

Pou Chen Corporation and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 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 September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months ended September 30, 2016 and 2015, nine months ended September 30, 2016 and 2015, and changes in equity and cash flows for the nine months ended September 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 September 30, 2016 and 2015, the carrying value of the investments was 3.61% (\$10,504,685 thousand) and 1.83% (\$5,138,446 thousand) of the total assets, respectively. For the three months ended September 30, 2016 and 2015, nine months ended September 30, 2016 and 2015, the share of profit of the associate was 18.45% (\$1,242,545 thousand), 28.89% (\$1,661,781 thousand), 13.74% (\$2,568,697 thousand) and 21.81% (\$3,570,707 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.



November 14, 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)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 39,296,186	14	\$ 37,820,911	13	\$ 38,274,519	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	821,672	-	581,288	-	543,739	-
Available-for-sale financial assets - current (Notes 4 and 8)	13,160,716	5	12,622,099	5	12,548,307	4
Held-to-maturity financial assets - current (Notes 4 and 9)	883,998	-	49,567	-	84,237	-
Debt investments with no active market - current (Notes 4 and 10)	1,119,900	-	1,390,697	1	1,377,821	1
Notes receivable (Notes 4 and 11)	17,482	-	12,221	-	20,452	-
Notes receivable from related parties (Notes 4, 11 and 38)	42	-	20	-	174	-
Accounts receivable (Notes 4 and 11)	32,982,641	11	33,796,622	12	31,292,333	11
Accounts receivable from related parties (Notes 4, 11 and 38)	72,516	-	78,106	-	223,787	-
Other receivables (Notes 4 and 11)	3,681,544	1	3,604,286	1	4,045,315	1
Inventories - manufacturing and retailing (Notes 4 and 12)	41,761,823	14	41,228,992	15	42,100,859	15
Inventories - construction (Notes 4 and 12)	4,967,328	2	5,029,350	2	4,373,523	2
Prepayments for lease (Note 4)	147,666	-	158,911	-	182,231	-
Non-current assets held for sale (Notes 4 and 13)	1,493,771	1	-	-	-	-
Other current assets (Notes 4 and 14)	10,845,170	4	9,290,217	3	10,831,255	4
Total current assets	<u>151,252,455</u>	<u>52</u>	<u>145,663,287</u>	<u>52</u>	<u>145,898,552</u>	<u>52</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	623,460	-	654,795	-	667,035	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,067,570	-	692,074	-	852,725	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	4,525,478	2	1,401,726	1	1,285,000	1
Financial assets measured at cost - non-current (Notes 4 and 15)	580,504	-	659,395	-	671,209	-
Debt investments with no active market - non-current (Notes 4, 10 and 39)	33,703	-	32,771	-	27,336	-
Investments accounted for using equity method (Notes 4 and 17)	40,646,217	14	37,437,669	13	36,856,179	13
Property, plant and equipment (Notes 4 and 18)	68,906,918	24	69,778,999	25	68,203,617	24
Investment properties (Notes 4, 19 and 39)	2,317,211	1	2,316,581	1	2,336,342	1
Goodwill (Notes 4 and 20)	8,948,563	3	9,535,733	4	9,549,190	4
Other intangible assets (Notes 4 and 21)	2,938,609	1	3,282,105	1	3,455,329	1
Deferred tax assets (Notes 4 and 29)	717,446	-	612,351	-	619,943	-
Prepayments for investment	-	-	-	-	583,443	-
Long-term prepayments for lease (Note 4)	5,312,848	2	5,615,916	2	5,696,662	2
Other non-current assets (Notes 4 and 14)	3,151,211	1	2,940,517	1	4,063,684	2
Total non-current assets	<u>139,769,738</u>	<u>48</u>	<u>134,960,632</u>	<u>48</u>	<u>134,867,694</u>	<u>48</u>
TOTAL	<u>\$ 291,022,193</u>	<u>100</u>	<u>\$ 280,623,919</u>	<u>100</u>	<u>\$ 280,766,246</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 22)	\$ 29,399,217	10	\$ 15,708,753	6	\$ 18,352,318	6
Short-term bills payable (Note 22)	3,542,870	1	2,589,343	1	2,175,077	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	281,045	-	1,404,523	-	998,961	-
Notes payable (Notes 4 and 23)	32,212	-	21,337	-	37,964	-
Notes payable to related parties (Notes 4, 23 and 38)	30,022	-	15,080	-	19,140	-
Accounts payable (Notes 4 and 23)	16,134,917	6	15,430,256	5	15,519,772	5
Accounts payable to related parties (Notes 4, 23 and 38)	1,431,793	-	1,866,283	1	1,937,821	1
Other payables (Note 24)	25,834,664	9	27,237,051	10	25,867,552	9
Current tax liabilities (Notes 4 and 29)	1,612,996	1	2,354,742	1	2,493,096	1
Liabilities directly associated with non-current assets held for sale (Notes 4 and 13)	1,116,008	-	-	-	-	-
Current portion of long-term borrowings (Note 22)	1,499,853	1	21,159,324	7	18,681,852	7
Other current liabilities	4,785,973	2	4,382,374	2	4,539,664	2
Total current liabilities	<u>85,701,570</u>	<u>30</u>	<u>92,169,066</u>	<u>33</u>	<u>90,623,217</u>	<u>32</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 22)	44,553,668	15	29,770,315	10	32,293,070	11
Deferred tax liabilities (Notes 4 and 29)	1,579,298	1	1,822,808	1	1,712,076	1
Long-term payables (Note 24)	171,786	-	177,187	-	589,905	-
Net defined benefit liabilities (Note 4)	1,494,230	-	1,842,453	1	1,620,418	1
Other non-current liabilities	38,801	-	38,423	-	39,820	-
Total non-current liabilities	<u>47,837,783</u>	<u>16</u>	<u>33,651,186</u>	<u>12</u>	<u>36,255,289</u>	<u>13</u>
Total liabilities	<u>133,539,353</u>	<u>46</u>	<u>125,820,252</u>	<u>45</u>	<u>126,878,506</u>	<u>45</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)						
Share capital						
Common shares	29,467,872	10	29,467,872	10	29,467,872	11
Capital surplus	4,618,645	1	4,631,708	2	4,628,082	2
Retained earnings						
Legal reserve	11,213,184	4	10,260,048	4	10,260,048	3
Special reserve	11,905,595	4	5,608,553	2	5,608,553	2
Unappropriated earnings	28,429,443	10	31,207,526	11	30,314,449	11
Total retained earnings	51,548,222	18	47,076,127	17	46,183,050	16
Other equity	(12,360,000)	(4)	(11,905,594)	(4)	(11,234,330)	(4)
Total equity attributable to owners of the Company	73,274,739	25	69,270,113	25	69,044,674	25
NON-CONTROLLING INTERESTS	<u>84,208,101</u>	<u>29</u>	<u>85,533,554</u>	<u>30</u>	<u>84,843,066</u>	<u>30</u>
Total equity	<u>157,482,840</u>	<u>54</u>	<u>154,803,667</u>	<u>55</u>	<u>153,887,740</u>	<u>55</u>
TOTAL	<u>\$ 291,022,193</u>	<u>100</u>	<u>\$ 280,623,919</u>	<u>100</u>	<u>\$ 280,766,246</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 14, 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 September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 38)	\$ 64,204,345	100	\$ 65,689,709	100	\$ 204,949,186	100	\$ 198,449,597	100
OPERATING COSTS (Notes 25, 28 and 38)	<u>47,899,483</u>	<u>75</u>	<u>50,298,423</u>	<u>77</u>	<u>153,185,387</u>	<u>75</u>	<u>152,344,176</u>	<u>77</u>
GROSS PROFIT	<u>16,304,862</u>	<u>25</u>	<u>15,391,286</u>	<u>23</u>	<u>51,763,799</u>	<u>25</u>	<u>46,105,421</u>	<u>23</u>
OPERATING EXPENSES (Notes 25 and 28)								
Selling and marketing expenses	6,336,308	10	5,871,136	9	19,996,044	10	17,871,794	9
General and administrative expenses	4,724,602	7	5,047,976	8	14,251,879	7	15,011,210	8
Research and development expenses	<u>1,702,905</u>	<u>3</u>	<u>1,654,459</u>	<u>2</u>	<u>4,972,791</u>	<u>2</u>	<u>4,505,302</u>	<u>2</u>
Total operating expenses	<u>12,763,815</u>	<u>20</u>	<u>12,573,571</u>	<u>19</u>	<u>39,220,714</u>	<u>19</u>	<u>37,388,306</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>3,541,047</u>	<u>5</u>	<u>2,817,715</u>	<u>4</u>	<u>12,543,085</u>	<u>6</u>	<u>8,717,115</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 28)	1,918,598	3	1,378,534	2	3,341,049	2	3,001,722	1
Other gains and losses (Note 28)	(553,665)	(1)	(838,000)	(1)	(99,057)	-	(327,599)	-
Finance costs (Note 28)	(325,630)	-	(262,882)	-	(966,067)	(1)	(837,411)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	<u>2,153,413</u>	<u>3</u>	<u>2,656,457</u>	<u>4</u>	<u>3,869,841</u>	<u>2</u>	<u>5,815,655</u>	<u>3</u>
Total non-operating income and expenses	<u>3,192,716</u>	<u>5</u>	<u>2,934,109</u>	<u>5</u>	<u>6,145,766</u>	<u>3</u>	<u>7,652,367</u>	<u>4</u>
INCOME BEFORE INCOME TAX	6,733,763	10	5,751,824	9	18,688,851	9	16,369,482	8
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(599,923)</u>	<u>(1)</u>	<u>(697,324)</u>	<u>(1)</u>	<u>(2,457,527)</u>	<u>(1)</u>	<u>(2,797,391)</u>	<u>(1)</u>
NET INCOME	<u>6,133,840</u>	<u>9</u>	<u>5,054,500</u>	<u>8</u>	<u>16,231,324</u>	<u>8</u>	<u>13,572,091</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(1,902,252)	(3)	2,984,669	5	(3,455,496)	(2)	1,530,552	1
Unrealized (loss) gain on available-for-sale financial assets	(867,793)	(1)	(2,680,218)	(4)	953,372	1	(693,384)	-
Share of the other comprehensive (loss) income of associates and joint ventures	<u>(81,611)</u>	<u>-</u>	<u>(5,656,731)</u>	<u>(9)</u>	<u>2,001,283</u>	<u>1</u>	<u>(6,894,317)</u>	<u>(4)</u>
Other comprehensive loss for the period, net of income tax	<u>(2,851,656)</u>	<u>(4)</u>	<u>(5,352,280)</u>	<u>(8)</u>	<u>(500,841)</u>	<u>-</u>	<u>(6,057,149)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 3,282,184</u>	<u>5</u>	<u>\$ (297,780)</u>	<u>-</u>	<u>\$ 15,730,483</u>	<u>8</u>	<u>\$ 7,514,942</u>	<u>4</u>

