

Pou Chen Corporation and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2016 and 2015 and
Independent Auditors' Review Report**


INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

We have reviewed the accompanying consolidated balance sheets of Pou Chen Corporation (the "Company") and its subsidiaries (collectively, the "Group") as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months ended June 30, 2016 and 2015, six months ended June 30, 2016 and 2015, and changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the consolidated financial statements based on financial statements reviewed by other auditors. Our report, insofar as it relates to Ruen Chen Investment Holding Co., Ltd., is based solely on the reviewed report of other auditors. As of June 30, 2016 and 2015, the carrying value of the investments was 3.25% (\$9,297,292 thousand) and 3.40% (\$9,181,506 thousand) of the total assets, respectively. For the three months ended June 30, 2016 and 2015, six months ended June 30, 2016 and 2015, the share of profit of the associate was 3.57% (\$213,758 thousand), 17.12% (\$1,072,801 thousand), 11.09% (\$1,326,152 thousand) and 17.98% (\$1,908,926 thousand) of the income before income tax, respectively.

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

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



August 15, 2016

Notice to Readers

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

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

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)		June 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 34,797,645	12	\$ 37,820,911	13	\$ 34,686,431	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	413,629	-	581,288	-	286,808	-
Available-for-sale financial assets - current (Notes 4 and 8)	14,314,547	5	12,622,099	5	15,210,030	6
Held-to-maturity financial assets - current (Notes 4 and 9)	745,029	-	49,567	-	-	-
Debt investments with no active market - current (Notes 4 and 10)	1,152,502	1	1,390,697	1	2,145,849	1
Notes receivable (Notes 4 and 11)	20,584	-	12,221	-	11,029	-
Notes receivable from related parties (Notes 4, 11 and 38)	6	-	20	-	88	-
Accounts receivable (Notes 4 and 11)	36,714,307	13	33,796,622	12	32,894,180	12
Accounts receivable from related parties (Notes 4, 11 and 38)	98,389	-	78,106	-	209,709	-
Other receivables (Notes 4 and 11)	4,518,499	2	3,604,286	1	3,818,525	1
Inventories - manufacturing and retailing (Notes 4 and 12)	38,215,564	13	41,228,992	15	36,590,419	13
Inventories - construction (Notes 4 and 12)	5,010,312	2	5,029,350	2	4,542,187	2
Prepayments for lease (Note 4)	152,106	-	158,911	-	171,551	-
Non-current assets held for sale (Notes 4 and 13)	63,969	-	-	-	-	-
Other current assets (Notes 4 and 14)	9,403,177	3	9,290,217	3	9,757,550	4
Total current assets	145,620,265	51	145,663,287	52	140,324,356	52
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	635,282	-	654,795	-	639,823	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	820,190	-	692,074	-	829,090	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	4,410,078	2	1,401,726	1	-	-
Financial assets measured at cost - non-current (Notes 4 and 15)	615,311	-	659,395	-	631,870	-
Debt investments with no active market - non-current (Notes 4, 10 and 39)	38,485	-	32,771	-	30,380	-
Investments accounted for using equity method (Notes 4 and 17)	40,167,261	14	37,437,669	13	40,071,426	15
Property, plant and equipment (Notes 4 and 18)	69,128,189	24	69,778,999	25	63,556,879	24
Investment properties (Notes 4, 19 and 39)	2,286,467	1	2,316,581	1	2,280,958	1
Goodwill (Notes 4 and 20)	9,294,321	3	9,535,733	4	8,948,131	4
Other intangible assets (Notes 4 and 21)	3,085,893	1	3,282,105	1	3,384,072	1
Deferred tax assets (Notes 4 and 29)	713,883	-	612,351	-	589,388	-
Prepayments for investment	-	-	-	-	547,765	-
Long-term prepayments for lease (Note 4)	5,513,951	2	5,615,916	2	5,333,122	2
Other non-current assets (Notes 4 and 14)	3,686,115	2	2,940,517	1	2,576,928	1
Total non-current assets	140,395,426	49	134,960,632	48	129,419,832	48
TOTAL	\$ 286,015,691	100	\$ 280,623,919	100	\$ 269,744,188	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 22)	\$ 23,973,494	8	\$ 15,708,753	6	\$ 14,683,762	5
Short-term bills payable (Note 22)	3,436,971	1	2,589,343	1	2,524,239	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	492,061	-	1,404,523	-	162,967	-
Notes payable (Notes 4 and 23)	15,814	-	21,337	-	31,522	-
Notes payable to related parties (Notes 4, 23 and 38)	29,828	-	15,080	-	24,691	-
Accounts payable (Notes 4 and 23)	13,235,335	5	15,430,256	5	13,195,455	5
Accounts payable to related parties (Notes 4, 23 and 38)	1,577,869	1	1,866,283	1	1,764,982	1
Other payables (Note 24)	28,246,897	10	27,237,051	10	27,169,042	10
Current tax liabilities (Notes 4 and 29)	1,199,826	-	2,354,742	1	1,651,029	-
Current portion of long-term borrowings (Note 22)	5,497,703	2	21,159,324	7	21,437,500	8
Other current liabilities	4,314,051	2	4,382,374	2	4,460,717	2
Total current liabilities	82,019,849	29	92,169,066	33	87,105,906	32
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 22)	41,984,111	15	29,770,315	10	27,677,267	10
Deferred tax liabilities (Notes 4 and 29)	2,081,590	1	1,822,808	1	2,109,639	1
Long-term payables (Note 24)	175,160	-	177,187	-	619,779	-
Net defined benefit liabilities (Note 4)	1,489,940	-	1,842,453	1	1,615,072	1
Other non-current liabilities	39,681	-	38,423	-	39,451	-
Total non-current liabilities	45,770,482	16	33,651,186	12	32,061,208	12
Total liabilities	127,790,331	45	125,820,252	45	119,167,114	44
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)						
Share capital						
Common shares	29,467,872	10	29,467,872	10	29,441,372	11
Capital surplus	4,613,943	1	4,631,708	2	4,628,173	2
Retained earnings						
Legal reserve	11,213,184	4	10,260,048	4	10,260,048	4
Special reserve	11,905,595	4	5,608,553	2	5,608,553	2
Unappropriated earnings	24,708,367	9	31,207,526	11	26,748,180	10
Total retained earnings	47,827,146	17	47,076,127	17	42,616,781	16
Other equity	(9,370,404)	(3)	(11,905,594)	(4)	(6,591,706)	(3)
Total equity attributable to owners of the Company	72,538,557	25	69,270,113	25	70,094,620	26
NON-CONTROLLING INTERESTS	85,686,803	30	85,533,554	30	80,482,454	30
Total equity	158,225,360	55	154,803,667	55	150,577,074	56
TOTAL	\$ 286,015,691	100	\$ 280,623,919	100	\$ 269,744,188	100

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

(With Deloitte & Touche review report dated August 15, 2016)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 38)	\$ 73,303,578	100	\$ 70,507,475	100	\$ 140,744,841	100	\$ 132,759,888	100
OPERATING COSTS (Notes 25, 28 and 38)	<u>54,622,127</u>	<u>75</u>	<u>54,041,793</u>	<u>77</u>	<u>105,285,904</u>	<u>75</u>	<u>102,045,753</u>	<u>77</u>
GROSS PROFIT	<u>18,681,451</u>	<u>25</u>	<u>16,465,682</u>	<u>23</u>	<u>35,458,937</u>	<u>25</u>	<u>30,714,135</u>	<u>23</u>
OPERATING EXPENSES (Notes 25 and 28)								
Selling and marketing expenses	7,025,106	10	6,176,609	9	13,659,736	10	12,000,658	9
General and administrative expenses	4,682,176	6	5,255,832	7	9,527,277	7	9,963,234	8
Research and development expenses	<u>1,602,437</u>	<u>2</u>	<u>1,359,206</u>	<u>2</u>	<u>3,269,886</u>	<u>2</u>	<u>2,850,843</u>	<u>2</u>
Total operating expenses	<u>13,309,719</u>	<u>18</u>	<u>12,791,647</u>	<u>18</u>	<u>26,456,899</u>	<u>19</u>	<u>24,814,735</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>5,371,732</u>	<u>7</u>	<u>3,674,035</u>	<u>5</u>	<u>9,002,038</u>	<u>6</u>	<u>5,899,400</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 28)	858,398	1	942,147	1	1,422,451	1	1,623,188	1
Other gains and losses (Note 28)	(586,173)	(1)	253,058	-	454,608	-	510,401	1
Finance costs (Note 28)	(343,672)	-	(300,970)	-	(640,437)	-	(574,529)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	<u>695,381</u>	<u>1</u>	<u>1,698,649</u>	<u>3</u>	<u>1,716,428</u>	<u>1</u>	<u>3,159,198</u>	<u>2</u>
Total non-operating income and expenses	<u>623,934</u>	<u>1</u>	<u>2,592,884</u>	<u>4</u>	<u>2,953,050</u>	<u>2</u>	<u>4,718,258</u>	<u>4</u>
INCOME BEFORE INCOME TAX	5,995,666	8	6,266,919	9	11,955,088	8	10,617,658	8
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(836,230)</u>	<u>(1)</u>	<u>(1,452,425)</u>	<u>(2)</u>	<u>(1,857,604)</u>	<u>(1)</u>	<u>(2,100,067)</u>	<u>(2)</u>
NET INCOME	<u>5,159,436</u>	<u>7</u>	<u>4,814,494</u>	<u>7</u>	<u>10,097,484</u>	<u>7</u>	<u>8,517,591</u>	<u>6</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	\$ (713,111)	(1)	\$ (938,410)	(1)	\$ (1,553,244)	(1)	\$ (1,454,117)	(1)
Unrealized gain on available-for-sale financial assets	665,396	1	930,620	1	1,821,165	1	1,986,834	2
Share of the other comprehensive income (loss) of associates and joint ventures	64,931	-	(2,489,926)	(4)	2,082,894	2	(1,237,586)	(1)
Other comprehensive income (loss) for the period, net of income tax	17,216	-	(2,497,716)	(4)	2,350,815	2	(704,869)	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 5,176,652</u>	<u>7</u>	<u>\$ 2,316,778</u>	<u>3</u>	<u>\$ 12,448,299</u>	<u>9</u>	<u>\$ 7,812,722</u>	<u>6</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 2,164,461	3	\$ 2,682,646	4	\$ 5,171,200	4	\$ 4,779,136	3
Non-controlling interests	2,994,975	4	2,131,848	3	4,926,284	3	3,738,455	3
	<u>\$ 5,159,436</u>	<u>7</u>	<u>\$ 4,814,494</u>	<u>7</u>	<u>\$ 10,097,484</u>	<u>7</u>	<u>\$ 8,517,591</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	\$ 2,817,630	4	\$ 156,575	-	\$ 7,706,390	6	\$ 3,795,983	3
Non-controlling interests	2,359,022	3	2,160,203	3	4,741,909	3	4,016,739	3
	<u>\$ 5,176,652</u>	<u>7</u>	<u>\$ 2,316,778</u>	<u>3</u>	<u>\$ 12,448,299</u>	<u>9</u>	<u>\$ 7,812,722</u>	<u>6</u>
EARNINGS PER SHARE (Note 30)								
Basic	<u>\$0.73</u>		<u>\$0.91</u>		<u>\$1.75</u>		<u>\$1.62</u>	
Diluted	<u>\$0.71</u>		<u>\$0.88</u>		<u>\$1.70</u>		<u>\$1.57</u>	

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

(With Deloitte & Touche review report dated August 15, 2016)

