

**Kwong Lung Enterprise Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2019 and 2018 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Kwong Lung Enterprise Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2019 and 2018, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT\$2,342,389 thousand and NT\$1,725,915 thousand, respectively, representing 29% and 25%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$856,599 thousand and NT\$488,219 thousand, respectively, representing 22% and 13%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT\$12,139 thousand and NT\$(2,120) thousand, respectively, representing 19% and (2%), respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 13, the investments accounted for using the equity method, as of March 31, 2019 and 2018, were NT\$163,131 thousand and NT\$162,720 thousand, respectively, and the consolidated equity in these investees' net loss and gain for the three months ended March 31, 2019 and 2018 amounted to NT\$2,281 thousand and NT\$14,891 thousand, respectively, and the

related investment amounts as well as additional disclosures are based on these investees' unreviewed financial statements for the same reporting periods as those of the Group.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other investees accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018 and of its consolidated financial performance and its consolidated cash flows for the three months ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Cheng-tsai Tsai and Chin-tsung Cheng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 10, 2019

### 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.*

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 662,601	8	\$ 794,215	12	\$ 525,907	8
Financial assets at fair value through profit or loss - current (Note 7)	6,066	-	2,034	-	3,293	-
Financial assets at amortized cost - current (Note 9)	2,702	-	3,002	-	67,212	1
Notes receivable (Note 10)	110,674	2	132,444	2	42,789	1
Trade receivables (Note 10)	886,346	11	915,574	13	747,881	11
Trade receivables from related parties (Note 29)	14	-	-	-	59,159	1
Other receivables (Note 10)	318,632	3	123,443	2	201,654	3
Other receivables from related parties (Note 29)	-	-	-	-	130,000	2
Inventories (Note 11)	3,247,577	41	2,618,775	37	2,629,190	38
Prepayments	167,772	2	138,944	2	114,074	2
Other current assets	119,927	2	89,469	1	99,582	1
Total current assets	<u>5,522,311</u>	<u>69</u>	<u>4,817,900</u>	<u>69</u>	<u>4,620,741</u>	<u>68</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	123,818	2	100,700	2	155,627	2
Financial assets at amortized cost - non-current (Note 9)	60,000	1	60,000	1	50,000	1
Investments accounted for using the equity method (Note 13)	163,131	2	156,970	2	162,720	2
Property, plant and equipment (Notes 14, 30 and 31)	1,554,340	19	1,573,527	22	1,519,673	22
Right-of-use assets (Note 15)	197,868	2	-	-	-	-
Investment properties, net (Note 16)	200,098	2	96,680	1	95,549	2
Other intangible assets (Note 17)	69,786	1	66,081	1	58,054	1
Deferred tax assets	49,834	1	50,088	1	49,949	1
Long-term prepayments for leases (Note 15)	-	-	79,455	1	80,945	1
Other non-current assets	65,946	1	29,924	-	20,630	-
Total non-current assets	<u>2,484,821</u>	<u>31</u>	<u>2,213,425</u>	<u>31</u>	<u>2,193,147</u>	<u>32</u>
<b>TOTAL</b>	<u>\$ 8,007,132</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>	<u>\$ 6,813,888</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 18 and 30)	\$ 987,992	12	\$ 380,855	5	\$ 422,649	6
Financial liabilities at fair value through profit or loss - current (Note 7)	4,455	-	10,289	-	1,135	-
Notes payable	14,374	-	5,267	-	11,309	-
Trade payables	1,088,862	14	782,705	11	998,513	15
Other payables (Note 20)	308,784	4	469,308	7	324,100	5
Current tax liabilities (Note 4)	60,673	1	59,474	1	44,034	1
Lease liabilities - current (Note 15)	39,985	1	-	-	-	-
Current portion of long-term liabilities (Notes 18 and 30)	894,106	11	790,871	11	100,833	1
Other current liabilities	26,982	-	44,072	1	64,879	1
Total current liabilities	<u>3,426,213</u>	<u>43</u>	<u>2,542,841</u>	<u>36</u>	<u>1,967,452</u>	<u>29</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 19)	-	-	-	-	779,886	11
Long-term borrowings (Notes 18 and 30)	164,578	2	214,720	3	940,426	14
Deferred tax liabilities	129,474	2	129,400	2	123,871	2
Lease liabilities - non-current (Note 15)	74,744	1	-	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	36,247	-	42,409	1	46,307	1
Guarantee deposits	3,595	-	1,999	-	1,959	-
Total non-current liabilities	<u>408,638</u>	<u>5</u>	<u>388,528</u>	<u>6</u>	<u>1,892,449</u>	<u>28</u>
Total liabilities	<u>3,834,851</u>	<u>48</u>	<u>2,931,369</u>	<u>42</u>	<u>3,859,901</u>	<u>57</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 26)</b>						
Share capital						
Ordinary shares	1,106,967	14	1,103,540	16	1,093,703	16
Preference shares	182,000	2	182,000	2	-	-
Total share capital	<u>1,288,967</u>	<u>16</u>	<u>1,285,540</u>	<u>18</u>	<u>1,093,703</u>	<u>16</u>
Capital surplus	1,693,896	21	1,687,841	24	1,049,374	15
Retained earnings						
Legal reserve	373,931	5	373,931	5	373,931	5
Special reserve	80,889	1	80,889	1	-	-
Unappropriated earnings	719,106	9	707,906	10	458,861	7
Total retained earnings	<u>1,173,926</u>	<u>15</u>	<u>1,162,726</u>	<u>16</u>	<u>832,792</u>	<u>12</u>
Other equity interests						
Exchange differences on translating the financial statements of foreign operations	(79,867)	(1)	(106,120)	(1)	(142,273)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	39,820	-	17,486	-	72,809	1
Total other equity interests	<u>(40,047)</u>	<u>(1)</u>	<u>(88,634)</u>	<u>(1)</u>	<u>(69,464)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	<u>4,116,742</u>	<u>51</u>	<u>4,047,473</u>	<u>57</u>	<u>2,906,405</u>	<u>42</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>55,539</u>	<u>1</u>	<u>52,483</u>	<u>1</u>	<u>47,582</u>	<u>1</u>
Total equity	<u>4,172,281</u>	<u>52</u>	<u>4,099,956</u>	<u>58</u>	<u>2,953,987</u>	<u>43</u>
<b>TOTAL</b>	<u>\$ 8,007,132</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>	<u>\$ 6,813,888</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 10, 2019)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Note 29)				
Sales revenue	\$ 2,029,996	100	\$ 1,693,280	100
OPERATING COSTS (Notes 11, 23 and 29)				
Cost of goods sold	_(1,825,396)	_(90)	_(1,503,254)	_(89)
GROSS PROFIT	<u>204,600</u>	<u>10</u>	<u>190,026</u>	<u>11</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	(125,550)	(6)	(138,814)	(8)
General and administrative expenses	(64,413)	(3)	(72,172)	(4)
Research and development expenses	(11,882)	(1)	(16,087)	(1)
Gains on reversal of expected credit loss	-	-	22	-
Total operating expenses	<u>(201,845)</u>	<u>(10)</u>	<u>(227,051)</u>	<u>(13)</u>
PROFIT (LOSS) FROM OPERATIONS	<u>2,755</u>	<u>-</u>	<u>(37,025)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES (Note 29)				
Other income	2,806	-	2,333	-
Other gains	15,431	1	121,168	7
Finance costs	(6,041)	-	(9,708)	(1)
Share of profit of associates	<u>2,281</u>	<u>-</u>	<u>14,891</u>	<u>1</u>
Total non-operating income and expenses	<u>14,477</u>	<u>1</u>	<u>128,684</u>	<u>7</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	17,232	1	91,659	5
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(4,129)</u>	<u>-</u>	<u>(16,190)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>13,103</u>	<u>1</u>	<u>75,469</u>	<u>4</u>

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 22,905	1	\$ 11,751	1
Remeasurement of defined benefit plans, net of income tax	-	-	387	-
	<u>22,905</u>	<u>1</u>	<u>12,138</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	26,720	1	(6)	-
Other comprehensive income for the period, net of income tax	<u>49,625</u>	<u>2</u>	<u>12,132</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>\$ 62,728</u>	<u>3</u>	<u>\$ 87,601</u>	<u>5</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 10,629	1	\$ 72,307	4
Non-controlling interests	<u>2,474</u>	<u>-</u>	<u>3,162</u>	<u>-</u>
	<u>\$ 13,103</u>	<u>1</u>	<u>\$ 75,469</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 59,787	3	\$ 84,119	5
Non-controlling interests	<u>2,941</u>	<u>-</u>	<u>3,482</u>	<u>-</u>
	<u>\$ 62,728</u>	<u>3</u>	<u>\$ 87,601</u>	<u>5</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
Basic	<u>\$ 0.10</u>		<u>\$ 0.66</u>	
Diluted	<u>\$ 0.10</u>		<u>\$ 0.60</u>	

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

(With Deloitte & Touche review report dated May 10, 2019)

(Concluded)