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 3,721,076	6	\$ 3,566,269	6	\$ 8,892,276	4	\$ 8,345,405	4
Non-controlling interests	<u>2,412,764</u>	<u>3</u>	<u>1,488,231</u>	<u>2</u>	<u>7,339,048</u>	<u>4</u>	<u>5,226,686</u>	<u>3</u>
	<u>\$ 6,133,840</u>	<u>9</u>	<u>\$ 5,054,500</u>	<u>8</u>	<u>\$ 16,231,324</u>	<u>8</u>	<u>\$ 13,572,091</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 731,480	1	\$ (1,076,355)	(1)	\$ 8,437,870	4	\$ 2,719,628	1
Non-controlling interests	<u>2,550,704</u>	<u>4</u>	<u>778,575</u>	<u>1</u>	<u>7,292,613</u>	<u>4</u>	<u>4,795,314</u>	<u>3</u>
	<u>\$ 3,282,184</u>	<u>5</u>	<u>\$ (297,780)</u>	<u>-</u>	<u>\$ 15,730,483</u>	<u>8</u>	<u>\$ 7,514,942</u>	<u>4</u>
EARNINGS PER SHARE								
(Note 30)								
Basic	<u>\$1.27</u>		<u>\$1.21</u>		<u>\$3.02</u>		<u>\$2.83</u>	
Diluted	<u>\$1.23</u>		<u>\$1.18</u>		<u>\$2.93</u>		<u>\$2.75</u>	

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

(With Deloitte & Touche review report dated November 14, 2016)

(Concluded)

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										Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Retained Earnings		Unappropriated Earnings	Other Equity			Non-controlling Interests	
				Special Reserve	Unappropriated Earnings		Exchange Differences on Translation Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Total		
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)	3,571,494	-	-	(4,416,206)	-	(4,416,206)	
Special reserve	-	-	-	-	(4,416,206)	-	-	-	-	-	
Cash dividend	-	-	-	-	-	-	-	-	-	-	
Net income for the nine months ended September 30, 2015	-	-	-	-	(1,706,262)	-	-	(4,416,206)	-	(4,416,206)	
Other comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	8,345,405	2,130,407	-	8,345,405	5,226,686	13,572,091	
Total other comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	8,345,405	2,130,407	-	(5,625,777)	(431,372)	(6,057,149)	
Execution of employee share options (Notes 26)	26,500	21,200	-	-	-	-	-	47,700	-	47,700	
Share of changes in net assets of associates and joint ventures (Notes 4 and 26)	-	624	-	-	-	-	-	624	-	624	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(21,221)	-	-	-	-	-	(21,221)	-	(21,221)	
Change in non-controlling interests	-	-	-	-	-	-	-	-	(1,363,624)	(1,363,624)	
Change in equity for the nine months ended September 30, 2015	26,500	533	861,550	(3,571,494)	6,639,143	2,130,407	(7,756,184)	(1,669,545)	3,431,690	1,762,145	
BALANCE AT SEPTEMBER 30, 2015	\$ 29,467,872	\$ 4,628,082	\$ 10,260,048	\$ 5,608,553	\$ 30,314,449	\$ 5,476,156	\$ (16,710,486)	\$ 69,044,674	\$ 84,845,066	\$ 153,887,740	
BALANCE AT JANUARY 1, 2016	\$ 29,467,872	\$ 4,631,708	\$ 10,260,048	\$ 5,608,553	\$ 31,207,526	\$ 5,020,986	\$ (16,926,480)	\$ 69,270,113	\$ 85,553,554	\$ 154,803,667	
Appropriation of 2015 earnings (Note 26)	-	-	953,136	-	(953,136)	-	-	-	-	-	
Legal reserve	-	-	6,297,042	(6,297,042)	6,297,042	-	-	-	-	-	
Special reserve	-	-	-	-	(4,420,181)	-	-	(4,420,181)	-	(4,420,181)	
Cash dividend	-	-	-	-	-	-	-	-	-	-	
Net income for the nine months ended September 30, 2016	-	-	-	-	(11,670,359)	-	-	(4,420,181)	-	(4,420,181)	
Other comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	8,892,276	(3,302,213)	-	8,892,276	7,339,048	16,231,324	
Total other comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	8,892,276	(3,302,213)	-	(454,406)	(46,453)	(500,841)	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(10,055)	-	-	-	(3,302,213)	-	2,847,807	(46,453)	(500,841)	
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(3,008)	-	-	-	(3,302,213)	-	2,847,807	7,292,613	15,730,483	
Change in non-controlling interests	-	-	-	-	-	-	-	(10,055)	-	(10,055)	
Change in equity for the nine months ended September 30, 2016	-	-	-	-	-	-	-	(3,008)	-	(3,008)	
BALANCE AT SEPTEMBER 30, 2016	\$ 29,467,872	\$ 4,618,645	\$ 11,213,184	\$ 11,905,595	\$ 28,429,443	\$ 1,718,673	\$ (14,078,673)	\$ 73,274,729	\$ 84,208,101	\$ 157,482,840	

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

(With Deloitte & Touche review report dated November 14, 2016)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 18,688,851	\$ 16,369,482
Adjustments for:		
Depreciation expenses	6,392,897	5,902,264
Amortization expenses	291,964	319,375
Recognized of impairment loss on accounts receivable	57,867	202,649
Net (gain) loss on fair value change of financial instruments at fair value through profit or loss	(1,131,865)	187,145
Finance costs	966,067	837,411
Interest income	(397,914)	(336,478)
Dividend income	(871,985)	(758,064)
Compensation cost of employee share options	28,426	49,371
Share of profit of associates and joint ventures	(3,869,841)	(5,815,655)
Net loss on disposal of property, plant and equipment	161,061	280,657
Net gain on disposal of investments	(5,133)	(125,979)
Net gain on disposal of subsidiaries, associates and joint ventures	(27,918)	(141,237)
Recognized of impairment loss	44,023	351,191
Changes in operating assets and liabilities		
Financial instruments held for trading	(215,634)	(202,972)
Notes receivable	(5,261)	(2,203)
Notes receivable from related parties	(22)	(121)
Accounts receivable	756,114	(263,454)
Accounts receivable from related parties	5,590	(34,287)
Other receivables	7,168	96,335
Inventories	(470,809)	(33,672)
Other current assets	(1,554,953)	(1,444,380)
Other operating assets	187,396	(13,097)
Notes payable	10,875	(338)
Notes payable to related parties	14,942	(17,375)
Accounts payable	704,661	2,140,747
Accounts payable to related parties	(434,490)	218,811
Other payables	(2,905,766)	338,353
Other current liabilities	403,599	(441,478)
Accrued pension liabilities	(348,223)	(94,567)
Other operating liabilities	(5,401)	(81,275)
Cash generated from operations	16,476,286	17,487,159
Interest paid	(967,223)	(835,814)
Income tax paid	(3,537,028)	(2,107,485)
Net cash generated from operating activities	<u>11,972,035</u>	<u>14,543,860</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	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	14,972	9,112
Acquisition of available-for-sale financial assets	-	(56,844)
Proceeds on sale of available-for-sale financial assets	-	209,223
Acquisition of debt investments with no active market	(615,856)	(1,975,113)
Proceeds on sale of debt investments with no active market	885,721	3,499,882
Acquisition of held-to-maturity financial assets	(4,241,119)	(1,368,984)
Proceeds on sale of held-to-maturity financial assets	49,960	-
Acquisition of financial assets measured at cost	(2,195)	(2,301)
Proceeds on sale of financial assets measured at cost	60,414	140,850
Acquisition of associates and joint ventures	(118,514)	-
Proceeds from disposal of associates and joint ventures	12,983	1,864,441
Increase in prepayments for investment	-	(583,443)
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	(9,441,166)	(9,261,012)
Proceeds from disposal of property, plant and equipment	1,031,177	370,421
Increase in refundable deposits	(103,567)	-
Decrease in refundable deposits	-	41,043
Acquisition of investment properties	(55,537)	(15,640)
Increase in prepayments for equipment	(294,523)	(2,109,516)
Acquisition of prepayments for lease	(187,894)	(96,210)
Proceeds from disposal of prepayments for lease	65,700	115,940
Interest received	310,345	422,741
Dividend received	2,272,578	2,414,550
Cash dividend from reduction of capital surplus from associates	5,435	-
Net cash used in investing activities	<u>(10,247,743)</u>	<u>(6,670,623)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	13,690,464	-
Repayments of short-term borrowings	-	(70,356)
Proceeds from short-term bills payable	953,000	423,700
Proceeds from long-term borrowings	-	744,400
Repayment of long-term borrowings	(4,894,381)	-
Increase in guarantee deposits	378	-
Decrease in guarantee deposits	-	(918)
Cash dividend	(4,420,181)	(4,416,206)
Execution of employee share options	-	47,700
Change in non-controlling interests	<u>(6,993,040)</u>	<u>36,183</u>
Net cash used in financing activities	<u>(1,663,760)</u>	<u>(3,235,497)</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	\$ 1,474,139	\$ (1,157,948)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,534,671	3,479,792
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>\$ 39,355,582</u>	<u>\$ 38,274,519</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at September 30, 2016 and 2015:

	September 30	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	\$ 39,296,186	\$ 38,274,519
Cash and cash equivalents included in a disposal group held for sale	<u>59,396</u>	<u>-</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 39,355,582</u>	<u>\$ 38,274,519</u>

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

(With Deloitte & Touche review report dated November 14, 2016)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 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 November 14, 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 IFRS 15 will take effect 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
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note)
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
	(Concluded)

