950,897	$ 2,971,588	$ 29,034	$ 2,924,720	$ 2,953,754

As of December 31, 2018 and 2017, there were 3,394 and 3,775 employees, respectively, in the Company. Among the Company's directors, there were five who were not employees. The Company accounts for employee benefits expense based on the number of employees.

g. Employees' compensation and remuneration of directors and supervisors

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

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which were approved by the Company's board of directors on March 25, 2019 and March 26, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

	For the Year Ended December 31			
	2018		**2017**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 214,776	$ -	$ 246,856	$ -
Remuneration of directors and supervisors	107,388	-	123,428	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 144,686	$ 485,625
Adjustments for prior years' income tax	84,369	43,448
Income tax expense of unappropriated earnings	506,950	522,087
	736,005	1,051,160
Deferred tax		
In respect of the current period	159,010	(628,808)
Change of tax rate	6,186	-
	165,196	(628,808)
Income tax expense recognized in profit or loss	$ 901,201	$ 422,352

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

	For the Year Ended December 31	
	2018	2017
Income before income tax	$ 11,609,847	$ 13,343,958
Income tax expense calculated at the statutory rate	$ 2,321,969	$ 2,268,473
Tax effect of adjusting items		
Tax-exempt income	(58,288)	(46,897)
Investment income recognized under equity method	(1,967,122)	(2,368,462)
Others	7,137	3,703
Income tax on unappropriated earnings	506,950	522,087
Change of tax rate	6,186	-
Adjustments for prior years' income tax	84,369	43,448
Income tax expense recognized in profit or loss	$ 901,201	$ 422,352

In 2017, the applicable corporate income tax rate used by the Company entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 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	
	2018	**2017**
Deferred tax assets		
Temporary differences		
Others	$ 4,532	$ 3,510
Deferred tax liabilities		
Temporary differences		
Land value increment tax	$ 86,547	$ 86,547
Others	204,777	38,559
	$ 291,324	$ 125,106

c. Income tax assessments

The tax returns of the Company through 2016 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	**2017**
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 10,708,646	$ 12,921,606
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of ordinary shares in computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive ordinary shares:		
Bonus to employees	8,085	7,888
Weighted average number of ordinary shares used in the computation of diluted earnings per share	2,954,872	2,954,675
Earnings per share (in dollars)		
Basic earnings per share	$3.63	$4.38
Diluted earnings per share	$3.62	$4.37

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.

28. SHARE-BASED PAYMENT ARRANGEMENTS

As of November 6, 2007, the Company had issued employee share options which expired on November 5, 2017. The Company did not grant any options for the year ended December 31, 2018. Information about outstanding share options for the year ended December 31, 2017 is as follows:

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

29. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of plant, dormitory, and office with lease terms between 1 to 6 years. The Company does not have a bargain purchase option to acquire the leased plant, dormitory, and office at the expiration of the lease periods.

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

	December 31	
	2018	**2017**
Not later than 1 year	$ 26,998	$ 14,696
Later than 1 year and not later than 5 years	32,029	13,340
	$ 59,027	$ 28,036

The lease contract includes terms of the contingent rental payments requiring that the Company should pay contingent rentals based on the actual application situation.

b. The Company as lessor

Operating leases relate to leasing of investment properties with lease terms between 1 to 10 years. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

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

	December 31	
	2018	**2017**
Not later than 1 year	$ 137,881	$ 66,701
Later than 1 year and not later than 5 years	190,859	49,059
	$ 328,740	$ 115,760

In addition to the minimum lease payments receivable, the above property lease contracts also included contingent rental clauses stipulating that the lessees should pay contingent rentals based on the actual application situation.

30. CAPITAL MANAGEMENT

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

31. FINANCIAL INSTRUMENTS

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

The management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximate fair values.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable:

1) The fair value hierarchy is as follows:

December 31, 2018

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 5,005,749	$ -	$ -	$ 5,005,749
Domestic unlisted shares	-	-	60,756	60,756
	$ 5,005,749	$ -	$ 60,756	$ 5,066,505
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 30,751	$ -	$ 30,751

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Investments in equity instruments				
Domestic listed shares	$ 4,685,590	$ -	$ -	$ 4,685,590
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 206,060	$ -	$ 206,060

2) There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

3) There was no reconciliation of Level 3 fair value measurements of financial assets except for changes in fair value recognized in other comprehensive income.

4) The fair value of Level 2 financial assets and financial liabilities is determined as follows:

   a) The fair value of financial instruments with standard terms and conditions and traded in active liquid markets is determined with reference to the quoted market prices.

   b) The future cash flows of derivatives are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

5) Valuation techniques and assumptions applied for Level 3 fair value measurement is as follows:

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

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Held-to-maturity financial assets	$ -	$ 282,432
Loans and receivables (Note 1)	-	3,015,884
Available-for-sale financial assets	-	4,685,590
Financial assets at amortized cost (Note 2)	3,215,755	-
Financial assets measured at cost	-	61,000
Financial assets at FVTOCI	5,066,505	-
Financial liabilities		
FVTPL		
Held for trading	30,751	206,060
Amortized cost (Note 3)	35,054,418	29,872,010

Note 1: The balance included loans and receivables at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables and refundable deposits.

Note 2: The balance included financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables and refundable deposits.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, receivables, payables and borrowings. The Company's treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk) credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

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

	For the Year Ended December 31	
	2018	**2017**
USD	$ (99,553)	$ (102,228)
RMB	(188)	(314)

b) Interest rate risk

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

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

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial liabilities	$ 20,984,000	$ 20,775,200

Sensitivity analysis

The sensitivity analyses below were based on the Company's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Company to increase its cash-out by $209,840 thousand and $207,752 thousand during the years ended December 31, 2018 and 2017, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% lower, the other comprehensive income for the year ended December 31, 2018 would have decreased by $50,057 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% lower, the other comprehensive income for the year ended December 31, 2017 would decrease by $46,856 thousand as a result of the changes in fair value of available-for-sale shares.

The Company's sensitivity to investments in equity securities has not changed significantly from the prior year.

2) Credit risk

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

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized short-term bank borrowing facilities set out in (c) below.

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

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

December 31, 2018

	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	$ 753,032	$ 941,399	$ 1,605,987	$ -	$ -
Floating interest rate liabilities	5,044,000	5,195,000	2,339,398	8,405,602	-
Fixed interest rate liabilities	-	1,125,000	5,145,000	4,500,000	-
	$ 5,797,032	$ 7,261,399	$ 9,090,385	$ 12,905,602	$ -

December 31, 2017

	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	$ 720,650	$ 735,573	$ 2,140,587	$ -	$ -
Floating interest rate liabilities	5,660,000	1,895,200	1,720,000	11,500,000	-
Fixed interest rate liabilities	-	-	750,000	4,750,000	-
	$ 6,380,650	$ 2,630,773	$ 4,610,587	$ 16,250,000	$ -

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

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

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

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contracts	$ -	$ 30,751	$ -	$ -	$ -

December 31, 2017

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

c) Financing facilities

	December 31	
	2018	2017
Unsecured bank facility and reviewed annually:		
Amount used	$ 31,794,352	$ 26,320,826
Amount unused	20,677,321	9,132,230
	$ 52,471,673	$ 35,453,056

32. TRANSACTIONS WITH RELATED PARTIES

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

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

Names of the Related Parties	Relationships
Yue Yuen Industrial (Holdings) Limited	Subsidiaries
Barits Development Corporation	Subsidiaries
Pan Asia Insurance Services Co., Ltd.	Subsidiaries
Pou Yii Development Co., Ltd.	Subsidiaries
Pou Shine Investments Co., Ltd.	Subsidiaries
Pou Chin Development Co., Ltd.	Subsidiaries
Song Ming Investments Co., Ltd.	Subsidiaries
Wang Yi Construction Co., Ltd.	Subsidiaries
Windsor Entertainment Co., Ltd.	Subsidiaries
Pro Arch International Development Enterprise Inc.	Subsidiaries
Chang Yang Material Corporation	Associates
High Shine Investments Ltd.	Associates
San Fang Chemical Industry Co., Ltd.	Associates
Nan Pao Resins Chemical Co., Ltd.	Associates
Platinum Long John Co., Ltd.	Associates
Sheachang Enterprise Corporation	Other related parties
Evermore Chemical Industry Co., Ltd.	Other related parties

b. Operating revenue

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Sales and service revenue	Yue Yuen	$ 11,840,120	$ 11,378,947
	Subsidiaries	1,731	1,303
	Associates	87,025	67,361
		$ 11,928,876	$ 11,447,611

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

The Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

1) For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.

