

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2018 and 2017**

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 499,184	7	\$ 509,708	8	\$ 526,948	8
Financial assets at fair value through profit or loss - current (Note 7)	1,754	-	1,594	-	5,406	-
Available-for-sale financial assets - current	-	-	-	-	44,200	1
Financial assets at amortized cost - current (Notes 10)	8,505	-	-	-	-	-
Debt investments with no active market - current (Notes 11 and 32)	-	-	72,403	1	22,709	-
Notes receivable (Note 12)	39,053	-	112,607	2	44,945	1
Trade receivables (Note 12)	1,300,867	17	868,340	13	1,035,451	15
Trade receivables from related parties (Note 31)	41,528	1	52,543	1	45,632	1
Other receivables (Note 12)	389,380	5	261,418	4	474,478	7
Other receivables from related parties (Note 31)	130,000	2	90,000	1	80,000	1
Inventories (Note 13)	2,741,185	36	2,251,388	34	2,390,309	35
Prepayments for leases (Note 19)	3,867	-	3,819	-	3,854	-
Prepayments	122,443	2	48,153	1	70,431	1
Other current assets	87,631	1	77,581	1	94,749	1
Total current assets	<u>5,365,397</u>	<u>71</u>	<u>4,349,554</u>	<u>66</u>	<u>4,839,112</u>	<u>71</u>
<b>NON-CURRENT ASSETS</b>						
Financial asset at fair value through other comprehensive income - non-current (Note 9)	134,984	2	-	-	-	-
Available-for-sale financial assets - non-current (Note 8)	-	-	146,293	2	96,798	2
Financial assets at amortized cost (Note 10)	60,000	1	-	-	-	-
Debt investments with no active market - non-current (Note 11)	-	-	50,000	1	50,000	1
Investments accounted for using equity method (Note 15)	168,386	2	200,983	3	161,725	2
Property, plant and equipment (Notes 16, 31 and 32)	1,546,600	20	1,589,129	24	1,360,460	20
Investment properties (Note 17)	95,950	1	92,282	1	95,107	1
Intangible assets (Note 18)	69,935	1	37,689	1	39,824	1
Deferred tax assets	55,055	1	44,698	1	26,145	-
Refundable deposits	18,126	-	21,683	-	18,803	-
Long-term prepayments for leases (Note 19)	81,870	1	82,604	1	85,163	1
Other non-current assets	-	-	353	-	34,595	1
Total non-current assets	<u>2,230,906</u>	<u>29</u>	<u>2,265,714</u>	<u>34</u>	<u>1,968,620</u>	<u>29</u>
<b>TOTAL</b>	<u>\$ 7,596,303</u>	<u>100</u>	<u>\$ 6,615,268</u>	<u>100</u>	<u>\$ 6,807,732</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 20 and 32)	\$ 527,337	7	\$ 627,818	9	\$ 980,723	14
Short-term notes and bills payable (Note 20)	49,973	1	-	-	49,972	1
Financial liabilities at fair value through profit or loss - current (Note 7)	6,579	-	78	-	74	-
Notes payable	24,383	-	3,067	-	28,181	-
Trade payables	1,165,930	15	779,667	12	940,101	14
Trade payables to related parties (Note 31)	-	-	15,373	-	15,533	-
Other payables (Note 22)	756,475	10	366,452	6	711,172	11
Current tax liabilities (Note 4)	25,616	-	42,317	1	33,762	1
Current portion of long-term borrowings (Notes 20 and 32)	200,837	3	100,836	1	100,822	2
Other current liabilities	116,751	2	49,556	1	23,171	-
Total current liabilities	<u>2,873,881</u>	<u>38</u>	<u>1,985,164</u>	<u>30</u>	<u>2,883,511</u>	<u>43</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 21)	783,201	10	776,572	12	769,999	11
Long-term borrowings (Notes 20 and 32)	940,215	12	840,629	13	526,057	8
Deferred tax liabilities	136,539	2	106,248	1	99,600	1
Net defined benefit liabilities - non-current (Notes 4 and 23)	46,052	1	47,729	1	46,442	1
Deposits received	1,970	-	1,890	-	1,942	-
Total non-current liabilities	<u>1,907,977</u>	<u>25</u>	<u>1,773,068</u>	<u>27</u>	<u>1,444,040</u>	<u>21</u>
Total liabilities	<u>4,781,858</u>	<u>63</u>	<u>3,758,232</u>	<u>57</u>	<u>4,327,551</u>	<u>64</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 24 and 28)</b>						
Share capital						
Ordinary shares	1,094,708	14	1,090,130	16	1,087,413	16
Capital surplus	943,404	12	1,043,597	16	1,034,954	15
Retained earnings						
Legal reserve	373,931	5	373,931	5	373,931	5
Special reserve	80,889	1	-	-	-	-
Unappropriated earnings	310,994	4	386,167	6	(29,031)	-
Total retained earnings	<u>765,814</u>	<u>10</u>	<u>760,098</u>	<u>11</u>	<u>344,900</u>	<u>5</u>
Other equity						
Exchange differences on translating foreign operations	(92,214)	(1)	(141,947)	(2)	(122,805)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	54,167	1	-	-	-	-
Unrealized gain on available-for-sale financial assets	-	-	61,058	1	113,124	2
Total other equity	<u>(38,047)</u>	<u>-</u>	<u>(80,889)</u>	<u>(1)</u>	<u>(9,681)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>2,765,879</u>	<u>36</u>	<u>2,812,936</u>	<u>42</u>	<u>2,457,586</u>	<u>36</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>48,566</u>	<u>1</u>	<u>44,100</u>	<u>1</u>	<u>22,595</u>	<u>-</u>
Total equity	<u>2,814,445</u>	<u>37</u>	<u>2,857,036</u>	<u>43</u>	<u>2,480,181</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 7,596,303</u>	<u>100</u>	<u>\$ 6,615,268</u>	<u>100</u>	<u>\$ 6,807,732</u>	<u>100</u>

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

(With Deloitte &amp; Touche review report dated August 10, 2018)

# 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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Notes 31)	\$ 2,781,839	100	\$ 2,194,328	100	\$ 4,475,119	100	\$ 3,723,611	100
OPERATING COSTS								
Cost of goods sold(Notes 13, 25 and 31)	( 2,407,013)	( 87)	( 1,899,944)	( 86)	( 3,910,267)	( 88)	( 3,200,695)	( 86)
GROSS PROFIT	<u>374,826</u>	<u>13</u>	<u>294,384</u>	<u>14</u>	<u>564,852</u>	<u>12</u>	<u>522,916</u>	<u>14</u>
OPERATING EXPENSES (Notes 25 and 31)								
Selling and marketing expenses	( 147,642)	( 5)	( 134,081)	( 6)	( 286,456)	( 6)	( 257,935)	( 7)
General and administrative expenses	( 66,033)	( 2)	( 52,304)	( 2)	( 138,205)	( 3)	( 118,311)	( 3)
Research and development expenses	( 16,750)	( 1)	( 16,723)	( 1)	( 32,837)	( 1)	( 33,823)	( 1)
Expected credit loss	( 1,483)	-	-	-	( 1,461)	-	-	-
Total operating expenses	( 231,908)	( 8)	( 203,108)	( 9)	( 458,959)	( 10)	( 410,069)	( 11)
PROFIT (LOSS) FROM OPERATIONS	<u>142,918</u>	<u>5</u>	<u>91,276</u>	<u>5</u>	<u>105,893</u>	<u>2</u>	<u>112,847</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Note 25)								
Other income	1,501	-	756	-	3,834	-	2,493	-
Other gains and losses	52,332	2	119,732	5	173,500	4	( 599,737)	( 16)
Finance costs	( 9,683)	-	( 9,153)	-	( 19,391)	-	( 16,396)	( 1)
Share of profit or loss of associates and joint ventures	<u>1,464</u>	<u>-</u>	<u>437</u>	<u>-</u>	<u>16,355</u>	<u>-</u>	<u>( 7,943)</u>	<u>-</u>
Total non-operating income and expenses	<u>45,614</u>	<u>2</u>	<u>111,772</u>	<u>5</u>	<u>174,298</u>	<u>4</u>	<u>( 621,583)</u>	<u>( 17)</u>
PROFIT (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	188,532	7	203,048	10	280,191	6	( 508,736)	( 14)
INCOME TAX EXPENSE (Notes 4 and 26)	( 31,054)	( 1)	( 20,443)	( 1)	( 47,244)	( 1)	( 23,595)	-
NET PROFIT (LOSS) FOR THE PERIOD	<u>157,478</u>	<u>6</u>	<u>182,605</u>	<u>9</u>	<u>232,947</u>	<u>5</u>	<u>( 532,331)</u>	<u>( 14)</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	( 18,642)	( 1)	-	-	( 6,891)	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	387	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	49,830	2	19,071	1	49,824	1	( 125,677)	( 4)
Unrealized gain (loss) on available-for-sale financial assets	-	-	( 78,095)	( 4)	-	-	( 12,513)	-
Other comprehensive income (loss) for the period, net of income tax	<u>31,188</u>	<u>1</u>	<u>( 59,024)</u>	<u>( 3)</u>	<u>43,320</u>	<u>1</u>	<u>( 138,190)</u>	<u>( 4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 188,666</u>	<u>7</u>	<u>\$ 123,581</u>	<u>6</u>	<u>\$ 276,267</u>	<u>6</u>	<u>(\$ 670,521)</u>	<u>( 18)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 151,433	6	\$ 179,699	8	\$ 223,740	5	(\$ 534,939)	( 14)
Non-controlling interests	<u>6,045</u>	<u>-</u>	<u>2,906</u>	<u>-</u>	<u>9,207</u>	<u>-</u>	<u>2,608</u>	<u>-</u>
	<u>\$ 157,478</u>	<u>6</u>	<u>\$ 182,605</u>	<u>8</u>	<u>\$ 232,947</u>	<u>5</u>	<u>(\$ 532,331)</u>	<u>( 14)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 182,850	7	\$ 120,672	6	\$ 266,969	6	(\$ 673,122)	( 18)
Non-controlling interests	<u>5,816</u>	<u>-</u>	<u>2,909</u>	<u>-</u>	<u>9,298</u>	<u>-</u>	<u>2,601</u>	<u>-</u>
	<u>\$ 188,666</u>	<u>7</u>	<u>\$ 123,581</u>	<u>6</u>	<u>\$ 276,267</u>	<u>6</u>	<u>(\$ 670,521)</u>	<u>( 18)</u>
EARNINGS (LOSS) PER SHARE (Note 27)								
From continuing operations								
Basic	<u>\$ 1.41</u>		<u>\$ 1.65</u>		<u>\$ 2.07</u>		<u>(\$ 5.01)</u>	
Diluted	<u>\$ 1.24</u>		<u>\$ 1.43</u>		<u>\$ 1.83</u>		<u>(\$ 5.01)</u>	