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POU CHEN CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owner of the Company						Other Equity			Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Non-controlling Interests	
				Special Reserve						
BALANCE AT JANUARY 1, 2015	\$ 29,441,372	\$ 4,627,549	\$ 9,398,498	\$ 9,180,047	\$ 23,675,306	\$ 3,345,749	\$ (8,954,302)	\$ 70,714,219	\$ 81,411,376	\$ 152,125,595
Appropriation of 2014 earnings (Note 26)	-	-	861,550	-	(861,550)	-	-	-	-	-
Legal reserve	-	-	-	(3,571,494)	3,571,494	-	-	-	-	-
Special reserve	-	-	-	-	(4,416,206)	-	-	(4,416,206)	-	(4,416,206)
Cash dividend	-	-	-	(3,571,494)	(1,706,262)	-	-	(4,416,206)	-	(4,416,206)
Net income for the six months ended June 30, 2015	-	-	-	-	4,779,136	-	-	4,779,136	3,738,455	8,517,591
Other comprehensive (loss) income for the six months ended June 30, 2015	-	-	-	-	-	(1,586,271)	603,118	(983,153)	278,284	(704,869)
Total other comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	-	4,779,136	(1,586,271)	603,118	3,795,983	4,016,739	7,812,722
Share of changes in net assets of associates and joint ventures (Notes 4 and 26)	-	624	-	-	-	-	-	624	-	624
Change in non-controlling interests	-	-	-	-	-	-	-	-	(4,945,661)	(4,945,661)
Change in equity for the six months ended June 30, 2015	-	624	861,550	(3,571,494)	3,072,874	(1,586,271)	603,118	(619,599)	(928,922)	(1,546,521)
BALANCE AT JUNE 30, 2015	\$ 29,441,372	\$ 4,628,173	\$ 10,260,048	\$ 5,608,553	\$ 26,748,180	\$ 1,759,478	\$ (8,351,184)	\$ 70,094,620	\$ 80,482,454	\$ 150,577,074
BALANCE AT JANUARY 1, 2016	\$ 29,467,872	\$ 4,631,708	\$ 10,260,048	\$ 5,608,553	\$ 31,207,526	\$ 5,020,886	\$ (16,926,480)	\$ 69,270,113	\$ 85,533,554	\$ 154,803,667
Appropriation of 2015 earnings (Note 26)	-	-	953,136	-	(953,136)	-	-	-	-	-
Legal reserve	-	-	-	6,297,042	(6,297,042)	-	-	-	-	-
Special reserve	-	-	-	-	(4,420,181)	-	-	(4,420,181)	-	(4,420,181)
Cash dividend	-	-	-	6,297,042	(11,670,359)	-	-	(4,420,181)	-	(4,420,181)
Net income for the six months ended June 30, 2016	-	-	-	-	5,171,200	-	-	5,171,200	4,926,284	10,097,484
Other comprehensive (loss) income for the six months ended June 30, 2016	-	-	-	-	-	(1,349,483)	3,884,673	2,535,190	(184,375)	2,350,815
Total other comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	5,171,200	(1,349,483)	3,884,673	7,706,390	4,741,909	12,448,299
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(10,070)	-	-	-	-	-	(10,070)	-	(10,070)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(7,695)	-	-	-	-	-	(7,695)	-	(7,695)
Change in non-controlling interests	-	-	-	-	-	-	-	-	(4,588,660)	(4,588,660)
Change in equity for the six months ended June 30, 2016	-	(17,765)	953,136	6,297,042	(6,499,159)	(1,349,483)	3,884,673	3,268,444	153,249	3,421,693
BALANCE AT JUNE 30, 2016	\$ 29,467,872	\$ 4,613,943	\$ 11,213,184	\$ 11,905,595	\$ 24,708,367	\$ 3,671,403	\$ (13,041,807)	\$ 77,538,557	\$ 85,686,803	\$ 158,225,360

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated August 15, 2016)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,955,088	\$ 10,617,658
Adjustments for:		
Depreciation expenses	4,319,826	3,906,901
Amortization expenses	195,715	221,544
(Reversal) recognized of impairment loss on accounts receivable	(8,357)	47,772
Net gain on fair value change of financial instruments at fair value through profit or loss	(886,049)	(767,468)
Finance costs	640,437	574,529
Interest income	(261,093)	(243,669)
Dividend income	(14,746)	(8,234)
Compensation cost of employee share options	19,450	31,402
Share of profit of associates and joint ventures	(1,716,428)	(3,159,198)
Net loss on disposal of property, plant and equipment	45,290	219,795
Net gain on disposal of investments	(22,121)	(125,902)
Net gain on disposal of subsidiaries, associates and joint ventures	(14,394)	(140,772)
Recognized of impairment loss	2,868	371,550
Changes in operating assets and liabilities		
Financial instruments held for trading	148,405	202,201
Notes receivable	(8,363)	7,220
Notes receivable from related parties	14	(35)
Accounts receivable	(2,909,328)	(1,710,424)
Accounts receivable from related parties	(20,283)	(20,209)
Other receivables	(873,567)	305,824
Inventories	3,032,466	5,308,104
Other current assets	(112,960)	(370,675)
Other operating assets	(33,183)	(262)
Notes payable	(5,523)	(6,780)
Notes payable to related parties	14,748	(11,824)
Accounts payable	(2,194,921)	(183,570)
Accounts payable to related parties	(288,414)	45,972
Other payables	(3,186,925)	(1,091,588)
Other current liabilities	(68,323)	(520,425)
Accrued pension liabilities	(352,513)	(99,913)
Other operating liabilities	(2,027)	(51,401)
Cash generated from operations	7,394,789	13,348,123
Interest paid	(640,261)	(565,226)
Income tax paid	(2,858,778)	(1,639,261)
Net cash generated from operating activities	<u>3,895,750</u>	<u>11,143,636</u>

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets design at FVTPL	\$ -	\$ (314,198)
Proceeds on sale of financial assets design at FVTPL	12,354	6,701
Acquisition of available-for-sale financial assets	-	(56,844)
Proceeds on sale of available-for-sale financial assets	-	209,146
Acquisition of debt investments with no active market	(604,443)	(1,893,192)
Proceeds on sale of debt investments with no active market	836,924	2,646,889
Acquisition of held-to-maturity financial assets	(3,823,529)	-
Proceeds on sale of held-to-maturity financial assets	48,737	-
Proceeds on sale of financial assets measured at cost	55,861	140,850
Acquisition of associates and joint ventures	(118,514)	-
Proceeds from disposal of associates and joint ventures	-	1,534,656
Increase in prepayments for investment	-	(547,765)
Net cash outflow on acquisition of subsidiaries	-	(63,572)
Net cash inflow on disposal of subsidiaries	103,343	88,007
Acquisition of property, plant and equipment	(5,853,144)	(5,795,592)
Proceeds from disposal of property, plant and equipment	920,303	248,962
Increase in refundable deposits	(61,818)	-
Decrease in refundable deposits	-	44,290
Acquisition of investment properties	(1,061)	(12,753)
Increase in prepayments for equipment	(650,597)	(638,842)
Acquisition of prepayments for lease	(185,872)	-
Proceeds from disposal of prepayments for lease	65,700	115,940
Interest received	216,931	347,435
Dividend received	619,960	413,643
	<u>(8,418,865)</u>	<u>(3,526,239)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	8,264,741	-
Repayments of short-term borrowings	-	(3,738,912)
Proceeds from short-term bills payable	848,000	773,000
Repayments of long-term borrowings	(3,461,125)	(1,112,800)
Increase in guarantee deposits	1,258	-
Decrease in guarantee deposits	-	(1,287)
Change in non-controlling interests	<u>(4,588,660)</u>	<u>(4,945,661)</u>
	<u>1,064,214</u>	<u>(9,025,660)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>435,635</u>	<u>1,299,967</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2016	2015
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (3,023,266)	\$ (108,296)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>37,820,911</u>	<u>34,794,727</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 34,797,645</u>	<u>\$ 34,686,431</u>

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

(With Deloitte & Touche review report dated August 15, 2016)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors on August 15, 2016.

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

- a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New or amended IFRSs in 2017 would not have any material impact on the Group’s accounting policies:

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

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

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of no discounting is immaterial.

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

3) Annual Improvements to IFRSs: 2011-2013 Cycle

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

4) Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”

The amendments require that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- Measure most identifiable assets and liabilities at fair value;
- Expense acquisition-related costs (other than debt or equity issuance costs);
- Recognize deferred taxes;
- Recognize any goodwill or bargain purchase gain;
- Perform impairment tests for the cash generating units to which goodwill has been allocated; and
- Disclose required information relevant for business combinations.

The amendments also apply to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

The amendments do not apply to acquisition of an interest in a joint operation when the parties sharing control are under common control before and after the acquisition.

The above amendments will be applied to interest in joint operations acquired on or after January 1, 2017. Amounts of interests in joint operations acquired in prior periods are not adjusted.

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

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

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

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

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

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

- a) For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:
 - i. For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
 - ii. For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instrument is derecognized or reclassified the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- b) Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

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

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

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

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

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

3) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

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

c. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2015.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	\$ 50,432	\$ 265,659	\$ 41,700
Checking accounts and demand deposits	23,466,076	27,240,548	22,083,422
Cash equivalent (investments with original maturities less than three months)			
Time deposits	10,596,068	9,618,294	11,982,671
Repurchase agreements collateralized by bonds	<u>685,069</u>	<u>696,410</u>	<u>578,638</u>
	<u>\$ 34,797,645</u>	<u>\$ 37,820,911</u>	<u>\$ 34,686,431</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets designated as at FVTPL</u>			
Structured deposit (a)	\$ 635,282	\$ 654,795	\$ 639,823
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts (b)	568	8,564	20,557
Exchange rate option contracts (c)	25,000	24,257	165,943
Exchange rate swap contracts (d)	30,623	36,129	21,528
Cross-currency swap contracts (e)	1,871	52,336	3,518
Non-derivative financial assets			
Domestic open-ended mutual funds	<u>355,567</u>	<u>460,002</u>	<u>75,262</u>
	<u>\$ 1,048,911</u>	<u>\$ 1,236,083</u>	<u>\$ 926,631</u>
Current	\$ 413,629	\$ 581,288	\$ 286,808
Non-current	<u>635,282</u>	<u>654,795</u>	<u>639,823</u>
	<u>\$ 1,048,911</u>	<u>\$ 1,236,083</u>	<u>\$ 926,631</u>
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts (b)	\$ -	\$ 63,656	\$ 62,664
Exchange rate option contracts (c)	383,335	1,263,044	57,253
Exchange rate swap contracts (d)	64,836	33,702	1,235
Cross-currency swap contracts (e)	8,577	-	6,766
Interest rate swap contracts (f)	<u>35,313</u>	<u>44,121</u>	<u>35,049</u>
	<u>\$ 492,061</u>	<u>\$ 1,404,523</u>	<u>\$ 162,967</u>
Current	<u>\$ 492,061</u>	<u>\$ 1,404,523</u>	<u>\$ 162,967</u>

- a. Structured deposits
- 1) Wealthplus entered into a five years USD structured time deposit contract with a bank in January 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract, recorded under “financial assets at FVTPL - non-current”.
 - 2) Wealthplus entered into a three years and six months RMB structured time deposit contract with a bank in March 2015. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract, recorded under “financial assets at FVTPL - non-current”.
- b. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

June 30, 2016

Notional Amount	Forward Exchange Rates
HKD960,300,000	Sell HKD/buy USD at 7.7491 to 7.7550

December 31, 2015

Notional Amount	Forward Exchange Rates
USD 50,000,000	Sell USD/buy RMB at 6.1500 to 6.4465
USD 10,018,961	Sell RMB/buy USD at 6.4343

June 30, 2015

Notional Amount	Forward Exchange Rates
USD 342,000,000	Sell USD/buy RMB at 6.1500 to 6.4465

The Group entered into forward exchange contracts for the six months ended June 30, 2016 and 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

June 30, 2016

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US\$ 2,000,000	Call	Buy	\$ (1,937)	\$ 1,487
US\$ 2,000,000	Call	Buy	(1,937)	1,546
US\$ 2,000,000	Call	Buy	(1,936)	1,555
US\$ 84,000,000	Put	Sell	-	13,614
US\$ 42,000,000	Put	Sell	-	6,798
US\$ 44,000,000	Put	Sell	-	(9,612)
US\$ 44,000,000	Put	Sell	-	(21,002)
US\$ 20,000,000	Put	Sell	-	(9,436)
US\$ 72,000,000	Put	Sell	-	(19,720)

(Continued)

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US\$ 2,000,000	Put	Sell	\$ -	\$ (1,426)
US\$ 20,000,000	Put	Sell	-	(4,561)
US\$ 22,000,000	Put	Sell	-	(10,561)
US\$ 2,000,000	Put	Sell	-	(1,457)
US\$ 6,000,000	Put	Sell	-	(4,868)
US\$ 22,000,000	Put	Sell	-	(3,967)
US\$ 40,000,000	Put	Sell	-	(19,306)
US\$ 44,000,000	Put	Sell	-	(21,349)
US\$ 20,000,000	Put	Sell	-	(4,425)
US\$ 48,000,000	Put	Sell	-	(15,478)
US\$ 40,000,000	Put	Sell	-	(17,865)
US\$ 2,000,000	Put	Sell	-	(1,376)
US\$ 6,000,000	Put	Sell	-	(4,768)
US\$ 8,000,000	Put	Sell	-	(171)
US\$ 6,000,000	Put	Sell	-	(4,741)
US\$ 8,000,000	Put	Sell	-	(6,515)
US\$ 6,000,000	Put	Sell	-	(5,318)
US\$ 24,000,000	Put	Sell	-	(1,652)
US\$ 24,000,000	Put	Sell	-	(555)
US\$ 30,000,000	Put	Sell	8,424	(119)
US\$ 20,000,000	Put	Sell	6,778	(141)
US\$ 40,000,000	Put	Sell	2,517	(3,383)
US\$ 78,000,000	Put	Sell	-	(41,060)
US\$ 52,000,000	Put	Sell	-	(28,925)
US\$ 52,000,000	Put	Sell	-	(28,704)
US\$ 78,000,000	Put	Sell	-	(45,112)
US\$ 84,000,000	Put	Sell	23,534	(45,125)
US\$ 10,000,000	Put	Sell	997	(330)
US\$ 10,000,000	Put	Sell	1,030	(307)
				<u>\$ (358,335)</u>
				(Concluded)

December 31, 2015

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US\$ 6,000,000	Call	Buy	\$ (3,523)	\$ 4,034
US\$ 6,000,000	Call	Buy	(3,654)	4,193
US\$ 12,000,000	Call	Buy	(7,503)	8,473
US\$ 6,000,000	Call	Buy	(2,545)	2,468
US\$ 6,000,000	Call	Buy	(2,577)	2,480
US\$ 6,000,000	Call	Buy	(2,708)	2,609
US\$ 8,000,000	Put	Sell	-	(12,337)
US\$ 24,000,000	Put	Sell	-	(7,384)
US\$ 48,000,000	Put	Sell	-	(32,534)
US\$ 44,000,000	Put	Sell	-	(42,958)
				(Continued)