2) For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier’s invoice amounts.

3) For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier’s invoice amounts.

c. Purchases

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Purchases	Subsidiaries	$ 980	$ 2,135
	Associates	596,043	751,799
	Other related parties	705	-
		$ 597,728	$ 753,934

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

d. Rental income

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Rent income	Windsor	$ 106,907	$ 108,099
	Yue Yuen	14,313	16,248
	Subsidiaries	807	2,266
	Associates	1,275	967
	Other related parties	4,658	4,670
		$ 127,960	$ 132,250

e. Receivables from related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Notes receivable and accounts receivable	Yue Yuen	$ 1,961,548	$ 1,417,774
	Subsidiaries	1,752	78
	Associates	18,397	27,959
		$ 1,981,697	$ 1,445,811

f. Payables to related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Notes payable and accounts payable	Subsidiaries	$ 3,500	$ 112
	Associates	79,339	55,527
	Other related parties	111	-
		$ 82,950	$ 55,639

g. Loans to related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Other receivables	Subsidiaries	$ 189,000	$ -

h. Endorsement guarantee

Please refer to Table 1 (Financing provided to others) of Note 35 in the financial statement.

i. Compensation of key management personnel

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

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 159,925	$ 170,121

The remuneration of directors and key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

33. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

a. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provided 61,295 thousand ordinary shares of Yue Yuen in the custody of the trust department of Mega Bank 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.

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

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

d. The total price of the construction in progress is $134,103 thousand. The unpaid balance as of December 31, 2018 was $46,320 thousand.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: In Thousands of Foreign Currencies/ and New Taiwan Dollars

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 65,196	30.715	$ 2,002,497
RMB	838	4.472	3,747
Non-monetary items			
RMB	64,685	4.472	289,271
Financial liabilities			
Monetary items			
USD	383	30.715	11,753
Non-monetary items			
USD	1,001	30.715	30,751

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 89,598	29.760	$ 2,666,423
RMB	1,376	4.565	6,281
Non-monetary items			
RMB	61,869	4.565	282,432
Financial liabilities			
Monetary items			
USD	20,896	29.760	621,855
Non-monetary items			
USD	6,820	29.760	202,951

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments (Note 31)

10) Information on investees (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party: (None).

POU CHEN CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
0	Pou Chen Corporation	Pou Yii Development Co., Ltd.	Loan receivable	Yes	$ 205,000	$ 205,000	$ 189,000	1.20	2	$ -	Operating capital	$ -	-	$ -	$ 7,786,339	$ 23,359,018	

Note 1: The Company is coded as follows:

a. The Company is coded “0”.
b. The investee is coded consecutively beginning from “1” in the order presented in the table above.

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

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

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

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

1) Business relationship: Each of the financing amount shall not exceed the amount of our business relationship. Business relationship means the higher amount of the purchases from or sales to both sides in the current year or in the future year and shall not exceed 10% of the Company’s net worth.
2) The need for short-term financing: Each of the financing amount shall not exceed 10% of the Company’s net worth.

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

1) Business relationship: Each of the financing amount shall not exceed 10% of the Company’s net worth.
2) The need for short-term financing: Each of the financing amount shall not exceed 30% of the Company’s net worth.
3) Among foreign companies which the Company holds 100% voting rights directly and indirectly, when financing is necessary, the amount is not limited by the above information. However, the limit amount of financing to others during one year shall not exceed the borrowers’ net worth.

POU CHEN CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Name	Relationship (Note 2)											
0	Pou Chen Corporation	Wealthplus Holding Ltd.	b	$ 77,863,392	$ 61,418,344	$ 23,942,343	$ -	$ -	31	$ 155,726,784	Y	N	N	
		Barits Development Corp.	b	77,863,392	8,651,700	7,942,900	4,076,300	-	10	155,726,784	Y	N	N	
		Pou Shine Investment Co., Ltd.	b	77,863,392	1,500,000	1,500,000	578,500	-	2	155,726,784	Y	N	N	
		Pou Yuen Technology Co., Ltd.	b	77,863,392	300,000	300,000	49,500	-	-	155,726,784	Y	N	N	
		Pro Arch International Development Enterprise Inc.	b	77,863,392	80,030	60,238	60,238	-	-	155,726,784	Y	N	N	
		Pou Yii Development Co., Ltd.	b	77,863,392	700,000	600,000	-	-	1	155,726,784	Y	N	N	
		Yue Hong Realty Development Co., Ltd.	b	77,863,392	550,000	550,000	490,000	-	1	155,726,784	Y	N	N	

Note 1: The Company is coded as follows:

a. The Company is coded “0”.
b. The investee is coded consecutively beginning from “1” in the order presented in the table above.

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

a. Business relationship.
b. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
c. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
d. A company in which the Company directly and indirectly holds more than 90% of the voting shares.
e. A company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. A company where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the Company’s procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees provided by the Company shall not exceed 200% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 100% of the Company’s net worth.

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

POU CHEN CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Ordinary shares							
Pou Chen Corporation	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	191,730,486	$ 4,975,406	1.41	$ 4,975,406	
	Taiwan Paiho Limited		〃	615,473	30,343	0.21	30,343	
	Zhiyuan Venture Capital Co., Ltd.		Financial assets at FVTOCI - non-current	6,000,000	59,952	10.71	59,952	
	New Loulan Corporation., Ltd.		〃	100,000	804	4.00	804	

TABLE 4

POU CHEN CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018	Sale	$ (11,840,120)	(98)	D/A 45 days			$ 1,961,548	99	
	Platinum Long John Co., Ltd.	The Company in which Yue Yuen Industrial (Holdings) Limited holds 48.67% indirectly at December 31, 2018	Purchase	267,823	3	D/A 45 days			(21,004)	(2)	
	San Fang Chemical Industry Co., Ltd.	Pou Chien Chemical Co., Ltd. and Yue Dean Technology Corporation are the Company's directors.	〃	155,862	2	D/A 45 days			(45,556)	(3)	
	Chang Yang Material Corporation	The Company in which Yue Yuen Industrial (Holdings) Limited holds 100% indirectly at December 31, 2018	〃	115,668	1	D/A 45 days			(2,471)	-	

POU CHEN CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018	$ 1,961,548	7	$ -	-	$ 1,877,604	$ -

