

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2019 and 2018 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of June 30, 2019 and 2018, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT\$2,395,814 thousand and NT\$1,881,832 thousand, respectively, representing 26% and 25%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$607,806 thousand and NT\$553,864 thousand, respectively, representing 13% and 12%, respectively, of the consolidated total liabilities; for the three months and six months ended June 30, 2019 and 2018, the amounts of combined comprehensive income of these non-significant subsidiaries were NT\$48,940 thousand, NT\$41,417 thousand, NT\$61,079 thousand and NT\$39,297 thousand, respectively, representing 16%, 22%, 16% and 14%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 13, the investments accounted for using the equity method, as of June 30, 2019 and 2018, were NT\$167,324 thousand and NT\$168,386 thousand, respectively, and the consolidated equity in these investees' net loss and gain for the three months and six months ended

June 30, 2019 and 2018 amounted to NT\$1,306 thousand, NT\$1,464 thousand, NT\$3,587 thousand and NT\$16,355 thousand, respectively, and the related investment amounts as well as additional disclosures are based on these investees' unreviewed financial statements for the same reporting periods as those of the Group.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other investees accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019 and 2018 and of its consolidated financial performance and its consolidated cash flows for the three months and six months ended June 30, 2019 and 2018 and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 14, 2019

### Notice to Readers

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

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

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 761,690	8	\$ 794,215	12	\$ 499,184	7
Financial assets at fair value through profit or loss - current (Note 7)	6,234	-	2,034	-	1,754	-
Financial assets at amortized cost - current (Note 9)	100,883	1	3,002	-	8,505	-
Notes receivable (Note 10)	122,883	2	132,444	2	39,053	-
Trade receivables (Note 10)	1,369,036	15	915,574	13	1,300,867	17
Trade receivables from related parties (Notes 10 and 29)	-	-	-	-	41,528	1
Other receivables (Note 10)	401,949	4	123,443	2	389,380	5
Other receivables from related parties (Note 29)	120,000	1	-	-	130,000	2
Inventories (Note 11)	3,348,597	37	2,618,775	37	2,741,185	36
Prepayments	136,171	2	138,944	2	122,443	2
Other current assets	131,147	1	89,469	1	91,498	1
Total current assets	<u>6,498,590</u>	<u>71</u>	<u>4,817,900</u>	<u>69</u>	<u>5,365,397</u>	<u>71</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	200,015	2	100,700	2	134,984	2
Financial assets at amortized cost - non-current (Note 9)	60,000	1	60,000	1	60,000	1
Investments accounted for using the equity method (Note 13)	167,324	2	156,970	2	168,386	2
Property, plant and equipment (Notes 14, 30 and 31)	1,548,658	17	1,573,527	22	1,546,600	20
Right-of-use assets (Note 15)	189,404	2	-	-	-	-
Investment properties, net (Note 16)	207,247	2	96,680	1	95,950	1
Other intangible assets (Note 17)	69,674	1	66,081	1	69,935	1
Deferred tax assets	51,658	1	50,088	1	55,055	1
Long-term prepayments for leases (Note 15)	-	-	79,455	1	81,870	1
Other non-current assets	102,018	1	29,924	-	18,126	-
Total non-current assets	<u>2,595,998</u>	<u>29</u>	<u>2,213,425</u>	<u>31</u>	<u>2,230,906</u>	<u>29</u>
<b>TOTAL</b>	<u>\$ 9,094,588</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>	<u>\$ 7,596,303</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 18 and 30)	\$ 748,966	8	\$ 380,855	5	\$ 527,337	7
Short-term bills payable (Note 18)	-	-	-	-	49,973	1
Financial liabilities at fair value through profit or loss - current (Note 7)	8,595	-	10,289	-	6,579	-
Notes payable	12,121	-	5,267	-	24,383	-
Trade payables	1,065,683	12	782,705	11	1,165,930	15
Other payables (Note 20)	722,604	8	469,308	7	756,475	10
Current tax liabilities (Note 4)	52,696	1	59,474	1	25,616	-
Lease liabilities - current (Note 15)	40,684	-	-	-	-	-
Current portion of long-term liabilities (Notes 18 and 30)	621,425	7	790,871	11	200,837	3
Other current liabilities	45,288	-	44,072	1	116,751	2
Total current liabilities	<u>3,318,062</u>	<u>36</u>	<u>2,542,841</u>	<u>36</u>	<u>2,873,881</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 19)	-	-	-	-	783,201	10
Long-term borrowings (Notes 18 and 30)	1,264,435	14	214,720	3	940,215	12
Deferred tax liabilities	134,221	2	129,400	2	136,539	2
Lease liabilities - non-current (Note 15)	65,538	1	-	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	35,738	-	42,409	1	46,052	1
Guarantee deposits	4,170	-	1,999	-	1,970	-
Total non-current liabilities	<u>1,504,102</u>	<u>17</u>	<u>388,528</u>	<u>6</u>	<u>1,907,977</u>	<u>25</u>
Total liabilities	<u>4,822,164</u>	<u>53</u>	<u>2,931,369</u>	<u>42</u>	<u>4,781,858</u>	<u>63</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 26)</b>						
Share capital						
Ordinary shares	1,148,019	13	1,103,540	16	1,094,708	14
Preference shares	182,000	2	182,000	2	-	-
Total share capital	<u>1,330,019</u>	<u>15</u>	<u>1,285,540</u>	<u>18</u>	<u>1,094,708</u>	<u>14</u>
Capital surplus	1,832,875	20	1,687,841	24	943,404	12
Retained earnings						
Legal reserve	435,765	5	373,931	5	373,931	5
Special reserve	88,634	1	80,889	1	80,889	1
Unappropriated earnings	490,979	5	707,906	10	310,994	4
Total retained earnings	<u>1,015,378</u>	<u>11</u>	<u>1,162,726</u>	<u>16</u>	<u>765,814</u>	<u>10</u>
Other equity interests						
Exchange differences on translating the financial statements of foreign operations	(9,286)	-	(106,120)	(1)	(92,214)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	46,596	-	17,486	-	54,167	1
Total other equity interests	<u>37,310</u>	<u>-</u>	<u>(88,634)</u>	<u>(1)</u>	<u>(38,047)</u>	<u>-</u>
Total equity attributable to owners of the Company	4,215,582	46	4,047,473	57	2,765,879	36
<b>NON-CONTROLLING INTERESTS</b>	<u>56,842</u>	<u>1</u>	<u>52,483</u>	<u>1</u>	<u>48,566</u>	<u>1</u>
Total equity	<u>4,272,424</u>	<u>47</u>	<u>4,099,956</u>	<u>58</u>	<u>2,814,445</u>	<u>37</u>
<b>TOTAL</b>	<u>\$ 9,094,588</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>	<u>\$ 7,596,303</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 14, 2019)