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US\$ 20,000,000	Put	Sell	\$ -	\$ (18,967)
US\$ 72,000,000	Put	Sell	-	(54,082)
US\$ 14,000,000	Put	Sell	-	(10,755)
US\$ 24,000,000	Put	Sell	-	(15,764)
US\$ 22,000,000	Put	Sell	-	(21,904)
US\$ 2,000,000	Put	Sell	-	(2,926)
US\$ 2,000,000	Put	Sell	-	(3,242)
US\$ 8,000,000	Put	Sell	-	(3,911)
US\$ 14,000,000	Put	Sell	-	(7,584)
US\$ 18,000,000	Put	Sell	-	(12,845)
US\$ 24,000,000	Put	Sell	-	(1,537)
US\$ 24,000,000	Put	Sell	-	(15,070)
US\$ 40,000,000	Put	Sell	-	(36,932)
US\$ 44,000,000	Put	Sell	-	(43,290)
US\$ 24,000,000	Put	Sell	-	(14,595)
US\$ 48,000,000	Put	Sell	-	(37,919)
US\$ 40,000,000	Put	Sell	-	(35,775)
US\$ 14,000,000	Put	Sell	-	(12,128)
US\$ 18,000,000	Put	Sell	-	(18,554)
US\$ 56,000,000	Put	Sell	-	(18,966)
US\$ 18,000,000	Put	Sell	-	(16,650)
US\$ 32,000,000	Put	Sell	-	(28,406)
US\$ 48,000,000	Put	Sell	-	(23,869)
US\$ 18,000,000	Put	Sell	-	(17,907)
US\$ 48,000,000	Put	Sell	-	(23,426)
US\$ 48,000,000	Put	Sell	-	(24,850)
US\$ 2,000,000	Put	Sell	385	(2,203)
US\$ 264,000,000	Put	Sell	-	(29,865)
US\$ 39,000,000	Put	Sell	-	(97,044)
US\$ 114,000,000	Put	Sell	-	(89,356)
US\$ 76,000,000	Put	Sell	-	(56,789)
US\$ 76,000,000	Put	Sell	-	(58,614)
US\$ 114,000,000	Put	Sell	-	(90,600)
US\$ 120,000,000	Put	Sell	33,982	(90,068)
US\$ 120,000,000	Put	Sell	29,905	(75,914)
US\$ 126,000,000	Put	Sell	-	(52,358)
US\$ 30,000,000	Put	Sell	2,357	<u>(3,166)</u>
				<u>\$ (1,238,787)</u>
				(Concluded)

June 30, 2015

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 48,000,000	Put	Sell	\$ -	\$ 6,519
US\$ 100,000,000	Put	Sell	-	21,023
US\$ 48,000,000	Put	Sell	-	9,525
US\$ 48,000,000	Put	Sell	-	415
US\$ 24,000,000	Put	Sell	-	3,658
US\$ 48,000,000	Put	Sell	-	7,541
US\$ 14,000,000	Put	Sell	-	440
US\$ 20,000,000	Put	Sell	-	4,339
US\$ 24,000,000	Put	Sell	-	3,806
US\$ 24,000,000	Put	Sell	-	2,009
US\$ 24,000,000	Put	Sell	-	6,692
US\$ 24,000,000	Put	Sell	-	1,305
US\$ 20,000,000	Put	Sell	-	4,232
US\$ 120,000,000	Put	Sell	-	26,405
US\$ 24,000,000	Put	Sell	-	1,194
US\$ 24,000,000	Put	Sell	-	3,982
US\$ 24,000,000	Put	Sell	-	1,863
US\$ 96,000,000	Put	Sell	-	16,894
US\$ 24,000,000	Put	Sell	-	2,212
US\$ 48,000,000	Put	Sell	-	5,435
US\$ 48,000,000	Put	Sell	-	9,335
US\$ 24,000,000	Put	Sell	-	1,767
US\$ 48,000,000	Put	Sell	-	11,337
US\$ 48,000,000	Put	Sell	-	14,015
US\$ 80,000,000	Put	Sell	-	(874)
US\$ 56,000,000	Put	Sell	-	(545)
US\$ 56,000,000	Put	Sell	-	(501)
US\$ 44,000,000	Put	Sell	-	(3,953)
US\$ 24,000,000	Put	Sell	-	(529)
US\$ 22,000,000	Put	Sell	-	(3,326)
US\$ 14,000,000	Put	Sell	-	(267)
US\$ 44,000,000	Put	Sell	-	(4,468)
US\$ 48,000,000	Put	Sell	-	(710)
US\$ 2,000,000	Put	Sell	367	(194)
US\$ 117,000,000	Put	Sell	-	(29,648)
US\$ 42,000,000	Put	Sell	-	(8,936)
US\$ 10,000,000	Put	Sell	493	(509)
US\$ 30,000,000	Put	Sell	1,437	<u>(2,793)</u>
				<u>\$ 108,690</u>

The Group entered into exchange rate option contracts for the six months ended June 30, 2016 and 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

June 30, 2016

	Notional Amount	Maturity Date	Rate	Fair Value
	US\$ 26,000,000	2016.07.27	32.1310	\$ 3,469
	US\$ 3,000,000	2016.07.27	32.1310	400
	US\$ 23,400,000	2016.08.05	32.2370	503
	RMB 50,000,000	2016.07.11	4.8257	957
	RMB 50,208,000	2016.07.19	6.8148	5,345
	RMB 91,000,000	2016.07.19	6.8205	10,105
	RMB 40,000,000	2016.07.19	6.8180	4,391
	RMB 50,208,000	2016.07.19	6.8165	5,453
	US\$ 48,000,000	2016.07.06	32.5610	(13,485)
	US\$ 6,000,000	2016.07.06	32.5610	(1,686)
	US\$ 30,000,000	2016.07.07	32.5820	(9,081)
	US\$ 2,000,000	2016.07.07	32.5820	(605)
	US\$ 21,300,000	2016.07.15	32.3855	(2,408)
	US\$ 10,000,000	2016.07.18	32.3750	(989)
	US\$ 18,000,000	2016.07.20	32.3387	(1,233)
	US\$ 40,000,000	2016.07.29	32.4350	(6,843)
	US\$ 25,000,000	2016.07.29	32.4310	(4,065)
	US\$ 7,300,000	2016.08.01	32.3490	(604)
	US\$ 20,600,000	2016.08.01	32.3290	(44)
	US\$ 30,000,000	2016.08.05	32.2370	(35)
	RMB 30,000,000	2016.09.12	4.9546	(3,790)
	RMB 45,000,000	2017.03.13	4.8513	(4,016)
	RMB 123,900,000	2017.03.14	4.8500	(11,173)
	RMB 53,000,000	2017.03.14	4.8500	<u>(4,779)</u>
				<u>\$ (34,213)</u>

December 31, 2015

	Notional Amount	Maturity Date	Rate	Fair Value
	US\$ 48,000,000	2016.01.07	32.8110	\$ 6,349
	US\$ 11,600,000	2016.01.07	32.8110	1,534
	US\$ 8,600,000	2016.01.07	32.8110	1,138
	US\$ 26,000,000	2016.01.14	32.7860	4,066
	US\$ 30,000,000	2016.01.14	32.7860	4,691
	US\$ 30,000,000	2016.01.12	32.7622	4,643
	US\$ 30,000,000	2016.01.12	32.7272	9,934
	US\$ 2,000,000	2016.01.12	32.7272	662
	RMB 50,000,000	2016.07.11	4.8257	2,797
	RMB 123,900,000	2016.03.14	4.9590	93
	RMB 50,208,000	2016.01.19	6.5864	4
	RMB 12,590,000	2016.06.22	6.7092	118
	RMB 12,560,000	2016.01.29	6.6055	100
	RMB 30,000,000	2016.03.11	4.9971	(321)

(Continued)

Notional Amount	Maturity Date	Rate	Fair Value
RMB 45,000,000	2016.03.11	4.9971	\$ (648)
RMB 53,000,000	2016.03.14	4.9684	(458)
RMB 50,208,000	2016.03.17	6.6246	(562)
RMB 110,952,000	2016.03.24	6.6359	(805)
RMB 13,245,000	2016.03.24	6.6337	(82)
RMB 40,000,000	2016.01.19	6.4240	(4,971)
RMB 50,744,000	2016.03.24	6.6329	(481)
RMB 12,560,000	2016.04.11	6.4730	(1,749)
RMB 91,000,000	2016.01.19	6.4005	(13,219)
RMB 60,000,000	2016.02.17	6.4454	(7,750)
RMB 50,744,000	2016.03.24	6.6329	(481)
RMB 50,744,000	2016.03.24	6.6329	(936)
CHF 29,754,000	2016.01.11	0.9900	<u>(1,239)</u>
			<u>\$ 2,427</u>
			(Concluded)

June 30, 2015

Notional Amount	Maturity Date	Rate	Fair Value
US\$ 30,000,000	2015.07.15	30.9019	\$ 1,710
US\$ 20,000,000	2015.07.15	30.9019	1,140
US\$ 30,000,000	2015.07.31	30.8909	1,991
US\$ 33,000,000	2015.07.29	30.9110	4,913
US\$ 30,000,000	2015.07.27	30.8758	4,043
US\$ 29,600,000	2015.07.29	30.9110	2,940
US\$ 25,000,000	2015.07.31	30.8909	4,374
US\$ 15,000,000	2015.07.15	30.9020	(662)
US\$ 13,000,000	2015.07.15	30.9020	(573)
RMB 45,000,000	2015.12.11	4.9400	219
RMB 30,000,000	2015.12.11	4.9400	<u>198</u>
			<u>\$ 20,293</u>

The Group entered into exchange rate swap contracts for the six months ended June 30, 2016 and 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

June 30, 2016

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 10,000,000	2016.09.12	32.761	0.89	\$ (4,793)
US\$ 10,000,000	2016.11.23	32.630	0.81	(3,784)
US\$ 10,000,000	2016.12.20	6.9535	1.50	<u>1,871</u>
				<u>\$ (6,706)</u>

December 31, 2015

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 20,000,000	2016.05.18	30.560	1.05	\$ 45,179
US\$ 10,000,000	2016.03.16	32.506	0.79	3,921
US\$ 10,000,000	2016.05.27	32.520	0.78	<u>3,236</u>
				<u>\$ 52,336</u>

June 30, 2015

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 20,000,000	2016.05.18	30.56	1.05	\$ 3,518
US\$ 10,000,000	2015.09.18	31.50	0.89	(6,491)
US\$ 10,000,000	2015.12.01	30.851	0.89	<u>(275)</u>
				<u>\$ (3,248)</u>

The Group entered into cross-currency swap contracts for the six months ended June 30, 2016 and 2015 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

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

June 30, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 218,750,000	2016.09.29	1.066	0.68489	\$ (304)
218,750,000	2016.09.29	1.066	0.68489	(304)
175,000,000	2016.09.29	1.180	0.68489	(318)
175,000,000	2016.09.29	1.183	0.68489	(319)
175,000,000	2016.09.29	1.183	0.68489	(313)
175,000,000	2016.09.29	1.183	0.68489	(308)
125,000,000	2016.09.29	0.967	0.68489	(128)
175,000,000	2016.09.29	0.990	0.68489	(185)
175,000,000	2016.09.29	0.990	0.68489	(188)
150,000,000	2016.09.29	0.990	0.68489	(166)
500,000,000	2018.06.01	1.340	0.68233	(4,410)
900,000,000	2018.06.01	1.310	0.68233	(7,519)
600,000,000	2018.06.01	1.310	0.68233	(5,023)
500,000,000	2018.06.01	1.290	0.68233	(4,082)
500,000,000	2018.06.01	1.278	0.68233	(3,979)
300,000,000	2018.06.01	1.265	0.68233	(2,339)
500,000,000	2018.06.01	1.280	0.68233	(3,913)
200,000,000	2018.06.01	1.260	0.68233	<u>(1,515)</u>
				<u>\$ (35,313)</u>

December 31, 2015

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 437,500	2016.09.29	1.066	0.80956	\$ (766)
437,500	2016.09.29	1.066	0.80956	(770)
350,000	2016.09.29	1.180	0.80956	(862)
350,000	2016.09.29	1.183	0.80956	(864)
350,000	2016.09.29	1.183	0.80956	(866)
350,000	2016.09.29	1.183	0.80956	(761)
250,000	2016.09.29	0.967	0.80956	(287)
350,000	2016.09.29	0.990	0.80956	(452)
350,000	2016.09.29	0.990	0.80956	(475)
300,000	2016.09.29	0.990	0.80956	(385)
500,000	2018.06.01	1.340	0.80767	(5,126)
900,000	2018.06.01	1.310	0.80767	(8,638)
600,000	2018.06.01	1.310	0.80767	(5,810)
500,000	2018.06.01	1.290	0.80767	(4,672)
500,000	2018.06.01	1.278	0.80767	(4,521)
300,000	2018.06.01	1.265	0.80767	(2,645)
500,000	2018.06.01	1.280	0.80767	(4,493)
200,000	2018.06.01	1.260	0.80767	<u>(1,728)</u>
				<u>\$ (44,121)</u>