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

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand	\$ 40,979	\$ 265,659	\$ 40,086
Checking accounts and demand deposits	26,725,091	27,240,548	29,940,970
Cash equivalent (investments with original maturities less than three months)			
Time deposits	11,051,178	9,618,294	7,594,952
Repurchase agreements collateralized by bonds	<u>1,478,938</u>	<u>696,410</u>	<u>698,511</u>
	<u>\$ 39,296,186</u>	<u>\$ 37,820,911</u>	<u>\$ 38,274,519</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets designated as at FVTPL</u>			
Structured deposit (a)	\$ 623,460	\$ 654,795	\$ 667,035
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts (b)	312	8,564	8,284
Exchange rate option contracts (c)	5,664	24,257	5,802
Exchange rate swap contracts (d)	26,359	36,129	100,333
Cross-currency swap contracts (e)	2,799	52,336	66,990
Interest rate swap contracts (f)	2,371	-	-
Non-derivative financial assets			
Domestic open-ended mutual funds	<u>784,167</u>	<u>460,002</u>	<u>362,330</u>
	<u>\$ 1,445,132</u>	<u>\$ 1,236,083</u>	<u>\$ 1,210,774</u>

(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
Current	\$ 821,672	\$ 581,288	\$ 543,739
Non-current	<u>623,460</u>	<u>654,795</u>	<u>667,035</u>
	<u>\$ 1,445,132</u>	<u>\$ 1,236,083</u>	<u>\$ 1,210,774</u>

Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)

Forward exchange contracts (b)	\$ -	\$ 63,656	\$ 100,714
Exchange rate option contracts (c)	160,610	1,263,044	859,009
Exchange rate swap contracts (d)	83,025	33,702	-
Cross-currency swap contracts (e)	12,424	-	-
Interest rate swap contracts (f)	<u>24,986</u>	<u>44,121</u>	<u>39,238</u>
	<u>\$ 281,045</u>	<u>\$ 1,404,523</u>	<u>\$ 998,961</u>
Current	<u>\$ 281,045</u>	<u>\$ 1,404,523</u>	<u>\$ 998,961</u> (Concluded)

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:

September 30, 2016

Notional Amount

HKD299,000,000

Forward Exchange Rates

Sell HKD/buy USD at 7.7491

December 31, 2015

Notional Amount

USD 50,000,000
USD 10,018,961

Forward Exchange Rates

Sell USD/buy RMB at 6.1500 to 6.4465
Sell RMB/buy USD at 6.4343

September 30, 2015

Notional Amount

USD 182,000,000
USD 10,018,961

Forward Exchange Rates

Sell USD/buy RMB at 6.1500 to 6.4580
Sell RMB/buy USD at 6.4343

The Group entered into forward exchange contracts for the nine months ended September 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:

September 30, 2016

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 24,000,000	Put	Sell	\$ -	\$ 2,347
US\$ 24,000,000	Put	Sell	-	3,317
US\$ 32,000,000	Put	Sell	-	(2,730)
US\$ 36,000,000	Put	Sell	-	(9,639)
US\$ 20,000,000	Put	Sell	-	(3,650)
US\$ 60,000,000	Put	Sell	-	(5,428)
US\$ 14,000,000	Put	Sell	-	(1,555)
US\$ 18,000,000	Put	Sell	-	(4,989)
US\$ 16,000,000	Put	Sell	-	(899)
US\$ 40,000,000	Put	Sell	-	(7,415)
US\$ 36,000,000	Put	Sell	-	(9,568)
US\$ 14,000,000	Put	Sell	-	(1,235)
US\$ 36,000,000	Put	Sell	-	(5,740)
US\$ 40,000,000	Put	Sell	-	(6,770)
US\$ 46,000,000	Put	Sell	-	(36)
US\$ 40,000,000	Put	Sell	2,446	(695)
US\$ 60,000,000	Put	Sell	-	(21,761)
US\$ 40,000,000	Put	Sell	-	(14,782)
US\$ 40,000,000	Put	Sell	-	(14,812)
US\$ 60,000,000	Put	Sell	-	(24,003)
US\$ 66,000,000	Put	Sell	17,967	<u>(24,903)</u>
				<u>\$ (154,946)</u>

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)

(Continued)

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US\$ 44,000,000	Put	Sell	\$ -	\$ (42,958)
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)

September 30, 2015

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 276,000,000	Put	Sell	\$ -	\$ 5,802
US\$ 32,000,000	Put	Sell	-	(19,793)
US\$ 24,000,000	Put	Sell	-	(7,369)
US\$ 70,000,000	Put	Sell	-	(6,456)
US\$ 36,000,000	Put	Sell	-	(8,993)
US\$ 48,000,000	Put	Sell	-	(22,313)
US\$ 44,000,000	Put	Sell	-	(28,899)
US\$ 20,000,000	Put	Sell	-	(12,979)
US\$ 72,000,000	Put	Sell	-	(36,920)
US\$ 20,000,000	Put	Sell	-	(4,483)
US\$ 24,000,000	Put	Sell	-	(11,928)
US\$ 22,000,000	Put	Sell	-	(15,621)
US\$ 24,000,000	Put	Sell	-	(8,989)
US\$ 8,000,000	Put	Sell	-	(4,541)
US\$ 8,000,000	Put	Sell	-	(6,987)
US\$ 14,000,000	Put	Sell	-	(1,754)
US\$ 20,000,000	Put	Sell	-	(4,368)
US\$ 24,000,000	Put	Sell	-	(7,384)
US\$ 24,000,000	Put	Sell	-	(1,014)
US\$ 24,000,000	Put	Sell	-	(9,891)
US\$ 40,000,000	Put	Sell	-	(23,676)
US\$ 14,000,000	Put	Sell	-	(1,218)
US\$ 44,000,000	Put	Sell	-	(28,844)
US\$ 24,000,000	Put	Sell	-	(8,328)
US\$ 48,000,000	Put	Sell	-	(22,951)
US\$ 40,000,000	Put	Sell	-	(22,577)
US\$ 20,000,000	Put	Sell	-	(5,884)
US\$ 24,000,000	Put	Sell	-	(7,761)
US\$ 80,000,000	Put	Sell	-	(17,708)
US\$ 24,000,000	Put	Sell	-	(7,604)
US\$ 44,000,000	Put	Sell	-	(13,350)
US\$ 48,000,000	Put	Sell	-	(11,042)
US\$ 24,000,000	Put	Sell	-	(9,901)
US\$ 48,000,000	Put	Sell	-	(9,752)
US\$ 48,000,000	Put	Sell	-	(5,589)
US\$ 2,000,000	Put	Sell	377	(1,335)
US\$ 78,000,000	Put	Sell	-	(97,949)
US\$ 132,000,000	Put	Sell	-	(64,077)
US\$ 88,000,000	Put	Sell	-	(45,980)
US\$ 88,000,000	Put	Sell	-	(44,734)
US\$ 132,000,000	Put	Sell	-	(64,910)
US\$ 138,000,000	Put	Sell	38,302	(47,401)
US\$ 138,000,000	Put	Sell	33,706	(35,701)
US\$ 144,000,000	Put	Sell	-	(31,185)
US\$ 30,000,000	Put	Sell	5,566	(4,987)
US\$ 20,000,000	Put	Sell	4,119	<u>(3,883)</u>
				<u>\$ (853,207)</u>

The Group entered into exchange rate option contracts for the nine months ended September 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:

September 30, 2016

	Notional Amount	Maturity Date	Rate	Fair Value
US\$	48,000,000	2016.10.11	31.3205	\$ 1,632
US\$	6,000,000	2016.10.11	31.3205	204
US\$	30,000,000	2016.10.11	31.3205	1,186
US\$	2,000,000	2016.10.11	31.3205	79
US\$	18,000,000	2016.10.24	31.3140	662
US\$	26,000,000	2016.10.31	31.2365	2,634
US\$	3,000,000	2016.10.31	31.2365	304
US\$	26,800,000	2016.10.31	31.2375	2,556
US\$	30,300,000	2016.10.31	31.2380	1,279
US\$	32,200,000	2016.10.31	31.2365	3,262
US\$	40,000,000	2016.10.31	31.2380	3,095
US\$	25,000,000	2016.10.31	31.2367	2,671
US\$	7,300,000	2016.11.03	31.2365	721
RMB	30,000,000	2017.03.13	4.6150	656
RMB	91,000,000	2017.03.20	6.7800	2,985
RMB	40,000,000	2017.03.20	6.7799	1,074
RMB	50,208,000	2017.03.20	6.7800	1,359
US\$	23,400,000	2016.10.06	31.6790	(7,501)
US\$	30,000,000	2016.10.06	31.6790	(11,353)
US\$	21,300,000	2016.10.19	31.5670	(4,667)
US\$	10,000,000	2016.10.19	31.5670	(2,130)
US\$	20,600,000	2016.11.03	31.2380	(62)
RMB	45,000,000	2017.03.13	4.8513	(9,762)
RMB	123,900,000	2017.03.14	4.8500	(26,554)
RMB	53,000,000	2017.03.14	4.8500	(11,359)
RMB	50,000,000	2017.07.11	4.6993	(5,671)
JPY	2,033,200,000	2016.10.07	101.5600	<u>(3,966)</u>
				<u>\$ (56,666)</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)
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>

September 30, 2015

	Notional Amount	Maturity Date	Rate	Fair Value
US\$	30,000,000	2015.10.05	32.3072	\$ 22,202
US\$	30,000,000	2015.10.05	32.3065	20,520
RMB	123,900,000	2016.03.14	4.9590	17,218
RMB	50,208,000	2015.12.17	6.4735	2,676
RMB	110,952,000	2015.12.24	6.4665	4,935
RMB	50,744,000	2015.12.24	6.4665	2,257
RMB	30,000,000	2015.12.11	4.9400	6,887
RMB	50,000,000	2016.07.11	4.8257	10,111
RMB	13,245,000	2015.12.24	6.4662	631
RMB	40,000,000	2015.11.16	6.4470	2,113
RMB	45,000,000	2015.12.11	4.9400	10,726
RMB	12,560,000	2016.04.11	6.4730	<u>57</u>
				<u>\$ 100,333</u>

The Group entered into exchange rate swap contracts for the nine months ended September 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:

September 30, 2016

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 10,000,000	2016.11.23	US\$:NT\$ 32.630	0.81	\$ (12,424)
US\$ 10,000,000	2017.03.10	US\$:NT\$ 31.263	0.76	747
US\$ 10,000,000	2016.12.20	US\$:RMB 6.9535	1.50	<u>2,052</u>
				<u>\$ (9,625)</u>

December 31, 2015

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

September 30, 2015

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 20,000,000	2016.05.18	US\$:NT\$ 30.560	1.05	\$ 42,665
US\$ 10,000,000	2016.03.16	US\$:NT\$ 32.506	0.79	3,777
US\$ 10,000,000	2015.12.01	US\$:NT\$ 30.851	0.89	<u>20,548</u>
				<u>\$ 66,990</u>