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

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 29)								
Sales revenue	\$ 3,043,186	100	\$ 2,781,839	100	\$ 5,073,182	100	\$ 4,475,119	100
OPERATING COSTS (Notes 11, 23 and 29)								
Cost of goods sold	<u>(2,564,614)</u>	<u>(84)</u>	<u>(2,407,013)</u>	<u>(87)</u>	<u>(4,390,010)</u>	<u>(87)</u>	<u>(3,910,267)</u>	<u>(88)</u>
GROSS PROFIT	<u>478,572</u>	<u>16</u>	<u>374,826</u>	<u>13</u>	<u>683,172</u>	<u>13</u>	<u>564,852</u>	<u>12</u>
OPERATING EXPENSES (Notes 23 and 29)								
Selling and marketing expenses	(129,109)	(4)	(147,642)	(5)	(254,659)	(5)	(286,456)	(6)
General and administrative expenses	(67,283)	(2)	(66,033)	(2)	(131,696)	(3)	(138,205)	(3)
Research and development expenses	(12,425)	(1)	(16,750)	(1)	(24,307)	-	(32,837)	(1)
Expected credit loss	<u>-</u>	<u>-</u>	<u>(1,483)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,461)</u>	<u>-</u>
Total operating expenses	<u>(208,817)</u>	<u>(7)</u>	<u>(231,908)</u>	<u>(8)</u>	<u>(410,662)</u>	<u>(8)</u>	<u>(458,959)</u>	<u>(10)</u>
PROFIT FROM OPERATIONS	<u>269,755</u>	<u>9</u>	<u>142,918</u>	<u>5</u>	<u>272,510</u>	<u>5</u>	<u>105,893</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)								
Other income	2,557	-	1,501	-	5,363	-	3,834	-
Other gains	22,030	1	52,332	2	37,461	1	173,500	4
Finance costs	(8,987)	-	(9,683)	-	(15,028)	-	(19,391)	-
Share of profit of associates	<u>1,306</u>	<u>-</u>	<u>1,464</u>	<u>-</u>	<u>3,587</u>	<u>-</u>	<u>16,355</u>	<u>-</u>
Total non-operating income and expenses	<u>16,906</u>	<u>1</u>	<u>45,614</u>	<u>2</u>	<u>31,383</u>	<u>1</u>	<u>174,298</u>	<u>4</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	286,661	10	188,532	7	303,893	6	280,191	6
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(52,764)</u>	<u>(2)</u>	<u>(31,054)</u>	<u>(1)</u>	<u>(56,893)</u>	<u>(1)</u>	<u>(47,244)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>233,897</u>	<u>8</u>	<u>157,478</u>	<u>6</u>	<u>247,000</u>	<u>5</u>	<u>232,947</u>	<u>5</u>