June 30, 2015

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 600,000	2018.06.01	1.310	0.87522	\$ (4,271)
500,000	2018.06.01	1.340	0.87522	(3,924)
656,250	2016.09.29	1.066	0.87544	(911)
525,000	2016.09.29	1.180	0.87544	(1,249)
375,000	2016.09.29	0.967	0.87544	(198)
525,000	2016.09.29	0.990	0.87544	(384)
900,000	2018.06.01	1.310	0.87522	(6,366)
500,000	2018.06.01	1.278	0.87522	(3,181)
300,000	2018.06.01	1.265	0.87522	(1,822)
525,000	2016.09.29	1.183	0.87544	(1,247)
525,000	2016.09.29	0.990	0.87544	(121)
500,000	2018.06.01	1.290	0.87522	(3,331)
656,250	2016.09.29	1.066	0.87544	(906)
525,000	2016.09.29	1.183	0.87544	(1,255)
450,000	2016.09.29	0.990	0.87544	(326)
525,000	2016.09.29	1.183	0.87544	(1,177)
500,000	2018.06.01	1.280	0.87522	(3,192)
200,000	2018.06.01	1.260	0.87522	<u>(1,188)</u>
				<u>\$ (35,049)</u>

The Group entered into interest rate swap contracts for the six months ended June 30, 2016 and 2015 to manage exposures to interest rate fluctuations.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Domestic investments</u>			
Listed shares	\$ 14,719,839	\$ 12,859,057	\$ 15,528,747
<u>Foreign investments</u>			
Listed shares	<u>414,898</u>	<u>455,116</u>	<u>510,373</u>
	<u>\$ 15,134,737</u>	<u>\$ 13,314,173</u>	<u>\$ 16,039,120</u>
Current	\$ 14,314,547	\$ 12,622,099	\$ 15,210,030
Non-current	<u>820,190</u>	<u>692,074</u>	<u>829,090</u>
	<u>\$ 15,134,737</u>	<u>\$ 13,314,173</u>	<u>\$ 16,039,120</u>

9. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Domestic investments</u>			
Corporate bonds	\$ 332,357	\$ -	\$ -
<u>Foreign investments</u>			
Corporate bonds	1,865,620	967,708	-
Commercial paper	2,627,269	483,585	-
Structured product	<u>329,861</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,155,107</u>	<u>\$ 1,451,293</u>	<u>\$ -</u>
Current	\$ 745,029	\$ 49,567	\$ -
Non-current	<u>4,410,078</u>	<u>1,401,726</u>	<u>-</u>
	<u>\$ 5,155,107</u>	<u>\$ 1,451,293</u>	<u>\$ -</u>

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits with original maturity more than three months	\$ 1,152,502	\$ 1,360,761	\$ 2,145,849
Others	<u>38,485</u>	<u>62,707</u>	<u>30,380</u>
	<u>\$ 1,190,987</u>	<u>\$ 1,423,468</u>	<u>\$ 2,176,229</u>

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Current	\$ 1,152,502	\$ 1,390,697	\$ 2,145,849
Non-current	<u>38,485</u>	<u>32,771</u>	<u>30,380</u>
	<u>\$ 1,190,987</u>	<u>\$ 1,423,468</u>	<u>\$ 2,176,229</u> (Concluded)

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

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Notes receivable (included related parties)</u>			
Notes receivable - operating	\$ 16,786	\$ 12,209	\$ 10,103
Notes receivable - non-operating	3,804	32	1,014
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 20,590</u>	<u>\$ 12,241</u>	<u>\$ 11,117</u>
<u>Accounts receivable (included related parties)</u>			
Accounts receivable	\$ 37,775,652	\$ 34,859,882	\$ 33,883,889
Less: Allowance for doubtful accounts	<u>(962,956)</u>	<u>(985,154)</u>	<u>(780,000)</u>
	<u>\$ 36,812,696</u>	<u>\$ 33,874,728</u>	<u>\$ 33,103,889</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 1,537,852	\$ 1,439,872	\$ 1,149,200
Others	2,982,328	2,166,111	2,670,979
Less: Allowance for doubtful accounts	<u>(1,681)</u>	<u>(1,697)</u>	<u>(1,654)</u>
	<u>\$ 4,518,499</u>	<u>\$ 3,604,286</u>	<u>\$ 3,818,525</u>

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

a. Notes receivable

The notes receivable balances at June 30, 2016, December 31, 2015 and June 30, 2015 were not past due.

b. Accounts receivable

- 1) The aging analysis tables of the accounts receivable as at June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

June 30, 2016

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	\$ 27,181,814	\$ -	\$ -	\$ -	\$ 27,181,814
31-90 days	7,640,838	-	1,773,737	5,051	9,419,626
More than 91 days	-	-	216,307	957,905	1,174,212
	<u>\$ 34,822,652</u>	<u>\$ -</u>	<u>\$ 1,990,044</u>	<u>\$ 962,956</u>	<u>\$ 37,775,652</u>

December 31, 2015

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	\$ 23,239,428	\$ -	\$ -	\$ -	\$ 23,239,428
31-90 days	8,706,109	-	1,644,303	25,792	10,376,204
More than 91 days	-	-	284,888	959,362	1,244,250
	<u>\$ 31,945,537</u>	<u>\$ -</u>	<u>\$ 1,929,191</u>	<u>\$ 985,154</u>	<u>\$ 34,859,882</u>

June 30, 2015

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	\$ 22,838,891	\$ -	\$ -	\$ -	\$ 22,838,891
31-90 days	8,270,453	-	1,646,258	4,418	9,921,129
More than 91 days	-	-	348,287	775,582	1,123,869
	<u>\$ 31,109,344</u>	<u>\$ -</u>	<u>\$ 1,994,545</u>	<u>\$ 780,000</u>	<u>\$ 33,883,889</u>

The above aging schedule was based on the invoice date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 985,154	\$ -	\$ 985,154
Less: Reversal of impairment losses	(8,357)	-	(8,357)
Effect of exchange rate changes	<u>(13,841)</u>	<u>-</u>	<u>(13,841)</u>
Balance at June 30, 2016	<u>\$ 962,956</u>	<u>\$ -</u>	<u>\$ 962,956</u>
Balance at January 1, 2015	\$ 882,515	\$ -	\$ 882,515
Add: Recognized of impairment losses	47,772	-	47,772
Less: Amounts written off during the period as uncollectible	(132,389)	-	(132,389)
Effect of exchange rate changes	<u>(17,898)</u>	<u>-</u>	<u>(17,898)</u>
Balance at June 30, 2015	<u>\$ 780,000</u>	<u>\$ -</u>	<u>\$ 780,000</u>

12. INVENTORIES

	June 30, 2016	December 31, 2015	June 30, 2015
Inventories - manufacturing and retailing	\$ 38,215,564	\$ 41,228,992	\$ 36,590,419
Inventories - construction	<u>5,010,312</u>	<u>5,029,350</u>	<u>4,542,187</u>
	<u>\$ 43,225,876</u>	<u>\$ 46,258,342</u>	<u>\$ 41,132,606</u>

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

	June 30, 2016	December 31, 2015	June 30, 2015
Raw materials	\$ 7,995,981	\$ 8,318,055	\$ 8,006,227
Work in progress	4,781,457	4,932,133	5,318,742
Finished goods and merchandise	<u>25,438,126</u>	<u>27,978,804</u>	<u>23,265,450</u>
	<u>\$ 38,215,564</u>	<u>\$ 41,228,992</u>	<u>\$ 36,590,419</u>

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 was \$54,619,421 thousand, \$54,038,477 thousand, \$105,283,198 thousand and \$102,039,283 thousand, respectively.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Land and buildings held for development	\$ 4,825,756	\$ 4,821,623	\$ 4,369,266
Land and buildings held for sale	64,756	87,927	53,121
Land held for construction site	<u>119,800</u>	<u>119,800</u>	<u>119,800</u>
	<u>\$ 5,010,312</u>	<u>\$ 5,029,350</u>	<u>\$ 4,542,187</u>

The cost of construction inventories recognized as cost of goods sold for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 was \$2,706 thousand, \$3,316 thousand, \$2,706 thousand and \$6,470 thousand, respectively.

13. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Assets associated with non-current assets held for sale</u>			
Investments accounted for using equity method	<u>\$ 63,969</u>	<u>\$ -</u>	<u>\$ -</u>

Pou Sheng resolved to dispose the share of Hefei Tengrei Sports Goods Company Limited and Zhejiang Baohong Sports Goods Company Limited in the first half-year of 2016 and reclassified it to “non-current assets held for sale”. The carrying amount is \$63,969 thousand (US\$1,982 thousand) at June 30, 2016.

14. OTHER ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Prepayments	\$ 7,938,797	\$ 7,556,075	\$ 8,080,796
Refundable deposits	217,719	155,901	132,769
Defined benefit assets	139,284	124,351	124,351
Prepayments for equipment	2,842,486	2,191,889	1,628,823
Others	<u>1,951,006</u>	<u>2,202,518</u>	<u>2,367,739</u>
	<u>\$ 13,089,292</u>	<u>\$ 12,230,734</u>	<u>\$ 12,334,478</u>
Current	\$ 9,403,177	\$ 9,290,217	\$ 9,757,550
Non-current	<u>3,686,115</u>	<u>2,940,517</u>	<u>2,576,928</u>
	<u>\$ 13,089,292</u>	<u>\$ 12,230,734</u>	<u>\$ 12,334,478</u>

15. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Domestic investments</u>			
Unlisted shares	<u>\$ 63,225</u>	<u>\$ 63,225</u>	<u>\$ 63,225</u>
<u>Foreign investments</u>			
Unlisted shares	196,978	204,195	204,764
Mutual funds	<u>355,108</u>	<u>391,975</u>	<u>363,881</u>
	<u>552,086</u>	<u>596,170</u>	<u>568,645</u>
	<u>\$ 615,311</u>	<u>\$ 659,395</u>	<u>\$ 631,870</u>
<u>Classified according to financial asset measurement categories</u>			
Available-for-sale financial assets	<u>\$ 615,311</u>	<u>\$ 659,395</u>	<u>\$ 631,870</u>

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

16. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			June 30, 2016	December 31, 2015	June 30, 2015
Wealthplus Holdings Limited (“Wealthplus”)	British Virgin Islands	Investing activities of footwear and electronic and peripheral products	100.00	100.00	100.00
Win Fortune Investments Limited	British Virgin Islands	Investing activities	100.00	100.00	100.00
Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operation	100.00	100.00	100.00
Pou Shine Investments Co., Ltd.	ROC	Investing activities	100.00	100.00	100.00
Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	100.00	100.00	100.00
Pro Arch International Development Enterprise Inc.	ROC	Design and manufacturing of footwear product	100.00	100.00	100.00
Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	99.81	99.81	99.81
Barits Development Corporation	ROC	Import and export of the shoe related materials and investing activities	99.62	99.62	99.61

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			June 30, 2016	December 31, 2015	June 30, 2015
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	48.93	48.93	48.93
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	30.24	29.98	29.98
Crown Master Investments Limited	British Virgin Islands	Investment holding	100.00	100.00	100.00
Tetor Ventures Ltd.	British Virgin Islands	Investment holding	100.00	100.00	100.00
Star Eagle Consultants Limited	British Virgin Islands	Agency of property and casualty insurance	100.00	100.00	100.00
Pou Yu Biotechnology Co., Ltd.	ROC	Manufacturing of medical appliance and sale of related equipment	69.44	69.44	69.44

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

Win Fortune Investments Limited (“Win Fortune”) invested in Yue Yuen (as at June 30, 2016 the ownership percentage was 1.05%). Investing is its primary operation activities.