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Company											Other Equity Interests			Total	Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus						Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	Ordinary Shares	Preference Shares	Subtotal	Additional Paid-in Capital	Treasury Share Transactions	Employee Share Options	Convertible Bonds Share Options	Expired Share Options	Subtotal	Legal Reserve	Special Reserve							Unappropriated Earnings
BALANCE AT JANUARY 1, 2018	\$ 1,090,130	\$ -	\$ 1,090,130	\$ 923,606	\$ 29,284	\$ 54,557	\$ 34,657	\$ 1,493	\$ 1,043,597	\$ 373,931	\$ -	\$ 386,167	\$ (141,947)	\$ -	\$ 61,058	\$ 2,812,936	\$ 44,100	\$ 2,857,036
Effect of retrospective application	-	-	-	-	-	-	-	-	-	-	-	-	-	61,058	(61,058)	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,090,130	-	1,090,130	923,606	29,284	54,557	34,657	1,493	1,043,597	373,931	-	386,167	(141,947)	61,058	-	2,812,936	44,100	2,857,036
Net profit for the three months ended March 31, 2018	-	-	-	-	-	-	-	-	-	-	-	72,307	-	-	-	72,307	3,162	75,469
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	-	-	-	-	-	387	(326)	11,751	-	11,812	320	12,132
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	-	-	-	-	-	-	72,694	(326)	11,751	-	84,119	3,482	87,601
Employee share options	3,573	-	3,573	9,226	-	(3,449)	-	-	5,777	-	-	-	-	-	-	9,350	-	9,350
BALANCE AT MARCH 31, 2018	\$ 1,093,703	\$ -	\$ 1,093,703	\$ 932,832	\$ 29,284	\$ 51,108	\$ 34,657	\$ 1,493	\$ 1,049,374	\$ 373,931	\$ -	\$ 458,861	\$ (142,273)	\$ 72,809	\$ -	\$ 2,906,405	\$ 47,582	\$ 2,953,987
BALANCE AT JANUARY 1, 2019	\$ 1,103,540	\$ 182,000	\$ 1,285,540	\$ 1,577,397	\$ 29,284	\$ 44,956	\$ 34,657	\$ 1,547	\$ 1,687,841	\$ 373,931	\$ 80,889	\$ 707,906	\$ (106,120)	\$ 17,486	\$ -	\$ 4,047,473	\$ 52,483	\$ 4,099,956
Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	10,629	-	-	-	10,629	2,474	13,103
Other comprehensive income for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	26,253	22,905	-	49,158	467	49,625
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	10,629	26,253	22,905	-	59,787	2,941	62,728
Employee share options	3,427	-	3,427	7,713	-	(1,658)	-	-	6,055	-	-	-	-	-	-	9,482	-	9,482
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	571	-	(571)	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115	115
BALANCE AT MARCH 31, 2019	\$ 1,106,967	\$ 182,000	\$ 1,288,967	\$ 1,585,110	\$ 29,284	\$ 43,298	\$ 34,657	\$ 1,547	\$ 1,693,896	\$ 373,931	\$ 80,889	\$ 719,106	\$ (79,867)	\$ 39,820	\$ -	\$ 4,116,742	\$ 55,539	\$ 4,172,281

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

(With Deloitte & Touche review report dated May 10, 2019)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 17,232	\$ 91,659
Adjustments for:		
Depreciation expenses	48,432	32,562
Amortization expenses	2,278	2,538
Expected credit loss reversed on trade receivables	-	(22)
Amortization of prepayments for leases	-	946
Net gain on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(1,611)	(2,158)
Finance costs	6,041	9,708
Interest income	(2,806)	(2,333)
Compensation costs of employee share options	1,813	389
Write-downs of inventories	5,951	5,571
Share of profit of associates	(2,281)	(14,891)
Loss (gain) on disposal of property, plant and equipment	122	(30,384)
Gain on disposal of investments	-	(12,775)
Net (gain) loss on foreign currency exchange	(3,470)	1,045
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	2,034	1,594
Notes receivable	21,770	69,818
Trade receivables	28,854	131,156
Trade receivables from related parties	(14)	(6,616)
Other receivables	(194,883)	59,550
Inventories	(635,890)	(381,361)
Prepayments	(28,828)	(65,921)
Other current assets	(34,301)	(17,586)
Financial liabilities held for trading	(10,289)	(78)
Notes payable	9,107	8,242
Trade payables	306,807	205,613
Other payables	(154,691)	(55,227)
Other current liabilities	(17,090)	15,323
Net defined benefit liabilities	(6,162)	(1,422)
Cash generated from operations	(641,875)	44,940
Interest received	2,806	2,333
Interest paid	(2,119)	(6,655)
Income tax paid	(2,602)	(1,996)
	(643,790)	38,622
Net cash generated from (used in) operating activities		(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (4,152)	\$ -
Proceeds from disposal of financial assets at amortized cost	300	5,191
Net cash outflow on acquisition of subsidiaries (Note 27)	-	16,202
Net cash inflow on disposal of subsidiaries	-	36
Acquisition of property, plant and equipment	(18,402)	(89,163)
Proceeds from disposal of property, plant and equipment	1,483	184,815
Increase in other receivables - related parties	-	(40,000)
Acquisition of intangible assets	(5,984)	(2,910)
Acquisition of investment properties	(104,226)	-
Increase in other non-current assets	(36,022)	-
Decrease in other non-current assets	<u>-</u>	<u>1,406</u>
Net cash generated from (used in) investing activities	<u>(167,003)</u>	<u>75,577</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	611,138	-
Repayments of short-term borrowings	-	(203,418)
Proceeds from long-term borrowings	50,000	350,000
Repayments of long-term borrowings	(278)	(250,206)
Proceeds from guarantee deposits received	1,596	69
Repayment of the principal portion of lease liabilities	(10,457)	-
Proceeds from share options exercised	7,669	8,961
Changes in non-controlling interests	<u>115</u>	<u>(391)</u>
Net cash generated from (used in) financing activities	<u>659,783</u>	<u>(94,985)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>19,396</u>	<u>(3,015)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(131,614)	16,199
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>794,215</u>	<u>509,708</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 662,601</u>	<u>\$ 525,907</u>

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

(With Deloitte & Touche review report dated May 10, 2019)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

---

### 1. GENERAL INFORMATION

Kwong Lung Enterprise Co., Ltd. (the “Company”) was incorporated in February 1966 under the Company Law and related regulations of the Republic of China (ROC). The Company mainly manufactures and sells various feather products including apparel, down and bedding.

The Company’s shares have been traded on the Taipei Exchange (formerly known as Taiwan GreTai Securities Market) since April 1999.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 10, 2019.

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

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

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

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of a land located in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

If the Group determines that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 to be accounted for as a sale of an asset, it is accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Prior to the application of IFRS 16, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

The Group does not reassess sale and leaseback transactions entered into before January 1, 2019 to determine whether the transfer of an underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale. Upon initial application of IFRS 16, the aforementioned transitional provision for a lessee applies to the leaseback portion.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.22%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 97,724
Less: Recognition exemption for short-term leases of low-value assets	(9,931)
Less: Recognition exemption for leases of low-value assets	<u>(2,866)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 84,927</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 83,330
Add: Adjustments relating to changes in the index or rate affecting variable payments	<u>41,113</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 124,443</u>

The Group as lessor

Except for sublease transactions, the Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Right-of-use assets	\$ -	\$ 207,741	\$ 207,741
Other assets	-		
Prepayments for leases	3,843	(3,843)	-
Long-term prepayments for leases	79,455	<u>(79,455)</u>	<u>-</u>
Effect on assets		<u>\$ 124,443</u>	<u>\$ 207,741</u>
Lease liabilities - current	-	\$ 39,799	\$ 39,799
Lease liabilities - non-current	-	<u>84,644</u>	<u>84,644</u>
Effect on liabilities	-	<u>\$ 124,443</u>	<u>\$ 124,443</u>
Effect on equity	-	-	-

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

##### **c. Basis of consolidation**

See Note 12 for detailed information on the subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

For summary of other significant accounting policies, except for lease and the following accounting policies, refer to the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets. With respect to the recognition and measurement of right-of-use assets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

## 2018

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

### a) The Group as lessor

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

### b) The Group as lessee

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

## 2) 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.

## 3) 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. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income in full in the period in which the change in tax rate occurs.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Refer to the consolidated financial statements for the year ended December 31, 2018 for the critical accounting judgments and key sources of estimation uncertainty.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	\$ 2,471	\$ 2,759	\$ 2,270
Checking accounts and demand deposits	490,620	532,529	509,085
Cash equivalents (investments with original maturities less than three months)			
Time deposits	<u>169,510</u>	<u>258,927</u>	<u>14,552</u>
	<u>\$ 662,601</u>	<u>\$ 794,215</u>	<u>\$ 525,907</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 6,066</u>	<u>\$ 2,034</u>	<u>\$ 3,293</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 4,455</u>	<u>\$ 10,289</u>	<u>\$ 1,135</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2019</u>			
Buy	EUR/NTD	2019.4.17-2019.8.19	EUR7,500/NTD261,347
Sell	USD/RMB	2019.4.23-2019.10.29	USD9,000/RMB60,886
Sell	JPY/NTD	2019.5.23-2019.9.24	JPY400,000/NTD113,085
<u>December 31, 2018</u>			
Sell	JPY/NTD	2019.2.26-2019.3.4	JPY600,000/NTD166,820
Sell	USD/CNY	2019.1.31-2019.10.29	USD12,000/CNY80,593
<u>March 31, 2018</u>			
Buy	EUR/NTD	2018.4.11-2018.6.11	EUR4,000/NTD141,830
Sell	USD/RMB	2019.3.1-2019.3.5	USD2,000/RMB12,892
Sell	JPY/NTD	2018.4.9-2018.8.27	JPY600,000/NTD163,880