The Group entered into cross-currency swap contracts for the nine months ended September 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:

September 30, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 500,000	2018.06.01	1.340	0.65689	\$ (3,344)
900,000	2018.06.01	1.310	0.65689	(5,704)
600,000	2018.06.01	1.310	0.65689	(3,815)
500,000	2018.06.01	1.290	0.65689	(3,094)
500,000	2018.06.01	1.278	0.65689	(3,012)
300,000	2018.06.01	1.265	0.65689	(1,769)
500,000	2018.06.01	1.280	0.65689	(3,063)
200,000	2018.06.01	1.260	0.65689	(1,185)
US\$50,000,000	2021.03.14	1.500	0.84000	<u>2,371</u>
				<u>\$ (22,615)</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>

September 30, 2015

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 600,000	2018.06.01	1.310	0.85922	\$ (5,691)
500,000	2018.06.01	1.340	0.85922	(5,055)
437,500	2016.09.29	1.066	0.87333	(796)
350,000	2016.09.29	1.180	0.87333	(935)
250,000	2016.09.29	0.967	0.87333	(270)
350,000	2016.09.29	0.990	0.87333	(442)
900,000	2018.06.01	1.310	0.85922	(8,454)
500,000	2018.06.01	1.278	0.85922	(4,380)
300,000	2018.06.01	1.265	0.85922	(2,551)
350,000	2016.09.29	1.183	0.87333	(432)
350,000	2016.09.29	0.990	0.87333	170
500,000	2018.06.01	1.290	0.85922	(1,585)
437,500	2016.09.29	1.066	0.87333	(751)
350,000	2016.09.29	1.183	0.87333	(904)
300,000	2016.09.29	0.990	0.87333	(346)
350,000	2016.09.29	1.183	0.87333	(843)
500,000	2018.06.01	1.280	0.85922	(4,323)
200,000	2018.06.01	1.260	0.85922	<u>(1,650)</u>
				<u>\$ (39,238)</u>

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Domestic investments</u>			
Listed shares	\$ 13,830,855	\$ 12,859,057	\$ 12,937,497
<u>Foreign investments</u>			
Listed shares	<u>397,431</u>	<u>455,116</u>	<u>463,535</u>
	<u>\$ 14,228,286</u>	<u>\$ 13,314,173</u>	<u>\$ 13,401,032</u>
Current	\$ 13,160,716	\$ 12,622,099	\$ 12,548,307
Non-current	<u>1,067,570</u>	<u>692,074</u>	<u>852,725</u>
	<u>\$ 14,228,286</u>	<u>\$ 13,314,173</u>	<u>\$ 13,401,032</u>

9. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Domestic investments</u>			
Corporate bonds	\$ 558,353	\$ -	\$ -
<u>Foreign investments</u>			
Corporate bonds	1,809,385	967,708	873,907
Commercial paper	2,544,889	483,585	495,330
Structured product	<u>496,849</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,409,476</u>	<u>\$ 1,451,293</u>	<u>\$ 1,369,237</u>
Current	\$ 883,998	\$ 49,567	\$ 84,237
Non-current	<u>4,525,478</u>	<u>1,401,726</u>	<u>1,285,000</u>
	<u>\$ 5,409,476</u>	<u>\$ 1,451,293</u>	<u>\$ 1,369,237</u>

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	September 30, 2016	December 31, 2015	September 30, 2015
Time deposits with original maturity more than three months	\$ 1,119,900	\$ 1,360,761	\$ 1,377,821
Others	<u>33,703</u>	<u>62,707</u>	<u>27,336</u>
	<u>\$ 1,153,603</u>	<u>\$ 1,423,468</u>	<u>\$ 1,405,157</u>
Current	\$ 1,119,900	\$ 1,390,697	\$ 1,377,821
Non-current	<u>33,703</u>	<u>32,771</u>	<u>27,336</u>
	<u>\$ 1,153,603</u>	<u>\$ 1,423,468</u>	<u>\$ 1,405,157</u>

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

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Notes receivable (included related parties)</u>			
Notes receivable - operating	\$ 15,089	\$ 12,209	\$ 19,411
Notes receivable - non-operating	2,435	32	1,215
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,524</u>	<u>\$ 12,241</u>	<u>\$ 20,626</u>
<u>Accounts receivable (included related parties)</u>			
Accounts receivable	\$ 33,964,639	\$ 34,859,882	\$ 32,494,386
Less: Allowance for doubtful accounts	<u>(909,482)</u>	<u>(985,154)</u>	<u>(978,266)</u>
	<u>\$ 33,055,157</u>	<u>\$ 33,874,728</u>	<u>\$ 31,516,120</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 1,339,462	\$ 1,439,872	\$ 1,342,362
Others	2,343,627	2,166,111	2,704,654
Less: Allowance for doubtful accounts	<u>(1,545)</u>	<u>(1,697)</u>	<u>(1,701)</u>
	<u>\$ 3,681,544</u>	<u>\$ 3,604,286</u>	<u>\$ 4,045,315</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 September 30, 2016, December 31, 2015 and September 30, 2015 were not past due.

b. Accounts receivable

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

September 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	\$ 22,998,781	\$ -	\$ -	\$ -	\$ 22,998,781
31-90 days	8,637,801	-	1,192,495	1,590	9,831,886
More than 91 days	-	-	226,080	907,892	1,133,972
	<u>\$ 31,636,582</u>	<u>\$ -</u>	<u>\$ 1,418,575</u>	<u>\$ 909,482</u>	<u>\$ 33,964,639</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>

September 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	\$ 22,193,323	\$ -	\$ -	\$ -	\$ 22,193,323
31-90 days	7,473,400	-	1,560,963	24,191	9,058,554
More than 91 days	-	-	288,434	954,075	1,242,509
	<u>\$ 29,666,723</u>	<u>\$ -</u>	<u>\$ 1,849,397</u>	<u>\$ 978,266</u>	<u>\$ 32,494,386</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
Add: Recognized of impairment losses	57,867	-	57,867
Less: Amounts written off during the period as uncollectible	(76,294)	-	(76,294)
Effect of exchange rate changes	<u>(57,245)</u>	<u>-</u>	<u>(57,245)</u>
Balance at September 30, 2016	<u>\$ 909,482</u>	<u>\$ -</u>	<u>\$ 909,482</u>

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	\$ 882,515	\$ -	\$ 882,515
Add: Recognized of impairment losses	202,649	-	202,649
Less: Amounts written off during the period as uncollectible	(141,012)	-	(141,012)
Effect of exchange rate changes	<u>34,114</u>	<u>-</u>	<u>34,114</u>
Balance at September 30, 2015	<u>\$ 978,266</u>	<u>\$ -</u>	<u>\$ 978,266</u> (Concluded)

12. INVENTORIES

	September 30, 2016	December 31, 2015	September 30, 2015
Inventories - manufacturing and retailing	\$ 41,761,823	\$ 41,228,992	\$ 42,100,859
Inventories - construction	<u>4,967,328</u>	<u>5,029,350</u>	<u>4,373,523</u>
	<u>\$ 46,729,151</u>	<u>\$ 46,258,342</u>	<u>\$ 46,474,382</u>

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

	September 30, 2016	December 31, 2015	September 30, 2015
Raw materials	\$ 7,424,263	\$ 8,318,055	\$ 8,266,117
Work in progress	4,857,715	4,932,133	5,603,115
Finished goods and merchandise	<u>29,479,845</u>	<u>27,978,804</u>	<u>28,231,627</u>
	<u>\$ 41,761,823</u>	<u>\$ 41,228,992</u>	<u>\$ 42,100,859</u>

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the three months ended September 30, 2016 and 2015, and nine months ended September 30, 2016 and 2015 was \$47,763,944 thousand, \$49,960,582 thousand, \$153,047,142 thousand and \$151,999,865 thousand, respectively.

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

	September 30, 2016	December 31, 2015	September 30, 2015
Land and buildings held for development	\$ 4,793,715	\$ 4,821,623	\$ 4,177,977
Land and buildings held for sale	53,813	87,927	75,746
Land held for construction site	<u>119,800</u>	<u>119,800</u>	<u>119,800</u>
	<u>\$ 4,967,328</u>	<u>\$ 5,029,350</u>	<u>\$ 4,373,523</u>

The cost of construction inventories recognized as cost of goods sold for the three months ended September 30, 2016 and 2015, and nine months ended September 30, 2016 and 2015 was \$135,539 thousand, \$337,841 thousand, \$138,245 thousand and \$344,311 thousand, respectively.

13. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Assets associated with non-current assets held for sale</u>			
Cash and cash equivalents	\$ 59,396	\$ -	\$ -
Accounts receivable and other receivable	705,694	-	-
Inventories	519,071	-	-
Investments accounted for using equity method	46,977	-	-
Property, plant and equipment	27,534	-	-
Other assets	<u>135,099</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,493,771</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities directly associated with non-current assets held for sale</u>			
Accounts payable and other payable	<u>\$ 1,116,008</u>	<u>\$ -</u>	<u>\$ -</u>

- a. Pou Sheng resolved to dispose its joint venture during the nine months ended September 30, 2016 and reclassified it to “non-current assets held for sale”. The carrying amount is \$46,977 thousand (US\$1,498 thousand) at September 30, 2016.
- b. Pou Sheng resolved to dispose its subsidiaries during the nine months ended September 30, 2016 and reclassified it to “non-current assets held for sale” and “liabilities directly associated with non-current assets held for sale”. The carrying amount is \$330,786 thousand (US\$10,548) at September 30, 2016.