POU CHEN CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	%	Carrying Amount			
Pou Chen Corporation	Wealthplus Holding Ltd.	British Virgin Islands	Investing in footwear, electronic and peripheral products	$ 295,429 (US$ 9,222,000)	$ 295,429 (US$ 9,222,000)	9,222,000	100.00	$ 75,550,960 (US$ 2,459,741,486)	$ 4,733,448 (US$ 157,074,980)	$ 4,733,448 (US$ 157,074,980)	
	Win Fortune Investments Limited	British Virgin Islands	Investing activities	3,230 (US$ 100,000)	3,230 (US$ 100,000)	100,000	100.00	2,059,924 (US$ 67,065,739)	104,198 (US$ 3,448,399)	104,198 (US$ 3,448,399)	
	Windsor Hotel Co., Ltd.	No. 610, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Entertainment and resort operations	450,000	450,000	10,000,000	100.00	102,868	12,145	12,145	
	Pou Shine Investment Co., Ltd.	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Investing activities	1,124,667	1,124,667	133,094,460	100.00	2,982,038	185,180	185,180	
	Pan Asia Insurance Services Co., Ltd.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Agency of property and casualty insurance	5,000	5,000	-	100.00	17,508	7,067	7,067	
	Barits Development Corp.	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Import and export of shoe-related materials and investing activities	2,117,088	2,117,088	251,662,040	99.49	7,373,614	236,668	235,462	
	Pou Yuen Technology Co., Ltd.	No. 4, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Rental of real estate	966,449	966,449	28,437,147	97.82	295,986	39,115	38,264	
	Pro Arch International Development Enterprise Inc.	No. 8, Gongyequ 11th Rd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Design and manufacture of footwear products	2,643,184	2,643,184	20,000,000	100.00	250,676	12,579	12,579	
	Pou Yii Development Co., Ltd.	1F., No. 71, Dadun 4th St., Nantun Dist., Taichung City 408, Taiwan (ROC)	Real estate rental and sale	40,320	40,320	7,875,000	15.00	145,641	54,636	8,195	The Company and its associate hold 90.00%
	Wang Yi Construction Co., Ltd.	Rm. 1, 6F., No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Construction	7,700	7,700	601,755	7.82	-	(9,001)	5,011	The Company and its associate hold 97.57%
	Elitegroup Computer Systems Co., Ltd.	No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)	Manufacturing of electronic components	3,364,570	3,434,638	70,066,949	12.57	1,384,079	20,412	2,566	The Company and its associate hold 19.50% and serve as director
	Techview International Technology Inc.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Development and sales of TFT-LCD display	380,115	380,115	75	30.00	-	224	-	The Company and its associate hold 50.00%
	Ruen Chen Investment Holding Co., Ltd.	Rm. 1, 13F., No. 308, Sec. 2, Bade Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Investment holding	11,150,000	11,080,000	2,961,000,000	20.00	8,403,275	22,457,476	4,491,495	Note