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

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Non-current</u>			
Domestic investments			
Listed shares	<u>\$ 123,818</u>	<u>\$ 100,700</u>	<u>\$ 155,627</u>

#### 9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Domestic investments			
Restricted assets - bank balance	\$ 2	\$ 2	\$ 5,002
Time deposits with original maturity more than 3 months	<u>2,700</u>	<u>3,000</u>	<u>62,210</u>
	<u>\$ 2,702</u>	<u>\$ 3,002</u>	<u>\$ 67,212</u>
<u>Non-current</u>			
Domestic investments			
Private corporate bond with no active market (a)	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 50,000</u>

- a. The Group possessed six units, six units and five units of five-year corporate bonds without security issued by Snowdown Merchandise Corporation with a coupon rate of 2.75% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.
- b. Refer to Note 30 for information related to investments in financial assets at amortized cost pledged as security.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Notes receivable</u>			
Notes receivable	\$ 110,674	\$ 132,444	\$ 42,789
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 110,674</u>	<u>\$ 132,444</u>	<u>\$ 42,789</u>
<u>Trade receivables (including related parties)</u>			
Trade receivables	\$ 887,659	\$ 916,873	\$ 817,183
Less: Allowance for impairment loss	<u>(1,299)</u>	<u>(1,299)</u>	<u>(10,143)</u>
	<u>\$ 886,360</u>	<u>\$ 915,574</u>	<u>\$ 807,040</u>
<u>Other receivables</u>			
Sale of raw materials	\$ 271,841	\$ 29,347	\$ 123,311
Tax refund receivable	43,976	71,894	38,000
Premium receivable	-	18,644	35,021
Others	2,815	3,558	5,322
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 318,632</u>	<u>\$ 123,443</u>	<u>\$ 201,654</u>

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to estimate expected credit losses, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. The overdue trade receivable will be provided with an allowance of 0.04% to 100%, 0.03% to 100% and 0.01% to 100% as of March 31, 2019, December 31, 2018 and March 31, 2018.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are more than 2 years past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The aging of receivables was as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Less than 30 days	\$ 654,332	\$ 532,006	\$ 634,351
31-60 days	140,853	278,774	136,964
61-120 days	81,323	100,770	34,848
More than 121 days	<u>11,151</u>	<u>5,323</u>	<u>11,020</u>
	<u>\$ 887,659</u>	<u>\$ 916,873</u>	<u>\$ 817,183</u>

The above aging schedule was based on the number of overdue days from the posting date.

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 1,299	\$ 10,116
Less: Reversal of impairment loss	-	(22)
Foreign exchange translation	<u>-</u>	<u>49</u>
Balance at March 31	<u>\$ 1,299</u>	<u>\$ 10,143</u>

## 11. INVENTORIES

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Merchandise	\$ 313,360	\$ 352,700	\$ 271,203
Finished goods	479,210	386,445	477,762
Work in progress	1,293,798	1,227,280	978,671
Raw materials and supplies	930,586	460,673	695,484
Goods to subcontractor	5,171	1,406	19,010
Inventory in transit	<u>225,452</u>	<u>190,271</u>	<u>187,060</u>
	<u>\$ 3,247,577</u>	<u>\$ 2,618,775</u>	<u>\$ 2,629,190</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 included inventory write-downs of \$5,951 thousand and \$5,571 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2019	December 31 2018	March 31, 2018	
The Company	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	100	100	Major subsidiary
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	Major subsidiary
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	1)
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)
	Klego Co., Ltd.	Wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, cosmetics and other textile products; retail business without shop; retail sale of other products; international trade; software design services; data processing services; third party payment; retail sale of computer software; body shaping services; wholesale and retail sale of drugs, medical goods.	100	100	100	1)
	BBL Premium Co., Ltd.	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	100	100	100	1)
	Kwong Lung Europe SP. Z O.O.	Various selling of down and bedding	100	100	100	1)
	Kwong Lung-O Mon Company Limited	Manufacturing and selling of apparel.	100	100	100	1), 2)
	Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	100
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60	60	-	1), 3)
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	Major subsidiary
Snowdown Merchandise (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	100	100	100	1)
Snowdown Merchandise (Suzhou) Co., Ltd.	Huai An Guang Long He Yu Home Textile Co., Ltd	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	51	51	51	1)
BBL Premium Co., Ltd.	Manumech Corporation	Wholesale	51	51	51	1)
Manumech Corporation	Windsun Industry Co., Ltd.	Wholesale	100	100	100	1)
	Intime Tech Co., Ltd.	Wholesale	100	100	100	1)

- 1) Because it is not a major subsidiary, its financial statements were not reviewed as of March 31, 2019 and March 31, 2018.
- 2) In January 2018, the Group has acquired control of the Viet Tien Meko Company Limited, which was originally a joint venture investment company, and changed its name to “Kwong Lung-O Mon Company Limited”.
- 3) In October 2018, Kwong Lung Meko Co., Ltd. increased USD 3,000 thousand capital of Kwong Lung Meko (B.V.I.) Ltd., representing a 60% shareholding. This resulted in a decrease from 100% to 40% shareholding on Bohsing Enterprise Co., Ltd. The capital increase did not affect the control of the Group and did not affect its profit and loss.

b. Subsidiaries excluded from consolidated financial statements: None.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2019	December 31, 2018	March 31, 2018
Associates that are not individually material			
Investments in joint associates	<u>\$ 163,131</u>	<u>\$ 156,970</u>	<u>\$ 162,720</u>

The main business and the place of business and incorporation of the above associates are described for related disclosures.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed.

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Trans- portation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 596,390	\$ 1,111,909	\$ 666,745	\$ 41,334	\$ 299,803	\$ 180,914	\$ 2,897,095
Additions	-	4,651	20,185	180	10,808	53,202	89,026
Acquired in business combination	-	16,760	56,638	815	2,886	-	77,099
Disposals	(122,919)	(26,212)	(2,869)	-	(13,938)	-	(165,938)
Reclassification	-	(4,503)	915	2,678	4,217	(3,307)	-
Effect of foreign currency exchange differences	-	(3,026)	(8,771)	(303)	1,366	(388)	(11,122)
Balance at March 31, 2018	<u>\$ 473,471</u>	<u>\$ 1,099,579</u>	<u>\$ 732,843</u>	<u>\$ 44,704</u>	<u>\$ 305,142</u>	<u>\$ 230,421</u>	<u>\$ 2,886,160</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ 509,680	\$ 512,444	\$ 29,070	\$ 256,772	\$ -	\$ 1,307,966
Disposals	-	(5,007)	(998)	-	(5,502)	-	(11,507)
Acquired in business combination	-	11,862	27,896	815	2,482	-	43,055
Depreciation expense	-	13,167	13,661	928	4,687	-	32,443
Effect of foreign currency exchange differences	-	(674)	(5,960)	(98)	1,262	-	(5,470)
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 529,028</u>	<u>\$ 547,043</u>	<u>\$ 30,715</u>	<u>\$ 259,701</u>	<u>\$ -</u>	<u>\$ 1,366,487</u>
Carrying amounts at March 31, 2018	<u>\$ 473,471</u>	<u>\$ 570,551</u>	<u>\$ 185,800</u>	<u>\$ 13,989</u>	<u>\$ 45,441</u>	<u>\$ 230,421</u>	<u>\$ 1,519,673</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 473,471	\$ 1,381,717	\$ 797,385	\$ 46,218	\$ 319,306	\$ 17,295	\$ 3,035,392
Additions	-	371	1,657	48	1,829	7,103	11,008
Disposals	-	(4,755)	(847)	-	(9,651)	-	(15,253)
Reclassification	-	-	-	-	6,223	(6,223)	-
Effect of foreign currency exchange differences	-	13,420	7,066	545	3,553	54	24,638
Balance at March 31, 2019	<u>\$ 473,471</u>	<u>\$ 1,390,753</u>	<u>\$ 805,261</u>	<u>\$ 46,811</u>	<u>\$ 321,260</u>	<u>\$ 18,229</u>	<u>\$ 3,055,785</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 568,740	\$ 596,239	\$ 33,254	\$ 263,632	\$ -	\$ 1,461,865
Disposals	-	(4,755)	(762)	-	(8,131)	-	(13,648)
Depreciation expense	-	15,917	15,165	884	4,987	-	36,953
Effect of foreign currency exchange differences	-	6,871	5,835	475	3,094	-	16,275
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 586,773</u>	<u>\$ 616,477</u>	<u>\$ 34,613</u>	<u>\$ 263,582</u>	<u>\$ -</u>	<u>\$ 1,501,445</u>
Balance at January 1, 2019	<u>\$ 473,471</u>	<u>\$ 812,977</u>	<u>\$ 201,146</u>	<u>\$ 12,964</u>	<u>\$ 55,674</u>	<u>\$ 17,295</u>	<u>\$ 1,573,527</u>
Carrying amounts at March 31, 2019	<u>\$ 473,471</u>	<u>\$ 803,980</u>	<u>\$ 188,784</u>	<u>\$ 12,198</u>	<u>\$ 57,678</u>	<u>\$ 18,229</u>	<u>\$ 1,554,340</u>