14. OTHER ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Prepayments	\$ 9,418,433	\$ 7,556,075	\$ 8,855,634
Refundable deposits	259,468	155,901	136,016
Defined benefit assets	43,754	124,351	124,351
Prepayments for equipment	2,486,412	2,191,889	3,099,497
Others	<u>1,788,314</u>	<u>2,202,518</u>	<u>2,679,441</u>
	<u>\$ 13,996,381</u>	<u>\$ 12,230,734</u>	<u>\$ 14,894,939</u>
Current	\$ 10,845,170	\$ 9,290,217	\$ 10,831,255
Non-current	<u>3,151,211</u>	<u>2,940,517</u>	<u>4,063,684</u>
	<u>\$ 13,996,381</u>	<u>\$ 12,230,734</u>	<u>\$ 14,894,939</u>

15. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Domestic investments</u>			
Unlisted shares	\$ 63,225	\$ 63,225	\$ 63,225
<u>Foreign investments</u>			
Unlisted shares	191,394	204,195	218,101
Mutual funds	<u>325,885</u>	<u>391,975</u>	<u>389,883</u>
	<u>517,279</u>	<u>596,170</u>	<u>607,984</u>
	<u>\$ 580,504</u>	<u>\$ 659,395</u>	<u>\$ 671,209</u>
<u>Classified according to financial asset measurement categories</u>			
Available-for-sale financial assets	<u>\$ 580,504</u>	<u>\$ 659,395</u>	<u>\$ 671,209</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 (%)		
			September 30, 2016	December 31, 2015	September 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 (%)		
			September 30, 2016	December 31, 2015	September 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	30.22	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 September 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 (%)		
			September 30, 2016	December 31, 2015	September 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 (%)		
			September 30, 2016	December 31, 2015	September 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 (%)		
	September 30, 2016	December 31, 2015	September 30, 2015
Yue Yuen Industrial (Holdings) Limited	50.02	50.02	50.02
Pou Sheng International (Holdings) Limited	38.24	38.73	38.73

Name of Subsidiary	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended		For the Nine Months Ended		September 30, 2016	December 31, 2015	September 30, 2015
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015			
Yue Yuen Industrial (Holdings) Limited	\$ 2,060,583	\$ 1,199,087	\$ 6,123,366	\$ 4,482,005	\$ 72,153,850	\$ 73,367,403	\$ 72,160,393
Pou Sheng International (Holdings) Limited	291,448	237,727	1,024,203	554,496	10,853,508	10,913,098	11,052,800

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

	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	\$ 127,452,278	\$ 122,350,497	\$ 123,742,683
Non-current assets	112,477,683	114,683,568	115,432,368
Current liabilities	(59,853,479)	(64,764,194)	(68,337,938)
Non-current liabilities	<u>(23,687,776)</u>	<u>(13,358,495)</u>	<u>(13,830,184)</u>
Equity	<u>\$ 156,388,706</u>	<u>\$ 158,911,376</u>	<u>\$ 157,006,929</u>

(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
Equity attributable to:			
Owners of the Company	\$ 72,478,713	\$ 73,709,116	\$ 72,503,588
Non-controlling interests of Yue Yuen	72,153,850	73,367,403	72,160,393
Non-controlling interests of Yue Yuen's subsidiaries	<u>11,756,143</u>	<u>11,834,857</u>	<u>12,342,948</u>
	<u>\$ 156,388,706</u>	<u>\$ 158,911,376</u>	<u>\$ 157,006,929</u> (Concluded)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Operating revenue	<u>\$ 63,830,970</u>	<u>\$ 64,977,978</u>	<u>\$ 204,091,727</u>	<u>\$ 197,241,932</u>
Net income	\$ 4,469,440	\$ 2,684,677	\$ 13,468,269	\$ 9,716,063
Other comprehensive income (loss)	<u>312,634</u>	<u>(1,125,549)</u>	<u>102,750</u>	<u>(581,142)</u>
Total comprehensive income	<u>\$ 4,782,074</u>	<u>\$ 1,559,128</u>	<u>\$ 13,571,019</u>	<u>\$ 9,134,921</u>
Net income attributable to:				
Owners of the Company	\$ 2,062,539	\$ 1,201,725	\$ 6,128,607	\$ 4,490,771
Non-controlling interests of Yue Yuen	2,060,583	1,199,087	6,123,366	4,482,005
Non-controlling interests of Yue Yuen's subsidiaries	<u>346,318</u>	<u>283,865</u>	<u>1,216,296</u>	<u>743,287</u>
	<u>\$ 4,469,440</u>	<u>\$ 2,684,677</u>	<u>\$ 13,468,269</u>	<u>\$ 9,716,063</u>
Total comprehensive income attributable to:				
Owners of the Company	\$ 2,235,662	\$ 766,488	\$ 6,265,736	\$ 4,319,916
Non-controlling interests of Yue Yuen	2,233,841	763,512	6,260,602	4,311,017
Non-controlling interests of Yue Yuen's subsidiaries	<u>312,571</u>	<u>29,128</u>	<u>1,044,681</u>	<u>503,988</u>
	<u>\$ 4,782,074</u>	<u>\$ 1,559,128</u>	<u>\$ 13,571,019</u>	<u>\$ 9,134,921</u>
Net cash inflow (outflow) from:				
Operating activities			\$ 12,020,997	\$ 18,089,005
Investing activities			(7,816,147)	(7,500,812)
Financing activities			<u>(536,752)</u>	<u>(8,068,484)</u>
Net cash inflow			<u>\$ 3,668,098</u>	<u>\$ 2,519,709</u> (Continued)

	For the Nine Months Ended September 30	
	2016	2015
Dividends paid to:		
Non-controlling interests of Yue Yuen	<u>\$ 2,749,539</u>	<u>\$ 2,616,173</u>
Non-controlling interests of Yue Yuen's subsidiaries	<u>\$ 156,321</u>	<u>\$ 95,248</u> (Concluded)

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2016	December 31, 2015	September 30, 2015
Investments in associates	\$ 28,441,789	\$ 24,250,119	\$ 23,257,920
Investments in joint ventures	<u>12,204,428</u>	<u>13,187,550</u>	<u>13,598,259</u>
	<u>\$ 40,646,217</u>	<u>\$ 37,437,669</u>	<u>\$ 36,856,179</u>

a. Investments in associates

	September 30, 2016	December 31, 2015	September 30, 2015
Material associate			
Ruen Chen Investment Holding Co., Ltd.	\$ 10,504,685	\$ 5,846,585	\$ 5,138,446
Associates that are not individually material	<u>17,937,104</u>	<u>18,403,534</u>	<u>18,114,657</u>
	<u>28,441,789</u>	<u>24,250,119</u>	<u>23,253,103</u>
Long-term receivable			
Associates that are not individually material	-	-	4,817
	<u>\$ 28,441,789</u>	<u>\$ 24,250,119</u>	<u>\$ 23,257,920</u>

1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	September 30, 2016	December 31, 2015	September 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.

	September 30, 2016	December 31, 2015	September 30, 2015
Assets	\$ 3,515,494,185	\$ 3,192,737,851	\$ 3,106,139,556
Liabilities	(3,449,733,512)	(3,152,391,615)	(3,069,605,358)
Non-controlling interests	<u>(12,940,687)</u>	<u>(10,816,750)</u>	<u>(10,545,406)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 52,819,986</u>	<u>\$ 29,529,486</u>	<u>\$ 25,988,792</u>
Proportion of the Group	20%	20%	20%
Equity attributable to the Group	\$ 10,563,997	\$ 5,905,897	\$ 5,197,758
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 10,504,685</u>	<u>\$ 5,846,585</u>	<u>\$ 5,138,446</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Operating revenue	<u>\$ 164,237,698</u>	<u>\$ 150,295,499</u>	<u>\$ 503,437,173</u>	<u>\$ 423,287,316</u>
Net income	\$ 6,854,069	\$ 9,223,027	\$ 14,166,347	\$ 19,716,836
Other comprehensive income (loss)	<u>709,173</u>	<u>(31,565,464)</u>	<u>11,248,090</u>	<u>(38,337,709)</u>
Total comprehensive income (loss)	<u>\$ 7,563,242</u>	<u>\$ (22,342,437)</u>	<u>\$ 25,414,437</u>	<u>\$ (18,620,873)</u>

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	September 30, 2016	December 31, 2015	September 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

(Continued)

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	September 30, 2016	December 31, 2015	September 30, 2015
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 Pouluk 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

(Concluded)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
The Group's share of:				
Net income	\$ 665,642	\$ 597,826	\$ 1,185,892	\$ 1,474,194
Other comprehensive income (loss)	<u>100,546</u>	<u>(250,292)</u>	<u>74,481</u>	<u>(113,214)</u>
Total comprehensive income	<u>\$ 766,188</u>	<u>\$ 347,534</u>	<u>\$ 1,260,373</u>	<u>\$ 1,360,980</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	September 30, 2016	December 31, 2015	September 30, 2015
Luen Thai Holdings Ltd.	<u>\$ 651,905</u>	<u>\$ 469,388</u>	<u>\$ 512,748</u>
Eagle Nice (International) Holdings Limited	<u>\$ 1,785,922</u>	<u>\$ 2,228,232</u>	<u>\$ 1,278,478</u>
Evermore Chemical Industry Co., Ltd.	<u>\$ 349,428</u>	<u>\$ 342,738</u>	<u>\$ 329,067</u>
San Fang Chemical Industry Co., Ltd.	<u>\$ 6,469,434</u>	<u>\$ 6,677,886</u>	<u>\$ 8,117,642</u>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 1,424,039</u>	<u>\$ 2,201,282</u>	<u>\$ 2,114,318</u>

b. Investments in joint ventures

	September 30, 2016	December 31, 2015	September 30, 2015
Joint ventures that are not individually material	\$ 12,016,378	\$ 12,915,886	\$ 13,058,253
Long-term receivable			
Joint ventures that are not individually material	<u>188,050</u>	<u>271,664</u>	<u>540,006</u>
	<u>\$ 12,204,428</u>	<u>\$ 13,187,550</u>	<u>\$ 13,598,259</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	<u>Proportion of Ownership and Voting Rights (%)</u>		
	September 30, 2016	December 31, 2015	September 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

(Continued)

Name of Joint Ventures	Proportion of Ownership and Voting Rights (%)		
	September 30, 2016	December 31, 2015	September 30, 2015
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

(Concluded)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
The Group's share of:				
Net income	\$ 245,226	\$ 396,850	\$ 115,252	\$ 770,754
Other comprehensive (loss) income	<u>(6,946)</u>	<u>(169,957)</u>	<u>14,285</u>	<u>(161,698)</u>
Total comprehensive income	<u>\$ 238,280</u>	<u>\$ 226,893</u>	<u>\$ 129,537</u>	<u>\$ 609,056</u>

18. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2016	December 31, 2015	September 30, 2015
Land	\$ 2,351,974	\$ 2,242,369	\$ 2,216,946
Buildings and improvements	43,723,714	45,270,564	42,348,220
Machinery and equipment	16,775,219	16,797,694	16,746,305
Transportation equipment	387,084	418,943	409,021
Office equipment	2,098,964	2,207,559	2,163,466
Other equipment	32,542	30,597	21,673
Construction in progress	<u>3,537,421</u>	<u>2,811,273</u>	<u>4,297,986</u>
	<u>\$ 68,906,918</u>	<u>\$ 69,778,999</u>	<u>\$ 68,203,617</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of property, plant and equipment during the three months ended September 30, 2016 and 2015, and nine months ended September 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

	September 30, 2016	December 31, 2015	September 30, 2015
Investment properties	<u>\$ 2,317,211</u>	<u>\$ 2,316,581</u>	<u>\$ 2,336,342</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of investment properties during the three months ended September 30, 2016 and 2015, and nine months ended September 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 nine months ended September 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 September 30, 2016 and 2015 had not changed significantly and impaired.