Note: The Company received a request by the FSC to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, US Dollars and Renminbi)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Great Team Backend Foundry, Inc.	Processing and manufacturing of transistors	$ 328,100 (US$ 10,000,000)	b	$ -	$ -	$ -	$ -	$ 14,546 (RMB 3,225,813)	6.89	$ -	$ 146,203 (RMB 32,693,068)	$ -	(Note 3)
Yue-Shen (Taicang) Footwear Co., Ltd.	Finished shoes, semi-finished products, components and production and marketing of moulds	554,646 (US$ 17,100,000)	b	-	-	-	-	6,798 (RMB 1,429,922)	31.77	2,087 (RMB 438,644) b, 1)	243,741 (RMB 54,503,853)	-	
Dongguan Yuming Electronic Technology Co., Ltd.	Production and marketing of over 17 inches color-image monitor, motherboards and other products	475,745 (US$ 14,500,000)	b	-	-	-	-	2,198 (RMB 486,869)	100.00	2,198.0 (RMB 486,869) b, 1)	71,297 (RMB 15,942,987)	-	
Dongguan Gaocheng Precision Injection Molding Technology Co., Ltd.	Mould, plastic case for mobile phones	395,526 (US$ 12,055,034)	b	-	-	-	-	196 (RMB 40,472)	100.00	196 (RMB 40,472) b, 2)	51,721 (RMB 11,565,424)	-	
Haicheng (Shanghai) Information Technology Co., Ltd.	Sales and production of desktop computers, notebook computers, CRT monitors, PDA handheld computers, etc.	393,720 (US$ 12,000,000)	b	-	-	-	-	-	50.00	- b, 2)	-	-	
Yue Cheng (Kun Shan) Sports Co., Ltd.	Operating sporting goods and equipment, spare parts production and marketing business	435,402 (US$ 14,200,000)	b	-	-	-	-	255,882 (RMB 56,124,784)	31.77	80,265 (RMB 17,606,522) b, 1)	846,278 (RMB 189,239,322)	-	
Zhongshan Bao Ji Clothing Co., Ltd.	Production and marketing of sportswear	82,025 (US$ 2,500,000)	b	-	-	-	-	(33,995) (RMB (7,382,337))	48.55	(16,260) (RMB (3,531,317)) b, 1)	5,836 (RMB 1,304,905)	-	
Dongguan Baoqiao Electronic Technology Co., Ltd.	Production and marketing of other optical appliances and instruments	147,645 (US$ 4,500,000)	b	-	-	-	-	19,617 (RMB 4,338,812)	100.00	19,617 (RMB 4,338,812) b, 2)	127,639 (RMB 28,541,904)	-	
Long Chuan Pou Yuan Shoe Co., Ltd.	Production of sports shoes, casual shoes, leather shoes and other footwear	262,480 (US$ 8,000,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Poushun Paper Products Manufacturing Co., Ltd.	Production and sale of shoe inner boxes, cartons	68,901 (US$ 2,100,000)	b	-	-	-	-	(631) (RMB (138,454))	10.19	(61) (RMB (13,353)) b, 1)	10,018 (RMB 2,240,144)	-	
Beijing Advazone Electronic Limited Company	Development and production of computer software	512,019 (US$ 16,100,000)	b	-	-	-	-	(14) (RMB (3,085))	31.91	(4) (RMB (958)) b, 2)	34,651 (RMB 7,748,438)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Pouhong Footwear Industrial Ltd.	Production and operation of leisure shoes, sports shoes	$ 49,215 (US$ 1,500,000)	b	$ -	$ -	$ -	$ -	$ 12,041 (RMB 2,637,792)	50.97	$ 6,061 (RMB 1,327,842) b, 1)	$ 40,292 (RMB 9,009,898)	$ -	
Shanggao Yisen Industry Co., Ltd.	Production and sale of finished shoes, semi-finished products, components and moulds	660,404 (US$ 20,390,000)	b	-	-	-	-	131,729 (RMB 29,067,787)	50.97	66,486 (RMB 14,671,546) b, 1)	772,687 (RMB 172,783,291)	-	
Bao Hong (Yangzhou) Shoes Co., Ltd.	Production of needles, woven garments, footwear and sales of self-produce products	1,841,686 (US$ 61,291,800)	b	-	-	-	-	(104,568) (RMB (22,930,419))	50.97	(52,597) (RMB (11,534,593)) b, 1)	586,591 (RMB 131,169,675)	-	
Dong Guan Yu Yuen Mold Co., Ltd.	Production and sale of molds for non-metallic products	62,011 (US 1,890,000)	b	-	-	-	-	3,080 (RMB 673,335)	50.97	1,549 (RMB 338,516) b, 1)	41,456 (RMB 9,270,228)	-	
Zhong Shan Glory Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	951,490 (US$ 29,000,000)	b	-	-	-	-	737,747 (RMB 162,290,697)	22.94	166,610 (RMB 36,655,019) b, 2)	583,234 (RMB 130,418,970)	-	
Zhong Shan Lu Mei Da Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	39,372 (US$ 1,200,000)	b	-	-	-	-	634 (RMB 138,729)	22.94	144 (RMB 31,409) b, 2)	10,089 (RMB 2,256,020)	-	
Yin Hwa Precision Lasts Company Limited	Production of plastic shoe lasts	47,575 (US$ 1,450,000)	b	-	-	-	-	6,372 (RMB 1,381,958)	-	1,576 (RMB 341,896) b, 1)	-	-	
Zhong Ao Multiplex Management Group Co., Ltd.	Stadium management, wholesale and retail of clothing and footwear accessories	2,055,560 (RMB 431,795,000)	b	-	-	-	-	614,634 (RMB 134,957,738)	20.29	122,604 (RMB 26,923,251) b, 1)	596,329 (RMB 133,347,179)	-	
ShangGao Yisen Ka Yuen Industry Co., Ltd.	Production and sale of footwear products	77,432 (US$ 2,360,000)	b	-	-	-	-	17,623 (RMB 3,862,448)	25.49	4,430 (RMB 971,053) b, 1)	25,229 (RMB 5,641,546)	-	
Bao Sheng Dao Ji (BeiJing) Trading Company Ltd.	Retail business of sports goods and accessories	1,988,061 (US$ 65,000,000)	b	-	-	-	-	(1,177) (RMB (258,082))	31.77	(144) (RMB (31,447)) b, 1)	1,063,808 (RMB 237,882,032)	-	
Qingdao Pou-Sheng International Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	94,800 (RMB 20,000,000)	b	-	-	-	-	274,216 (RMB 60,200,335	22.87	61,988 (RMB 13,609,531) b, 1)	167,692 (RMB 37,498,188)	-	
Guizhou Pou-Sheng Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	322,886 (US$ 10,000,000)	b	-	-	-	-	4,841 (RMB 1,152,859)	31.77	1,492 (RMB 355,857) b, 1)	65,283 (RMB 14,598,213)	-	
Nanning Pou-Kung Sport Products Co., Ltd.	Retail business of sports goods and accessories	42,653 (US$ 1,300,000)	b	-	-	-	-	(22,153) (RMB (48,975,440))	31.77	(6,985) (RMB (1,544,179)) b, 1)	(1,636) (RMB (365,801))	-	
Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	Retail business of sports goods and accessories	946,050 (US$ 30,000,000)	b	-	-	-	-	609,627 (RMB 132,747,995)	31.77	191,383 (RMB 41,676,850) b, 1)	1,202,746 (RMB 268,950,292)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Diodite (China) Sports Good Co., Ltd.	Retail and wholesale business of sporting goods and accessories	$ 639,800 (US$ 20,000,000)	b	$ -	$ -	$ -	$ -	$ 2,143 (RMB 469,969)	31.77	$ 672 (RMB 147,460) b, 1)	$ 44,908 (RMB 10,042,073)	$ -	
Taicang YYSPORTS Business Trading Co., Ltd.	Retail business of sports goods and accessories series products	164,050 (US$ 5,000,000)	b	-	-	-	-	9,766 (RMB 2,113,894)	31.77	3,055 (RMB 661,241) b, 1)	131,666 (RMB 29,442,380)	-	
Yangzhou Baoyi Shoes Manufacturing Co., Ltd.	Vulcanized shoes, sports shoes, leisure shoes and other footwear manufacturing, marketing	729,906 (US$ 22,456,800)	b	-	-	-	-	77,507 (RMB 17,316,165)	25.49	19,620 (RMB 4,383,165) b, 1)	259,312 (RMB 57,985,622)	-	
Dalian YYSPORTS Sport Industrial Development Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	928,000 (RMB 200,000,000)	b	-	-	-	-	(1,614) (RMB (353,855))	31.77	(482) (RMB (105,622)) b, 1)	461,818 (RMB 103,268,707)	-	
YYSPORTS (Chengdu) Business Trading Co., Ltd.	Retail business of sports goods and accessories	689,194 (US$ 22,400,000)	b	-	-	-	-	(72,721) (RMB (15,998,053))	31.77	(22,853) (RMB (5,027,794)) b, 1)	166,755 (RMB 37,288,791)	-	
Fujian Baomin Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	147,645 (US$ 4,500,000)	b	-	-	-	-	(5,733) (RMB (1,226,643))	28.60	(1,615) (RMB (345,578)) b, 1)	70,333 (RMB 15,727,407)	-	
Guangzhou Pou-Yuen Trading Co., Ltd.	Retail business of sports goods and accessories	710,251 (US$ 23,310,000)	b	-	-	-	-	(7,920) (RMB (1,884,937))	31.77	(2,570) (RMB (609,990)) b, 1)	258,074 (RMB 57,708,759)	-	
Dragon Light (China) Sporting Goods Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	2,111,340 (US$ 66,000,000)	b	-	-	-	-	(357,698) (RMB (76,780,847))	31.77	(111,849) (RMB (24,008,441)) b, 1)	515,163 (RMB 115,197,351)	-	