(Concluded)

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

Building	
Main buildings	5 to 51 years
Construction	1 to 26 years
Machinery equipment	2 to 20 years
Transportation equipment	4 to 12 years
Other equipment	
Office equipment	3 to 13 years
Air conditioning	36 to 51 years
Utilities equipment	2 to 23 years
Others	2 to 25 years
Leasehold improvements	1 to 5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

March 31, 2019

#### Carrying amounts

Land (Note)	\$ 83,313
Buildings	102,760
Machinery	1,963
Transportation equipment	<u>9,832</u>
	<u>\$ 197,868</u>

**For the Three  
Months Ended  
March 31, 2019**

Depreciation charge for right-of-use assets	
Land (Note)	\$ 971
Buildings	8,794
Machinery	163
Transportation equipment	<u>1,302</u>
	<u>\$ 11,230</u>

Note: Located in China and Vietnam. As of December 31, 2018 and March 31, 2018, the prepaid lease non-current were \$79,455 thousand and \$80,945 thousand, respectively.

b. Lease liabilities - 2019

**March 31, 2019**

Carrying amounts

Current	<u>\$ 39,985</u>
Non-current	<u>\$ 74,744</u>

Range of discount rate for lease liabilities was as follows:

**March 31, 2019**

Buildings	1.18%-1.28%
Machinery	1.18%-1.28%
Transportation equipment	1.28%

c. Other lease information

2019

**For the Three  
Months Ended  
March 31, 2019**

Expenses relating to short-term leases and department stores	<u>\$ 10,960</u>
Expenses relating to low-value asset leases	<u>\$ 56</u>
Total cash outflow for leases	<u>\$ (21,473)</u>

The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

Except for the addition of \$104,226 thousand of investment for the three months ended March 31, 2019 and the recognition of depreciation expenses, there were no significant disposals or impairment of investment properties held by the Group for the three months ended March 31, 2019 and 2018. The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings 24-28 years

(In Thousands of Japanese Yen)

	March 31, 2019	December 31, 2018	March 31, 2018
Independent valuation	<u>\$ 751,000</u>	<u>\$ 349,000</u>	<u>\$ 388,000</u>

The fair value of investment properties as of March 31, 2019 was based on the valuation carried out as of by independent qualified professional valuator, a member of certified Japan real estate appraisers. The fair value of investment properties was estimated by using the comparative approach and cost approach.

The fair value of investment properties was JPY 388,000 thousand as of December 31, 2017. There was no significant change on the fair value of investment properties evaluated by management between March 31, 2017 and December 31, 2018.

Under operating lease of investment properties, the maturity analysis of lease receivable as of March 31, 2019 was as follows:

	March 31, 2019
Year 1	\$ 8,240
Year 2	<u>8,495</u>
	<u>\$ 16,735</u>

Under operating lease of investment properties, the maturity analysis of lease receivable as of December 31 and March 31, 2018 were as follows:

	December 31, 2018	March 31, 2018
Not later than 1 year	\$ 5,309	\$ 2,088
Later than 1 year and not later than 5 years	<u>3,580</u>	<u>-</u>
	<u>\$ 8,889</u>	<u>\$ 2,088</u>

## 17. OTHER INTANGIBLE ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Goodwill (Note 27)	\$ 22,022	\$ 22,022	\$ 15,684
Others	<u>47,764</u>	<u>44,059</u>	<u>42,370</u>
	<u>\$ 69,786</u>	<u>\$ 66,081</u>	<u>\$ 58,054</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1-10 years.

## 18. BORROWINGS

### a. Short-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 987,992</u>	<u>\$ 380,855</u>	<u>\$ 422,649</u>
Range of interest rates	<u>0.28%-0.94%</u>	<u>0.27%-0.94%</u>	<u>0.25%-4.79%</u>

### b. Current portion of long-term liabilities

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Current portion of bonds payable	\$ 793,257	\$ 789,886	\$ -
Current portion of long-term borrowings	<u>100,849</u>	<u>985</u>	<u>100,833</u>
	<u>\$ 894,106</u>	<u>\$ 790,871</u>	<u>\$ 100,833</u>

### c. Long-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Secured borrowings</u>			
Bank loans*	\$ 115,427	\$ 115,705	\$ 115,426
<u>Unsecured borrowings</u>			
Credit borrowings	<u>150,000</u>	<u>100,000</u>	<u>925,833</u>
	265,427	215,705	1,041,259
Less: Current portions	<u>(100,849)</u>	<u>(985)</u>	<u>(100,833)</u>
Long-term borrowings	<u>\$ 164,578</u>	<u>\$ 214,720</u>	<u>\$ 940,426</u>
Range of interest rates	<u>1.15%-1.82%</u>	<u>1.3%-1.82%</u>	<u>1.21%-1.82%</u>

\* The bank borrowings are secured by the Group's freehold land and buildings (see Note 30).

## 19. BONDS PAYABLE

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bonds payable	\$ 793,257	\$ 789,886	\$ 779,886
Less: Current portions	<u>(793,257)</u>	<u>(789,886)</u>	<u>-</u>
Bonds payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,886</u>

To repay the loan, the Company issued the 1st domestic unsecured convertible bonds with an aggregate principal amount of \$800,000 thousand and a face value of \$100 thousand bond certificate. At the maturity date of the bonds payable, if the bondholders do not convert the bonds, the Company has to repay the bonds at face value in cash. The convertible bonds are separated into options and liability and presented them in equity under the heading of capital surplus - options and liability, respectively. The terms and conditions of the bond are as follows:

- a. Issuance date: September 30, 2016
- b. Coupon rate: 0%
- c. Issuance period: 3 years, and a circulation period from September 30, 2016 to September 30, 2019.
- d. Redemption of the convertible bonds

The Company has the right to redeem the outstanding convertible bonds payable at par value in cash during the period three months from December 31, 2016, the issuance date, to August 21, 2019, 40 days prior to the maturity date. The conditions are as follows:

- 1) The closing price of the Company's ordinary shares continues to be at least 130% of the conversion price; then, the closing price takes effect for 30 consecutive trading days; or
  - 2) The aggregate outstanding balance of the bonds payable is less than 10% of the original issuance amount.
- e. Redemption method
- 1) The Company meets its convertible bonds obligation by issuing ordinary shares.
  - 2) Conversion period:  
  
Except for the book closure period, bondholders are entitled to convert bonds into ordinary shares from October 31, 2016 to September 30, 2019.
  - 3) The conversion price of the bonds is set up based on the Arithmetic mean of the business day's share closing price multiplied by 103% premium rate before the effective date, September 22, 2016. The conversion price is set initially at 50.88 per share.
    - a) After the issuance of the convertible bonds, in the event that the Company issued new ordinary shares or any kind of securities with conversion option or issue ordinary shares as employee bonus, the Company shall adjust the conversion price of the convertible bonds according to the given formula when the value of publicly or privately issued ordinary shares increased (including but not limited to cash replenishment by either public issuance or private placement, earnings transferred to capital, capital surplus transferred to capital, share issuance in business combination, share split, and cash replenishment to participate in the issuance of overseas depositary receipts etc.)

- b) After the issuance of the convertible bonds, in the event that the ratio of the cash dividends of the ordinary shares to the price per share is more than 1.5%, the conversion price shall be reduced on the basis of the ratio at the effective date.
- c) After the issuance of the convertible bonds, the conversion price shall be adjusted according to the given formula when the Company issues or privately place any kind of securities with conversion or share option priced lower than the market price per share.
- d) After the issuance of the convertible bonds, the conversion price shall be adjusted according to the given formula when the reduction of the ordinary shares is not because of the reduction of the treasury shares.
- 4) The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.7145% per annum on initial recognition.

Proceeds from issuance of convertible bonds (less transaction costs \$5,120 thousand)	\$ 794,880
Equity component (less transaction costs allocated to the equity component of \$223 thousand)	<u>(34,657)</u>
Liability component at the date of issuance (less transaction costs allocated to the liability component of \$4,897 thousand)	760,223
Interest charged at an effective interest rate	<u>33,034</u>
Liability component at March 31, 2019	<u>\$ 793,257</u>

## 20. OTHER PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Accrued payroll and employee benefit	\$ 160,772	\$ 228,784	\$ 163,141
Accrued fabrication expense	16,246	10,423	19,280
Accrued bonus to employees	29,036	26,899	12,500
Accrued remuneration to directors and supervisors	12,051	11,550	4,888
Accrued equipment	4,763	12,157	-
Others	<u>85,916</u>	<u>179,495</u>	<u>124,291</u>
	<u>\$ 308,784</u>	<u>\$ 469,308</u>	<u>\$ 324,100</u>

## 21. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the three months ended March 31, 2019 and 2018 in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017. The Group recognized pension amount of \$188 thousand and \$209 thousand for the three months ended March 31, 2019 and 2018, respectively.

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>160,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>110,697</u>	<u>110,354</u>	<u>109,370</u>
Shares issued	<u>\$ 1,106,967</u>	<u>\$ 1,103,540</u>	<u>\$ 1,093,703</u>

The authorized shares include shares allocated for exercise of employee share option.