21. OTHER INTANGIBLE ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Patents	\$ 511	\$ 540	\$ 550
Trademark	105	115	142
Customer relationship	55,351	81,931	92,891
Brandnames	1,915,688	2,035,478	2,108,873
Licensing agreements	282,083	336,063	360,420
Non-compete agreements	<u>684,871</u>	<u>827,978</u>	<u>892,453</u>
	<u>\$ 2,938,609</u>	<u>\$ 3,282,105</u>	<u>\$ 3,455,329</u>

- a. Except for amortization recognized, the Group had no significant disposal nor impairment of other intangible assets during the three months ended September 30, 2016 and 2015, and nine months ended September 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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Unsecured borrowings</u>			
Credit borrowings	<u>\$ 29,399,217</u>	<u>\$ 15,708,753</u>	<u>\$ 18,352,318</u>

The range of effective interest rate on bank borrowings was 0.80%-5.95%, 0.89%-5.88% and 0.83%-6.33% per annum as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

b. Short-term bills payable

September 30, 2016

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

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>

September 30, 2015

	Annual Interest Rate %	Amount
Commercial paper	0.58-0.91	\$ 2,176,700
Less: Unamortized discount on bills payable		<u>(1,623)</u>
		<u>\$ 2,175,077</u>

c. Long-term borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Secured borrowings</u>			
Bank loans	\$ 488,000	\$ 488,000	\$ 488,000
<u>Unsecured borrowings</u>			
Bank loans	<u>45,587,119</u>	<u>50,481,500</u>	<u>50,527,400</u>
	46,075,119	50,969,500	51,015,400
Less: Long-term expenses for syndication loan	(21,598)	(39,861)	(40,478)
Less: Current portion	<u>(1,499,853)</u>	<u>(21,159,324)</u>	<u>(18,681,852)</u>
	<u>\$ 44,553,668</u>	<u>\$ 29,770,315</u>	<u>\$ 32,293,070</u>

Range of maturity dates and interest rates:

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Maturity date</u>			
Long-term borrowings	2018.07.12- 2021.09.03	2018.06.03- 2020.09.30	2016.12.02- 2020.09.30
Current portion of long-term borrowings	2016.12.02	2016.04.16- 2016.09.29	2016.03.29- 2016.09.29
<u>Range of interest rate</u>	1.09%-2.26%	0.86%-2.36%	0.83%-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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Notes payable (included related parties)</u>			
Operating	\$ 55,633	\$ 36,057	\$ 55,377
Non-operating	<u>6,601</u>	<u>360</u>	<u>1,727</u>
	<u>\$ 62,234</u>	<u>\$ 36,417</u>	<u>\$ 57,104</u>
Accounts payable (included related parties)	<u>\$ 17,566,710</u>	<u>\$ 17,296,539</u>	<u>\$ 17,457,593</u>

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

24. OTHER PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Payable for salaries	\$ 11,577,485	\$ 13,405,470	\$ 11,410,905
Payable for purchase of property, plant and equipment	1,529,469	1,635,347	1,697,886
Compensation due to directors and supervisors	160,925	206,212	142,745
Employee compensation payable	612,949	603,896	465,288
Interest payable	81,191	96,960	77,340
Payable for acquisition of subsidiary and business	237,301	382,083	479,442
Payable for annual leave	1,344,871	1,292,742	1,293,180
Payable for dividends	1,625,026	-	1,399,807
Others	<u>8,837,233</u>	<u>9,791,528</u>	<u>9,490,864</u>
	<u>\$ 26,006,450</u>	<u>\$ 27,414,238</u>	<u>\$ 26,457,457</u>
Current	\$ 25,834,664	\$ 27,237,051	\$ 25,867,552
Non-current	<u>171,786</u>	<u>177,187</u>	<u>589,905</u>
	<u>\$ 26,006,450</u>	<u>\$ 27,414,238</u>	<u>\$ 26,457,457</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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Operating cost	\$ 37	\$ 36	\$ 111	\$ 120
Marketing expenses	11	10	33	31
Administration expenses	8,092	9,285	24,596	27,462
Research and development expenses	<u>3,070</u>	<u>2,828</u>	<u>8,889</u>	<u>8,457</u>
	<u>\$ 11,210</u>	<u>\$ 12,159</u>	<u>\$ 33,629</u>	<u>\$ 36,070</u>

26. EQUITY

a. Share capital

	September 30, 2016	December 31, 2015	September 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>2,946,787</u>
Shares issued	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>

The Company's employee share options were exercised for 2,650 thousand shares (amounted to \$26,500 thousand) during the nine months ended September 30, 2015.

b. Capital surplus

	September 30, 2016	December 31, 2015	September 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	\$ 848,603
Recognized from conversion of bonds	1,447,492	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	474,704	484,759	482,282

(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
<u>May be used to offset a deficit only (2)</u>			
Recognized from share of changes in equities of subsidiaries	\$ 17,929	\$ 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>\$ 4,618,645</u>	<u>\$ 4,631,708</u>	<u>\$ 4,628,082</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 Nine Months Ended September 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	(3,213,693)	2,112,595
Share of exchange differences of associates and joint ventures accounted for using equity method	<u>(88,520)</u>	<u>17,812</u>
Balance at September 30	<u>\$ 1,718,673</u>	<u>\$ 5,476,156</u>

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

	<u>For the Nine Months Ended September 30</u>	
	<u>2016</u>	<u>2015</u>
Balance at January 1	\$ (16,926,480)	\$ (8,954,302)
Unrealized gain (loss) on available-for-sale financial assets	758,004	(844,055)
Unrealized gain (loss) on available-for-sale financial assets of associates and joint ventures accounted for using equity method	<u>2,089,803</u>	<u>(6,912,129)</u>
Balance at September 30	<u>\$ (14,078,673)</u>	<u>\$ (16,710,486)</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ 85,533,554	\$ 81,411,376
Share of non-controlling interests		
Net income	7,339,048	5,226,686
Exchange differences arising on translation of foreign operations	(241,803)	(582,043)
Unrealized gain on available-for-sale financial assets	195,368	150,671
Change in non-controlling interests	<u>(8,618,066)</u>	<u>(1,363,624)</u>
Balance at September 30	<u>\$ 84,208,101</u>	<u>\$ 84,843,066</u>

27. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Sales revenue	\$ 64,063,589	\$ 65,524,138	\$ 204,493,208	\$ 198,007,768
Revenue from the rendering of services	13,709	41,104	62,435	59,964
Rental income	7,981	7,917	24,193	23,376
Revenue from entertainment and resort	<u>119,066</u>	<u>116,550</u>	<u>369,350</u>	<u>358,489</u>
	<u>\$ 64,204,345</u>	<u>\$ 65,689,709</u>	<u>\$ 204,949,186</u>	<u>\$ 198,449,597</u>

28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Rental income				
Rental income from operating lease				
Investment properties	\$ 7,916	\$ 9,178	\$ 25,583	\$ 27,352
Others	<u>68,341</u>	<u>65,609</u>	<u>199,460</u>	<u>212,781</u>
	<u>76,257</u>	<u>74,787</u>	<u>225,043</u>	<u>240,133</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest income				
Cash in bank	\$ 66,718	\$ 69,908	\$ 227,452	\$ 278,738
Repurchase agreements collateralized by bonds	3,979	2,751	8,827	7,091
Held-to-maturity financial assets	54,780	4,070	123,052	4,070
Debt investments with no active market	11,131	15,075	36,563	44,237
Others	213	1,005	2,020	2,342
	<u>136,821</u>	<u>92,809</u>	<u>397,914</u>	<u>336,478</u>
Dividend income	857,239	749,830	871,985	758,064
Others	<u>848,281</u>	<u>461,108</u>	<u>1,846,107</u>	<u>1,667,047</u>
	<u>\$ 1,918,598</u>	<u>\$ 1,378,534</u>	<u>\$ 3,341,049</u>	<u>\$ 3,001,722</u>

(Concluded)

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Net loss on disposal of property, plant and equipment	\$ (115,771)	\$ (60,862)	\$ (161,061)	\$ (280,657)
Net foreign exchange (loss) gain	(600,625)	196,111	(939,525)	332,962
Net gain on disposal of subsidiaries, associates and joint ventures	13,524	465	27,918	141,237
Net gain on disposal of available-for-sale financial assets	-	77	-	78,039
Net (loss) gain on disposal of financial assets measured at cost	(16,988)	-	5,133	47,940
Net gain (loss) arising on financial assets designated as at FVTPL	171,157	(110,827)	394,378	224,122
Net gain (loss) arising on financial liabilities designated as at FVTPL	74,659	(843,786)	737,487	(411,267)
Reversal (recognized) of impairment loss	(41,155)	20,359	(44,023)	(351,191)
Others	<u>(38,466)</u>	<u>(39,537)</u>	<u>(119,364)</u>	<u>(108,784)</u>
	<u>\$ (553,665)</u>	<u>\$ (838,000)</u>	<u>\$ (99,057)</u>	<u>\$ (327,599)</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest on bank borrowings	\$ 310,490	\$ 248,635	\$ 919,972	\$ 799,786
Interest on short-term bills payable	5,372	4,716	16,188	13,340
Other interest expense	<u>9,768</u>	<u>9,531</u>	<u>29,907</u>	<u>24,285</u>
	<u>\$ 325,630</u>	<u>\$ 262,882</u>	<u>\$ 966,067</u>	<u>\$ 837,411</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Property, plant and equipment	\$ 2,065,118	\$ 1,987,925	\$ 6,370,062	\$ 5,880,763
Investment properties	7,953	7,438	22,835	21,501
Other intangible assets	51,173	62,396	158,822	185,295
Prepayments for lease	<u>45,076</u>	<u>35,435</u>	<u>133,142</u>	<u>134,080</u>
	<u>\$ 2,169,320</u>	<u>\$ 2,093,194</u>	<u>\$ 6,684,861</u>	<u>\$ 6,221,639</u>
An analysis of depreciation by function				
Operating costs	\$ 1,298,260	\$ 1,313,715	\$ 4,097,192	\$ 3,792,150
Operating expenses	772,314	681,302	2,289,513	2,105,919
Non-operating expenses	<u>2,497</u>	<u>346</u>	<u>6,192</u>	<u>4,195</u>
	<u>\$ 2,073,071</u>	<u>\$ 1,995,363</u>	<u>\$ 6,392,897</u>	<u>\$ 5,902,264</u>
An analysis of amortization by function				
Operating costs	\$ 309	\$ 311	\$ 947	\$ 918
Operating expenses	<u>95,940</u>	<u>97,520</u>	<u>291,017</u>	<u>318,457</u>
	<u>\$ 96,249</u>	<u>\$ 97,831</u>	<u>\$ 291,964</u>	<u>\$ 319,375</u>

e. Direct operating expenses from investment properties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Direct operating expenses from investment properties that generated rental income	<u>\$ 11,010</u>	<u>\$ 11,037</u>	<u>\$ 31,956</u>	<u>\$ 32,460</u>