Shend Dao (Yang Zhou) Sporting Goods Dev Co., Ltd.	Shopping mall management and property management	2,111,340 (US$ 66,000,000)	b	-	-	-	-	125,342 (RMB 27,102,395)	31.77	39,266 (RMB 8,490,846) b, 1)	679,609 (RMB 151,969,823)	-	
Zhong Shan Pou Feng Mold Limited	Production and operation mould	85,306 (US$ 2,600,000)	b	-	-	-	-	1,248 (RMB 275,568)	50.97	629 (RMB 138,861) b, 1)	43,095 (RMB 9,636,631)	-	
Fanchang Yuxiang Enterprise Development Co., Ltd.	Production and sale of garments, shoes and related products, semi-finished products and bags, etc.	383,800 (US$ 12,000,000)	b	-	-	-	-	18 (RMB 3,894)	50.97	9 (RMB 1,953) b, 1)	4 (RMB 874)	-	
Dong Guan Pou Yuan Paper Products Ltd.	Production and sales of packaging and decoration prints	56,436 (US$ 1,750,000)	b	-	-	-	-	(2,931) (RMB (621,477))	50.97	(1,468) (RMB (311,150)) b, 1)	15,064 (RMB 3,368,484)	-	
Zhong Shan O Li Su Shoe Making Machine Ltd.	Manufacturing shoes and boots or repairing machinery	157,134 (US$ 5,100,000)	b	-	-	-	-	(21,805) (RMB (4,771,439))	50.97	(10,964) (RMB (2,399,428)) b, 2)	36,635 (RMB 8,191,986)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shaanxi Pousheng Trading Co., Ltd.	Engaged in wholesale, retail and import and export business of sports goods, fitness equipment and sportswear	$ 2,012,320 (US$ 66,000,000)	b	$ -	$ -	$ -	$ -	$ 994,457 (RMB 215,672,986)	31.77	$ 311,373 (RMB 67,531,713) b, 1)	$ 2,092,256 (RMB 467,856,866)	$ -	
Taicang Yue-Shen Sporting Goods Co., Ltd.	Engaged in the production and sales of shoe products, semi-finished products, moulds and related sports goods.	393,720 (US$ 12,000,000)	b	-	-	-	-	(9,734) (RMB (2,101,491))	31.77	(3,043) (RMB (656,963)) b, 1)	511,708 (RMB 114,424,964)	-	
Hangzhou Pou-Hung Sport Products Co., Ltd.	Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories	67,308 (RMB 14,200,000)	b	-	-	-	-	-	15.89	- b, 1)	4,261 (RMB 952,720)	-	
Yangzhou Yijian Software Tech Co., Ltd.	Integration of software and hardware sales service systems (excluding IC design)	35,803 (US$ 1,170,000)	b	-	-	-	-	1,318 (RMB 290,872)	50.97	665 (RMB 146,652) b, 1)	2,800 (RMB 626,009)	-	
Rui Jin Pou Yuen Footwear Development Co., Ltd.	Production and sale of sports shoes, leisure shoes and semi-finished products	356,697 (US$ 12,000,000)	b	-	-	-	-	(8,860) (RMB (1,820,845))	50.97	(4,376) (RMB (898,360)) b, 1)	195,533 (RMB 43,723,791)	-	
Yang Xin Pou Jia Shoes Manufacturing Co., Ltd.	Production and sale of shoes uppers, footwear and garments	1,391,195 (US$ 45,500,000)	b	-	-	-	-	154,447 (RMB 33,958,928)	50.97	78,053 (RMB 17,162,369) b, 1)	771,087 (RMB 172,425,475)	-	
Bou Jin (Yangzhou) Garments Co., Ltd.	Production and sale of sportswear, casual wear, etc.	698,853 (US$ 21,300,000)	b	-	-	-	-	(98,100) (RMB (21,184,347))	20.39	(19,674) (RMB (4,248,686)) b, 1)	18,953 (RMB 4,238,122)	-	
Jiangxi Province Yutai Shoe Co., Ltd.	Production and sale of footwear products and semi-finished products	468,425 (US$ 15,000,000)	b	-	-	-	-	7,093 (RMB 1,555,571)	50.97	3,676 (RMB 806,115) b, 1)	(69,295) (RMB (15,495,283))	-	
Dongguan Yu Xiang Shoes Material Co., Ltd.	Production and sale of footwear products	295,820 (US$ 9,500,000)	b	-	-	-	-	22,687 (RMB 5,290,949)	50.97	11,650 (RMB 2,713,728) b, 1)	213,745 (RMB 47,796,191)	-	
Fan-Chang Yue-Shen Sporting Goods Co., Ltd.	Production and sale of garments, shoes and related products, semi-finished products and bags, etc.	128,600 (US$ 4,000,000)	b	-	-	-	-	336 (RMB 72,546)	31.77	105 (RMB 22,675) b, 1)	-	-	
Chen Zhou Glory Shoes Ind., Ltd.	Production and sale of sports shoes, leisure shoes and leather shoes and semi-finished products	59,610 (US$ 2,000,000)	b	-	-	-	-	(87) (RMB (18,933))	22.94	(20) (RMB (4,281)) b, 2)	13,582 (RMB 3,037,025)	-	
Jiang Xi Hwa Ching Foam Ltd.	Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products	63,600 (US$ 2,000,000)	b	-	-	-	-	2,808 (RMB 627,870)	19.37	542 (RMB 121,198) b, 1)	16,453 (RMB 3,679,015)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Dong Guan Yue Tai Shoe Material Company Limited	Production and sale of footwear products	$ 70,153 (US$ 2,202,580)	b	$ -	$ -	$ -	$ -	$ (4,638) (RMB (1,020,717))	25.49	$ (1,169) (RMB (257,375)) b, 1)	$ 16,174 (RMB 3,616,676)	$ -	
Yue Yuen (Anfu) Footwear Co., Ltd.	Production and marketing of finished shoes, semi-finished products and components and modules	1,763,350 (US$ 60,000,000)	b	-	-	-	-	189,733 (RMB 41,518,580)	50.97	95,518 (RMB 20,903,160) b, 1)	980,456 (RMB 219,243,364)	-	
Dong Guan Bao Yu Shoes Co., Ltd.	Production and sale of sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished footwear and footwear materials	66,780 (US$ 2,100,000)	b	-	-	-	-	-	50.97	- b, 1)	36,735 (RMB 8,214,426)	-	
Beijing Baojing Kang Tai Trading Co., Ltd.	Wholesale and retail of sporting goods, sporting instruments and clothing, shoes and hats	261,797 (US$ 8,940,000)	b	-	-	-	-	(8,088) (RMB (1,817,004))	15.89	(1,258) (RMB (282,719)) b, 1)	54,073 (RMB 12,091,509)	-	
Kunshan Xin Dong Sports Co., Ltd.	Wholesale, import, export and packaging of sports goods, sports instruments, clothing, shoes, caps	29,101 (US$ 999,000)	b	-	-	-	-	69 (RMB 15,102)	31.77	22 (RMB 4,738) b, 1)	7,352 (RMB 1,644,084)	-	
Kun Shan Pou-chi Sports Co., Ltd.	Wholesale, commission agency, import and export business of sports goods, sports equipment, clothing, shoes, caps and packaging and related design, technical consultation and service	399,539 (US$ 13,500,000)	b	-	-	-	-	207,086 (RMB 45,615,302)	31.77	65,050 (RMB 14,329,555) b, 1)	220,809 (RMB 49,375,927)	-	
Yangzhou Baoyuan Shoes Co., Ltd.	Production and sale of sports shoes, sportswear, leisure shoes and sports goods	145,650 (US$ 5,000,000)	b	-	-	-	-	-	31.77	- b, 1)	-	-	
Dongguan Yuancheng Shoes Material Co., Ltd.	Production and sale of footwear products	89,382 (US$ 2,750,000)	b	-	-	-	-	(633) (RMB (138,439))	25.49	(159) (RMB (34,741)) b, 1)	22,617 (RMB 5,057,470)	-	
Dongguan De Chang Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US$ 350,000)	b	-	-	-	-	7,836 (RMB 1,721,524)	50.97	3,945 (RMB 866,641) b, 1)	15,917 (RMB 3,559,253)	-	
Zhong Shan Bao Song Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US$ 350,000)	b	-	-	-	-	10,101 (RMB 2,187,578)	50.97	5,066 (RMB 1,097,099) b, 1)	13,624 (RMB 3,046,620)	-	
Yiyang Yujing Shoes Industrial Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	743,983 (US$ 24,000,000)	b	-	-	-	-	(59,654) (RMB (13,199,352))	50.97	(30,072) (RMB (6,654,243)) b, 1)	33,531 (RMB 7,498,013)	-	
Dong Guan YuZhan Shoes Co., Ltd.	Prepare sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished shoes and shoes material items	557,490 (US$ 19,100,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Jiangxi Uniscien Consulting Co., Ltd.	Business management consultation, marketing planning and other services	$ 10,442 (US$ 350,000)	b	$ -	$ -	$ -	$ -	$ 4,409 (RMB 967,418)	50.97	$ 2,218 (RMB 486,717) b, 1)	$ 13,644 (RMB 3,050,920)	$ -	
Pei Xian Bao Yi Shoes Manufacturing Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	287,250 (US$ 10,000,000)	b	-	-	-	-	(148) (RMB (31,932))	-	(37) (RMB (7,992)) b, 1)	-	-	
Yu Xing (Jishui) Footwear Co., Ltd.	Production and sale of sports shoes	183,840 (US$ 6,400,000)	b	-	-	-	-	2,641 (RMB 579,239)	50.97	1,405 (RMB 308,135) b, 1)	(105,584) (RMB (23,609,977))	-	
Dongguan Xingtai Consulting Co., Ltd.	Business management consultation, marketing planning and other services	41,945 (US$ 1,400,000)	b	-	-	-	-	8,396 (RMB 1,839,495)	50.97	4,222 (RMB 925,119) b, 1)	30,345 (RMB 6,785,617)	-	
Yang Xin Zhang Yuan Shoe Co., Ltd.	Production and sale of footwear products	61,029 (US$ 2,100,000)	b	-	-	-	-	(1,782) (RMB (390,764))	25.49	(448) (RMB (98,298)) b, 1)	7,607 (RMB 1,700,933)	-	