#### Preference shares

The board of directors resolved to issue preference shares A on September 25, 2018. The issuance of preference shares A was approved under the Rule No. 1070337798 issued by FSC on October 25, 2018. The total amount of preference share A issued was \$910,000 thousand, consisting of 18,200 thousand shares sold at \$50, with a par value of \$10. The record date of capital increase was December 20, 2018. The payment of all issued preference shares was received and the relevant statutory registration procedures were completed. The preference shares are classified as equity.

The rights and obligations of the preference shares A are as follows:

- 1) The preference shares are perpetual.
- 2) The dividends of preference shares A is capped at 5% per annum on the issue price. The dividend rate will be set as 5-year IRS + (fixed rate). The fixed rate will be reset after one business day when 5-year is due.
- 3) The fiscal year-end earnings of the Company shall be applied to the following in order: Payments of taxes, adjustments per financial and accounting principle, making-up of deficit, legal reserve, special reserve by law or reversal, and the remaining shall be paid to holders of preference shares as the current year's dividends. The Company has discretion over the dividend distribution of preference shares A. The Company may decide not to distribute dividends of preference shares in the following circumstances: (a) there are no earnings in a fiscal year, and (b) the earnings are insufficient to distribute dividends of preference shares. The cancellation of dividend payment should not constitute an event of default. The preference shares are noncumulative, and the preference shareholders do not have the right to claim any of the unpaid or omitted dividends in the future. Preference shares dividend will be paid in cash every year after the annual general meeting has approved on the audited financial reports. The board will decide on a payment record date for distributing the dividend. Preference shares dividend on the issued year and redeemed year will be calculated based on actual number of days issued.
- 4) Preference shareholders are not entitled to receive ordinary shares' cash or share dividends derived from earnings or capital reserve.
- 5) Preference shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the original issued price. Unredeemed preference shares shall continue to have the rights and obligations of issuance terms prescribed in this Article. Preference shares dividend on the redeemed year will be calculated based on actual number of days issued.

- 6) The order of claim for distribution of property is prior to ordinary shares. The claim of all series of preference shareholders is equal, but subordinate to the holders of debts. The repayment shall be capped at the respective issue amount of preference shares upon liquidation.
- 7) Preference shareholders do not have voting rights or suffrage. However, they have voting rights with respect to agendas related to the rights and obligations of preference shares in shareholders' meetings.
- 8) Preference shares cannot be converted to ordinary shares within one year after the preference share issuance. The actual conversion period will be subjected to the terms approved by the chairman. Preference shareholders A then can convert partially or wholly into ordinary shares based on the approved conversion terms and period. (conversion ratio 1:1) Once Preference shareholders A are converted to ordinary shares, it has the same rights as ordinary shareholders. The preference shares dividend will be distributed based on the actual number of days issued. Preference shareholders A are not entitled to preferred dividend if the preference shares are converted to ordinary share prior to the ex-dividend record date, but are entitled to ordinary shares dividend derived from earnings and capital reserve.
- 9) Preference shareholders have the same pre-emptive right as ordinary shareholders for newly issued shares.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) 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).

The capital surplus arising from employee share and convertible bonds options may not be used for any other purposes.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles in 2018, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

Company's Articles also stipulate a dividends policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of the total dividends distributed.

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

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

The appropriations of earnings for 2018 and 2017 were approved by the Company's board of directors on March 8, 2019 and in the shareholders' meeting on June 22, 2018, respectively; the amounts were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Special reserve	\$ 7,745	\$ 80,889		
Legal reserve	61,834	-		
Preferred dividends	1,496	-		
Ordinary dividends	386,957	218,411	\$3.5	\$2.0

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held in May 2019.

### 23. COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Other gains and losses

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains or losses	\$ 1,531	\$ (7,791)
Net gain on financial assets and liabilities designated as at FVTPL	1,611	2,158
Insurance claims	-	87,609
Gain (loss) on disposal of property, plant and equipment	(122)	30,384
Gain on disposal of investments	-	12,775
Others	<u>12,411</u>	<u>(3,967)</u>
	<u>\$ 15,431</u>	<u>\$ 121,168</u>

b. Finance costs

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 2,297	\$ 6,394
Interest on lease liabilities	373	-
Convertible bonds	<u>3,371</u>	<u>3,314</u>
	<u>\$ 6,041</u>	<u>\$ 9,708</u>

c. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 36,953	\$ 32,443
Investment property	249	119
Right-of-use assets	11,230	-
Prepayments for lease	-	946
Intangible assets	<u>2,278</u>	<u>2,538</u>
	<u>\$ 50,710</u>	<u>\$ 36,046</u>
An analysis of depreciation by function		
Operating costs	\$ 29,005	\$ 21,663
Operating expenses	<u>19,427</u>	<u>10,899</u>
	<u>\$ 48,432</u>	<u>\$ 32,562</u>
An analysis of amortization by function		
Operating costs	\$ 483	\$ 482
Operating expenses	<u>1,795</u>	<u>3,002</u>
	<u>\$ 2,278</u>	<u>\$ 3,484</u>

d. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plans	\$ 4,885	\$ 5,284
Defined benefit plans	<u>188</u>	<u>209</u>
	<u>5,073</u>	<u>5,493</u>
Share-based payments		
Equity-settled	<u>1,813</u>	<u>389</u>
Other employee benefits	<u>272,999</u>	<u>293,167</u>
Total employee benefits expense	<u>\$ 279,885</u>	<u>\$ 299,049</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 184,633	\$ 183,624
Operating expenses	<u>95,252</u>	<u>115,425</u>
	<u>\$ 279,885</u>	<u>\$ 299,049</u>

e. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months ended March 31, 2019 and 2018, the employees' compensation and remuneration to directors and supervisors are as follows:

Amount

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 2,137	\$ 12,500
Remuneration to directors and supervisors	501	4,888

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2018 and 2017 that were resolved by the board of directors on March 8, 2019 and March 23, 2018, respectively, are as shown below:

	<b>For the Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 26,899	\$ -
Remuneration to directors and supervisors	11,550	-

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 3,801	\$ 3,431
Deferred tax		
In respect of the current year	328	2,964
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>9,795</u>
Income tax expense recognized in profit or loss	<u>\$ 4,129</u>	<u>\$ 16,190</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

### b. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities, and the Group agrees with the assessment.

## 25. EARNINGS PER SHARE

### Net Profit

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Profit for the period attributable to owners of the Company	\$ 10,629	\$ 72,307
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (Note)	<u>-</u>	<u>3,314</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 10,629</u>	<u>\$ 75,621</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares in computation of basic earnings per share	110,565	109,233
Effect of potentially dilutive ordinary shares:		
Convertible bonds (Note)	-	15,723
Employee share option	701	1,296
Employees' compensation or bonus issue to employees	<u>475</u>	<u>264</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>111,741</u>	<u>126,516</u>

Note: Convertible bonds are anti-dilutive for the three months ended March 31, 2019.

If the Group offered to settle compensation paid to employees in cash or shares, the Group will assume the entire amount of the compensation or 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 number of shares to be distributed to employees is resolved in the following year.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan of the Company

- 1) Qualified employees of the Company and its subsidiaries were granted 6,000 options in March 2014 and June 2013. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taipei Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	<b>For the Three Months Ended March 31</b>							
	<b>2019</b>				<b>2018</b>			
	<b>Granted 2014</b>		<b>Granted 2013</b>		<b>Granted 2014</b>		<b>Granted 2013</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>						
Balance at January 1	212	\$ 33.2	318	\$ 14.5	274	\$ 35.3	1,055	\$ 15.4
Options exercised	(3)	33.2	(204)	14.5	(21)	35.3	(208)	15.4
Options forfeited	-	-	-	-	-	-	-	-
Balance at March 31	<u>209</u>	33.2	<u>114</u>	14.5	<u>253</u>	35.3	<u>847</u>	15.4
Options exercisable, end of period	<u>209</u>		<u>114</u>		<u>253</u>		<u>847</u>	

- 2) Qualified employees of the Company and its subsidiaries were granted 3,926 options in March 2015 and April 2014. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's ordinary shares listed on the GreTai Securities Market on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Three Months Ended March 31							
	2019				2018			
	Granted 2015		Granted 2014		Granted 2015		Granted 2014	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	600	\$ 32.0	1,616	\$ 36.8	635	\$ 34.0	2,143	\$ 39.1
Options exercised	(80)	32.0	(56)	36.8	(2)	34.0	(127)	39.1
Options forfeited	-	-	-	-	-	-	(16)	-
Balance at March 31	<u>520</u>	32.0	<u>1,560</u>	36.8	<u>633</u>	34.0	<u>2,000</u>	39.1
Options exercisable, end of period	<u>520</u>		<u>1,560</u>		<u>633</u>		<u>2,000</u>	

- 3) Qualified employees of the Company and its subsidiaries were granted 2,200 options in June 2018. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 5 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's ordinary shares listed on the GreTai Securities Market on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Three Months Ended March 31, 2019	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	1,610	\$49.3
Options granted	-	-
Options forfeited	-	-
Balance at March 31	<u>1,610</u>	49.3
Options exercisable, end of period	<u>-</u>	

Compensation cost recognized was \$1,813 thousand and \$389 thousand for three months ended March 31, 2019 and 2018, respectively.