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			June 30, 2016	December 31, 2015	June 30, 2015
Vantage Capital Investments Ltd.	British Virgin Islands	Investment holdings	100.00	100.00	100.00

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			June 30, 2016	December 31, 2015	June 30, 2015
Song Ming Investments Co., Ltd.	ROC	Investing activities	100.00	100.00	100.00
Pou Chin Development Co., Ltd.	ROC	Agency of land demarcation	100.00	100.00	100.00
Yu Hong Development Co., Ltd.	ROC	Development of real estate	100.00	100.00	100.00
Wang Yi Construction Co., Ltd.	ROC	Construction	89.75	89.75	89.75
Pou Yii Development Co., Ltd.	ROC	Rental and sale of real estate	75.00	75.00	75.00

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	June 30, 2016	December 31, 2015	June 30, 2015
Yue Yuen Industrial (Holdings) Limited	50.02%	50.02%	50.02%
Pou Sheng International (Holdings) Limited	38.19%	38.73%	38.73%

Name of Subsidiary	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended June 30		For the Six Months Ended June 30		June 30, 2016	December 31, 2015	June 30, 2015
	2016	2015	2016	2015			
Yue Yuen Industrial (Holdings) Limited	\$ 2,477,071	\$ 1,864,299	\$ 4,062,783	\$ 3,282,918	\$ 73,350,562	\$ 73,367,403	\$ 68,340,738
Pou Sheng International (Holdings) Limited	444,676	207,920	732,755	316,769	11,053,187	10,913,098	10,642,133

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

	June 30, 2016	December 31, 2015	June 30, 2015
Current assets	\$ 119,115,893	\$ 122,350,497	\$ 114,093,605
Non-current assets	114,186,565	114,683,568	106,962,720
Current liabilities	(49,843,820)	(64,764,194)	(59,187,440)
Non-current liabilities	<u>(24,394,607)</u>	<u>(13,358,495)</u>	<u>(13,069,765)</u>
Equity	<u>\$ 159,064,031</u>	<u>\$ 158,911,376</u>	<u>\$ 148,799,120</u>
Equity attributable to:			
Owners of the Company	\$ 73,685,609	\$ 73,709,116	\$ 68,662,487
Non-controlling interests of Yue Yuen	73,350,562	73,367,403	68,340,738
Non-controlling interests of Yue Yuen's subsidiaries	<u>12,027,860</u>	<u>11,834,857</u>	<u>11,795,895</u>
	<u>\$ 159,064,031</u>	<u>\$ 158,911,376</u>	<u>\$ 148,799,120</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Operating revenue	<u>\$ 73,037,539</u>	<u>\$ 70,256,006</u>	<u>\$ 140,260,757</u>	<u>\$ 132,263,954</u>
Net income	\$ 5,493,386	\$ 4,005,417	\$ 8,998,829	\$ 7,031,386
Other comprehensive (loss) income	<u>(991,330)</u>	<u>53,468</u>	<u>(209,884)</u>	<u>544,407</u>
Total comprehensive income	<u>\$ 4,502,056</u>	<u>\$ 4,058,885</u>	<u>\$ 8,788,945</u>	<u>\$ 7,575,793</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Net income attributable to:				
Owners of the Company	\$ 2,494,273	\$ 1,871,528	\$ 4,066,068	\$ 3,289,046
Non-controlling interests of Yue Yuen	2,477,071	1,864,299	4,062,783	3,282,918
Non-controlling interests of Yue Yuen's subsidiaries	<u>522,042</u>	<u>269,590</u>	<u>869,978</u>	<u>459,422</u>
	<u>\$ 5,493,386</u>	<u>\$ 4,005,417</u>	<u>\$ 8,998,829</u>	<u>\$ 7,031,386</u>
Total comprehensive income attributable to:				
Owners of the Company	\$ 2,141,853	\$ 1,896,664	\$ 4,030,074	\$ 3,553,428
Non-controlling interests of Yue Yuen	2,124,377	1,889,455	4,026,761	3,547,505
Non-controlling interests of Yue Yuen's subsidiaries	<u>235,826</u>	<u>272,766</u>	<u>732,110</u>	<u>474,860</u>
	<u>\$ 4,502,056</u>	<u>\$ 4,058,885</u>	<u>\$ 8,788,945</u>	<u>\$ 7,575,793</u>
Net cash (outflow) inflow from:				
Operating activities	\$ 1,509,854	\$ 6,952,954	\$ 4,869,851	\$ 12,257,091
Investing activities	(1,711,035)	(1,968,044)	(5,240,632)	(4,261,910)
Financing activities	<u>(6,603,286)</u>	<u>(9,788,910)</u>	<u>(3,229,461)</u>	<u>(7,301,556)</u>
Net cash (outflow) inflow	<u>\$ (6,804,467)</u>	<u>\$ (4,804,000)</u>	<u>\$ (3,600,242)</u>	<u>\$ 693,625</u>
Dividends paid to:				
Non-controlling interests of Yue Yuen	<u>\$ 2,749,539</u>	<u>\$ 2,616,173</u>	<u>\$ 2,749,539</u>	<u>\$ 2,616,173</u>
Non-controlling interests of Yue Yuen's subsidiaries	<u>\$ 156,321</u>	<u>\$ 65,648</u>	<u>\$ 156,321</u>	<u>\$ 75,105</u>

(Concluded)

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2016	December 31, 2015	June 30, 2015
Investments in associates	\$ 27,750,901	\$ 24,250,119	\$ 27,172,615
Investments in joint ventures	<u>12,416,360</u>	<u>13,187,550</u>	<u>12,898,811</u>
	<u>\$ 40,167,261</u>	<u>\$ 37,437,669</u>	<u>\$ 40,071,426</u>

a. Investments in associates

	June 30, 2016	December 31, 2015	June 30, 2015
Material associate			
Ruen Chen Investment Holding Co., Ltd.	\$ 9,297,292	\$ 5,846,585	\$ 9,181,506
Associates that are not individually material	<u>18,453,609</u>	<u>18,403,534</u>	<u>17,910,993</u>
	<u>27,750,901</u>	<u>24,250,119</u>	<u>27,092,499</u>
Long-term receivable			
Associates that are not individually material	<u>-</u>	<u>-</u>	<u>80,116</u>
	<u>\$ 27,750,901</u>	<u>\$ 24,250,119</u>	<u>\$ 27,172,615</u>

1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights		
	June 30, 2016	December 31, 2015	June 30, 2015
Ruen Chen Investment Holding Co., Ltd.	20%	20%	20%

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

Ruen Chen Investment Holding Co., Ltd.

	June 30, 2016	December 31, 2015	June 30, 2015
Assets	\$ 3,413,798,983	\$ 3,192,737,851	\$ 2,972,493,402
Liabilities	(3,354,605,772)	(3,152,391,615)	(2,913,554,307)
Non-controlling interests	<u>(12,410,191)</u>	<u>(10,816,750)</u>	<u>(12,735,006)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 46,783,020</u>	<u>\$ 29,529,486</u>	<u>\$ 46,204,089</u>
Proportion of the Group	20%	20%	20%
Equity attributable to the Group	\$ 9,356,604	\$ 5,905,897	\$ 9,240,818
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 9,297,292</u>	<u>\$ 5,846,585</u>	<u>\$ 9,181,506</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Operating revenue	<u>\$ 162,954,895</u>	<u>\$ 134,089,017</u>	<u>\$ 339,199,475</u>	<u>\$ 272,991,817</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Net income	\$ 1,175,942	\$ 5,903,536	\$ 7,312,278	\$ 10,493,809
Other comprehensive (loss) income	<u>(649,282)</u>	<u>(13,725,578)</u>	<u>10,538,917</u>	<u>(6,772,245)</u>
Total comprehensive income (loss)	<u>\$ 526,660</u>	<u>\$ (7,822,042)</u>	<u>\$ 17,851,195</u>	<u>\$ 3,721,564</u> (Concluded)

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights		
	June 30, 2016	December 31, 2015	June 30, 2015
Luen Thai Holdings Ltd.	9.74%	9.74%	9.74%
Eagle Nice (International) Holdings Limited	38.42%	38.42%	38.42%
Evermore Chemical Industry Co., Ltd.	29.05%	29.05%	29.05%
San Fang Chemical Industry Co., Ltd.	44.72%	44.72%	44.72%
Elitegroup Computer Systems Co., Ltd.	19.50%	19.50%	19.50%
Ace Top Group Limited	40.00%	40.00%	40.00%
Bigfoot Limited	48.76%	48.76%	48.76%
Enthroned Group Limited	48.76%	48.76%	48.76%
Faith Year Investments Ltd.	30.00%	30.00%	30.00%
Full Pearl International Ltd.	40.04%	40.04%	40.04%
Haicheng Information Technology Co., Ltd.	50.00%	50.00%	50.00%
Hengqin New District of Zhuhai City Baolee Property Management Co., Ltd.	40.00%	40.00%	40.00%
Just Lucky Investments Limited	38.30%	38.30%	38.30%
Kleine Developments Ltd.	-	33.33%	33.33%
Natural Options Limited	38.30%	38.30%	38.30%
Oftenrich Holdings Limited	45.00%	45.00%	45.00%
Original Designs Developments Limited	49.47%	49.47%	49.47%
Pine Wood Industries Limited	37.00%	37.00%	37.00%
Pou Ming Paper Products Manufacturing Co., Ltd.	20.00%	20.00%	20.00%
Prosperlink Limited	38.00%	38.00%	38.00%
Prosperous Industrial (Holdings) Ltd.	30.00%	30.00%	30.00%
Rise Bloom International Limited	38.00%	38.00%	38.00%
Silver Island Trading Ltd.	50.00%	50.00%	50.00%
Supplyline Logistics Ltd.	49.00%	49.00%	49.00%
Venture Well Holdings Ltd.	31.55%	31.55%	31.55%
Zhejiang Baohong Sports Goods Company Limited	-	49.00%	49.00%
Zhuhai Baosheng Technology Service Co., Ltd.	40.00%	-	-
Zhuhai Poulik Properties Management Co., Ltd.	40.00%	40.00%	40.00%
Nan Pao Resins Chemical Co., Ltd.	21.32%	21.32%	21.32%
Techview International Technology Inc.	50.00%	50.00%	50.00%

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

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
The Group's share of:				
Net income	\$ 193,983	\$ 494,349	\$ 520,250	\$ 876,368
Other comprehensive (loss) income	<u>(27,933)</u>	<u>(8,176)</u>	<u>(26,065)</u>	<u>137,078</u>
Total comprehensive income	<u>\$ 166,050</u>	<u>\$ 486,173</u>	<u>\$ 494,185</u>	<u>\$ 1,013,446</u>

- b) The Group is able to exercise significant influence over Luen Thai Holdings Ltd. because it has the power to appoint the management team of Luen Thai Holdings Ltd. since September 2007.
- c) The Group holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Group has the power to appoint three out of the nine directors of Elitegroup Computer Systems Co., Ltd.; therefore, the Group is able to exercise significant influence over Elitegroup Computer Systems Co., Ltd.
- d) Fair values (Level 1) of investments in associates that are not individually material with available published price quotation are summarized as follows:

Name of Associate	June 30, 2016	December 31, 2015	June 30, 2015
Luen Thai Holdings Ltd.	<u>\$ 469,430</u>	<u>\$ 469,388</u>	<u>\$ 685,862</u>
Eagle Nice (International) Holdings Limited	<u>\$ 1,461,754</u>	<u>\$ 2,228,232</u>	<u>\$ 1,383,534</u>
Evermore Chemical Industry Co., Ltd.	<u>\$ 384,292</u>	<u>\$ 342,738</u>	<u>\$ 333,471</u>
San Fang Chemical Industry Co., Ltd.	<u>\$ 6,561,061</u>	<u>\$ 6,677,886</u>	<u>\$ 7,295,933</u>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 2,081,706</u>	<u>\$ 2,201,282</u>	<u>\$ 3,413,346</u>

b. Investments in joint ventures

	June 30, 2016	December 31, 2015	June 30, 2015
Joint ventures that are not individually material	\$ 12,222,295	\$ 12,915,886	\$ 12,318,516
Long-term receivable			
Joint ventures that are not individually material	<u>194,065</u>	<u>271,664</u>	<u>580,295</u>
	<u>\$ 12,416,360</u>	<u>\$ 13,187,550</u>	<u>\$ 12,898,811</u>

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

Name of Joint Ventures	Proportion of Ownership and Voting Rights		
	June 30, 2016	December 31, 2015	June 30, 2015
Artesol Limited	50.00%	50.00%	50.00%
Beijing Baojing Kangtai Trading Co., Ltd.	50.00%	50.00%	50.00%
Best Focus Holdings Ltd.	50.00%	50.00%	50.00%
Blessland Enterprises Limited	50.00%	50.00%	50.00%
Cohen Enterprises Inc.	50.00%	50.00%	50.00%
Din Tsun Holding Co., Ltd.	50.00%	50.00%	50.00%
Great Skill Industrial Limited	50.00%	50.00%	50.00%
Guiyang Baoshang Sports Goods Company Limited	50.00%	50.00%	50.00%
Hangzhou Baohong Sports Goods Company Limited	50.00%	50.00%	50.00%
Hefei Tengrei Sports Goods Company Limited	-	50.00%	50.00%
Hua Jian Industrial Holding Co., Limited	50.00%	50.00%	50.00%
Jilin Lingpao Sports Goods Company Limited	50.00%	50.00%	50.00%
Jilin Xinfangwei Sports Goods Company Limited	50.00%	50.00%	50.00%
Jumbo Power Enterprises Limited	50.00%	50.00%	50.00%
Ka Yuen Rubber Factory Limited	50.00%	50.00%	50.00%
Poulik Properties Management Co., Ltd.	30.00%	30.00%	30.00%
Shaanxi Jixian Longyue Sports Goods Company Limited	-	-	50.00%
Texas Clothing Holdings Corp.	49.99%	49.99%	49.99%
Twinways Investments Limited	50.00%	50.00%	50.00%
Willpower Industries Limited	44.84%	44.84%	44.84%
Zhong Ao Multiplex Management Limited	46.82%	46.82%	46.82%
Hebei Olivier Trading Co., Ltd.	-	-	45.00%

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

	For the Three Months Ended		For the Six Months Ended	
	June 30	June 30	June 30	June 30
	2016	2015	2016	2015
The Group's share of:				
Net income (loss)	\$ 287,640	\$ 131,499	\$ (129,974)	\$ 373,904
Other comprehensive (loss) income	<u>(131,103)</u>	<u>6,622</u>	<u>21,231</u>	<u>8,259</u>
Total comprehensive income (loss)	<u>\$ 156,537</u>	<u>\$ 138,121</u>	<u>\$ (108,743)</u>	<u>\$ 382,163</u>

18. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2016	December 31, 2015	June 30, 2015
Land	\$ 2,351,974	\$ 2,242,369	\$ 2,231,822
Buildings and improvements	44,402,266	45,270,564	39,393,072
Machinery and equipment	16,764,115	16,797,694	15,232,972
Transportation equipment	400,312	418,943	378,996
Office equipment	2,161,040	2,207,559	2,081,255
Other equipment	32,406	30,597	18,360
Construction in progress	<u>3,016,076</u>	<u>2,811,273</u>	<u>4,220,402</u>
	<u>\$ 69,128,189</u>	<u>\$ 69,778,999</u>	<u>\$ 63,556,879</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of property, plant and equipment during the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015.
- b. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

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

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

19. INVESTMENT PROPERTIES

	June 30, 2016	December 31, 2015	June 30, 2015
Investment properties	<u>\$ 2,286,467</u>	<u>\$ 2,316,581</u>	<u>\$ 2,280,958</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of investment properties during the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015.
- b. The investment properties are depreciated by the straight-line method over 30-55 year.
- c. The fair values of the Group's investment properties as of December 31, 2015 and 2014 was \$3,297,811 thousand and \$3,340,521 thousand, respectively. The Group's management team evaluated the fair value of investment properties during the six months ended June 30, 2016 and 2015 had not changed significantly.