YangXin Pou Jia Yuen Shoes Manufacturing Co., Ltd.	Production and sale of rubber soles	72,990 (US$ 2,500,000)	b	-	-	-	-	10,854 (RMB 2,378,916)	25.49	2,728 (RMB 597,985 b, 1)	20,272 (RMB 4,533,146)	-	
Pou Sheng (China) Investment Co., Ltd.	Business of investment, technical services and wholesale, import and export sports goods, sportswear, sports shoes and leisure shoes	4,550,741 (US$ 152,922,400)	b	-	-	-	-	(60,556) (RMB (13,686,065))	31.77	(19,151) (RMB (4,327,863)) b, 1)	1,209,177 (RMB 270,388,471)	-	
Yichun Yisen Industry Co., Ltd.	Production and sale of footwear and mold products	410,130 (US$ 14,000,000)	b	-	-	-	-	49,981 (RMB 10,995,777)	50.97	25,116 (RMB 5,525,930 b, 1)	328,743 (RMB 73,511,465)	-	
Zhong Xiang Yue-Shen Sporting Goods Co., Ltd.	Production, processing of shoes, semi-finished products, moulds and related sporting goods, sales of self-produce products	94,380 (US$ 3,250,000)	b	-	-	-	-	(307,971) (RMB (66,803,022))	50.97	(153,976) (RMB (33,399,516)) b, 1)	(5,597) (RMB (1,251,538))	-	
Dong Guan Yurui Electronic Technology Co., Ltd.	Processing and manufacturing of electronic products such as computer peripheral equipment	87,120 (US$ 3,000,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Zhang Shan Shi Bi Fu Material Co., Ltd.	Production and operation of knitted fabrics and carbon fiber shoes, especially for shoes, sports shoes, etc.	43,290 (US$ 1,395,100)	b	-	-	-	-	3,494 (RMB 784,822)	24.85	871 (RMB 195,515 b, 1)	11,213 (RMB 2,507,485)	-	
Dong Guan Pou Chen Footwear Company Limited	Production and sale of footwear products, semi-finished footwear products and accessories, moulding tools and engaged in the wholesale and import and export business of footwear products	850,131 (RMB 177,000,000)	b	-	-	-	-	217,372 (RMB 46,515,795)	50.97	108,916 (RMB 23,305,276 b, 1)	855,560 (RMB 191,314,948)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Dongguan Yusheng Shoe Industry Co., Ltd.	Production and sale of finished shoes, semi-finished shoes and mold products and engaged in research and development of shoes, finished shoes, mold products	$ 883,824 (RMB 184,000,000)	b	$ -	$ -	$ -	$ -	$ 61,518 (RMB 13,507,462)	50.97	$ 30,986 (RMB 6,804,113 b, 1)	$ 850,736 (RMB 190,236,230)	$ -	
Dong Guan Yue Yuan Footwear Products Company Limited	Production and sale of footwear products, semi-finished footwear products, mold products and engaged in wholesale and import and export business of footwear products	860,086 (RMB 179,000,000)	b	-	-	-	-	19,975 (RMB 4,435,938)	50.97	10,070 (RMB 2,236,390 b, 1)	295,430 (RMB 66,062,225)	-	
Dong Guan Yue Lei Plastic Company Limited	Prepare for research and development of shoe materials and composite materials	37,960 (RMB 7,800,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Jilin Xinfangwei Sports Goods Company Limited	Sports goods sales	196,160 (RMB 40,000,000)	b	-	-	-	-	-	15.89	- b, 1)	-	-	
Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.	Prepare for research and development of shoe materials and composite materials	114,804 (RMB 23,000,000)	b	-	-	-	-	36,740 (RMB 8,023,504)	25.49	9,247 (RMB 2,019,446) b, 1)	37,887 (RMB 8,472,100)	-	
Dong Guan Jia Yuan Shoe Materials Products Company Limited	Prepare shoe material	108,805 (RMB 21,600,000)	b	-	-	-	-	974 (RMB 221,686)	50.97	491 (RMB 111,767) b, 1)	51,461 (RMB 11,507,358)	-	
Dong Guan Yue Guan Paper Products Co., Ltd.	Production and sale of cartons and engaged in research and development of cartons	48,693 (RMB 10,000,000)	b	-	-	-	-	521 (RMB 117,179)	10.19	53 (RMB 11,861) b, 1)	4,491 (RMB 1,004,299)	-	
Kun Shan YYSPORTS E-Commerce Co., Ltd.	Network technology development, technical consultation, technical services and retail and wholesale of sports goods, sports equipment	89,367 (US$ 3,000,000)	b	-	-	-	-	(31,176) (RMB (7,026,931))	31.77	(9,818) (RMB (2,212,998)) b, 1)	(4,092) (RMB (915,044))	-	
Hunan Huaqing Foam Products Co., Ltd.	Processing and production of plastic foam, foam daily products, shoe products and composite products	76,819 (US$ 2,500,000)	b	-	-	-	-	(1,814) (RMB (392,259))	6.78	(122) (RMB (26,346)) b, 1)	4,474 (RMB 1,000,403)	-	
Kun Shan Taisong Trading Co., Ltd.	Wholesale and retail of clothing, footwear, glasses and watches	790,110 (US$ 26,500,000)	b	-	-	-	-	(215,726) (RMB (47,247,116))	31.77	(67,654) (RMB (14,818,116)) b, 1)	(102,497) (RMB (22,919,818))	-	
Dong Guan Artesol Trading Co., Ltd.	Wholesale of adhesives, glue rubber, shoe materials and their supporting products, etc.	9,138 (US$ 300,000)	b	-	-	-	-	226 (RMB 49,109)	-	113 (RMB 24,550) b, 1)	-	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shanghai Pou-Lo Sport Culture Co., Ltd.	Management consultants, wholesale of sports goods and equipment wholesale, other sports services and other art performance assistant services	$ 16,093 (US$ 500,000)	b	$ -	$ -	$ -	$ -	$ (641) (RMB (140,524))	31.77	$ (185) (RMB (40,565)) b, 1)	$ (3,020) (RMB (675,388))	$ -	
Kun Shan Pou-Han Sport Culture Development Co., Ltd.	Management consultants, wholesale of sports goods and equipment wholesale, other sports services and other art performance assistant services	48,278 (US$ 1,500,000)	b	-	-	-	-	4,495 (RMB 988,580)	31.77	1,414 (RMB 311,054) b, 1)	14,529 (RMB 3,248,906)	-	
Yisen (YiFeng) Mould Co., Ltd.	Production and sale of mould products	479,284 (US$ 14,850,000)	b	-	-	-	-	(16,124) (RMB (3,487,312))	50.97	(8,094) (RMB (1,750,556)) b, 1)	198,249 (RMB 44,331,214)	-	
Zhu Hai Yu Yuan Industrial Co., Ltd.	Processing, production and sale of footwear products	1,408 (RMB 300,000)	b	-	-	-	-	4,365 (RMB 966,993)	50.97	2,226 (RMB 493,049) b, 1)	36,620 (RMB 8,188,677)	-	
Yang Xin Pou Shou Sporting Goods Co., Ltd.	Processing, production and sale of footwear products	236,574 (US$ 7,800,000)	b	-	-	-	-	(43,873) (RMB (9,454,613))	50.97	(21,962) (RMB (4,732,727)) b, 1)	88,858 (RMB 19,869,925)	-	
Zhang Yuan (Yi Feng)Shoe Materials Co., Ltd.	Production, sales and development of shoe materials and composite materials	14,222 (US$ 470,000)	b	-	-	-	-	590 (RMB 132,973)	-	150 (RMB 33,825) b, 1)	-	-	
Changsha YYSPORTS Sport Products Co., Ltd.	Sales of sports goods and equipments	22,825 (RMB 5,000,000)	b	-	-	-	-	21,371 (RMB 4,756,287)	31.77	6,736 (RMB 1,499,202) b, 1)	3,034 (RMB 678,469)	-	
Henan YYSPORTS Sport Products Co., Ltd.	Retail business of sports goods and accessories	9,130 (RMB 2,000,000)	b	-	-	-	-	130,641 (RMB 28,466,560)	31.77	40,979 (RMB 8,929,569) b, 1)	92,038 (RMB 20,581,054)	-	
Shenyang Pou-Yi Trading Co., Ltd.	Retail business of sports goods and accessories	182,600 (RMB 40,000,000)	b	-	-	-	-	(26,766) (RMB (5,770,473))	31.77	(8,332) (RMB (1,796,126)) b, 1)	12,819 (RMB 2,866,454)	-	
Zhejiang shengdao Sporting-goods Co., Ltd.	Retail business of sports goods and accessories	228,250 (RMB 50,000,000)	b	-	-	-	-	349,598 (RMB 76,692,526)	31.77	109,728 (RMB 24,072,645) b, 1)	284,764 (RMB 63,677,001)	-	
Mudanjiang YYSPORTS Sport Technology Co., Ltd.	Sports service, research and development of sports fitness equipment and retail business of sports goods	4,565 (RMB 1,000,000)	b	-	-	-	-	4,476 (RMB 987,195)	31.77	1,409 (RMB 310,722) b, 1)	2,554 (RMB 571,065)	-	
Widevision Investment (Shenzhen) Co., Ltd.	Business management consulting, economic information consulting and market management planning	13,833 (RMB 3,000,000)	b	-	-	-	-	1,190 (RMB 274,961)	100.00	1,779 (RMB 401,841) b, 1)	9,506 (RMB 2,125,575)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
$ -	$ 20,898,020 (US$ 680,384,824)	$ 91,318,624