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

(With Deloitte & Touche review report dated August 10, 2018)

(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															
	Capital Surplus							Retained Earnings			Other Equity			Total	Non-controlling Interests	Total Equity
	Share Capital	Additional Paid-in Capital	Treasury Share Transactions	Employee Share Options	Convertible Bonds Share Options	Expired Share Options	Subtotal	Legal Reserve	Special reserve	Unappropriated Earnings	Translating Foreign Operations	Exchange Differences on	Unrealized Gain or Loss Assets at Fair Value through Other			
BALANCE AT JANUARY 1, 2017	\$1,083,250	\$ 903,025	\$ 29,284	\$ 56,870	\$ 34,657	\$ 486	\$1,024,322	\$ 329,194	\$ -	\$ 940,615	\$ 2,865	\$ -	\$ 125,637	\$3,505,883	\$ 787	\$3,506,670
Appropriation of 2016 earnings: (Note 24)																
Legal reserve	-	-	-	-	-	-	-	44,737	-	( 44,737)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	( 389,970)	-	-	-	( 389,970)	-	( 389,970)
Net profit (loss) for the six months ended June 30, 2017	-	-	-	-	-	-	-	-	-	( 534,939)	-	-	-	( 534,939)	2,608	( 532,331)
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	-	-	-	-	( 125,670)	-	( 12,513)	( 138,183)	( 7)	( 138,190)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	-	-	-	-	( 534,939)	( 125,670)	-	( 12,513)	( 673,122)	2,601	( 670,521)
Issue of ordinary shares under employee share options	4,163	12,292	-	( 1,660)	-	-	10,632	-	-	-	-	-	-	14,795	-	14,795
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,207	19,207
BALANCE AT JUNE 30, 2017	<u>\$1,087,413</u>	<u>\$ 915,317</u>	<u>\$ 29,284</u>	<u>\$ 55,210</u>	<u>\$ 34,657</u>	<u>\$ 486</u>	<u>\$1,034,954</u>	<u>\$ 373,931</u>	<u>\$ -</u>	<u>( \$ 29,031)</u>	<u>( \$ 122,805)</u>	<u>\$ -</u>	<u>\$ 113,124</u>	<u>\$2,457,586</u>	<u>\$ 22,595</u>	<u>\$2,480,181</u>
BALANCE AT JANUARY 1, 2018	\$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	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
Appropriation of 2017 earnings: (Note 24)																
Special reserve	-	-	-	-	-	-	-	-	80,889	( 80,889)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	( 218,411)	-	-	-	( 218,411)	-	( 218,411)
Distribution of cash dividends from capital surplus	-	( 109,205)	-	-	-	-	( 109,205)	-	-	-	-	-	-	( 109,205)	-	( 109,205)
Net profit (loss) for the six months ended June 30, 2018	-	-	-	-	-	-	-	-	-	223,740	-	-	-	223,740	9,207	232,947
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	-	-	-	-	387	49,733	( 6,891)	-	43,229	91	43,320
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	-	-	-	-	224,127	49,733	( 6,891)	-	266,969	9,298	276,267
Issue of ordinary shares under employee share options	4,578	13,248	-	( 4,236)	-	-	9,012	-	-	-	-	-	-	13,590	-	13,590
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 4,832)	( 4,832)
BALANCE AT JUNE 30, 2018	<u>\$1,094,708</u>	<u>\$ 827,649</u>	<u>\$ 29,284</u>	<u>\$ 50,321</u>	<u>\$ 34,657</u>	<u>\$ 1,493</u>	<u>\$ 943,404</u>	<u>\$ 373,931</u>	<u>\$ 80,889</u>	<u>\$ 310,994</u>	<u>( \$ 92,214)</u>	<u>\$ 54,167</u>	<u>\$ -</u>	<u>\$2,765,879</u>	<u>\$ 48,566</u>	<u>\$2,814,445</u>

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

(With Deloitte &amp; Touche review report dated August 10, 2018)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 280,191	(\$ 508,736)
Adjustments for:		
Depreciation expenses	78,603	61,391
Amortization expenses	5,994	7,212
Amortization of prepayments for leases	1,906	1,935
Expected credit loss recognized on trade receivables	1,461	-
Provision for bad debt expense	-	5,198
Net (gain) loss on fair value changes of financial assets and liabilities held for trading	4,825	( 5,332)
Finance costs	19,391	16,396
Interest income	( 3,834)	( 2,493)
Compensation cost of employee share options	1,142	2,956
Reclassified to profit or loss on disposal of available-for-sale financial assets	-	( 39,781)
Write-down of inventories	8,777	11,995
Share of profit (loss) of associates	( 16,355)	7,943
Loss on disposal of property, plant and equipment	( 30,461)	( 60)
Loss from disasters	-	635,332
Net gain on disposal of investments	( 10,762)	-
Others	-	9
Net loss (gain) on foreign currency exchange	( 19,646)	( 8,007)
Changes in operating assets and liabilities		
Financial assets held for trading	1,594	13,780
Notes receivable	73,554	135,588
Trade receivables	( 400,078)	( 168,617)
Trade receivables from related parties	11,015	( 45,632)
Other receivables	( 116,466)	( 363,081)
Inventories	( 497,863)	( 686,192)
Prepayment for purchases	( 74,290)	( 9,774)

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
Other current assets	(\$ 9,330)	(\$ 14,494)
Financial liabilities held for trading.	( 78)	-
Notes payable	21,316	26,038
Trade payables	379,928	348,954
Trade payables to related parties	( 15,373)	( 9,554)
Other payables	47,305	( 77,069)
Other current liabilities	67,195	8,006
Net defined benefit liabilities	( <u>1,677</u> )	( <u>708</u> )
Cash generated from (used in) operations	( 192,016)	( 656,797)
Interest received	3,834	2,493
Interest paid	( 12,780)	( 9,380)
Income tax paid	( <u>43,906</u> )	( <u>47,390</u> )
Net cash generated used in operating activities	( <u>244,868</u> )	( <u>711,074</u> )
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	( 10,000)	-
Proceeds from disposal of financial assets at amortized cost	63,898	-
Proceeds from disposal of available-for-sale financial assets	-	48,728
Purchases of debt investments with no active market	-	( 50,000)
Proceeds from disposal of debt investments with no active market	-	32,082
Net cash flow on the acquisition of subsidiaries(Note 29)	16,202	( 11,991)
Net cash flow on proceeds from subsidiaries	36	-
Payments for property, plant and equipment	( 162,009)	( 336,468)
Proceeds from disposal of property, plant and equipment	188,310	209
Decrease in refundable deposits	3,557	206
Increase in other receivables - related parties	( 40,000)	-
Payments for intangible assets	( 6,990)	( 10,586)
Increase in other non-current assets	-	( 14,707)
Decrease in other noncurrent assets	353	-
Net cash from (used in) investing activities	( <u>53,357</u> )	( <u>342,527</u> )
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	390,604
Repayments of short-term borrowings	( 103,464)	-
Proceeds from short-term bills payable	49,973	49,972
Proceeds from long-term borrowings	550,000	449,795
Repayments of long-term borrowings	( 350,413)	( 40,000)

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
Proceeds from guarantee deposits received	\$ 80	\$ -
Refund of guarantee deposits received	-	( 29)
Proceeds from share options exercised	12,448	11,839
Changes on non-controlling interests	( 5,219)	-
Net cash generated from financing activities	<u>153,405</u>	<u>862,181</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>27,582</u>	( <u>78,996</u> )
NET DECREASE IN CASH AND CASH EQUIVALENTS	( 10,524)	( 270,416)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>509,708</u>	<u>797,364</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 499,184</u>	<u>\$ 526,948</u>

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

(With Deloitte & Touche review report dated August 10, 2018)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (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 Taiwan GreTai Securities Market since April 1999.