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

20. GOODWILL

There is no indication of impairment after the Group's goodwill has been tested at December 31, 2015 and 2014. The Group's management team evaluated goodwill as at June 30, 2016 and 2015 had not changed significantly and impaired.

21. OTHER INTANGIBLE ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Patents	\$ 521	\$ 540	\$ 559
Trademark	108	115	146
Customer relationship	64,647	81,931	96,993
Brandnames	1,978,102	2,035,478	2,027,502
Licensing agreements	302,869	336,063	359,920
Non-compete agreements	<u>739,646</u>	<u>827,978</u>	<u>898,952</u>
	<u>\$ 3,085,893</u>	<u>\$ 3,282,105</u>	<u>\$ 3,384,072</u>

- a. Except for amortization recognized, the Group had no significant disposal nor impairment of other intangible assets during the three months ended June 30, 2016 and 2015.
- b. The above items of other intangible assets are amortized on a straight-line basis over the estimated useful life of the asset:

<u>Items</u>	<u>Estimated Useful Life</u>
Patents	15-20 years
Trademark	10 years
Customer relationship	8 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

The brandnames are considered by the management of the Group as having indefinite useful life because they are expected to contribute to net cash inflows to the Group indefinitely.

22. BORROWINGS

- a. Short-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Unsecured borrowings</u>			
Credit borrowings	<u>\$ 23,973,494</u>	<u>\$ 15,708,753</u>	<u>\$ 14,683,762</u>

The range of effective interest rate on bank borrowings was 0.88%-5.7%, 0.89%-5.88% and 0.83%-6.33% per annum as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

b. Short-term bills payable

June 30, 2016

	Annual Interest Rate %	Amount
Commercial paper	0.35-0.84	\$ 3,439,500
Less: Unamortized discount on bills payable		<u>(2,529)</u>
		<u>\$ 3,436,971</u>

December 31, 2015

	Annual Interest Rate %	Amount
Commercial paper	0.5-1.06	\$ 2,591,500
Less: Unamortized discount on bills payable		<u>(2,157)</u>
		<u>\$ 2,589,343</u>

June 30, 2015

	Annual Interest Rate %	Amount
Commercial paper	0.58-0.91	\$ 2,526,000
Less: Unamortized discount on bills payable		<u>(1,761)</u>
		<u>\$ 2,524,239</u>

c. Long-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Secured borrowings</u>			
Bank loans	\$ 488,000	\$ 488,000	\$ 488,000
<u>Unsecured borrowings</u>			
Bank loans	<u>47,020,375</u>	<u>50,481,500</u>	<u>48,670,200</u>
	47,508,375	50,969,500	49,158,200
Less: Long-term expenses for syndication loan	(26,561)	(39,861)	(43,433)
Less: Current portion	<u>(5,497,703)</u>	<u>(21,159,324)</u>	<u>(21,437,500)</u>
	<u>\$ 41,984,111</u>	<u>\$ 29,770,315</u>	<u>\$ 27,677,267</u>

Range of maturity dates and interest rates:

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Maturity date</u>			
Long-term borrowings	2018.07.12- 2021.06.03	2018.06.03- 2020.09.30	2016.09.29- 2020.03.27
Current portion of long-term borrowings	2016.09.29- 2017.06.02	2016.04.16- 2016.09.29	2016.03.29- 2016.06.12
<u>Range of interest rate</u>	1.24%-2.33%	0.86%-2.36%	0.82%-2.50%

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

23. NOTES PAYABLE AND ACCOUNTS PAYABLE

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Notes payable (included related parties)</u>			
Operating	\$ 44,165	\$ 36,057	\$ 50,572
Non-operating	<u>1,477</u>	<u>360</u>	<u>5,641</u>
	<u>\$ 45,642</u>	<u>\$ 36,417</u>	<u>\$ 56,213</u>
Accounts payable (included related parties)	<u>\$ 14,813,204</u>	<u>\$ 17,296,539</u>	<u>\$ 14,960,437</u>

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

24. OTHER PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Payable for salaries	\$ 9,965,620	\$ 13,405,470	\$ 10,592,744
Payable for purchase of property, plant and equipment	1,428,280	1,635,347	1,416,860
Compensation due to directors and supervisors	210,144	206,212	308,999
Employee compensation payable	701,015	603,896	634,372
Interest payable	80,617	96,960	73,398
Payable for acquisition of subsidiary and business	297,931	382,083	502,524
Payable for annual leave	1,450,162	1,292,742	1,335,754
Payable for dividends	4,425,361	-	4,424,806
Others	<u>9,862,927</u>	<u>9,791,528</u>	<u>8,499,364</u>
	<u>\$ 28,422,057</u>	<u>\$ 27,414,238</u>	<u>\$ 27,788,821</u>
Current	\$ 28,246,897	\$ 27,237,051	\$ 27,169,042
Non-current	<u>175,160</u>	<u>177,187</u>	<u>619,779</u>
	<u>\$ 28,422,057</u>	<u>\$ 27,414,238</u>	<u>\$ 27,788,821</u>

25. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014, and recognized in the following line items in their respective periods:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Operating cost	\$ 36	\$ 42	\$ 74	\$ 84
Marketing expenses	11	11	22	21
Administration expenses	8,235	9,239	16,504	18,177
Research and development expenses	<u>2,918</u>	<u>2,768</u>	<u>5,819</u>	<u>5,629</u>
	<u>\$ 11,200</u>	<u>\$ 12,060</u>	<u>\$ 22,419</u>	<u>\$ 23,911</u>

26. EQUITY

a. Share capital

	June 30, 2016	December 31, 2015	June 30, 2015
Number of shares authorized (in thousands)	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>
Shares authorized	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,946,787</u>	<u>2,946,787</u>	<u>2,944,137</u>
Shares issued	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>	<u>\$ 29,441,372</u>

b. Capital surplus

	June 30, 2016	December 31, 2015	June 30, 2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Recognized from issuance of common shares	\$ 848,603	\$ 848,603	\$ 827,403
Recognized from conversion of bonds	1,447,492	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	474,689	484,759	503,573
			(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
<u>May be used to offset a deficit only (2)</u>			
Recognized from share of changes in equities of subsidiaries	\$ 13,242	\$ 20,937	\$ 19,788
<u>May not be used for any purpose</u>			
Recognized from share of changes in net assets of associates and joint ventures	<u>5,309</u>	<u>5,309</u>	<u>5,309</u>
	<u>\$ 4,613,943</u>	<u>\$ 4,631,708</u>	<u>\$ 4,628,173</u> (Concluded)

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

c. Retained earnings and dividend policy

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

Under the dividend policy as set forth in the amended Articles, the annual net profits should be appropriated as follows:

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

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

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

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

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

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 15, 2016 and June 12, 2015, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2015</u>	<u>For Year 2014</u>	<u>For Year 2015</u>	<u>For Year 2014</u>
Legal reserve	\$ 953,136	\$ 861,550	\$ -	\$ -
(Reversal) special reserve	6,297,042	(3,571,494)	-	-
Cash dividends	4,420,181	4,416,206	1.50	1.50

d. Other equity item

1) Exchange differences on translation foreign operations

	<u>For the Six Months Ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Balance at January 1	\$ 5,020,886	\$ 3,345,749
Exchange differences arising on translation of foreign operations	(1,307,444)	(1,546,496)
Share of exchange differences of associates and joint ventures accounted for using equity method	<u>(42,039)</u>	<u>(39,775)</u>
Balance at June 30	<u>\$ 3,671,403</u>	<u>\$ 1,759,478</u>

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

	<u>For the Six Months Ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Balance at January 1	\$ (16,926,480)	\$ (8,954,302)
Unrealized gain on available-for-sale financial assets	1,759,740	1,800,929
Unrealized gain (loss) on available-for-sale financial assets of associates and joint ventures accounted for using equity method	<u>2,124,933</u>	<u>(1,197,811)</u>
Balance at June 30	<u>\$ (13,041,807)</u>	<u>\$ (8,351,184)</u>

e. Non-controlling interests

	For the Six Months Ended June 30	
	2016	2015
Balance at January 1	\$ 85,533,554	\$ 81,411,376
Share of non-controlling interests		
Net income	4,926,284	3,738,455
Exchange differences arising on translation of foreign operations	(245,800)	92,379
Unrealized gain on available-for-sale financial assets	61,425	185,905
Change in non-controlling interests	<u>(4,588,660)</u>	<u>(4,945,661)</u>
Balance at June 30	<u>\$ 85,686,803</u>	<u>\$ 80,482,454</u>

27. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Sales revenue	\$ 73,136,711	\$ 70,379,364	\$ 140,429,619	\$ 132,483,630
Revenue from the rendering of services	41,647	8,250	48,726	18,860
Rental income	3,648	7,651	16,212	15,459
Revenue from entertainment and resort	<u>121,572</u>	<u>112,210</u>	<u>250,284</u>	<u>241,939</u>
	<u>\$ 73,303,578</u>	<u>\$ 70,507,475</u>	<u>\$ 140,744,841</u>	<u>\$ 132,759,888</u>

28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Rental income				
Rental income from operating lease				
Investment properties	\$ 8,736	\$ 9,040	\$ 17,667	\$ 18,174
Others	<u>49,614</u>	<u>96,414</u>	<u>131,119</u>	<u>147,172</u>
	<u>58,350</u>	<u>105,454</u>	<u>148,786</u>	<u>165,346</u>

(Continued)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Interest income				
Cash in bank	\$ 75,246	\$ 108,485	\$ 160,734	\$ 208,830
Repurchase agreements collateralized by bonds	2,435	2,143	4,848	4,340
Held-to-maturity financial assets	49,272	-	68,272	-
Debt investments with no active market	13,134	14,813	25,432	29,162
Others	683	987	1,807	1,337
	<u>140,770</u>	<u>126,428</u>	<u>261,093</u>	<u>243,669</u>
Dividend income	7,315	8,234	14,746	8,234
Others	<u>651,963</u>	<u>702,031</u>	<u>997,826</u>	<u>1,205,939</u>
	<u>\$ 858,398</u>	<u>\$ 942,147</u>	<u>\$ 1,422,451</u>	<u>\$ 1,623,188</u>

(Concluded)

b. Other gains and losses

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Net loss on disposal of property, plant and equipment	\$ (100,299)	\$ (176,707)	\$ (45,290)	\$ (219,795)
Net foreign exchange (loss) gain	(606,928)	(37,007)	(338,900)	136,851
Net gain on disposal of subsidiaries, associates and joint ventures	13,651	138,345	14,394	140,772
Net gain on disposal of available-for-sale financial assets	-	77,962	-	77,962
Net gain on disposal of financial assets measured at cost	13,584	47,940	22,121	47,940
Net gain arising on financial assets designated as at FVTPL	57,334	316,022	223,221	334,949
Net gain arising on financial liabilities designated as at FVTPL	64,887	292,705	662,828	432,519
Reversal (recognized) of impairment loss	13	(371,579)	(2,868)	(371,550)
Others	<u>(28,415)</u>	<u>(34,623)</u>	<u>(80,898)</u>	<u>(69,247)</u>
	<u>\$ (586,173)</u>	<u>\$ 253,058</u>	<u>\$ 454,608</u>	<u>\$ 510,401</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest on bank borrowings	\$ 329,587	\$ 289,390	\$ 609,482	\$ 551,151
Interest on short-term bills payable	5,456	4,496	10,816	8,624
Other interest expense	<u>8,629</u>	<u>7,084</u>	<u>20,139</u>	<u>14,754</u>
	<u>\$ 343,672</u>	<u>\$ 300,970</u>	<u>\$ 640,437</u>	<u>\$ 574,529</u>