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Post-employment benefits				
Defined contribution plans	\$ 1,988,557	\$ 1,905,126	\$ 6,518,797	\$ 5,896,511
Defined benefit plans	<u>11,210</u>	<u>12,159</u>	<u>33,629</u>	<u>36,070</u>
	1,999,767	1,917,285	6,552,426	5,932,581
Share-based payments				
Equity-settled	8,976	17,969	28,426	49,371
Termination benefits	1,710	114	3,613	8,891
Other employee benefits	<u>15,216,259</u>	<u>15,089,116</u>	<u>47,236,110</u>	<u>45,282,682</u>
	<u>\$ 17,226,712</u>	<u>\$ 17,024,484</u>	<u>\$ 53,820,575</u>	<u>\$ 51,273,525</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 12,387,080	\$ 12,261,624	\$ 38,913,851	\$ 36,644,129
Operating expenses	<u>4,839,632</u>	<u>4,762,860</u>	<u>14,906,724</u>	<u>14,629,396</u>
	<u>\$ 17,226,712</u>	<u>\$ 17,024,484</u>	<u>\$ 53,820,575</u>	<u>\$ 51,273,525</u>

As of September 30, 2016 and 2015, there were 400,937 and 406,737 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 nine months ended September 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 nine months ended September 30, 2016, 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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Employees' compensation/ employees' bonus	<u>\$ 71,341</u>	<u>\$ (42,989)</u>	<u>\$ 173,884</u>	<u>\$ 56,553</u>
Remuneration to directors and supervisors	<u>\$ 35,671</u>	<u>\$ (21,495)</u>	<u>\$ 86,942</u>	<u>\$ 28,276</u>

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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Current tax				
In respect of the current period	\$ 603,181	\$ 679,184	\$ 2,404,420	\$ 2,096,634
Income tax expense of unappropriated earnings	-	-	-	671,954
	603,181	679,184	2,404,420	2,768,588
Deferred tax	(3,258)	(10,219)	54,545	(1,250)
Adjustments for prior year's income tax	-	28,359	(1,438)	30,053
Income tax expense recognized in profit or loss	<u>\$ 599,923</u>	<u>\$ 697,324</u>	<u>\$ 2,457,527</u>	<u>\$ 2,797,391</u>

b. Integrated income tax

	September 30, 2016	December 31, 2015	September 30, 2015
Unappropriated earnings			
Generated before January 1, 1998	\$ 221,425	\$ 221,425	\$ 221,425
Generated on and after January 1, 1998	<u>28,208,018</u>	<u>30,986,101</u>	<u>30,093,024</u>
	<u>\$ 28,429,443</u>	<u>\$ 31,207,526</u>	<u>\$ 30,314,449</u>
Imputation credits account	<u>\$ 2,530,011</u>	<u>\$ 2,518,881</u>	<u>\$ 1,965,207</u>
		<u>For the Year Ended December 31</u>	
		2015	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 September 30, 2016 and 2015, and nine months ended September 30, 2016 and 2015 were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2016	2015	2016	2015
<u>Net income (in thousand dollars)</u>				
Earnings used in the computation of earnings per share	<u>\$ 3,721,076</u>	<u>\$ 3,566,269</u>	<u>\$ 8,892,276</u>	<u>\$ 8,345,405</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	2,945,021	2,946,787	2,944,432
Effect of potentially dilutive common shares:				
Employee share options	89,090	89,398	85,806	88,505
Employees' compensation/ employees' bonus	<u>1,618</u>	<u>1,146</u>	<u>6,818</u>	<u>6,004</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>3,037,495</u>	<u>3,035,565</u>	<u>3,039,411</u>	<u>3,038,941</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
<u>Earnings per share (in dollars)</u>				
Basic earnings per share	<u>\$1.27</u>	<u>\$1.21</u>	<u>\$3.02</u>	<u>\$2.83</u>
Diluted earnings per share	<u>\$1.23</u>	<u>\$1.18</u>	<u>\$2.93</u>	<u>\$2.75</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 nine months ended September 30, 2016 and 2015 was as follows:

	For the Nine Months Ended September 30			
	2016		2015	
Employee Share Options	Number of Shares Purchasable (Thousand Shares)	Weighted- average Exercise Price (NT\$)	Number of Shares Purchasable (Thousand Shares)	Weighted- average Exercise Price (NT\$)
Balance at January 1	145,791	\$ 18.00	148,441	\$ 18.70
Options exercised	<u>-</u>	-	<u>(2,650)</u>	18.00
Balance at September 30	<u>145,791</u>	17.40	<u>145,791</u>	18.00
Exercisable options at September 30	<u>145,791</u>	17.40	<u>145,791</u>	18.00

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

	September 30, 2016	December 31, 2015	September 30, 2015
Exercise price (NT\$)	\$17.40	\$18.00	\$18.00
Weighted-average remaining contractual life (years)	1.10 years	1.85 years	2.10 years

b. Information about Yue Yuen's employee share options

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

	For the Nine Months Ended September 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 September 30	<u>34</u>	<u>1,440</u>

Yue Yuen recognized \$9,484 thousand and \$41,250 thousand compensation cost for the nine months ended September 30, 2016 and 2015, respectively.

c. Information about Pou Sheng's employee share options

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

	For the Nine Months Ended September 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>(10,632)</u>	1.33	<u>-</u>	-
Balance at September 30	<u>43,880</u>	1.40	<u>55,012</u>	1.39
Exercisable options at September 30	<u>43,880</u>	1.40	<u>54,637</u>	1.39

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

	September 30, 2016	December 31, 2015	September 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)	1.88 years	2.68 years	2.93 years

Pou Sheng recognized \$(356) thousand and \$441 thousand compensation (income) cost for the nine months ended September 30, 2016 and 2015, respectively.

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

	For the Nine Months Ended September 30	
	2016	2015
	Number of Shares (Thousand Shares)	Number of Shares (Thousand Shares)
Balance at January 1	27,738	11,500
Options granted	11,990	19,170
Options cancelled	<u>(3,375)</u>	<u>(1,492)</u>
Balance at September 30	<u>36,353</u>	<u>29,178</u>

Pou Sheng recognized \$19,298 thousand and \$7,680 thousand compensation cost for the nine months ended September 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) during the nine months ended September 30, 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 during the nine months ended September 30, 2016, the assets and liabilities on the date of disposal were as follows:

Assets

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

Liabilities

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

- 1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 106,571
Net value of the disposed assets	<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 during the nine months ended September 30, 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
Goodwill	710

Liabilities

Bank borrowings	(9,320)
Payables and other payables	<u>(225,124)</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 the disposed assets	<u>\$ 140,658</u>
Consideration received in cash and cash equivalents	\$ 146,332
Net value of the disposed assets	<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:

	September 30, 2016	December 31, 2015	September 30, 2015
Not later than 1 year	\$ 2,328,197	\$ 2,135,408	\$ 1,736,045
Later than 1 year and not later than 5 years	3,175,918	3,731,030	2,430,373
Later than 5 years	<u>1,691,276</u>	<u>1,304,399</u>	<u>1,283,622</u>
	<u>\$ 7,195,391</u>	<u>\$ 7,170,837</u>	<u>\$ 5,450,040</u>

b. The Group as lessor

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

	September 30, 2016	December 31, 2015	September 30, 2015
Not later than 1 year	\$ 313,098	\$ 315,514	\$ 313,711
Later than 1 year and not later than 5 years	425,116	541,448	509,255
Later than 5 years	<u>654,421</u>	<u>781,990</u>	<u>966,542</u>
	<u>\$ 1,392,635</u>	<u>\$ 1,638,952</u>	<u>\$ 1,789,508</u>

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

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

36. CAPITAL MANAGEMENT

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

37. FINANCIAL INSTRUMENTS

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

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

	<u>September 30, 2016</u>		<u>December 31, 2015</u>		<u>September 30, 2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>						
Held-to-maturity financial assets	\$ 5,409,476	\$ 5,409,476	\$ 1,451,293	\$ 1,451,293	\$ 1,369,237	\$ 1,369,237
Debt investments with no active market	1,153,603	1,153,603	1,423,468	1,423,468	1,405,157	1,405,157
Other loans and receivables	76,309,879	76,309,879	75,468,067	75,468,067	73,992,596	73,992,596
Financial assets directly associated with non-current assets held for sale	765,090	765,090	-	-	-	-
<u>Financial liabilities</u>						
Bank borrowings	75,452,738	75,452,738	66,638,392	66,638,392	69,327,240	69,327,240
Short-term bills payable	3,542,870	3,542,870	2,589,343	2,589,343	2,175,077	2,175,077
Financial liabilities measured at amortized cost	43,662,783	43,662,783	44,774,205	44,774,205	44,000,562	44,000,562
Financial liabilities directly associated with non-current assets held for sale	1,116,008	1,116,008	-	-	-	-

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

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

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

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
<u>Financial assets</u>			
Financial assets at FVTPL			
Domestic open-ended mutual funds	\$ 784,167	\$ 460,002	\$ 362,330
Available-for-sale financial assets			
Domestic listed securities			
Equity investment	13,830,855	12,859,057	12,937,497
Foreign listed securities			
Equity investment	397,431	455,116	463,535

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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets</u>			
Financial assets at FVTPL			
Derivative financial instruments	\$ 37,505	\$ 121,286	\$ 181,409
Financial assets designated as at FVTPL	623,460	654,795	667,035

Financial liabilities

Financial liabilities at FVTPL			
Derivative financial instruments	281,045	1,404,523	998,961

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

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

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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 821,672	\$ 581,288	\$ 543,739
Designated as at FVTPL	623,460	654,795	667,035
Held-to-maturity financial assets	5,409,476	1,451,293	1,369,237
Loans and receivables (Note 1)	78,228,572	76,891,535	75,397,753
Available-for-sale financial assets	14,228,286	13,314,173	13,401,032
Financial assets measured at cost	580,504	659,395	671,209
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	281,045	1,404,523	998,961
Amortized cost (Note 2)	123,774,399	114,001,940	115,502,879

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD, RMB, HKD, VND, 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 Nine Months Ended	
	September 30	
	2016	2015
USD	\$ (92,730)	\$ (82,328)
RMB	(425,717)	(402,282)
HKD	(148,269)	(209,453)
JPY	(31,518)	-
VND	21,271	30,371
IDR	38,163	50,140

b) Interest rate risk

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

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

	September 30, 2016	December 31, 2015	September 30, 2015
Cash flow interest rate risk			
Financial liabilities	\$ 78,995,608	\$ 69,227,735	\$ 71,502,317

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 \$592,467 thousand and \$536,267 thousand during the nine months ended September 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 September 30, 2016, December 31, 2015 and September 30, 2015 would have decrease by \$256,904 thousand, \$257,094 thousand and \$261,092 thousand, respectively.