The consolidated financial statements of the Company and its subsidiaries (referred to collectively 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 August 10, 2018.

### 3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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 Financial Supervisory Commission (FSC) would not have any material impact on the Group's accounting policies:

- 1) IFRS 9 "Financial Instruments" and related amendment

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

#### Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that exist as at January 1, 2017, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2017.

Financial Assets	Measurement Category		Carrying Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 509,708	\$ 509,708	
Derivative instruments	Held-for-trading	Mandatorily at fair value through profit or loss (FVTPL)	1,594	1,594	
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	146,293	146,293	(1)
Debt investment	Loans and receivables	Amortized cost	50,000	50,000	(2)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	72,403	72,403	(2)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,384,908	1,384,908	(3)

- a) The Group elected to designated all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity – unrealized gains and losses on available-for-sale financial assets of NT\$59,778 thousand was reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.
- b) Debt investments previously classified as debt instruments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- c) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.
- d) The associates companies and joint ventures using the equity method elected to designated all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity – unrealized gains and losses on available-for-sale financial assets of NT\$1,280 thousand was reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.
- 2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), endorsed by the FSC for application starting from 2019

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

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

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

#### IFRS 16 “Leases”

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

#### Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

#### The Group as lessee

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

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.
- c) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- d) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- e) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

If the Group's sale and leaseback transaction is judged not to meet the sales conditions of IFRS 15, the transaction will be considered as financing. If the sales are satisfied, the Group will only recognize the relevant sales gains and losses for the part transferred to the buyer. Prior to the application of IFRS 16, it was treated separately as part of the leaseback for operating leases or finance leases.

For the sale and leaseback transactions signed before January 1, 2019, the Group will not re-evaluate whether the transfer of the underlying assets meets the sales regulations of IFRS 15. When IFRS 16 is first applied, the portion of the leaseback is treated in accordance with the transitional provisions of the aforementioned lessee.

#### The Group as lessor

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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

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

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 consolidated 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.

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

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

- c. Basis of consolidation

See Note 14 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

- d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2017.

- 1) Financial instruments

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

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

a) Financial assets

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

i Measurement category

2018

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

i) Financial assets at fair value through profit or loss

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

ii) Financial assets at amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

iii) Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive

income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

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

## 2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

### 1) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

### 2) Available-for-sale financial assets

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

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

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

### 3) Loans and receivables

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

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

## ii Impairment of financial assets

## 2018

The Group recognizes a loss allowance for expected credit losses on financial assets at

amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables as well as contract assets.

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

## 2017

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that

financial asset because of financial difficulties.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables, that are written off against the allowance account.

### iii Derecognition of financial assets

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

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

### b) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

### c) Financial liabilities

#### i. Subsequent measurement

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

##### i) Financial assets at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 30.

ii. Derecognition of financial liabilities

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

d) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

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

2) Revenue recognition

2018

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2017

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

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

### 3) 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.

### 4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim-period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the profit before tax of the interim-period. When tax rate changes during the interim period, the effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence. The effect of the change in tax rate relating to transactions recognized outside profit or loss is recognized as other comprehensive income in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is included in estimating the average annual income tax rate, and consequently recognized throughout the interim period.

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

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

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

### a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

### b. Estimated impairment of trade receivables- 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand and revolving funds	\$ 2,945	\$ 1,727	\$ 1,839
Checking accounts and demand deposits	420,089	400,313	447,842
Cash equivalent (investments with original maturities less than three months)			
Time deposits	76,150	107,668	77,267
	<u>\$ 499,184</u>	<u>\$ 509,708</u>	<u>\$ 526,948</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
– Foreign exchange forward contracts	\$ -	\$ 1,594	\$ 5,406
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
– Foreign exchange forward contracts	\$ 1,754	\$ -	\$ -
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
– Foreign exchange forward contracts	\$ 6,579	\$ 78	\$ 74

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>June 30, 2018</u>			
Buy	EUR/NTD	107.8.7-107.11.20	EUR 4,000/ NTD 140,962
Sell	USD/RMB	108.3.1-108.6.28	USD 6,000/ RMB 39,008
Sell	JPY/NTD	107.7.12-107.9.25	JPY 600,000/ NTD 164,705
<u>December 31, 2017</u>			
Buy	EUR/NTD	107.3.28-107.4.11	EUR 2,000/ NTD 71,215
Sell	JPY/NTD	107.1.29-107.2.27	JPY 300,000/ NTD 80,777
<u>June 30, 2017</u>			
Buy	EUR/NTD	106.7.31-106.11.8	EUR 2,000/ NTD 66,437
Sell	JPY/NTD	106.7.10-106.11.9	JPY 900,000/ NTD 246,861

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

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	<u>December 31,2017</u>	<u>June 30, 2017</u>
<u>Current</u>		
Domestic investments		
Listed shares	\$ <u>          -</u>	\$ <u>  44,200</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ <u> 146,293</u>	\$ <u>  96,798</u>

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-2018

	<u>June 30, 2018</u>
<u>Non-current</u>	
Domestic investments	
Listed shares	\$ <u>134,984</u>

These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 8 for information related to their reclassification and comparative information for 2017.

## 10. FINANCIAL ASSETS AT AMORTIZED COSTS-2018

	<u>June 30, 2018</u>
<u>Current</u>	
Domestic investments	
Restricted bank deposits (a)	\$ 5,005
Time deposits with original maturity more than 3 months (a)	<u>  3,500</u>
	\$ <u>  8,505</u>
<u>Non-current</u>	
Private corporate bond with no active market(b)	\$ <u> 60,000</u>

(a) These are classified to debt investments with no active market under IAS39. Refer to Notes 3 and 11 for information related to their reclassification and comparative information of 2017.

(b) The Group bought one and five 5-year unsecured corporate bonds without security issued by Snowdown Merchandise Corporation with a coupon rate of 2.75%, at a par value of \$10,000 thousand, as of April 2018 and 2017. Refer to Notes 3 and 11 for information related to their reclassification and comparative information of 2017.

(c) Refer to Note 32 for information related to investments in financial assets at amortized cost pledged as security.

## 11. DEBT INVESTMENTS WITH NO ACTIVE MARKET – CURRENT-2017

	<u>December 31,2017</u>	<u>June 30, 2017</u>
<u>Current</u>		
Restricted assets - bank balance	\$ 8,883	\$ 13,709
Time deposits with original maturity more than 3 months	<u>  63,520</u>	<u>  9,000</u>

	<u>\$ 72,403</u>	<u>\$ 22,709</u>
<u>Non-current</u> Private corporate bond with no active market	<u>\$ 50,000</u>	<u>\$ 50,000</u>

Refer to Note 32 for information relating to bond investments with no active market pledged as security.

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Notes receivable</u>	\$ 39,053	\$ 112,607	\$ 44,945
Less : Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 39,053</u>	<u>\$ 112,607</u>	<u>\$ 44,945</u>
<u>Trade receivables (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 1,353,857	\$ 930,999	\$ 1,091,286
Less: Allowance for impairment loss	<u>( 11,462 )</u>	<u>( 10,116 )</u>	<u>( 10,203 )</u>
	<u>\$ 1,342,395</u>	<u>\$ 920,883</u>	<u>\$ 1,081,083</u>
<u>Other receivables</u>			
Sale of raw materials	\$ 332,442	\$ 47,205	\$ 318,312
Tax refund receivable	50,221	99,517	90,728
Premium receivable	-	102,868	60,495
Others	6,717	11,828	4,943
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 389,380</u>	<u>\$ 261,418</u>	<u>\$ 474,478</u>

### For the six months ended June 30, 2018

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. Those who have been overdue will be provided with allowance for impairment loss of 5% to 90%.

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. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are

recognized in profit or loss. The following table details the loss allowance of trade receivables based on the Group's provision matrix.

The aging of receivables was as follows:

	<u>June 30, 2018</u>
Less than 30 days	\$ 1,097,815
31-60 days	146,208
61-120 days	97,030
More than 121 days	<u>12,804</u>
	<u>\$ 1,353,857</u>

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

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	<u>For the Six Months Ended June 30, 2018</u>
Balance at January 1, 2018 - IAS 39	\$ 10,116
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 - IFRS 9 ( IFRS 9 )	10,116
Add: Provision	1,461
Less : Amounts written off	( 214 )
Foreign exchange translation	<u>99</u>
Balance at June 30	<u>\$ 11,462</u>

For the six months ended June 30, 2017

The Group applied the same credit policy in 2018 and 2017.