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Property, plant and equipment	\$ 2,077,602	\$ 1,953,426	\$ 4,304,944	\$ 3,892,838
Investment properties	7,274	7,005	14,882	14,063
Other intangible assets	53,547	61,037	107,649	122,899
Prepayments for lease	<u>44,043</u>	<u>48,420</u>	<u>88,066</u>	<u>98,645</u>
	<u>\$ 2,182,466</u>	<u>\$ 2,069,888</u>	<u>\$ 4,515,541</u>	<u>\$ 4,128,445</u>
An analysis of depreciation by function				
Operating costs	\$ 1,242,288	\$ 1,213,476	\$ 2,798,932	\$ 2,478,435
Operating expenses	840,742	745,043	1,517,199	1,424,617
Non-operating expenses	<u>1,846</u>	<u>1,912</u>	<u>3,695</u>	<u>3,849</u>
	<u>\$ 2,084,876</u>	<u>\$ 1,960,431</u>	<u>\$ 4,319,826</u>	<u>\$ 3,906,901</u>
An analysis of amortization by function				
Operating costs	\$ 316	\$ 300	\$ 638	\$ 607
Operating expenses	<u>97,274</u>	<u>109,157</u>	<u>195,077</u>	<u>220,937</u>
	<u>\$ 97,590</u>	<u>\$ 109,457</u>	<u>\$ 195,715</u>	<u>\$ 221,544</u>

e. Direct operating expenses from investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Direct operating expenses from investment properties that generated rental income	<u>\$ 10,137</u>	<u>\$ 12,220</u>	<u>\$ 20,946</u>	<u>\$ 21,423</u>

f. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Post-employment benefits				
Defined contribution plans	\$ 2,509,496	\$ 2,263,037	\$ 4,530,240	\$ 3,991,385
Defined benefit plans	<u>11,200</u>	<u>12,060</u>	<u>22,419</u>	<u>23,911</u>
	2,520,696	2,275,097	4,552,659	4,015,296
Share-based payments				
Equity-settled	6,193	16,712	19,450	31,402
Termination benefits	227	6,406	1,903	8,777
Other employee benefits	<u>16,147,509</u>	<u>15,306,456</u>	<u>32,019,851</u>	<u>30,193,566</u>
	<u>\$ 18,674,625</u>	<u>\$ 17,604,671</u>	<u>\$ 36,593,863</u>	<u>\$ 34,249,041</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 13,771,001	\$ 12,476,389	\$ 26,526,771	\$ 24,382,505
Operating expenses	<u>4,903,624</u>	<u>5,128,282</u>	<u>10,067,092</u>	<u>9,866,536</u>
	<u>\$ 18,674,625</u>	<u>\$ 17,604,671</u>	<u>\$ 36,593,863</u>	<u>\$ 34,249,041</u>

As of June 30, 2016 and 2015, there were 410,836 and 409,628 employees, respectively, in the Group.

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to the Company's Articles; the amendments stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates 1%-5% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. In the presence of accumulated loss, the company shall allocate an amount to recover such loss before appropriating any employees' compensation and remuneration to directors and supervisors. For the three months and six months ended June 30, 2016, the employees' compensation and the remuneration to directors and supervisors represented 1.8% and 0.9%, respectively, of the net profit before income tax.

The Articles before the amendment stipulated to distribute bonus to employees and remuneration to directors and supervisors at the rates 1%-5% and no higher than 3%, respectively, of net income (net of the bonus and remuneration). For the three months and six months ended June 30, 2015, the bonus to employees and the remuneration to directors and supervisors represented 3% and 1.5%, respectively, of the base net income.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Employees' compensation/ employees' bonus	\$ 43,026	\$ (1,807)	\$ 102,543	\$ 99,542
Remuneration to directors and supervisors	21,513	(1,675)	51,271	49,771

The appropriations of employees' compensation and remuneration to directors and supervisors for 2015 had been approved by the board of directors on March 24, 2016, and the appropriations of bonus to employees and remuneration to directors and supervisors for 2014 had been approved in the shareholders' meetings on June 12, 2015, respectively; the amounts are as follows. After the amendments to the Articles had been resolved in the shareholders' meeting held on June 15, 2016, the appropriations of the employees' compensation and remuneration to directors and supervisors for 2015 were reported in the shareholders' meeting.

	For the Year Ended December 31			
	2015		2014	
	Cash Dividend	Share Dividend	Cash Dividend	Share Dividend
Employees' compensation/ employees' bonus	\$ 203,472	\$ -	\$ 334,667	\$ -
Remuneration to directors and supervisors	101,736	-	169,882	-

There was no difference between the amounts of the employees' compensation and the remuneration to directors and supervisors approved in the shareholders' meeting on June 15, 2016 and the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 12, 2015, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014, respectively.

Information about the employees' compensation and remuneration to directors and supervisors approved in the meeting of shareholders in 2016 and 2015, please refer to the Market Observation Post System website of the Taiwan Stock Exchange.

29. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current tax				
In respect of the current period	\$ 833,094	\$ 770,568	\$ 1,801,239	\$ 1,417,450
Income tax expense of unappropriated earnings	-	671,954	-	671,954
	833,094	1,442,522	1,801,239	2,089,404
Deferred tax	4,574	8,209	57,803	8,969
Adjustments for prior year's income tax	(1,438)	1,694	(1,438)	1,694
Income tax expense recognized in profit or loss	<u>\$ 836,230</u>	<u>\$ 1,452,425</u>	<u>\$ 1,857,604</u>	<u>\$ 2,100,067</u>

b. Integrated income tax

	June 30, 2016	December 31, 2015	June 30, 2015
Unappropriated earnings			
Generated before January 1, 1998	\$ 221,425	\$ 221,425	\$ 221,425
Generated on and after January 1, 1998	<u>24,486,942</u>	<u>30,986,101</u>	<u>26,526,755</u>
	<u>\$ 24,708,367</u>	<u>\$ 31,207,526</u>	<u>\$ 26,748,180</u>
Imputation credits account	<u>\$ 3,897,083</u>	<u>\$ 2,518,881</u>	<u>\$ 2,239,410</u>
		<u>For the Year Ended December 31</u>	
		2015	
		(Expected)	2014
Creditable ratio for distribution of earnings		12.58%	9.22%

c. Income tax assessments

The tax returns of the Company through 2013 have been assessed by the tax authorities.

30. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 were as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
<u>Net income (in thousand dollars)</u>				
Earnings used in the computation of earnings per share	<u>\$ 2,164,461</u>	<u>\$ 2,682,646</u>	<u>\$ 5,171,200</u>	<u>\$ 4,779,136</u>
<u>Weighted average number of shares outstanding (in thousand shares)</u>				
Weighted average number of common shares used in the computation of basic earnings per share	2,946,787	2,944,137	2,946,787	2,944,137
Effect of potentially dilutive common shares:				
Employee share options	82,480	85,921	81,894	85,681
Employees' compensation/ employees' bonus	<u>4,920</u>	<u>8,887</u>	<u>6,694</u>	<u>9,549</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>3,034,187</u>	<u>3,038,945</u>	<u>3,035,375</u>	<u>3,039,367</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
<u>Earnings per share (in dollars)</u>				
Basic earnings per share	<u>\$0.73</u>	<u>\$0.91</u>	<u>\$1.75</u>	<u>\$1.62</u>
Diluted earnings per share	<u>\$0.71</u>	<u>\$0.88</u>	<u>\$1.70</u>	<u>\$1.57</u>
				(Concluded)

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

31. SHARE-BASED PAYMENT ARRANGEMENTS

a. Information about Pou Chen's employee share options

Information about outstanding share options during the six months ended June 30, 2016 and 2015 was as follows:

	For the Six Months Ended June 30			
	2016		2015	
	Number of Shares Purchasable (Thousand Shares)	Weighted- average Exercise Price (NT\$)	Number of Shares Purchasable (Thousand Shares)	Weighted- average Exercise Price (NT\$)
Employee Share Options				
Balance at January 1	145,791	\$ 18.00	148,441	\$ 18.70
Options exercised	<u>-</u>	-	<u>-</u>	-
Balance at June 30	<u>145,791</u>	18.00	<u>148,441</u>	18.70
Exercisable options at June 30	<u>145,791</u>	18.00	<u>148,441</u>	18.70

Information about outstanding employee share options as of June 30, 2016, December 31, 2015 and June 30, 2015 was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Exercise price (NT\$)	\$18.00	\$18.00	\$18.70
Weighted-average remaining contractual life (years)	1.35 years	1.85 years	2.35 years

b. Information about Yue Yuen's employee share options

Information about the granted employee share options during the six months ended June 30, 2016 and 2015 was as follows:

	For the Six Months Ended June 30	
	2016	2015
	Number of Shares (Thousand Shares)	Number of Shares (Thousand Shares)
Balance at January 1	1,440	1,485
Options granted	34	-
Options cancelled	(67)	(45)
Options exercised	<u>(1,373)</u>	<u>-</u>
Balance at June 30	<u>34</u>	<u>1,440</u>

Yue Yuen recognized \$9,103 thousand and \$26,830 thousand compensation cost for the six months ended June 30, 2016 and 2015, respectively.

c. Information about Pou Sheng's employee share options

1) Information about outstanding share options during the six months ended June 30, 2016 and 2015 was as follows:

	For the Six Months Ended June 30			
	2016		2015	
Employee Share Options	Number of Shares Purchasable (Thousand Shares)	Weighted- average Exercise Price (HK\$)	Number of Shares Purchasable (Thousand Shares)	Weighted- average Exercise Price (HK\$)
Balance at January 1	54,612	\$ 1.39	55,012	\$ 1.39
Options cancelled	(100)	1.62	-	-
Options exercised	<u>(6,226)</u>	1.29	<u>-</u>	-
Balance at June 30	<u>48,286</u>	1.40	<u>55,012</u>	1.39
Exercisable options at June 30	<u>48,286</u>	1.40	<u>54,637</u>	1.39

Information about outstanding employee share options as of June 30, 2016, December 31, 2015 and June 30, 2015 was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Range of exercise price (HK\$)	\$1.05-\$1.62	\$1.05-\$1.62	\$1.05-\$1.62
Weighted-average remaining contractual life (years)	2.13 years	2.68 years	3.18 years

Pou Sheng recognized \$(356) thousand and \$409 thousand compensation (income) cost for the six months ended June 30, 2016 and 2015, respectively.

- 2) Information about the granted employee share options during the six months ended June 30, 2016 and 2015 was as follows:

	For the Six Months Ended June 30	
	2016	2015
	Number of Shares (Thousand Shares)	Number of Shares (Thousand Shares)
Balance at January 1	27,738	11,500
Options granted	6,530	8,900
Options cancelled	<u>(2,675)</u>	<u>(1,492)</u>
Balance at June 30	<u>31,593</u>	<u>18,908</u>

Pou Sheng recognized \$10,703 thousand and \$4,163 thousand compensation cost for the six months ended June 30, 2016 and 2015, respectively.

32. BUSINESS COMBINATIONS

The Group acquired sports marketing and agency businesses from independent third parties at a consideration of \$80,020 thousand (US\$2,593 thousand) in second quarter of 2015. The amount of goodwill arising from the acquisition was \$47,710 thousand (US\$1,546 thousand). Net cash outflow from above transactions was \$63,572 thousand (US\$2,060 thousand).

33. DISPOSAL OF SUBSIDIARIES

- a. The Group dispose of subsidiaries in second quarter of 2016, the assets and liabilities on the date of disposal were as follows:

Assets

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

Liabilities

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

- 1) Gain on disposal of subsidiaries

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

2) Net cash inflow on disposal of subsidiaries

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

b. The Group dispose of subsidiaries in second quarter of 2015, the assets and liabilities on the date of disposal were as follows:

Assets

Cash and cash equivalents	\$ 58,325
Receivables and other receivables	258,144
Inventories	104,615
Other current assets	21,941
Property, plant and equipment	107,300

Liabilities

Bank borrowings	(9,320)
Payables and other payables	<u>(224,414)</u>
	<u>\$ 316,591</u>

1) Gain on disposal of subsidiaries

Net assets disposed of	\$ 316,591
Less: Non-controlling interests	<u>(175,933)</u>
Net value of net assets disposed of	<u>\$ 140,658</u>
Consideration received in cash and cash equivalents	\$ 146,332
Net value of net assets disposed of	<u>(140,658)</u>
Gain on disposal	<u>\$ 5,674</u>

2) Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 146,332
Less: Cash and cash equivalents balance disposed of	<u>(58,325)</u>
	<u>\$ 88,007</u>

34. OPERATING LEASES ARRANGEMENTS

a. The Group as lessee

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

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than 1 year	\$ 2,392,345	\$ 2,135,408	\$ 1,775,376
Later than 1 year and not later than 5 years	3,195,744	3,731,030	2,364,586
Later than 5 years	<u>1,691,886</u>	<u>1,304,399</u>	<u>1,373,887</u>
	<u>\$ 7,279,975</u>	<u>\$ 7,170,837</u>	<u>\$ 5,513,849</u>

b. The Group as lessor

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

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than 1 year	\$ 389,656	\$ 315,514	\$ 414,203
Later than 1 year and not later than 5 years	466,277	541,448	554,554
Later than 5 years	<u>719,829</u>	<u>781,990</u>	<u>958,326</u>
	<u>\$ 1,575,762</u>	<u>\$ 1,638,952</u>	<u>\$ 1,927,083</u>

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

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

36. CAPITAL MANAGEMENT

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

37. FINANCIAL INSTRUMENTS

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

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Held-to-maturity financial assets	\$ 5,155,107	\$ 5,155,107	\$ 1,451,293	\$ 1,451,293	\$ -	\$ -
Debt investments with no active market	1,190,987	1,190,987	1,423,468	1,423,468	2,176,229	2,176,229
Other loans and receivables	76,367,149	76,367,149	75,468,067	75,468,067	71,752,731	71,752,731
Financial assets directly associated with non-current assets held for sale	63,969	63,969	-	-	-	-

(Continued)

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bank borrowings	\$ 71,455,308	\$ 71,455,308	\$ 66,638,392	\$ 66,638,392	\$ 63,798,529	\$ 63,798,529
Short-term bills payable	3,436,971	3,436,971	2,589,343	2,589,343	2,524,239	2,524,239
Financial liabilities measured at amortized cost	43,309,172	43,309,172	44,774,205	44,774,205	42,833,510	42,833,510

(Concluded)

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

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

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets</u>			
Financial assets at FVTPL			
Domestic open-ended mutual funds	\$ 355,567	\$ 460,002	\$ 75,262
Available-for-sale financial assets			
Domestic listed securities			
Equity investment	14,719,839	12,859,057	15,528,747
Foreign listed securities			
Equity investment	414,898	455,116	510,373

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

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets</u>			
Financial assets at FVTPL			
Derivative financial instruments	\$ 58,062	\$ 121,286	\$ 211,546
Financial assets designated as at FVTPL	635,282	654,795	639,823

Financial liabilities

Financial liabilities at FVTPL			
Derivative financial instruments	492,061	1,404,523	162,967

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

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 413,629	\$ 581,288	\$ 286,808
Designated as at FVTPL	635,282	654,795	639,823
Held-to-maturity financial assets	5,155,107	1,451,293	-
Loans and receivables (Note 1)	77,622,105	76,891,535	73,928,960
Available-for-sale financial assets	15,134,737	13,314,173	16,039,120
Financial assets measured at cost	615,311	659,395	631,870
Investments accounted for using equity method	40,167,261	37,437,669	40,071,426
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	492,061	1,404,523	162,967
Amortized cost (Note 2)	118,201,451	114,001,940	109,156,278

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, long-term borrowings, long-term payables and guarantee deposits.