(Continued)

Note 1: Methods of investments have following types:

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

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

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

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

Note 3: Financial assets at FVTOCI

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

(Concluded)

POU CHEN CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

EXHIBIT 1

POU CHEN CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and petty cash		$ 1,202
Checking accounts and demand deposits		193,428
		$ 194,630

POU CHEN CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2018		Additions		Decrease		Balance at December 31, 2018			
Investees	**Shares**	**Amount (Note 1)**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**%**	**Amount**	**Collateral**
Mega Financial Holding Company Ltd.	191,730,486	$ 4,611,118	-	$ 364,288	-	$ -	191,730,486	1.41	$ 4,975,406	None
Taiwan Paiho Limited	615,473	74,472	-	-	-	44,129	615,473	0.21	30,343	〃
		$ 4,685,590		$ 364,288		$ 44,129			$ 5,005,749	

Note 1: The balance at January 1, 2018 is the amount after being restated under IFRS 9.

Note 2: At the end of the period, unrealized gain or loss was adjusted at fair value.

EXHIBIT 3

POU CHEN CORPORATION

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Carrying Amount
Notes receivable - unrelated parties		
Operating activities:		
Hon-Sen Enterprise Co., Ltd.	Purchase	$ 580
Chen Yu Material Int'l Enterprise Co., Ltd.	〃	92
Other (Note)	〃	9
		681
Non-operating activities:		
Shugong Technology Co., Ltd.	Rents	330
Other (Note)	Expenses	169
		499
		$ 1,180

Note: The amount of each item in others does not exceed 5% of the account balance.

EXHIBIT 4

POU CHEN CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Carrying Amount
Accounts receivable - unrelated parties		
Yin Li Co., Ltd.	Purchase	$ 869
Du Wei Enterprise Co., Ltd.	〃	250
Other (Note)	〃	8
		$ 1,127
Accounts receivable - related parties		
Yue Yuen Purchasing & Supply Co., Ltd.	Purchase	$ 1,961,548
Other (Note)	〃	20,149
		$ 1,981,697

Note: The amount of each item in others does not exceed 5% of the account balance.

EXHIBIT 5

POU CHEN CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount: Cost	Amount: Net Realizable Value (Note)
Raw material		$ 25,928	$ 25,254
Materials		157	147
Work in process		1,842	1,753
Finished goods		18,078	18,027
Merchandises		7,000	6,911
Less: Allowance for impairment losses		(913)	-
		$ 52,092	$ 52,092

Note: The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

POU CHEN CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018			
Investees	Shares	Amount (Note 1)	Shares	Amount	Shares	Amount	Shares	%	Amount	Collateral
Zhiyuan Venture Capital Co., Ltd.	6,000,000	$ 62,923	-	$ -	-	$ 2,971	6,000,000	10.71	$ 59,952	None
New Loulan Corporation., Ltd.	100,000	1,000	-	-	-	196	100,000	4.00	804	〃
		$ 63,923		$ -		$ 3,167			$ 60,756	

Note 1: The balance at January 1, 2018 is the amount after being restated under IFRS 9.

Note 2: At the end of the period, unrealized gain or loss was adjusted at fair value.

POU CHEN CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018			Market Value or Net Assets Value		
Investees	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**%**	**Amount**	**Unit Price (Dollar)**	**Total**	**Collateral**
Wealthplus Holding Ltd. (Note 1)	9,222,000	$ 69,547,018	-	$ 6,003,942	-	$ -	9,222,000	100.00	$ 75,550,960		$ 75,567,130	None
Win Fortune Investment Limited (Note 1)	100,000	1,856,413	-	203,511	-	-	100,000	100.00	2,059,924		2,035,227	〃
Windsor Hotel Co., Ltd.	10,000,000	84,768	-	18,100	-	-	10,000,000	100.00	102,868		102,868	〃
Pou Shine Investment Co., Ltd. (Note 1)	133,094,460	2,795,434	-	366,604	-	180,000	133,094,460	100.00	2,982,038		2,968,901	〃
Pan Asia Insurance Services Co., Ltd. (Note 1)	-	16,066	-	7,066	-	5,624	-	100.00	17,508		17,508	〃
Barits Development Corp. (Note 1)	251,662,040	6,994,758	-	605,352	-	226,496	251,662,040	99.49	7,373,614		7,300,111	〃
Pou Yuen Technology Co., Ltd. (Note 1)	28,437,147	280,047	-	66,671	-	50,732	28,437,147	97.82	295,986		615,144	〃
Pro Arch International Development Enterprise Inc. (Note 1)	20,000,000	408,451	-	12,579	-	170,354	20,000,000	100.00	250,676		250,676	〃
Pou Yii Development Co., Ltd. (Note 1)	7,875,000	132,830	-	19,615	-	6,804	7,875,000	15.00	145,641		145,641	〃
Wang Yi Construction Co., Ltd. (Note 2)	601,755	-	-	-	-	-	601,755	7.82	-		7,291	〃
Techview International Technology Inc.	75	-	-	-	-	-	75	30.00	-		33,212	〃
Ruen Chen Investment Holding Co., Ltd. (Note 1)	2,617,800,000	16,659,984	343,200,000	-	-	8,256,709	2,961,000,000	20.00	8,403,275		8,460,589	〃
Elitegroup Computer Systems Co., Ltd. (Note 1)	70,066,949	2,785,385	-	-	-	74,872	70,066,949	12.57	2,710,513	$ 12.35	865,327	〃
Less: Accumulated impairment of investment for using equity method		(1,326,434)		-		-			(1,326,434)		-	
		$ 100,234,720		$ 7,303,440		$ 8,971,591			$ 98,566,569		$ 98,369,625	

Note 1: Included distribution of current profit and investment gain or loss using the equity method.