In determining the recoverability of trade receivables, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss is recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

(a) The aging of receivables was as follows:

	<u>December 31,2017</u>	<u>June 30, 2017</u>
Less than 30 days	\$ 514,665	\$ 820,682
Less than 30 days	255,782	215,957
61-120 days	149,934	38,746
More than 121 days	<u>10,618</u>	<u>15,901</u>
	<u>\$ 930,999</u>	<u>\$1,091,286</u>

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

(b) The aging of receivables that were past due but not impaired was as follows:

	<u>December 31,2017</u>	<u>June 30, 2017</u>
Less than 30 days	\$ 8,612	\$ 11,473

31-60 days	148	5,919
61-120 days	3	-
More than 121 days	-	-
	<u>\$ 8,763</u>	<u>\$ 17,392</u>

The above aging schedule was based on the past due days from due date.

(c) The movements of the allowance for doubtful receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 1,435	\$ 3,707	\$ 5,142
Less: Impairment losses recognized (reversed)	(2)	5,200	5,198
Foreign exchange translation	-	(137)	(137)
Balance at June 30, 2017	<u>\$ 1,433</u>	<u>\$ 8,770</u>	<u>\$ 10,203</u>

### 13. INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Merchandise	\$ 257,080	\$ 264,152	\$ 261,748
Finished goods	405,928	205,936	202,582
Work in progress	1,029,001	1,070,541	1,152,134
Raw materials and supplies	716,056	411,743	596,651
Goods to subcontractor	52,160	17,837	40,172
Inventory in transit	280,960	281,179	137,022
	<u>\$ 2,741,185</u>	<u>\$ 2,251,388</u>	<u>\$ 2,390,309</u>

The cost of inventories recognized as cost of goods sold the three-month periods and the six-month periods ended June 30, 2018 included inventory write-downs of \$3,206 thousand and \$8,777 thousand, respectively.

The cost of inventories recognized as cost of goods sold the three-month periods and the six-month periods ended June 30, 2017 included inventory write-downs of \$7,987 thousand and \$11,995 thousand, respectively.

### 14. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership			Remark
			June 30, 2018	December 31, 2017	June 30, 2017	
The Company	KWONG LUNG FEATHER (B.V.L.) LIMITED	Overseas reinvested holding company.	100%	100%	100%	Important subsidiary
The Company	KWONG LUNG MEKO CO., LTD.	Manufacturing and selling of down and bedding.	100%	100%	100%	Important subsidiary
The Company	KWONG LUNG JAPAN CO., LTD.	Manufacturing and selling of down and bedding.	100%	100%	100%	(a)
The Company	BO HSING ENTERPRISE CO., LTD.	Manufacturing and selling of apparel.	100%	100%	100%	(a)
The Company	TOPTX GARMENT CO., LTD.	Manufacturing and selling of apparel.	100%	100%	100%	(a)
The Company	Nepheles Co., Ltd.	Manufacturing, exporting, importing and selling clothing.	-	90%	90%	(a) - (b)
The Company	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;	100%	100%	100%	(a)

		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.				
The Company	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%	(a)
The Company	KWONG LUNG EUROPE SP.Z.O.O.	Various selling of down and bedding	100%	100%	100%	(a)
The Company	KWONG LUNG—O MON COMPANY LIMITED	Manufacturing and selling of apparel.	100%	49%	49%	(a) - (c)
BO HSING ENTERPRISE CO., LTD.	KWONG LUNG MEKO (B.V.I.) LTD.	Overseas reinvested holding company.	100%	100%	100%	(a)
KWONG LUNG FEATHER (B.V.I.) LIMITED	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100%	100%	100%	Important 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%	(a)
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%	—	(a)
KWONG LUNG JAPAN CO., LTD.	Downgoods Co., Ltd.	Manufacturing, exporting, importing and selling clothing.	—	100%	51%	(a) - (b)
BBL Premium Co., Ltd.	Manumech Corporation	Wholesale	51%	51%	51%	(a)
Manumech Corporation	Windsun Industry Co., Ltd.	Wholesale	100%	100%	100%	(a)
Manumech Corporation	Intime Tech Co., Ltd.	Wholesale	100%	100%	—	(a)

- (a) Not significant subsidiaries and their financial statements had not been reviewed.
- (b) The management considers that the liquidation of the subsidiary does not have a significant impact on the consolidated financial statements.
- (c) "VIET TIEN MEKO COMPANY LIMITED" was renamed "KWONG LUNG-O MON COMPANY LIMITED" and obtained control of the company holding 100% of the shares in January, 2018.

b. Subsidiaries excluded from consolidated financial statements: None.

## 15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2018	December 31, 2017	June 30, 2017
Investments in associates	\$ 168,386	\$ 145,939	\$ 145,489
Investments in joint ventures	-	55,044	16,237
	<u>\$ 168,386</u>	<u>\$ 200,983</u>	<u>\$ 161,725</u>

a. Investments in associates

	June 30, 2018	December 31, 2017	June 30, 2017
Associates that are not individually material	<u>\$ 168,386</u>	<u>\$ 145,939</u>	<u>\$ 145,489</u>

b. Investments in joint ventures

	June 30, 2018	December 31, 2017	June 30, 2017
Joint ventures that are not individually material	<u>\$ -</u>	<u>\$ 55,044</u>	<u>\$ 16,237</u>

The Company's board of directors completed an arrangement to acquire the equity of VIET TIEN MEKO COMPANY LIMITED, and obtained control of the company on January 1, 2018, holding 100% of the shares. Please refer to Note 29.

See Table 6 for information on places of incorporation and principal places of business.

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.

## 16. 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, 2017	\$ 265,684	\$ 1,245,145	\$ 743,454	\$ 45,570	\$ 307,260	\$ 64,561	\$2,671,674
Additions	-	2,423	22,287	762	7,025	299,318	331,815
Acquisitions through business combinations	21,240	3,834	-	-	270	-	25,344
Disposals	-	( 100 )	( 5,266 )	-	( 15,791 )	-	( 21,157 )
Reclassification	215,600	40,785	65	607	5,009	( 259,651 )	2,415
Effect of foreign currency exchange differences	-	( 43,665 )	( 31,785 )	( 2,023 )	( 5,977 )	( 1,817 )	( 85,267 )
Balance at June 30, 2017	<u>\$ 502,524</u>	<u>\$ 1,248,422</u>	<u>\$ 728,755</u>	<u>\$ 44,916</u>	<u>\$ 297,796</u>	<u>\$ 102,411</u>	<u>\$2,924,824</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2017	\$ -	\$ 528,789	\$ 594,357	\$ 30,378	\$ 263,952	\$ -	\$1,417,476
Disposals	-	( 100 )	( 5,159 )	-	( 15,752 )	-	( 21,011 )
Acquisitions through business combinations	-	655	-	-	81	-	736
Impairments	-	121,664	30,458	526	6,070	-	158,718
Depreciation expense	-	24,890	25,995	2,337	7,928	-	61,150
Effect of foreign currency exchange differences	-	( 17,790 )	( 28,720 )	( 1,286 )	( 4,909 )	-	( 52,705 )
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 658,108</u>	<u>\$ 616,931</u>	<u>\$ 31,955</u>	<u>\$ 257,370</u>	<u>\$ -</u>	<u>\$1,564,364</u>
Carrying amounts at June 30, 2017	<u>\$ 502,524</u>	<u>\$ 590,314</u>	<u>\$ 111,824</u>	<u>\$ 12,961</u>	<u>\$ 40,426</u>	<u>\$ 102,411</u>	<u>\$1,360,460</u>
<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	-	8,826	25,113	3,915	43,974	80,044	161,872
Acquisitions through business combinations	-	16,721	43,098	944	2,340	-	63,103
Disposals	( 122,919 )	( 26,229 )	( 3,280 )	( 555 )	( 33,291 )	-	( 186,274 )
Reclassification	-	1,440	580	-	7,900	( 9,920 )	-
Effect of foreign currency exchange differences	-	10,298	9,034	671	1,792	908	22,703
Balance at June 30, 2018	<u>\$ 473,471</u>	<u>\$ 1,122,965</u>	<u>\$ 741,290</u>	<u>\$ 46,309</u>	<u>\$ 322,518</u>	<u>\$ 251,946</u>	<u>\$2,958,499</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 509,680	\$ 512,444	\$ 29,070	\$ 256,772	\$ -	\$1,307,966
Disposals	-	( 7,183 )	( 1,487 )	( 544 )	( 19,211 )	-	( 28,425 )
Acquisitions through business combinations	-	11,862	27,897	815	1,829	-	42,403
Depreciation expense	-	28,455	28,176	1,981	19,751	-	78,363
Effect of foreign currency exchange differences	-	4,069	6,065	343	1,115	-	11,592
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 546,883</u>	<u>\$ 573,095</u>	<u>\$ 31,665</u>	<u>\$ 260,256</u>	<u>\$ -</u>	<u>\$1,411,899</u>

Carrying amounts at December 31, 2017	<u>\$ 596,390</u>	<u>\$ 602,229</u>	<u>\$ 154,301</u>	<u>\$ 12,264</u>	<u>\$ 43,031</u>	<u>\$ 180,914</u>	<u>\$1,589,129</u>
Carrying amounts at June 30, 2018	<u>\$ 473,471</u>	<u>\$ 576,082</u>	<u>\$ 168,195</u>	<u>\$ 14,644</u>	<u>\$ 62,262</u>	<u>\$ 251,946</u>	<u>\$1,546,600</u>

The above items of property, plant and equipment were depreciated on a straight-line basis at the following rates per annum:

<b>Building</b>	
Main buildings	10 to 51 years
Construction	1 to 26 years
Machinery equipment	2 to 20 years
Transportation equipment	4 to 12 years
<b>Other equipment</b>	
Office equipment	3 to 10 years
Air conditioning	36 to 51 years
Utilities equipment	5 to 23 years
Others	1 to 25 years
Leasehold improvements	1 to 5 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 32.