- d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

	For the Six Months Ended	
	June 30	
	2016	2015
USD	\$ (62,670)	\$ (41,508)
RMB	(412,352)	(391,898)
HKD	(136,840)	(72,114)
VND	30,459	18,659
IDR	52,099	(30,161)

b) Interest rate risk

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Cash flow interest rate risk			
Financial liabilities	\$ 74,892,279	\$ 69,227,735	\$ 66,322,768

Sensitivity analysis

The sensitivity analyses below were based on the Group's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Group to increase its cash-out by \$374,462 thousand and \$331,614 thousand during the six months ended June 30, 2016 and 2015, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at June 30, 2016, December 31, 2015 and June 30, 2015 would have decrease by \$264,040 thousand, \$257,094 thousand and \$291,750 thousand, respectively.

2) Credit risk

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group had available unutilized short-term bank borrowing facilities set out in (c) below.

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

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

June 30, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	\$ 18,514,622	\$ 11,140,199	\$ 12,841,225	\$ 285,439	\$ 50,384
Variable interest rate liabilities	1.54	7,623,938	4,850,975	9,400,963	39,123,666	-
Fixed interest rate liabilities	1.11	10,943,105	500,000	-	4,000,000	-
Financial guarantee contracts	-	3,721,619	-	-	-	-
		<u>\$ 40,803,284</u>	<u>\$ 16,491,174</u>	<u>\$ 22,242,188</u>	<u>\$ 43,409,105</u>	<u>\$ 50,384</u>

December 31, 2015

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 22,976,935	\$ 11,679,699	\$ 9,300,384	\$ 289,951	\$ 51,293
Variable interest rate liabilities	1.37	2,800,720	11,192,024	20,184,742	21,346,148	-
Fixed interest rate liabilities	1.19	9,092,895	700,000	656,500	4,000,000	-
Financial guarantee contracts	-	3,811,299	-	-	-	-
		<u>\$ 38,681,849</u>	<u>\$ 23,571,723</u>	<u>\$ 30,141,626</u>	<u>\$ 25,636,099</u>	<u>\$ 51,293</u>

June 30, 2015

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 17,641,058	\$ 15,342,415	\$ 8,734,022	\$ 773,198	\$ 3,577
Variable interest rate liabilities	1.29	2,198,262	2,773,944	25,534,489	27,527,417	-
Fixed interest rate liabilities	1.13	4,280,960	1,817,200	-	3,000,000	-
Financial guarantee contracts	-	3,571,027	-	-	-	-
		<u>\$ 27,691,307</u>	<u>\$ 19,933,559</u>	<u>\$ 34,268,511</u>	<u>\$ 31,300,615</u>	<u>\$ 3,577</u>

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

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

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

June 30, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ 2,533	\$ 32,780	\$ -
Exchange rate option contracts	193,992	26,470	112,204	50,669	-
Cross-currency swap contracts	-	4,793	3,784	-	-
Exchange rate swap contracts	<u>40,395</u>	<u>4,472</u>	<u>19,969</u>	<u>-</u>	<u>-</u>
	<u>\$ 234,387</u>	<u>\$ 35,735</u>	<u>\$ 138,490</u>	<u>\$ 83,449</u>	<u>\$ -</u>

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ 6,488	\$ 37,633	\$ -
Forward exchange contracts	63,656	-	-	-	-
Exchange rate option contracts	632,413	-	157,295	473,336	-
Exchange rate swap contracts	<u>19,430</u>	<u>12,523</u>	<u>1,749</u>	<u>-</u>	<u>-</u>
	<u>\$ 715,499</u>	<u>\$ 12,523</u>	<u>\$ 165,532</u>	<u>\$ 510,969</u>	<u>\$ -</u>

June 30, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ -	\$ 35,049	\$ -
Forward exchange contracts	62,664	-	-	-	-
Exchange rate option contracts	41,886	1,507	13,860	-	-
Cross-currency swap contracts	-	6,491	275	-	-
Exchange rate swap contracts	<u>1,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 105,785</u>	<u>\$ 7,998</u>	<u>\$ 14,135</u>	<u>\$ 35,049</u>	<u>\$ -</u>

c) Financing facilities

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured bank facility:			
Amount used	\$ 74,596,239	\$ 68,930,573	\$ 66,097,729
Amount unused	<u>18,235,953</u>	<u>30,298,897</u>	<u>30,881,640</u>
	<u>\$ 92,832,192</u>	<u>\$ 99,229,470</u>	<u>\$ 96,979,369</u>
Secured bank facility:			
Amount used	\$ 488,000	\$ 488,000	\$ 488,000
Amount unused	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 488,000</u>	<u>\$ 488,000</u>	<u>\$ 488,000</u>

38. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating revenue

Account Items	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2016	2015	2016	2015
Sales	Associates and joint ventures	<u>\$ 273,578</u>	<u>\$ 261,851</u>	<u>\$ 496,146</u>	<u>\$ 523,581</u>

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

b. Purchases

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Associates and joint ventures	<u>\$ 1,990,106</u>	<u>\$ 1,734,203</u>	<u>\$ 3,685,579</u>	<u>\$ 3,362,247</u>

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

c. Receivables from related parties

Account Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable, accounts receivable	Associates and joint ventures	<u>\$ 98,395</u>	<u>\$ 78,126</u>	<u>\$ 209,797</u>

No bad debt expense had been recognized for the six months ended June 30, 2016 and 2015 for the amounts owed by related parties.

d. Payables to related parties

Account Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Notes payable, accounts payable	Associates and joint ventures	<u>\$ 1,607,697</u>	<u>\$ 1,881,363</u>	<u>\$ 1,789,673</u>

e. Compensation of key management personnel

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 52,314	\$ 21,774	\$ 107,896	\$ 101,688
Post-employment benefits	<u>492</u>	<u>386</u>	<u>943</u>	<u>856</u>
	<u>\$ 52,806</u>	<u>\$ 22,160</u>	<u>\$ 108,839</u>	<u>\$ 102,544</u>

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

39. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2016	December 31, 2015	June 30, 2015
Debt investments with no active market	\$ 38,485	\$ 32,771	\$ 30,380
Investment properties	<u>657,296</u>	<u>657,296</u>	<u>664,614</u>
	<u>\$ 695,781</u>	<u>\$ 690,067</u>	<u>\$ 694,994</u>

40. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

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

(Unit: In Thousands of Foreign Currencies)

Currencies	June 30, 2016	December 31, 2015	June 30, 2015
USD	\$ 3,315	\$ 2,631	\$ 5,157
EUR	679	431	547
HKD	-	100	100
IDR	8,636,413	15,657,664	14,191,494

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

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

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

41. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

June 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,902	32.275	\$ 2,256,057
NTD	131,263	1	131,263
RMB	1,929,966	4.845	9,350,686
HKD	695,073	4.159	2,890,810
VND	284,115,790	0.00133	377,874
IDR	239,406,173	0.00243	581,757
Non-monetary items			
NTD	820,190	1	820,190
RMB	830,712	4.845	4,024,801
HKD	49,887	4.159	207,481
<u>Financial liabilities</u>			
Monetary items			
USD	31,047	32.275	1,002,062
NTD	655,018	1	655,018
RMB	226,022	4.845	1,095,080
HKD	37,187	4.159	154,662
VND	719,247,368	0.00133	956,599
IDR	673,564,609	0.00243	1,636,762

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 77,423	32.825	\$ 2,541,421
NTD	166,554	1	166,554
RMB	2,198,906	4.995	10,983,531
HKD	62,137	4.235	263,152
VND	353,954,609	0.00141	499,076
IDR	209,944,856	0.00243	510,166
CHF	29,783	33.185	988,337
Non-monetary items			
USD	2,600	32.825	85,353
NTD	692,074	1	692,074
HKD	53,736	4.235	227,573

Financial liabilities

Monetary items			
USD	61,344	32.825	2,013,605
NTD	971,699	1	971,699
RMB	271,013	4.995	1,353,716
HKD	38,169	4.235	161,647
VND	659,596,454	0.00141	930,031
IDR	601,899,588	0.00243	1,462,616

June 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 78,223	30.860	\$ 2,413,981
NTD	173,711	1	173,711
RMB	1,786,382	4.973	8,883,675
HKD	403,522	3.980	1,606,019
VND	275,227,737	0.00137	377,062
IDR	365,843,348	0.00233	852,415
Non-monetary items			
NTD	829,085	1	829,085
HKD	64,131	3.980	255,243

Financial liabilities

Monetary items			
USD	51,325	30.860	1,583,904
NTD	1,139,635	1	1,139,635
RMB	212,482	4.973	1,056,673
HKD	41,153	3.980	163,788
VND	541,784,672	0.00137	742,245
IDR	114,500,000	0.00233	266,785

For the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, net foreign exchange (losses) gains were \$(606,928) thousand, \$(37,007) thousand, \$(338,900) thousand and \$136,851 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the functional currencies of the Group entities.

42. SEGMENT INFORMATION

a. Information about reportable segments

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

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

b. Segment revenues and results

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

For the six months ended June 30, 2016

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 98,725,424</u>	<u>\$ 41,572,574</u>	<u>\$ 446,843</u>	<u>\$ 140,744,841</u>
Segment income	<u>\$ 14,021,233</u>	<u>\$ 4,217,592</u>	<u>\$ 290,490</u>	\$ 18,529,315
Administrative cost, remuneration to directors and supervisors				(9,527,277)
Rental income				148,786
Interest income				261,093
Dividend income				14,746
Other income				997,826
Net loss on disposal of property, plant and equipment				(45,290)
Net foreign exchange loss				(338,900)
Net gain on disposal of subsidiaries and associates				14,394
Net gain on disposal of financial assets measured at cost				22,121
Net gain arising on financial assets designated as at FVTPL				223,221
Net gain arising on financial liabilities designated as at FVTPL				662,828
Impairment loss				(2,868)
Other loss				(80,898)
Finance costs				(640,437)
Share of the profit of associates and joint ventures				<u>1,716,428</u>
Income before income tax				<u>\$ 11,955,088</u>

For the six months ended June 30, 2015

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 95,453,204</u>	<u>\$ 36,978,879</u>	<u>\$ 327,805</u>	<u>\$ 132,759,888</u>
Segment income	<u>\$ 12,649,669</u>	<u>\$ 3,006,159</u>	<u>\$ 206,806</u>	\$ 15,862,634
Administrative cost, remuneration to directors and supervisors				(9,963,234)
Rental income				165,346
Interest income				243,669
Dividend income				8,234
Other income				1,205,939
Net loss on disposal of property, plant and equipment				(219,795)
Net foreign exchange gain				136,851
Net gain on disposal of subsidiaries, associates and joint ventures				140,772
Net gain on disposal of available-for-sale financial assets				77,962
Net gain on disposal of financial assets measured at cost				47,940
Net gain arising on financial assets designated as at FVTPL				334,949
Net gain arising on financial liabilities designated as at FVTPL				432,519
Impairment loss				(371,550)
Other loss				(69,247)
Finance costs				(574,529)
Share of the profit of associates and joint ventures				<u>3,159,198</u>
Profit before income tax				<u>\$ 10,617,658</u>

- 1) Sales between segments were made at market price.
- 2) Segment profit represented the profit before income tax earned by each segment without allocation of administration costs, remuneration to directors and supervisors, rental income, interest income, dividend income, other income, net loss on disposal of property, plant and equipment, net foreign exchange (loss) gain, net gain on disposal of subsidiaries, associates and joint ventures, net gain on disposal of available-for-sale financial assets, net gain on disposal of financial assets measured at cost, gain on financial instruments, impairment loss, other loss, finance costs and share of the profit of associates and joint ventures. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.