## 27. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Kwong Lung-O Mon Company Limited	Manufacturing and selling of apparel.	January 1, 2018	100	<u>\$ 38,422</u>

The merger company acquired Viet Tien Meko Company Limited in 2018 to continue to expand the market. On January 10, 2018, it was renamed “Kwong Lung-O Mon Company Limited” by “Viet Tien Meko Company Limited”.

### b. Consideration transferred

	Kwong Lung-O Mon Company Limited
Prepayments for investments in shares	<u>\$ 38,422</u>

### c. Assets acquired and liabilities assumed at the date of acquisition

	Kwong Lung-O Mon Company Limited
Current assets	
Cash and cash equivalents	\$ 16,202
Trade receivables and other receivables	15,438
Inventories	1,780
Other current assets	720
Non-current assets	
Property, plant and equipment	20,700
Other intangible assets	9,226
Current liabilities	
Other payables	(13,420)
Current tax liabilities	<u>(282)</u>
	<u>\$ 50,364</u>

### d. Goodwill recognized on acquisition

	January 1, 2018
Consideration paid in cash	\$ 38,422
Plus: The fair value of the acquirer's previous interest in the acquiree at the acquisition date	33,964
Less: Fair value of identifiable net assets acquired	<u>(50,364)</u>
Goodwill recognized on acquisition	<u>\$ 22,022</u>

The goodwill recognized in the acquisitions of Kwong Lung-O Mon Company Limited mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of Kwong Lung-O Mon Company Limited. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. As of March 31, 2018, the amortization of the acquisition price has not been decided, and the estimated price of goodwill amounted to \$15,684 thousand.

- e. Net cash outflow on acquisition of subsidiary

**January 1, 2018**

Prepayments for investments in shares	<u>\$ (38,422)</u>
Cash and cash equivalent balance acquired	<u>\$ 16,202</u>

## 28. FINANCIAL INSTRUMENTS

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

March 31, 2019

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	\$ 793,257	\$ 876,000

December 31, 2018

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	\$ 789,886	\$ 832,400

March 31, 2018

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	\$ 779,886	\$ 924,000

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

1) Fair value hierarchy

March 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 123,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,818</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 6,066</u>	<u>\$ -</u>	<u>\$ 6,066</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 4,455</u>	<u>\$ -</u>	<u>\$ 4,455</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 100,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,700</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 2,034</u>	<u>\$ -</u>	<u>\$ 2,034</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 10,289</u>	<u>\$ -</u>	<u>\$ 10,289</u>

March 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 155,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,627</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 3,293</u>	<u>\$ -</u>	<u>\$ 3,293</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,135</u>	<u>\$ -</u>	<u>\$ 1,135</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

- c. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 6,066	\$ 2,034	\$ 3,293
Financial assets at amortized cost (1)	1,996,993	1,956,785	1,781,600
Financial assets at FVTOCI	123,818	100,700	155,627
<u>Financial liabilities</u>			
FVTPL			
Held for trading	4,455	10,289	1,135
Amortized cost (2)	3,268,385	2,376,493	3,397,187

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes, trade and other payables, and bonds issued.

- d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivable, other receivables, trade payables, other payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below). The Group entered into forward foreign exchange contracts to manage its exposure to foreign currency risk.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency denominated 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33.

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Assets</u>			
JPY	\$ 1,592	\$ 320	\$ 690
EUR	17	-	1,727
USD	4,457	1,714	876
<u>Liabilities</u>			
JPY	-	300	1,135
EUR	1,352	-	-
USD	3,103	9,989	-

Sensitivity analysis

The Group was mainly exposed to the USD, JPY, CNY and EUR.

The following table details the Group's sensitivity to a 3% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 3% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars weakening by 3% against the relevant currency. For a 3% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<u>CNY Impact</u>		<u>JPY Impact</u>	
	<u>For the Three Months Ended March 31</u>	<u>March 31</u>	<u>For the Three Months Ended March 31</u>	<u>March 31</u>
	2019	2018	2019	2018
Profit or loss*	\$ 624	\$ 6	\$ 5,468	\$ 80

	<b>EUR Impact</b>		<b>USD Impact</b>	
	<b>For the Three Months Ended</b>		<b>For the Three Months Ended</b>	
	<b>March 31</b>		<b>March 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit or loss*	\$ (10,126)	\$ (1,047)	\$ 28,965	\$ 21,598

\* This was mainly attributable to the exposure on outstanding foreign currency cash, trade receivables, other receivables, borrowings, accounts payable, and other payables, that were not hedged at the end of the reporting period.

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.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Fair value interest rate risk			
Financial assets	\$ 229,510	\$ 318,927	\$ 212,763
Financial liabilities	1,377,688	942,246	1,065,029
Cash flow interest rate risk			
Financial assets	477,677	528,033	506,257
Financial liabilities	783,717	444,200	1,178,766

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For 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 year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2019 and 2018 would decrease/increase by \$383 thousand and increase/decrease by \$841 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The Group does not actively trade these investments. The Group's equity price risk was mainly concentrated on equity instruments operating in the ROC.

### Sensitivity analysis

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

If equity prices had been 10% higher/lower, the pre-tax other comprehensive income for the three months ended March 31, 2019 and 2018 would increase/decrease by \$12,382 thousand and \$15,563 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit ratings assigned by international credit-rating agencies.

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

Counterparties of trade receivables consisted of a large number of different customers, spread across apparel, down material, home textile industry and geographical areas. Ongoing credit evaluation is performed on the customers' financial condition. The Group's concentration of credit risk by geographical location was mainly in the United States and Japan.

#### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash 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 March 31, 2019, December 31, 2018 and March 31, 2018, the Group had available unutilized bank loan facilities in the amounts of \$6,858,259 thousand, \$6,740,672 thousand and \$5,603,601 thousand, respectively.

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

The following tables detailed the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

March 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 904,582	\$ 419,612	\$ 87,826	\$ -
Lease liabilities	3,498	6,997	31,486	76,390
Bonds payable	-	-	800,000	-
Borrowings	<u>442,977</u>	<u>223,608</u>	<u>476,266</u>	<u>118,372</u>
	<u>\$ 1,351,057</u>	<u>\$ 650,217</u>	<u>\$ 1,395,578</u>	<u>\$ 194,762</u>

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 784,313	\$ 403,654	\$ 69,313	\$ -
Bonds payable	-	-	800,000	-
Borrowings	<u>19,208</u>	<u>114,485</u>	<u>251,390</u>	<u>219,039</u>
	<u>\$ 803,521</u>	<u>\$ 518,139</u>	<u>\$ 1,120,703</u>	<u>\$ 219,039</u>

March 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 822,933	\$ 365,382	\$ 145,607	\$ -
Bonds payable	-	-	-	800,000
Borrowings	<u>109,284</u>	<u>282,220</u>	<u>168,208</u>	<u>948,630</u>
	<u>\$ 932,217</u>	<u>\$ 647,602</u>	<u>\$ 313,815</u>	<u>\$ 1,748,630</u>

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 that settle on a net basis or on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

March 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts - outflows	<u>\$ 113,990</u>	<u>\$ 224,824</u>	<u>\$ 311,532</u>

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts - outflows	<u>\$ -</u>	<u>\$ 320,389</u>	<u>\$ 215,097</u>

March 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts - outflows	<u>\$ 90,235</u>	<u>\$ 161,169</u>	<u>\$ 66,767</u>

## 29. 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. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed as follows:

### a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Snowdown Merchandise Corporation	Investments in associates
Koutou Co., Ltd.	Investments in associates
Daquan Hanshi Co., Ltd.	Investments in associates
Gong Tong Zu Lin Co., Ltd.	Investments in associates
JFT Circuit Limited	Substantively related parties (Beginning in May 2017 as a substantively related parties, as of June 2018, the non-consolidated company's relationship)
Kwong Lung-O Mon Company Limited	Subsidiary (The original joint venture company was a subsidiary in January 2018; on January 10, 2018, it was renamed "Kwong Lung-O Mon Company Limited" by "Viet Tien Meko Company Limited")
Kai Sheng Investment Co., Ltd.	Substantively related parties
Ou Li Investment Co., Ltd.	Substantively related parties
Cave & Wine Co., Ltd.	Substantively related parties
Huang Lu Investment Co., Ltd.	Substantively related parties
Fortune Phoenix Insurance Brokerage Service Corporation	Substantively related parties

### b. Sales of goods

<b>Related Party</b>	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
JFT Circuit Limited	\$ -	\$ 360,040
Daquan Hanshi Co., Ltd.	\$ 95	\$ -

The sale of goods to related parties were made at cost plus.

### c. Receivables from related parties

<b>Related Party</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
JFT Circuit Limited	\$ -	\$ -	\$ 59,159
Daquan Hanshi Co., Ltd.	\$ 14	\$ -	\$ -

Payment terms of export relations are 120 days. The sales terms with non-related parties are L/C, L/C 90 days, T/T 30-90 days, O/A 30-180 days, D/A 30-90 days or D/P.