## 17. INVESTMENT PROPERTIES

For the six months ended June 30, 2018 and 2017, there were no significant increases, disposals, or impairment of the investment properties held by the Group, but depreciation expenses were recognized for these properties.

The investment properties are depreciated using the straight-line method over their estimated useful life as follows:

Main buildings	28 years
----------------	----------

The fair value of investment properties was JPY 388,000 thousand on 2017 and December 31, 2016. There has been no significant change in the fair value of the 2018 and June 30, 2017 compared to the 2017 and December 31, 2016 by management evaluated.

The Group has freehold interests in all of its investment properties.

## 18. INTANGIBLE ASSETS

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Carrying Amount</u>			
Goodwill (Note 29)	\$ 22,022	\$ -	\$ -
Expertise	8,303	-	-
Other intangible assets	<u>39,610</u>	<u>37,689</u>	<u>39,824</u>
	<u>\$ 69,935</u>	<u>\$ 37,689</u>	<u>\$ 39,824</u>

The above other intangible assets were depreciated on a straight-line basis over 1 to 5 years.

## 19. PREPAYMENTS FOR LEASE OBLIGATIONS

The prepaid lease payments include land use rights, which are located in mainland China and Vietnam.

## 20. BORROWINGS

### a. Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 527,337</u>	<u>\$ 627,818</u>	<u>\$ 980,723</u>
Range of interest rates	<u>0.53%~3.05%</u>	<u>0.25%~4.79%</u>	<u>0.53%~4.79%</u>

### b. Short-term notes and bills payable

	June 30, 2018	December 31, 2017	June 30, 2017
Short-term notes and bills payable	\$ 50,000	\$ -	\$ 50,000
Less: Discount on short-term notes and bills payable	( 27)	-	( 28)
	<u>\$ 49,973</u>	<u>\$ -</u>	<u>\$ 49,972</u>

### c. Long-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Secured borrowings</u>			
Bank loans (1)	\$ 116,052	\$ 116,465	\$ 126,879
<u>Unsecured borrowings</u>			
Credit borrowings	<u>1,025,000</u>	<u>825,000</u>	<u>500,000</u>
	1,141,052	941,465	626,879
Less: Current portion	( 200,837)	( 100,836)	( 100,822)
Long-term borrowings	<u>\$ 940,215</u>	<u>\$ 840,629</u>	<u>\$ 526,057</u>
Range of interest rates	1.21%~1.82%	1.21%~1.72%	1.21%~1.72%

1) The bank borrowings are secured by the Group's freehold land and buildings (refer to Note32)

## 21. BONDS PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bonds payable	\$ 783,201	\$ 776,572	\$ 769,399
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 783,201</u>	<u>\$ 776,572</u>	<u>\$ 769,399</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 per bond certificate. At the end of the third year from the bond issuance date, bondholders have the right to redeem the convertible bonds at face value in cash. The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. 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

At the end of the third year from the bond issuance date, bondholders have the right to request the Company to redeem the convertible bonds at face value in cash. The conditions are as follows:

- 1) The closing price of the Company's common shares in the Taipei Exchange Market is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date; or
- 2) The outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the issue date.

e. Redemption method

- 1) Conversion of subject: The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

- 2) Conversion period:

The bonds are exchangeable into common shares of the Company at any time on or after October 31, 2016 and prior to September 30, 2019 except during closed period.

- 3) The conversion price of the bonds is set up based on the Arithmetic mean of the business day's stock closing price multiplied by 103% premium rate before the effective date, September 22, 2016. The conversion price was originally NT\$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, stock issuance in business combination, stock 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 stock 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 issue (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>22,978</u>
Liability component at June 30, 2018	<u>\$ 783,201</u>

## 22. OTHER PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Accrued payroll and employee benefit	\$ 198,782	\$ 203,392	\$ 147,385
Dividends payable	327,616	-	389,970
Accrued fabrication expense	14,542	22,214	28,470
Accrued bonus to employees	25,000	-	6,965
Accrued remuneration to directors and supervisors	9,775	-	14,900
Others	<u>180,760</u>	<u>140,846</u>	<u>123,482</u>
	<u>\$ 756,475</u>	<u>\$ 366,452</u>	<u>\$ 711,172</u>

## 23. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined retirement benefit plans was \$208 thousand, \$246 thousand, \$417 thousand and \$493 thousand for the three months and six months ended June 30, 2018 and 2017, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016, respectively.

## 24. EQUITY

### a. Share capital

#### Ordinary shares

	June 30, 2018	December 31, 2017	June 30, 2017
Number of shares authorized (in thousands)	<u>180,000</u>	<u>160,000</u>	<u>160,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>109,471</u>	<u>109,013</u>	<u>108,741</u>
Shares issued	<u>\$ 1,094,708</u>	<u>\$ 1,090,130</u>	<u>\$ 1,087,413</u>

### b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common 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 purpose.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, 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 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.

The dividend policy provides that the amount of dividend shall be determined after taking into consideration factors such as development plan, investment environment, funding requirements, and overseas competitive landscape, as well as stockholders' interest. The Company continues to operate in its growth phase. The distribution of stockholders' dividend may be made by way of cash dividend and stock dividend, provided that cash dividend shall account for at least 20% of the total dividends distributed. However, the Company may adjust the distribution of cash dividends and stock dividends as necessary, depending on factors such as economic condition, industrial development, and funding requirements.

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

The appropriations of earnings for 2017 and 2016 having been approved in the shareholders' meetings on June 22, 2018 and June 22, 2017, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Legal reserve	\$ -	\$ 44,737		
Special reserve	80,889	-		
Cash dividends	218,411	389,970	\$ 2	\$ 3.6

On June 22, 2018, the shareholders' meeting approved to distributed \$1 cash dividends per share from \$109,205 thousand in capital surplus.

## 25. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Foreign exchange gains	\$ 131,155	\$ 54,695	\$ 190,717	\$ 160,472
Foreign exchange losses	( 71,558)	( 62,989)	( 138,911)	( 180,321)
Net gain on financial assets designated as at FVTPL	( 6,983)	5,406	( 4,825)	5,332
Loss on disasters (Note 34)	-	15,268	-	( 695,827)
Insurance claims(Note 34)	-	60,495	87,609	60,495
Gain (loss) on disposal of	77	( 5)	30,461	60

property, plant and equipment Reclassified to profit or loss on disposal of available-for-sale financial assets	-	39,781	-	39,781
Gain (loss) on disposal of investment	( 2,013 )	-	10,762	-
Others	<u>1,654</u>	<u>7,081</u>	<u>( 2,313 )</u>	<u>10,271</u>
	<u>\$ 52,332</u>	<u>\$ 119,732</u>	<u>\$ 173,500</u>	<u>( \$ 599,737 )</u>

b. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest on bank loans	\$ 6,368	\$ 5,894	\$ 12,762	\$ 9,879
Convertible bonds	<u>3,315</u>	<u>3,259</u>	<u>6,629</u>	<u>6,517</u>
	<u>\$ 9,683</u>	<u>\$ 9,153</u>	<u>\$ 19,391</u>	<u>\$ 16,396</u>

c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property, plant and equipment	\$ 45,920	\$ 29,481	\$ 78,363	\$ 61,150
Investment property	121	120	240	241
Intangible assets	<u>3,456</u>	<u>3,332</u>	<u>5,994</u>	<u>7,212</u>
	<u>\$ 49,497</u>	<u>\$ 32,933</u>	<u>\$ 84,597</u>	<u>\$ 68,603</u>
An analysis of depreciation by function				
Operating costs	\$ 28,808	\$ 19,356	\$ 50,471	\$ 40,932
Operating expenses	<u>17,233</u>	<u>10,245</u>	<u>28,132</u>	<u>20,459</u>
	<u>\$ 46,041</u>	<u>\$ 29,601</u>	<u>\$ 78,603</u>	<u>\$ 61,391</u>
An analysis of amortization by function				
Operating costs	\$ 122	\$ 62	\$ 122	\$ 127
Operating expenses	<u>3,334</u>	<u>3,270</u>	<u>5,872</u>	<u>7,085</u>
	<u>\$ 3,456</u>	<u>\$ 3,332</u>	<u>\$ 5,994</u>	<u>\$ 7,212</u>

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Post-employment benefits(Note 23)				
Defined contribution plans	\$ 5,722	\$ 5,469	\$ 11,006	\$ 10,568
Defined benefit plans	<u>208</u>	<u>246</u>	<u>417</u>	<u>493</u>
	5,930	5,715	11,423	11,061
Share-based payments				
Equity-settled	753	1,478	1,142	2,956