Note 2: The carrying amount of investment in Wang Yi is negative for the year ended December 31, 2018. Therefore, the Company recognized $15,563 thousand in "other non-current liabilities" and referred to Exhibit 13 for the information.

EXHIBIT 8

POU CHEN CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Creditor	Description	Balance, December 31, 2018	Period	Rate (%)	Financing Facilities	Collateral
Bank loans						
Bank of America, National Association	Credit borrowings	$ 1,320,000	2018.03.19 - 2019.03.19	0.78	US$ 50,000,000	None
China Construction Bank	〃	900,000	2018.12.14 - 2019.01.14	0.79	US$ 30,000,000	〃
Standard Chartered Bank	〃	1,520,000	2018.08.07 - 2019.08.07	0.60	US$ 50,000,000	〃
Bank of China	〃	3,000,000	2018.08.29 - 2019.02.26	0.82	US$ 100,000,000	〃
Crédit Agricole Corporate and Investment Bank	〃	1,500,000	2018.08.08 - 2019.08.08	0.78	US$ 50,000,000	〃
E. Sun Bank	〃	500,000	2018.12.26 - 2019.06.26	0.80	500,000	〃
HSBC Bank	〃	870,000	2018.11.08 - 2019.05.08	0.79	US$ 30,000,000	〃
MUFG Bank	〃	1,354,000	2018.12.17 - 2019.01.09	0.80	US$ 50,000,000	〃
Mizuho Bank	〃	500,000	2018.09.10 - 2019.03.08	0.79	500,000	〃
Bank SinoPac	〃	500,000	2018.11.26 - 2019.01.25	0.75	500,000	〃
Hua Nan Bank	〃	400,000	2018.11.20 - 2019.05.20	0.90	400,000	〃
Sumitomo Mitsui Banking Corporation	〃	2,290,000	2018.11.26 - 2019.01.25	0.77	US$ 500,000,000	〃
		$ 14,654,000				

EXHIBIT 9

POU CHEN CORPORATION

STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Carrying Amount
Notes payable - unrelated parties		
Operating activities:		
Yi Tzung Precision Machinery Corporation	Purchase	$ 3,459
Chief Lion Enterprise Co., Ltd.	〃	381
Others (Note)	〃	419
		4,259
Non-operating activities:		
Others (Note)	Rents	3,419
		$ 7,678
Notes payable - related parties		
Operating activities:		
Evermore Chemical Industry Co., Ltd.	Purchase	$ 74

Note: The amount of each item in others does not exceed 5% of the account balance.

EXHIBIT 10

POU CHEN CORPORATION

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Carrying Amount
Accounts payable - unrelated parties		
C.T.M. Co., Ltd.	Purchase	$ 135,456
King Steel Machinery Co., Ltd.	〃	132,995
Tien Kang Co., Ltd.	〃	72,802
Others (Note)	〃	882,958
		$ 1,224,211
Accounts payable - related parties		
San Fang Chemical Industry Co., Ltd.	Purchase	$ 45,556
Platinum Long John Company Ltd.	〃	21,004
Nan Pao Resins Chemical Co., Ltd.	〃	10,305
Others (Note)	〃	6,011
		$ 82,876

Note: The amount of each item in others does not exceed 5% of the account balance.

EXHIBIT 11

POU CHEN CORPORATION

STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Carrying Amount
Temporary credits		$ 7,490
Receipts under custody		12,843
Advance receipts		156,793
		$ 177,126

POU CHEN CORPORATION

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Period	Annual Rate (%)	Collateral
Long-term bank loans					
Bank of Taiwan	Long-term borrowings	$ 2,250,000	2016.03.29 - 2021.12.13	1.34-1.40	None
Chang Hwa Commercial Bank	〃	1,000,000	2015.09.30 - 2021.06.03	1.29-1.30	〃
DBS Bank	〃	1,000,000	2016.09.05 - 2021.09.03	1.14	〃
The Bank of East Asia	〃	1,000,000	2016.12.02 - 2021.12.02	1.20	〃
O-Bank	〃	600,000	2016.08.03 - 2026.07.15	1.09-1.26	〃
MUFG Bank	〃	4,250,000	2015.03.27 - 2021.09.27	1.01-1.59	〃
Mizuho Bank	〃	3,500,000	2015.03.27 - 2023.09.27	1.56-1.60	〃
Sumitomo Mitsui Banking Corporation	〃	1,500,000	2016.09.05 - 2021.09.03	1.30	〃
Bank SinoPac	〃	1,000,000	2016.12.21 - 2021.12.21	1.18	〃
Taipei Fubon Commercial Bank	〃	1,000,000	2016.09.05 - 2021.09.03	1.33	〃
		17,100,000			
Less: Current portion recognized in current liabilities		(4,194,398)			
		$ 12,905,602			

EXHIBIT 13

POU CHEN CORPORATION

STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Carrying Amount
Guarantee deposits		$ 30,953
Others	Credit balance of investments accounted for using equity method	15,563
		$ 46,516

EXHIBIT 14

POU CHEN CORPORATION

STATEMENT OF NET OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Carrying Amount
Sales revenue		
Shoes material trade		$ 9,272,524
Less: Sales return		(10,831)
		9,261,693
Service revenue		
Technical service revenue		800,452
Other		2,000,633
		2,801,085
		$ 12,062,778

EXHIBIT 15

POU CHEN CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw material	
Balance at January 1, 2018	$ 22,925
Add: Raw material purchased	271,833
Less: Raw material at December 31, 2018	(25,928)
Raw material sold	(123,292)
Sample transfer to operating expenses	(2,442)
Consumption of raw material for the year	143,096
Indirect raw material	
Balance at January 1, 2018	183
Supplies inventory at January 1, 2018	64,313
Add: Material purchased for the year	2,409
Less: Indirect raw material at December 31, 2018	(157)
Supplies inventory at December 31, 2018	(1,145)
Materials sold	(63)
Sample transfer to operating expenses	(63,235)
Consumption of indirect raw material for the year	2,305
Direct labor	15,764
Manufacturing expenses	25,058
Manufacturing cost	186,223
Add: Work in progress at January 1, 2018	897
Less: Work in progress at December 31, 2018	(1,842)
Transfer to operating expenses	(117)
Costs of finished goods for the year	185,161
Add: Finished goods at January 1, 2017	13,049
Less: Finished goods at December 31, 2017	(18,078)
Sample transfer to operating expenses	(594)
Costs of finished goods for the year	179,538
Merchandise at January 1, 2018	2,427
Merchandise purchased	7,155,907
Less: Merchandise l at December 31, 2018	(7,000)
Scrap of merchandise	(458)
Sample transfer to operating expenses	(437)
Cost of goods sold	7,150,439
Deduction of production costs for the year	
Revenue of sold scarp	(785)
Losses on scrap of inventory (compensation income)	(435)
	(1,220)
Others operating cost	
Raw material sold	123,355
Losses on inventory valuation loss and obsolescence	81
Losses on inventory scrap	458
	123,894
Operating costs	$ 7,452,651

POU CHEN CORPORATION

STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Salary and wages		$ 2,355
Freight		49,440
Entertainment expenses		3,286
Other expenses		12,650
		$ 67,731

EXHIBIT 17

POU CHEN CORPORATION

STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Salary and wages		$ 1,456,423
Insurance		149,020
Depreciation expenses		116,510
Other expenses		564,279
		$ 2,286,232

EXHIBIT 18

POU CHEN CORPORATION

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Salary and wages		$ 1,014,781
Insurance		115,891
Depreciation expenses		120,840
Other expenses		526,753
		$ 1,778,265