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

d. Acquisition of property, plant and equipment

<b>Related Party</b>	<b>Purchase Price</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Gong Tong Zu Lin Co., Ltd.	\$ <u>          -</u>	\$ <u>  2,130</u>

e. Disposals of property, plant and equipment

<b>Related Party</b>	<b>Proceeds</b>		<b>Gain (Loss) on Disposal</b>	
	<b>For the Three Months Ended</b>		<b>For the Three Months Ended</b>	
	<b>March 31</b>		<b>March 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Gong Tong Zu Lin Co., Ltd.	\$ <u>  1,352</u>	\$ <u>          -</u>	\$ <u>  (68)</u>	\$ <u>          -</u>

f. Loans to related parties

<b>Related Party</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other receivables			
Snowdown Merchandise Corporation	\$ -	\$ -	\$ 90,000
Gong Tong Zu Lin Co., Ltd.	<u>          -</u>	<u>          -</u>	<u>  40,000</u>
	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  130,000</u>

<b>Related Party</b>	<b>For the Three Months Ended</b>	
	<b>2019</b>	<b>2018</b>
Interest income		
Snowdown Merchandise Corporation	\$ -	\$ 339
Gong Tong Zu Lin Co., Ltd.	<u>          -</u>	<u>      728</u>
	\$ <u>          -</u>	\$ <u>  1,067</u>

g. Expenses

<b>Related Party</b>	<b>For the Three Months Ended</b>	
	<b>2019</b>	<b>2018</b>
Substantively related parties	\$ 1,056	\$ 821
Investments in associates	<u>  1,212</u>	<u>      285</u>
	\$ <u>  2,268</u>	\$ <u>  1,106</u>

The expenses included rents, other expenses, etc.

h. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 17,480	\$ 14,637
Post-employment benefits	171	169
Share-based payments	<u>201</u>	<u>68</u>
	<u>\$ 17,852</u>	<u>\$ 14,874</u>

The remuneration of directors and key executives was determined by the remuneration committee according to the performance of individuals and market trends.

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and letters of credit:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Pledged deposits	\$ 2	\$ 2	\$ 5,002
Land	236,840	236,840	236,840
Buildings, net	<u>2,529</u>	<u>2,613</u>	<u>2,952</u>
	<u>\$ 239,371</u>	<u>\$ 239,455</u>	<u>\$ 244,794</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2019 and 2018 were as follows:

#### Significant Commitments

a. Unused letters of credit for purchases of raw materials as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
USD	<u>\$ 3,650</u>	<u>\$ 2,121</u>	<u>\$ 5,219</u>
EUR	<u>\$ 634</u>	<u>\$ 829</u>	<u>\$ 2,911</u>
NTD	<u>\$ 29,907</u>	<u>\$ 44,434</u>	<u>\$ 77,610</u>

b. As of March 31, 2019, December 31, 2018 and March 31 2018, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$40,000 thousand, \$51,954 thousand and \$53,051 thousand, respectively.

c. As of March 31, 2019, December 31, 2018 and March 31 2018, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$107,146 thousand, \$107,146 thousand and \$224,146 thousand, respectively.

- d. As of March 31, 2019, December 31, 2018 and March 31 2018, commitments for purchases of machinery and equipment were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Unpaid amounts of the purchases			
NTD	\$ 1,850	\$ 1,774	\$ 11,714
USD	-	356	1,085

### 32. SIGNIFICANT EVENT AFTER REPORTING PERIOD

On April 16, 2019, the board of directors resolved the acquisition of the land of BBL Premium Co., Ltd. which amounted to \$218,967 thousand.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group 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:

March 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 73,157	30.82 (USD:NTD)	\$ 2,254,699
USD	8,124	6.7293 (USD:CNY)	250,382
USD	22,957	25,471 (USD:VND)	707,535
JPY	654,956	0.2783 (JPY:NTD)	182,274
VND	13,189,712	0.000039 (VND:USD)	15,960
EUR	562	34.61 (EUR:NTD)	19,451
CNY	4,545	4.58 (CNY:NTD)	20,816
Non-monetary items			
Investments accounted for using equity method			
USD	660	30.82 (USD:NTD)	20,328
<u>Financial liabilities</u>			
Monetary items			
USD	46,230	30.82 (USD:NTD)	1,424,809
USD	1,599	6.7293 (USD:CNY)	49,281
USD	25,082	25,471 (USD:VND)	773,027
JPY	30	0.2783 (JPY:NTD)	8
VND	69,088,149	0.000039 (VND:USD)	83,597
EUR	10,314	34.61 (EUR:NTD)	356,968

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,014	30.715 (USD:NTD)	\$ 1,720,470
USD	10,124	6.8930(USD:CNY)	310,959
USD	20,271	25,596 (USD:VND)	622,624
JPY	1,257,411	0.2782 (JPY:NTD)	349,812
VND	77,988,127	0.000039 (VND:USD)	93,586
EUR	93	35.2 (EUR:NTD)	3,274
CNY	2,302	4.472 (CNY:NTD)	10,295
Non-monetary items			
Investments accounted for using equity method			
USD	722	30.715 (USD:NTD)	22,183

Financial liabilities

Monetary items			
USD	40,757	30.715 (USD:NTD)	1,251,851
USD	1,221	6.8930 (USD:CNY)	37,503
USD	15,136	25,596 (USD:VND)	464,902
JPY	3,779	0.2782 (JPY:NTD)	1,051
VND	96,467,744	0.000039 (VND:USD)	115,761
EUR	4,446	35.2 (EUR:NTD)	156,499

March 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 54,928	29.105 (USD:NTD)	\$ 1,598,679
USD	10,855	6.2632 (USD:CNY)	315,935
USD	17,412	25,309 (USD:VND)	506,776
JPY	610,020	0.2739 (JPY:NTD)	167,084
VND	38,060,749	0.00004 (VND:USD)	43,770
EUR	149	35.87 (EUR:NTD)	5,345
CNY	40	4.647 (CNY:NTD)	186
Non-monetary items			
Investments accounted for using equity method			
USD	1,036	29.105 (USD:NTD)	30,165
PLN	686	8.5077 (PLN:NTD)	5,838

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	44,052	29.105 (USD:NTD)	1,282,133
USD	2,957	6.2632 (USD:CNY)	86,063
USD	11,450	25,309 (USD:VND)	333,252
JPY	49	0.2739 (JPY:NTD)	13
VND	91,151,049	0.00004 (VND:USD)	104,824
EUR	5,123	35.87 (EUR:NTD)	183,762
			(Concluded)

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Three Months Ended March 31</b>				
<b>2019</b>			<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00121 (VND:NTD)	\$ 284	0.00116 (VND:NTD)	\$ 725
NTD	1 (NTD:NTD)	7,024	1 (NTD:NTD)	1,194
USD	30.829 (USD:NTD)	240	29.3 (USD:NTD)	230
CNY	4.565 (CNY:NTD)	(5,829)	4.611 (CNY:NTD)	(9,997)
PLN	8.1347 (PLN:NTD)	<u>(188)</u>	8.6291 (PLN:NTD)	<u>57</u>
		<u>\$ 1,531</u>		<u>\$ (7,791)</u>

### 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Intercompany relationships and significant intercompany transactions (Table 5)
  - 11) Information on investees (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

### **35. SEGMENT INFORMATION**

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 under IFRS 8 "Operating Segments" were as follows:

Apparel department - manufacturing, developing, designing and selling of apparel.

Down material department - manufacturing, developing and selling of down.

Home textile department - manufacturing, developing, designing and selling of bedding.

- Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Profit	
	For the Three Months Ended March 31		For the Three Months Ended March 31	
	2019	2018	2019	2018
Apparel department	\$ 763,313	\$ 526,608	\$ 2,136	\$ (40,113)
Down material department	768,714	615,723	12,166	13,753
Home textile department	458,062	552,868	(9,808)	(15,366)
Others	162,139	166,808	(1,739)	4,701
Segment revenues	2,152,228	1,862,007	2,755	(37,025)
Eliminations	(122,232)	(168,727)	-	-
Segment revenue or segment income	<u>\$ 2,029,996</u>	<u>\$ 1,693,280</u>	2,755	(37,025)
Other income			2,806	2,333
Other gains and losses			15,431	121,168
Finance costs			(6,041)	(9,708)
Share of profit or loss of associates			2,281	14,891
Profit (loss) before tax (continuing operations)			<u>\$ 17,232</u>	<u>\$ 91,659</u>

Segment profit represented the profit before tax earned by each segment without allocation of share of profit or loss of associates and joint ventures, other income, other gains and losses, and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars or Foreign Currency)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount (Note 4)	Reasons for Short-term Financing (Note 5)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 6)	Aggregate Financing Limit (Note 6)	Note
													Item	Value			
0	Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise Corporation	Other receivables from related parties	Yes	\$ 120,000	\$ 120,000	\$ -	-	b.	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,646,697 (Note 6.a.)	\$ 1,646,697 (Note 6.b.)	

Note 1: The numbers denote the following:

- a. 0 is issuer.
- b. Investees are listed by names and numbered starting with 1.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Purpose of fund financing for the borrower:

- a. For those companies with business transactions, please fill in 1.
- b. For those companies with short-term financing needs, please fill in 2.

Note 4: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 5: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

- Note 6:
- a. Individual loans should not exceed 40% of the lender's net equity of the prior year.  $\$4,116,742 \times 40\% = \$1,646,697$ .
  - b. Total loans should not exceed 40% of the lender's net equity of the prior year.  $\$4,116,742 \times 40\% = \$1,646,697$ .