2) Credit risk

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2016, December 31, 2015 and September 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.

September 30, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 22,139,630	\$ 11,389,298	\$ 9,613,916	\$ 277,892	\$ 48,956
Floating interest rate liabilities	1.65	12,981,423	3,263,793	4,894,434	41,681,361	-
Fixed interest rate liabilities	1.14	13,543,452	200,000	-	4,000,000	-
Financial guarantee contracts	-	3,240,731	-	-	-	-
		<u>\$ 51,905,236</u>	<u>\$ 14,853,091</u>	<u>\$ 14,508,350</u>	<u>\$ 45,959,253</u>	<u>\$ 48,956</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
Floating 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>

September 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	-	\$ 21,687,538	\$ 12,072,311	\$ 9,139,379	\$ 750,483	\$ 3,800
Floating interest rate liabilities	1.31	5,828,873	2,662,552	21,803,118	28,837,058	-
Fixed interest rate liabilities	1.14	8,025,232	500,000	657,400	4,000,000	-
Financial guarantee contracts	-	3,801,732	-	-	-	-
		<u>\$ 39,343,375</u>	<u>\$ 15,234,863</u>	<u>\$ 31,599,897</u>	<u>\$ 33,587,541</u>	<u>\$ 3,800</u>

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

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

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

September 30, 2016

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

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>

September 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	\$ -	\$ -	\$ 5,549	\$ 33,689	\$ -
Forward exchange contracts	100,714	-	-	-	-
Exchange rate option contracts	<u>440,806</u>	<u>16,358</u>	<u>129,520</u>	<u>272,325</u>	<u>-</u>
	<u>\$ 541,520</u>	<u>\$ 16,358</u>	<u>\$ 135,069</u>	<u>\$ 306,014</u>	<u>\$ -</u>

c) Financing facilities

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured bank facility:			
Amount used	\$ 78,685,968	\$ 68,930,573	\$ 71,206,993
Amount unused	<u>16,651,748</u>	<u>30,298,897</u>	<u>29,198,185</u>
	<u>\$ 95,337,716</u>	<u>\$ 99,229,470</u>	<u>\$ 100,405,178</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>

e. Offsetting financial assets and financial liabilities

The Group is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

September 30, 2016

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Instruments Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivatives	<u>\$ 37,505</u>	<u>\$ -</u>	<u>\$ 37,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,505</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Instruments Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivatives	<u>\$ 281,045</u>	<u>\$ -</u>	<u>\$ 281,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,045</u>

December 31, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Instruments Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivatives	<u>\$ 121,286</u>	<u>\$ -</u>	<u>\$ 121,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,286</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Instruments Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivatives	<u>\$ 1,404,523</u>	<u>\$ -</u>	<u>\$ 1,404,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,404,523</u>

September 30, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Instruments Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivatives	<u>\$ 182,533</u>	<u>\$ (1,124)</u>	<u>\$ 181,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,409</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Instruments Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivatives	<u>\$ 1,000,085</u>	<u>\$ (1,124)</u>	<u>\$ 998,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 998,961</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 September 30		For the Nine Months Ended September 30	
		2016	2015	2016	2015
Sales	Associates and joint ventures	<u>\$ 229,098</u>	<u>\$ 253,885</u>	<u>\$ 725,244</u>	<u>\$ 777,466</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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Associates and joint ventures	<u>\$ 1,695,726</u>	<u>\$ 2,748,193</u>	<u>\$ 5,381,305</u>	<u>\$ 6,110,440</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	September 30, 2016	December 31, 2015	September 30, 2015
Notes receivable, accounts receivable	Associates and joint ventures	<u>\$ 72,558</u>	<u>\$ 78,126</u>	<u>\$ 223,961</u>

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

d. Payables to related parties

Account Items	Related Party Categories	September 30, 2016	December 31, 2015	September 30, 2015
Notes payable, accounts payable	Associates and joint ventures	<u>\$ 1,461,815</u>	<u>\$ 1,881,363</u>	<u>\$ 1,956,961</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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 50,421	\$ 378	\$ 158,317	\$ 102,066
Post-employment benefits	<u>276</u>	<u>451</u>	<u>1,219</u>	<u>1,307</u>
	<u>\$ 50,697</u>	<u>\$ 829</u>	<u>\$ 159,536</u>	<u>\$ 103,373</u>

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

39. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2016	December 31, 2015	September 30, 2015
Debt investments with no active market	\$ 33,703	\$ 32,771	\$ 27,336
Investment properties	<u>657,296</u>	<u>657,296</u>	<u>664,614</u>
	<u>\$ 690,999</u>	<u>\$ 690,067</u>	<u>\$ 691,950</u>

40. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

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

(Unit: In Thousands of Foreign Currencies)

Currencies	September 30, 2016	December 31, 2015	September 30, 2015
USD	\$ 3,906	\$ 2,631	\$ 2,860
EUR	22	431	236
HKD	-	100	100
IDR	10,447,078	15,657,664	18,295,318

- b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provides shares of Yue Yuen in the custody during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or do encumbrance to the shares of Wealthplus which is equal to the shares of Yue Yuen during the trust period.
- c. Because of the Company's investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd., the Company received a request by the FSC for the Company to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.
- d. The Company entered into project agreements with the Institute for Information Industry ("IIP"). According to the project agreements, the Company has to provide promissory notes and bank guarantee to IIP as guarantee.

41. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

September 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 90,814	31.360	\$ 2,847,925
NTD	147,050	1	147,050
RMB	2,029,114	4.693	9,522,629
HKD	764,125	4.044	3,090,122
VND	328,221,094	0.00128	420,123
IDR	326,931,276	0.00243	794,443
JPY	2,028,212	0.3109	630,571

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
NTD	\$ 1,067,570	1	\$ 1,067,570
RMB	919,059	4.693	4,313,142
HKD	49,140	4.044	198,721

Financial liabilities

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

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

September 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 141,046	32.870	\$ 4,636,193
NTD	1,653,192	1	1,653,192
RMB	1,779,439	5.176	9,210,376
HKD	1,027,798	4.241	4,358,890
VND	180,241,135	0.00141	254,140
IDR	50,392,793	0.00222	111,872
Non-monetary items			
NTD	852,725	1	852,725
HKD	54,651	4.241	231,774
<u>Financial liabilities</u>			
Monetary items			
USD	90,935	32.870	2,989,049
NTD	1,062,980	1	1,062,980
RMB	226,215	5.176	1,170,892
HKD	39,803	4.241	168,805
VND	614,109,220	0.00141	865,894
IDR	506,212,613	0.00222	1,123,792

For the three months ended September 30, 2016 and 2015, and nine months ended September 30, 2016 and 2015, net foreign exchange (losses) gains were \$(600,625) thousand, \$196,111 thousand, \$(939,525) thousand and \$332,962 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 nine months ended September 30, 2016

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 144,245,503</u>	<u>\$ 59,860,945</u>	<u>\$ 842,738</u>	<u>\$ 204,949,186</u>
Segment income	<u>\$ 20,350,781</u>	<u>\$ 6,013,948</u>	<u>\$ 430,235</u>	\$ 26,794,964
Administrative cost, remuneration to directors and supervisors				(14,251,879)
Rental income				225,043
Interest income				397,914
Dividend income				871,985
Other income				1,846,107
Net loss on disposal of property, plant and equipment				(161,061)
Net foreign exchange loss				(939,525)
Net gain on disposal of subsidiaries and associates				27,918
Net gain on disposal of financial assets measured at cost				5,133
Net gain arising on financial assets designated as at FVTPL				394,378
Net gain arising on financial liabilities designated as at FVTPL				737,487
Impairment loss				(44,023)
Other loss				(119,364)
Finance costs				(966,067)
Share of the profit of associates and joint ventures				<u>3,869,841</u>
Income before income tax				<u>\$ 18,688,851</u>

For the nine months ended September 30, 2015

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 143,070,031</u>	<u>\$ 54,748,590</u>	<u>\$ 630,976</u>	<u>\$ 198,449,597</u>
Segment income	<u>\$ 18,781,173</u>	<u>\$ 4,538,864</u>	<u>\$ 408,288</u>	\$ 23,728,325
Administrative cost, remuneration to directors and supervisors				(15,011,210)
Rental income				240,133
Interest income				336,478
Dividend income				758,064
Other income				1,667,047
Net loss on disposal of property, plant and equipment				(280,657)
Net foreign exchange gain				332,962
Net gain on disposal of subsidiaries, associates and joint ventures				141,237
Net gain on disposal of available-for-sale financial assets				78,039
Net gain on disposal of financial assets measured at cost				47,940
Net gain arising on financial assets designated as at FVTPL				224,122
Net loss arising on financial liabilities designated as at FVTPL				(411,267)
Impairment loss				(351,191)
Other loss				(108,784)
Finance costs				(837,411)
Share of the profit of associates and joint ventures				<u>5,815,655</u>
Income before income tax				<u>\$ 16,369,482</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 (loss) 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.