(Note 28)				
Other employee benefits	<u>305,700</u>	<u>245,386</u>	<u>598,867</u>	<u>508,817</u>
Total employee benefits expense	<u>\$ 312,383</u>	<u>\$ 252,579</u>	<u>\$ 611,432</u>	<u>\$ 522,834</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 203,025	\$ 160,464	\$ 386,649	\$ 327,692
Operating expenses	<u>109,358</u>	<u>92,115</u>	<u>224,783</u>	<u>195,142</u>
	<u>\$ 312,383</u>	<u>\$ 252,579</u>	<u>\$ 611,432</u>	<u>\$ 522,834</u>

e. Employees' compensation and remuneration of directors and supervisors

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 and six month ended June 30, 2018 and 2017, the employees' compensation and the remuneration of directors were as follows:

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Employees' compensation	<u>\$ 12,500</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>
Remuneration to directors and supervisors	<u>\$ 4,887</u>	<u>\$ -</u>	<u>\$ 9,775</u>	<u>\$ -</u>

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

The appropriations of employee' compensation and remuneration of directors for 2017 and 2016, which were resolved by the Company's board of directors on March 23, 2018 and March 24, 2017, respectively, were as follows:

	For the Year Ended December 31	
	2017	2016
Employees' compensation	\$ -	\$ 50,000
Remuneration to directors and supervisors	-	14,900

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, 2017 and 2016.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

Major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current income tax expense				
In respect of the current period	\$ 23,492	\$ 18,481	\$ 26,923	\$ 20,514
Unappropriated earnings	<u>-</u>	<u>1,289</u>	<u>-</u>	<u>1,289</u>
	<u>23,492</u>	<u>19,770</u>	<u>26,923</u>	<u>21,803</u>
Deferred tax				
In respect of the current period	6,314	673	9,278	1,792
Effect of change in tax rate	<u>1,248</u>	<u>-</u>	<u>11,043</u>	<u>-</u>
	<u>7,562</u>	<u>673</u>	<u>20,321</u>	<u>1,792</u>
Income tax expense recognized in profit or loss	<u>\$ 31,054</u>	<u>\$ 20,443</u>	<u>\$ 47,244</u>	<u>\$ 23,595</u>

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

### b. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities.

## 27. EARNINGS PER SHARE (LOSS)

### Net Profit (loss) for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Profit (loss) for the period attributable to owners of the Company	\$ 151,433	\$ 179,699	\$ 223,740	(\$ 534,939)
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds	<u>3,315</u>	<u>-</u>	<u>6,629</u>	<u>-</u>
Earnings used in the computation of diluted earnings (loss) per share	<u>\$ 154,748</u>	<u>\$ 179,699</u>	<u>\$ 230,369</u>	<u>(\$ 534,939)</u>

## Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	107,037	108,651	108,129	106,722
Effect of potentially dilutive ordinary shares:				
Convertible bonds	15,723	15,723	15,723	-
Employee share option	1,661	1,613	1,265	-
Employees' compensation or bonus issue to employees	<u>493</u>	<u>-</u>	<u>493</u>	<u>-</u>
				(Note)
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>124,914</u>	<u>125,987</u>	<u>125,610</u>	<u>106,722</u>

Note: They were anti-dilutive and excluded from the computation of diluted earnings per share.

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.

## 28. 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 common 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 common shares listed on the GreTai Securities Market on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Six Months Ended June 30							
	2018				2017			
	Granted 2014		Granted 2013		Granted 2014		Granted 2013	
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	274	\$ 35.3	1,055	\$ 15.4	352	\$ 38.4	1,375	\$ 16.7
Options exercised	(30)	35.3	(222)	15.4	(66)	38.4	(211)	16.7
Options forfeited	-		-		-		-	
Balance at June 30	<u>244</u>	35.3	<u>833</u>	15.4	<u>286</u>	38.4	<u>1,164</u>	16.7
Options exercisable, end of period	<u>244</u>		<u>833</u>		<u>286</u>		<u>1,164</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 common 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 common 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 Six Months Ended June 30							
	2017				2016			
	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	635	\$ 34	2,143	\$ 39.1	735	\$ 36.9	2,395	\$ 42.5
Options exercised	(17)	34	(189)	39.1	(25)	36.9	(115)	42.5
Options forfeited	-	-	(17)	39.1	-	-	(50)	42.5
Balance at June 30	<u>618</u>	34	<u>1,937</u>	39.1	<u>710</u>	36.9	<u>2,230</u>	42.5
Options exercisable, end of period	<u>618</u>		<u>1,937</u>		<u>343</u>		<u>1,606</u>	

- 3) The company issued 2,200 employees share option, and each unit can subscribe for 1,000 ordinary shares in June, 2018. Each option entitles the holder to subscribe for one thousand common 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 common 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.

Qualified employees of the Company and its subsidiaries were granted 1,610 options in June, 2018.

	For the Six Months Ended June 30, 2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Granted	1,610	49.3
Options forfeited	-	-
Balance at June 30	<u>1,610</u>	49.3
Options exercisable, end of period	<u>-</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$ 11.9957</u>	

Information on outstanding options as of June 30, 2018 was as follows:

	June 30, 2018
Range of exercise price (NT\$)	\$49.3
Weighted-average remaining contractual life (years)	4.95

Options granted in June 2018 was priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	June 2018
Grant-date share price (\$)	\$49.3
Exercise price (\$)	\$49.3
Expected volatility	30.7%
Expected life (years)	3.75years
Expected dividend yield	0.00%
Risk-free interest rate	0.66%

Expected volatility was based on the historical share price volatility.

Compensation costs of \$753 thousand, \$1,478 thousand, \$1,142 thousand and \$2,956 thousand were recognized, respectively, within the vesting period for the three months and six months ended June 30, 2018 and 2017.

## 29. BUSINESS COMBINATIONS

### KWONG LUNG – O MON COMPANY LIMITED

#### 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>

VIET TIEN MEKO COMPANY LIMITED was acquired in order to continue the expansion of the Group's activities in leisure goods. "VIET TIEN MEKO COMPANY LIMITED" was renamed "KWONG LUNG-O MON COMPANY LIMITED" on January 10, 2018.

#### b. Consideration transferred

	KWONG LUNG – O MON COMPANY LIMITED
Prepaid investment	<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	

Plant and equipment	20,700
Expertise	9,226
Current liabilities	
Other payables	( 13,420)
Deferred tax liabilities	( 282)
	\$ 50,364

d. Goodwill recognized on acquisitions

	<u>January 1,2018</u>
Consideration transferred	\$ 38,422
Plus : Fair value of the acquirer's previous interest at the acquisition date	33,964
Less: Fair value of identifiable net assets acquired	( <u>50,364</u> )
Goodwill recognized on acquisitions	<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 costs 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.

e. Net cash on acquisition of subsidiaries

	<u>January 1,2018</u>
Prepaid investment	( <u>\$ 38,422</u> )
Cash and cash equivalent balance acquired	<u>\$ 16,202</u>

**Manumech Corporation**

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Manumech Corporation	Machinery wholesale	May 2, 2017	51%	<u>\$ 20,000</u>

Manumech Corporation was acquired in order to continue the expansion of the Group's activities in leisure goods.

b. Consideration transferred

	Manumech Corporation
Cash	<u>\$ 20,000</u>

The acquisition-related costs have been excluded from the transfer consideration and are recognized as other costs in the acquisition period.

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

	Manumech Corporation
Current assets	
Cash	\$ 8,009
Financial assets at fair value through profit or loss - current	9,791
Notes receivable	2,703
Trade receivables	93,503
Other receivables	2,288
Other current assets	583
Non-current assets	
Property, plant and equipment	24,608
Deferred tax assets	493
Refundable deposits	5
Current liabilities	
Short-term borrowings	(48,615)
Trade payables	(34,017)
Other payables	(680)
Current tax liabilities	(2,033)
Other current liabilities	(33)
Non-current liabilities	
Long-term borrowings	(17,084)
Deferred tax liabilities	<u>(323)</u>
	<u>\$ 39,198</u>

d. Net cash outflow on acquisition of subsidiaries

	May 2, 2017
Consideration paid in cash	\$ 20,000
Plus: Non-controlling interests	19,207
Less: Fair value of identifiable net assets acquired	<u>(39,198)</u>
	<u>\$ 9</u>

The consideration paid for the merger includes the anticipated synergy, revenue growth, and future market development. However, these benefits do not meet the recognition criteria of identifiable intangible assets and are not separately recognized. With a difference of \$9 thousand, other benefits and losses recognized by the management after the assessment would not have significant impact on the consolidated financial statements.

e. Net cash outflow on acquisition of subsidiary

	May 2, 2017
Consideration paid in cash	\$ 20,000
Less: Cash and cash equivalent balance acquired	<u>(8,009)</u>
	<u>\$ 11,991</u>

f. Impact of acquisition on the results of the Group

The results of the acquired entity since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	Manumech Corporation
Revenue	<u>\$ 76,914</u>
Profit	<u>\$ 6,503</u>

Had the business combination been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$2,249,572 thousand and \$3,897,581 thousand, and net profit (loss) from continuing operations would have been \$184,931 thousand \$(524,510) thousand for the three-month periods and the six-month periods ended June 30, 2017. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that may have been actually achieved had the acquisition been completed, nor is it intended to be a projection of future results.