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2019

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Kwong Lung Enterprise Co., Ltd.	<u>Ordinary shares</u> Co-Tech Development Corporation	Member of the board directors	Financial assets at FVTOCI - non-current	3,590	\$ 119,547	1	\$ 119,547	
	Tainan Enterprises Co., Ltd.	-	Financial assets at FVTOCI - non-current	213	4,271	-	4,271	
	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates	Financial assets at amortized cost - non-current	-	50,000	-	-	
Manumech Corporation	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates (Parent Company)	Financial assets at amortized cost - non-current	-	10,000	-	-	

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Note/Trade Receivables (Payables)			Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Account	Ending Balance	% of Total	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Sale	\$ 124,401	8	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	\$ 146,085	17	
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	332,878	20	T/T 30-180 days	No significant difference	No significant difference	Trade payables	572,818	37	
	Snowdown Merchandise (Suzhou) Co., Ltd.	Subsidiary	Purchase	347,251	21	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	247,324	16	
	Toptex Garment Co., Ltd.	Subsidiary	Purchase	226,981	14	T/T 30-180 days	No significant difference	No significant difference	Trade payables	82,299	5	
	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	378,647	23	T/T 30-180 days	No significant difference	No significant difference	Trade payables	113,004	7	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	347,251	70	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	247,324	13	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	378,647	73	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	113,004	6	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	332,878	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	572,818	100	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	226,981	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	82,299	100	

Note: The aforementioned intercompany transactions have been eliminated from consolidation.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2019

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Receivables from Related Parties Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Account	Ending Balance		Amount	Actions Taken		
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Trade receivables	\$ 146,085	3.41	\$ -	-	\$ -	\$ -
	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	312,484	-	-	-	26,247	-
	Toptex Garment Co., Ltd.	Subsidiary	Other receivables	197,936	-	-	-	43,742	-
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Other receivables	562,925	-	-	-	78,959	-
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	247,324	5.62	-	-	170,414	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	113,004	13.40	-	-	64,749	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	572,818	2.32	-	-	123,731	-

Note: The aforementioned intercompany transactions have been eliminated from consolidation.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	a	Sales revenue	\$ 16,094	No significant difference	1
			a	Trade receivables	27,990	No significant difference	-
			a	Cost of goods sold	378,647	No significant difference	19
			a	Trade payables	113,004	No significant difference	1
			a	Other receivables	312,484	-	4
		Kwong Lung Japan Co., Ltd.	a	Sales revenue	124,401	No significant difference	6
			a	Trade receivables	146,085	No significant difference	2
			a	Sales revenue	53,622	No significant difference	3
		Snowdown Merchandise (Suzhou) Co., Ltd.	a	Trade receivables	36,345	No significant difference	-
			a	Cost of goods sold	347,251	No significant difference	17
			a	Trade payables	247,324	No significant difference	3
			a	Other receivables	12,147	-	-
			a	Cost of goods sold	226,981	No significant difference	11
			a	Trade payables	82,299	No significant difference	1
		Toptex Garment Co., Ltd.	a	Other receivables	197,936	-	2
Bo Hsing Enterprise Co., Ltd.	a		Cost of goods sold	332,878	No significant difference	16	
	a		Trade payables	572,818	No significant difference	7	
	a		Other receivables	562,925	-	7	
1	Manumech Corporation	Intime Tech Co., Ltd.	a	Sales revenue	6,338	No significant difference	-
			a	Trade receivables	29,633	No significant difference	-
2	Huai An Guang Long He Yu Home Textile Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	b	Sales revenue	8,851	No significant difference	-
			b	Trade receivables	10,270	No significant difference	-

Note 1: The Parent Company and its subsidiaries are coded as follows:

- The Parent Company is coded "0".
- The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- From the Parent Company to its subsidiary.
- From a subsidiary to its Parent Company.
- Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of March 31, 2019. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2019.

Note 4: The aforementioned intercompany transactions have been eliminated from consolidation.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2019	December 31, 2018	Shares (In Thousands)	%	Carrying Amount			
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company	\$ 691,210	\$ 691,210	24,613	100.0	\$ 842,807	\$ (13,564)	\$ (12,541)	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.0	970,215	(5,869)	(5,807)	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	15	100.0	293,032	2,655	2,656	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.0	634,795	11,984	11,984	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.0	25,982	(1,081)	(1,081)	Subsidiary
	Klego Co., Ltd.	Taiwan	Wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, cosmetics and other textile products; retail business without shop; retail sale of other products; international trade; software design services; data processing services; third party payment; retail sale of computer software; body shaping services; wholesale and retail sale of drugs, medical goods	15,000	15,000	-	100.0	9,307	581	581	Subsidiary
	BBL Premium Co, Ltd.	Taiwan	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade	260,000	260,000	26,000	100.0	251,797	(1,252)	(2,441)	Subsidiary
	Kwong Lung-Omon Company Limited	Vietnam	Various selling of down and bedding	69,799	69,799	-	100.0	70,062	(2,243)	(2,922)	Subsidiary
	Snowdown Merchandise Corporation	Taiwan	Retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories and other textile products; real estate rental and leasing	55,095	55,095	4,193	39.5	100,965	3,649	(737)	Associate
	Kwong Lung Europe SP.Z O.O.	Poland	Various selling of down and bedding	7,102	7,102	17	100.0	1,241	(752)	(752)	Subsidiary
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	60,180	60,180	2,000	40.0	57,591	2,171	NA	Subsidiary
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	92,880	92,880	3,000	60.0	93,932	2,171	NA	Subsidiary
Kwong Lung Feather (B.V.I.) Limited	Jbv HI-TECH Ltd.	Republic of Seychelles	Overseas reinvested holding company	44,017	44,017	1,350	30.0	20,328	(1,576)	NA	Associate of subsidiary
BBL Premium Co., Ltd.	Gong Tong Zu Lin Co., Ltd.	Taiwan	Wholesale of machinery and equipment	27,300	27,300	2,969	39.0	36,319	6,177	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	2,249	51.0	39,216	4,455	NA	Subsidiary
Manumech Corporation	Windsun Industry Co., Ltd.	Taiwan	Wholesale	15,000	15,000	1,500	100.0	24,878	1,236	NA	Subsidiary
Klego Co., Ltd.	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	5,880	5,880	588	49.0	5,519	2,207	NA	Associate of subsidiary

Note: Refer to Table 7 for investments in Mainland China.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company	Main Businesses and Products	Paid in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 31, 2019
					Outward	Inward						
Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	US\$ 20,000	a.	\$ 598,186	\$ -	\$ -	\$ 598,186	\$ (13,294)	100	\$ (13,294) b. 2)	\$ 811,873	\$ -
Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology.	RMB 5,000	c. 1)	-	-	-	-	33	100	33 b. 2)	22,026	-
Huai An Guang Long He Yu Home Textile Co., Ltd.	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	RMB 7,000	c. 1)	-	-	-	-	594	51	303 b. 2)	18,590	-
Intime Tech Co., Ltd.	Wholesale.	RMB 1,200	c. 2)	5,408	-	-	5,408	463	100	463 b. 2)	4,808	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Kwong Lung Enterprise Co., Ltd.	\$ 598,186	\$ 600,875 (US\$ 20,000)	\$ 2,503,369 (Note 3)
Manumech Corporation	5,408	5,408 (US\$ 180)	43,259 (Note 4)

Note 1: The way of investment in Mainland China is as follows:

- a. The investment was made directly in China.
- b. The investment was made through a company registered in a third region (Kwong Lung Feather (B.V.I.) Limited).
- c. Other types:
  - 1) Direct investment from Snowdown Merchandise (Suzhou) Co., Ltd.
  - 2) Direct investment from Manumech Corporation.

Note 2: Recognition of gains or losses was based on the percentage of holding shares from unreviewed financial statements.

- a. If it is in preparation, there is no investment loss, it should be noted.
- b. Recognition of gains or losses was based on the following three information:
  - 1) Financial statements which were audited by an international accounting firm with a cooperative relationship with an ROC accounting firm.
  - 2) Financial statements which were audited by the Parent Company's accounting firm.
  - 3) Other.

(Continued)

Note 3: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$4,172,281 (consolidated net worth)  $\times$  60% = \$2,503,369.

Note 4: Calculated based on 60% of Manumech Corporation's net worth \$72,099 (net worth)  $\times$  60% = \$43,259.

(Concluded)

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Note/Trade Receivables (Payables)			Unrealized (Gain) Loss
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Snowdown Merchandise (Suzhou) Co., Ltd. (Note 1)	Purchase	\$ 347,251	16	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 247,324	-	\$ 5,676
	Sale	53,622	3	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	36,345	3	290
Intime Tech Co., Ltd. (Note 2)	Sale	6,338	8	Normal	Open account 120 days	No significant difference	Trade receivables	29,633	36	-

Note 1: As of March 31, 2019, the Company had transactions with Snowdown Merchandise (Suzhou) Co., Ltd. for processing of materials and purchase of materials amounted to \$12,147 thousand of the Company's other receivables.

Note 2: As of March 31, 2019, it is the significant transaction between the investor company Manumech Corporation and the investee companies in Mainland China Intime Tech Co., Ltd.

Note 3: The aforementioned intercompany transactions have been eliminated from consolidation.