### 30. FINANCIAL INSTRUMENTS

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Financial liabilities measured at amortized cost :						
— Convertible bonds	\$ 783,201	\$ 927,920	\$ 776,572	\$ 876,000	\$ 769,999	\$ 845,120

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

1) Fair value hierarchy

June 30, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at</u>				
<u>FVTOCI</u>				
Investments in equity instruments				
— Securities listed in ROC - equity securities	<u>\$ 134,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,984</u>
<u>Financial assets at FVTPL</u>				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,754</u>	<u>\$ -</u>	<u>\$ 1,754</u>
<u>Financial liabilities at</u>				
<u>FVTPL</u>				
Derivative instruments	<u>\$ -</u>	<u>\$ 6,579</u>	<u>\$ -</u>	<u>\$ 6,579</u>

December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Available-for-sale financial assets</u>				
Securities listed in ROC - equity securities				
– Equity investment	<u>\$ 146,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,293</u>
<u>Financial assets at FVTPL</u>				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,594</u>	<u>\$ -</u>	<u>\$ 1,594</u>
<u>Financial liabilities at FVTPL</u>				
Derivative instruments	<u>\$ -</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 78</u>

June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Available-for-sale financial assets</u>				
Securities listed in ROC - equity securities				
– Equity investment	<u>\$ 140,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,998</u>
<u>Financial assets at FVTPL</u>				
Derivative instruments	<u>\$ -</u>	<u>\$ 5,406</u>	<u>\$ -</u>	<u>\$ 5,406</u>
<u>Financial liabilities at FVTPL</u>				
Derivative instruments	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ 74</u>

There were no transfers between Levels 1 and 2 as of the six months ended June 30, 2018 and 2017.

- 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

	<u>June 30,2018</u>	<u>December 31,2017</u>	<u>June 30,2017</u>
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ -	\$ 1,594	\$ 5,406
Mandatorily at FVTPL	1,754	-	-
Loans and receivables (1)	-	1,917,502	2,228,530
Financial assets at amortized	2,419,715	-	-

cost (2)			
Available-for-sale financial assets	-	146,293	140,998
Financial assets at FVTOCI	134,984	-	-

	<u>June 30,2018</u>	<u>December 31,2017</u>	<u>June 30,2017</u>
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 6,579	\$ 78	\$ 74
Amortized cost (3)	4,214,794	3,307,022	3,953,310

- (1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables and other receivables.
- (2) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments, notes receivable, trade receivables and other receivables.
- (3) The balances included financial liabilities measured at amortized cost, which comprise notes payable, short-term and long-term loans, short-term notes and bills payable, trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivable, other receivables, trade payables, other payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include 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 was 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 was 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 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 36.

	June 30,2018	December 31,2017	June 30,2017
<u>Assets</u>			
JPY	\$ 412	\$ 1,336	\$ 2,294
EUR	1,342	258	3,112
<u>Liabilities</u>			
JPY	1,031	-	74
EUR	426	78	-
USD	5,122	-	-

#### Sensitivity analysis

The Group was mainly exposed to the USD, CNY, JPY 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 which were not designated as cash flow hedges, 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>	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Profit or loss*	\$ 369	\$ 5,605	\$ 6,895	(\$ 2,307)

  

	<u>EUR Impact</u>		<u>USD Impact</u>	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Profit or loss*	(\$ 6,597)	(\$ 1,656)	\$ 39,274	\$ 25,012

\* This was mainly attributable to the exposure on outstanding foreign currency cash, trade receivables, other receivables, borrowings, accounts payable, and other payables, which 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:

	<u>June 30,2018</u>	<u>December 31,2017</u>	<u>June 30,2017</u>
Fair value interest rate risk			
– Financial assets	\$ 266,150	\$ 307,188	\$ 209,822
– Financial liabilities	1,003,515	1,139,656	1,395,397
Cash flow interest rate risk			
– Financial assets	414,924	409,368	421,005
– Financial liabilities	1,498,048	1,206,199	1,032,175

#### 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 six months ended June 30, 2018 and 2017 would decrease/increase by \$2,708 thousand and increase/decrease by \$1,528 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 six months ended June 30, 2018 and 2017 would increase/decrease by \$13,498 thousand and \$14,100 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 counterparty will default on its contractual obligations resulting in 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.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are

continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the individual account receivable comprising more than 10% of the Group's total accounts receivable would be \$0 thousand, \$278,245 thousand and \$355,596 thousand, respectively. The credit risk concentration of the Group's single customer does not exceed 20% of the total monetary assets.

### 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 June 30, 2018, December 31, 2017 and June 30, 2017, the Group had available unutilized bank loan facilities in the amounts of \$5,250,695 thousand, \$5,545,186 and \$4,982,535 thousand, respectively.

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

The following tables detailed the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed 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 repayment dates.

#### June 30, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 798,349	\$ 981,201	\$ 167,238	\$ -
Bonds payable	-	-	-	800,000
Borrowings	<u>178,271</u>	<u>189,394</u>	<u>426,911</u>	<u>950,887</u>
	<u>\$ 976,620</u>	<u>\$ 1,170,595</u>	<u>\$ 594,149</u>	<u>\$ 1,750,887</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Bonds payable	\$ 842,170	\$ 302,908	\$ 19,481	\$ -
Borrowings	<u>93,259</u>	<u>265,125</u>	<u>391,896</u>	<u>851,113</u>
	<u>\$ 935,429</u>	<u>\$ 568,033</u>	<u>\$ 411,377</u>	<u>\$ 1,651,113</u>

June 30, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Bonds payable	\$1,234,633	\$ 415,260	\$ 45,094	\$ -	\$ -
Borrowings	<u>189,510</u>	<u>258,017</u>	<u>702,262</u>	<u>522,053</u>	<u>10,306</u>
	<u>\$1,424,143</u>	<u>\$ 673,277</u>	<u>\$ 747,356</u>	<u>\$1,322,053</u>	<u>\$ 10,306</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.

June 30, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts - outflows	<u>\$ 27,552</u>	<u>\$ 209,166</u>	<u>\$ 113,697</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts - outflows	<u>\$ 52,969</u>	<u>\$ 62,246</u>	<u>\$ 35,440</u>

June 30, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts - outflows	<u>\$ 54,862</u>	<u>\$ 101,404</u>	<u>\$ 157,032</u>

### 31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Parent Company and its subsidiaries, which were related parties of the Parent Company, had been eliminated on consolidation and are not disclosed in this note. Besides that which is disclosed elsewhere in the other notes, the details of transactions between the Group and other related parties are disclosed below.

#### a. Related parties and relationships

Related Parties	Relationships with the Group
Snowdown Merchandise Corporation	Associate
Daquan Hanshi Co., Ltd.	Associate
Gong Tong Zu Lin Co., Ltd.	Associate
Jet Circuit Limited	Substantively related parties
KWONG LUNG – O MON COMPANY LIMITED	Subsidiary ("VIET TIEN MEKO COMPANY LIMITED" was renamed "KWONG LUNG-O MON COMPANY LIMITED" on January 10, 2018.)

#### b. Sales of goods

Related Party Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Jet Circuit Limited	\$ 19,564	\$ 23,741	\$ 55,604	\$ 23,741
Daquan Hanshi Co., Ltd.	<u>67</u>	<u>-</u>	<u>67</u>	<u>-</u>
	<u>\$ 19,631</u>	<u>\$ 23,741</u>	<u>\$ 55,671</u>	<u>\$ 23,741</u>

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

#### c. Manufacturing overhead

Related Party Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
KWONG LUNG - OMON COMPANY LIMITED	<u>\$ -</u>	<u>\$ 39,226</u>	<u>\$ -</u>	<u>\$ 46,007</u>

Processing fees are based on cost plus. It is the same as general manufacturer.

d. Receivables from related parties

Related Party Name	June 30,2018	December 31,2017	June 30,2017
Jet Circuit Limited	\$ 41,528	\$ 52,543	\$ 45,632

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 six months ended June 30, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Related Party Name	June 30,2018	December 31,2017	June 30,2017
KWONG LUNG – O MON COMPANY LIMITED	\$ -	\$ 15,373	\$ 15,533

The outstanding trade payables to related parties are unsecured.

f. Property, plant and equipment acquired

	Price			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Daquan Hanshi Co., Ltd.	\$ -	\$ -	\$ -	\$ 4,000
Gong Tong Zu Lin Co., Ltd.	-	-	2,130	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,130</u>	<u>\$ 4,000</u>

g. Acquisitions of financial assets

For the three months ended June 30,2018

Related Party Name	Line Item	Number of Shares	Underlying Assets	Price
Snowdown Merchandise Corporation	Financial assets at amortized cost	One shares with par value of \$10,000 thousand	Private corporate bond with no active market	<u>\$ 10,000</u>

For the three months ended June 30,2017

Related Party Name	Line Item	Number of Shares	Underlying Assets	Price
Snowdown Merchandise Corporation	Debt investments with no active market - current	Five shares with par value of \$10,000 thousand	Private corporate bond with no active market	<u>\$ 50,000</u>

For the six months ended June 30,2018

Related Party Name	Line Item	Number of Shares	Underlying Assets	Price
Snowdown Merchandise Corporation	Financial assets at amortized cost	Six shares with par value of \$10,000 thousand	Private corporate bond with no active market	<u>\$ 60,000</u>

For the six months ended June 30,2017

<u>Related Party Name</u>	<u>Line Item</u>	<u>Number of Shares</u>	<u>Underlying Assets</u>	<u>Price</u>
Snowdown Merchandise Corporation	Debt investments with no active market - current	Five shares with par value of \$10,000 thousand	Private corporate bond with no active market	<u>\$ 50,000</u>

h. Loans to related parties

<u>Related Party Name</u>	<u>June 30,2018</u>	<u>December 31,2017</u>	<u>June 30,2017</u>
<u>Other receivables</u>			
Snowdown Merchandise Corporation	\$ 90,000	\$ 90,000	\$ 80,000
Gong Tong Zu Lin Co., Ltd.	<u>40,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 130,000</u>	<u>\$ 90,000</u>	<u>\$ 80,000</u>

The company provides short-term loans to affiliated companies with interest rates similar to market interest rates. The lending to affiliated companies is guaranteed.

i. Compensation of key management personnel

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 23,340	\$ 9,188	\$ 37,977	\$ 18,405
Post-employment benefits	171	262	340	433
Share-based payments	<u>109</u>	<u>335</u>	<u>177</u>	<u>552</u>
	<u>\$ 23,620</u>	<u>\$ 9,785</u>	<u>\$ 38,494</u>	<u>\$ 19,390</u>

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

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

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

	<u>June 30,2018</u>	<u>December 31,2017</u>	<u>June 30,2017</u>
Pledged assets	\$ 5,005	\$ 8,883	\$ 13,709
Land	236,840	236,840	236,840
Buildings, net	<u>2,783</u>	<u>2,952</u>	<u>2,259</u>
	<u>\$ 244,628</u>	<u>\$ 248,675</u>	<u>\$ 252,808</u>

### 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016 were as follows:

#### Significant Commitments

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

	<u>June 30,2018</u>	<u>December 31,2017</u>	<u>June 30,2017</u>
USD	<u>\$ 3,634</u>	<u>\$ 2,493</u>	<u>\$ 1,298</u>
EUR	<u>\$ 776</u>	<u>\$ 654</u>	<u>\$ 1,115</u>

NTD	\$ <u>59,923</u>	\$ <u>57,597</u>	\$ <u>21,348</u>
-----	------------------	------------------	------------------

- b. As of June 30, 2018, December 31, 2017 and June 30, 2017, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$53,659 thousand, \$22,795 thousand and \$48,090 thousand, respectively.
- c. As of June 30, 2018, December 31, 2017 and June 30, 2017, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$224,146 thousand, \$223,000 thousand and \$224,000 thousand, respectively.
- d. Commitments for purchases of machinery and equipment were as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Unpaid price – NTD	\$ 5,723	\$ 46,857	\$ 97,619
– USD	604	319	559
– JPY	-	-	1,585

#### 34. SIGNIFICANT LOSSES FROM DISASTERS

A fire broke out on March 23, 2017 at the plant of the Vietnamese subsidiary Kwong Lung Meko Co., Ltd., For information on fire damage and insurance claims, please refer to Note 33 of the 2017 consolidated financial report. Please refer to Notes 12 and 25 for the claims receivable and claims income in this quarter of 2018.

#### 35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD : None

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

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

June 30, 2018

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 76,478	30.46 (USD : NTD)	\$ 2,329,520
USD	8,857	6.6318 (USD : CNY)	269,784
USD	19,198	25.383 (USD : VND)	584,771
JPY	837,391	0.2754 (JPY : NTD)	230,617
VND	20,470,973	0.00004 (VND : USD)	24,565
EUR	165	35.4 (EUR : NTD)	5,841
CNY	2,678	4.593 (CNY : NTD)	12,300
<u>Non-monetary items</u>			
<u>Investments accounted for using equity method</u>			
USD	1,000	30.46 (USD : NTD)	30,471
PLN	674	8.1258 (PLN : NTD)	7,102

Financial liabilities

## Monetary items

USD	48,155	30.46 (USD : NTD)	1,466,801
USD	740	6.6318 (USD : CNY)	22,540
USD	12,659	25.383 (USD : VND)	385,593
JPY	2,812	0.2754 (JPY : NTD)	774
VND	107,963,559	0.00004 (VND : USD)	129,556
EUR	6,377	35.4 (EUR : NTD)	225,746

December 31, 2017

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 46,199	29.76 (USD:NTD)	\$ 1,374,882
USD	12,430	6.5192 (USD:CNY)	369,917
USD	18,550	25,008 (USD:VND)	552,048
JPY	666,287	0.2642 (JPY:NTD)	176,033
VND	82,931,696	0.00004 (VND:USD)	98,689
EUR	182	35.57 (EUR:NTD)	6,474
CNY	1,687	4.565 (CNY:NTD)	7,701
Non-monetary items			
Investments accounted for using equity method			
VND	13,968,285	0.00119 (VND:NTD)	16,622
USD	1,144	29.76 (USD:NTD)	34,035
PLN	728	8.5688 (PLN:NTD)	6,500

Financial liabilities

## Monetary items

USD	42,173	29.76 (USD:NTD)	1,255,068
USD	1,598	6.5192 (USD:CNY)	47,556
USD	11,317	25,008 (USD:VND)	336,794
JPY	2,067	0.2642 (JPY:NTD)	546
VND	99,202,728	0.00004 (VND:USD)	118,051
EUR	3,226	35.57 (EUR:NTD)	114,749

June 30, 2017

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 65,017	30.42 (USD:NTD)	\$ 1,997,817
USD	16,058	6.7811 (USD:CNY)	488,484
USD	14,098	24,934 (USD:VND)	428,861
JPY	614,325	0.2716 (JPY:NTD)	166,851

VND	33,623,508	0.00004(VND:USD)	41,021
EUR	200	34.72(EUR:NTD)	6,944
CNY	41,649	4.486 (CNY:NTD)	186,837
Non-monetary items			
Investments accounted for using equity method			
VND	13,308,231	0.00122 (VND:NTD)	16,236
USD	1,194	30.42 (USD:NTD)	36,313

#### Financial liabilities

#### Monetary items

USD	51,489	30.42 (USD:NTD)	1,566,295
USD	2,581	6.7811 (USD:CNY)	78,514
USD	13,696	24,934 (USD:VND)	416,632
JPY	29,526	0.2716(JPY:NTD)	8,019
VND	52,769,405	0.00004 (VND:USD)	64,379
EUR	3,792	32.72 (EUR:NTD)	131,658

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

Foreign Currencies	For the Three Months Ended			
	June 30			
	2018		2017	
Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)	
VND	0.00118 (VND:NTD)	\$ 2,351	0.00121 (VND:NTD)	\$ 462
NTD	1 (NTD:NTD)	42,520	1 (NTD:NTD)	(1,454)
USD	29.774(USD:NTD)	261	30.256 (USD:NTD)	271
CNY	4.669(CNY:NTD)	12,370	4.412 (CNY:NTD)	(7,540)
PLN	8.3371 (PLN:NTD)	<u>2,095</u>	7.89708 (PLN:NTD)	<u>(33)</u>
		<u>\$ 59,597</u>		<u>\$ (8,294)</u>

Foreign Currencies	For the Six Months Ended			
	June 30			
	2018		2017	
Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)	
VND	0.00117 (VND:NTD)	\$ 3,076	0.00123(VND:NTD)	\$ 624
NTD	1 (NTD:NTD)	43,714	1 (NTD:NTD)	(11,463)
USD	29.537(USD:NTD)	491	30.675 (USD:NTD)	343
CNY	4.64(CNY:NTD)	2,373	4.47 (CNY:NTD)	(9,320)
PLN	8.4345 (PLN:NTD)	<u>2,152</u>	7.83445 (PLN:NTD)	<u>(33)</u>
		<u>\$ 51,806</u>		<u>\$ (19,849)</u>

### 37. 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 Six Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Apparel department	\$ 1,564,468	\$ 1,600,012	\$ 51,318	\$ 76,381
Down material department	1,799,883	1,137,642	80,569	( 18,038 )
Home textile department	1,091,848	1,066,503	( 34,574 )	59,069
Others	322,529	134,886	8,580	( 4,565 )
Segment revenues	4,778,728	3,939,043	105,893	112,847
Eliminations	( 303,609 )	( 215,432 )	-	-
Segment revenue or segment income	\$ 4,475,119	\$ 3,723,611	105,893	112,847
Other income			3,834	2,493
Other gains and losses			173,500	( 599,737 )
Finance costs			( 19,391 )	( 16,396 )
Share of profit or loss of associates and joint ventures			16,355	( 7,943 )
Profit (loss) before tax(continuing operations)			\$ 280,191	( \$ 508,736 )

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.