(Continued)

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

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 6,776	-	\$ (18,642)	(1)	\$ 29,681	-	\$ (6,891)	-
Remeasurement of defined benefit plans, net of income tax	-	-	-	-	-	-	387	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	<u>70,313</u>	<u>2</u>	<u>49,830</u>	<u>2</u>	<u>97,033</u>	<u>2</u>	<u>49,824</u>	<u>1</u>
Other comprehensive income for the period, net of income tax	<u>77,089</u>	<u>2</u>	<u>31,188</u>	<u>1</u>	<u>126,714</u>	<u>2</u>	<u>43,320</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 310,986</u>	<u>10</u>	<u>\$ 188,666</u>	<u>7</u>	<u>\$ 373,714</u>	<u>7</u>	<u>\$ 276,267</u>	<u>6</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 229,905	8	\$ 151,433	6	\$ 240,534	5	\$ 223,740	5
Non-controlling interests	<u>3,992</u>	<u>-</u>	<u>6,045</u>	<u>-</u>	<u>6,466</u>	<u>-</u>	<u>9,207</u>	<u>-</u>
	<u>\$ 233,897</u>	<u>8</u>	<u>\$ 157,478</u>	<u>6</u>	<u>\$ 247,000</u>	<u>5</u>	<u>\$ 232,947</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$ 307,262	10	\$ 182,850	7	\$ 367,049	7	\$ 266,969	6
Non-controlling interests	<u>3,724</u>	<u>-</u>	<u>5,816</u>	<u>-</u>	<u>6,665</u>	<u>-</u>	<u>9,298</u>	<u>-</u>
	<u>\$ 310,986</u>	<u>10</u>	<u>\$ 188,666</u>	<u>7</u>	<u>\$ 373,714</u>	<u>7</u>	<u>\$ 276,267</u>	<u>6</u>
EARNINGS PER SHARE								
(Note 25)								
Basic	<u>\$2.04</u>		<u>\$1.41</u>		<u>\$2.15</u>		<u>\$2.07</u>	
Diluted	<u>\$1.77</u>		<u>\$1.24</u>		<u>\$1.88</u>		<u>\$1.83</u>	

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

(With Deloitte & Touche review report dated August 14, 2019)

(Concluded)

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

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

	Equity Attributable to Owners of the Company										Other Equity Interests			Total	Non-controlling Interests	Total Equity			
	Share Capital			Capital Surplus							Retained Earnings						Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets
	Ordinary Shares	Preference Shares	Subtotal	Additional Paid-in Capital	Additional Paid-In Capital-Bond Conversion	Treasury Share Transactions	Employee Share Options	Convertible Bonds Share Options	Expired Share Options	Subtotal	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2018	\$ 1,090,130	\$ -	\$ 1,090,130	\$ 923,606	\$ -	\$ 29,284	\$ 54,557	\$ 34,657	\$ 1,493	\$ 1,043,597	\$ 373,931	\$ -	\$ 386,167	\$ (141,947)	\$ -	\$ 61,058	\$ 2,812,936	\$ 44,100	\$ 2,857,036
Effect of retrospective application	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,058	(61,058)	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,090,130	-	1,090,130	923,606	-	29,284	54,557	34,657	1,493	1,043,597	373,931	-	386,167	(141,947)	61,058	-	2,812,936	44,100	2,857,036
Appropriation of the 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	80,889	(80,889)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(218,411)	-	-	-	(218,411)	-	(218,411)
Cash dividends from capital surplus	-	-	-	(109,205)	-	-	-	-	-	(109,205)	-	-	-	-	-	-	(109,205)	-	(109,205)
Net profit 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
Employee share options	4,578	-	4,578	13,248	-	-	(4,236)	-	-	9,012	-	-	-	-	-	-	13,590	-	13,590
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,832)	(4,832)
BALANCE AT JUNE 30, 2018	\$ 1,094,708	\$ -	\$ 1,094,708	\$ 827,649	\$ -	\$ 29,284	\$ 50,321	\$ 34,657	\$ 1,493	\$ 943,404	\$ 373,931	\$ 80,889	\$ 310,994	\$ (92,214)	\$ 54,167	\$ -	\$ 2,765,879	\$ 48,566	\$ 2,814,445
BALANCE AT JANUARY 1, 2019	\$ 1,103,540	\$ 182,000	\$ 1,285,540	\$ 1,577,397	\$ -	\$ 29,284	\$ 44,956	\$ 34,657	\$ 1,547	\$ 1,687,841	\$ 373,931	\$ 80,889	\$ 707,906	\$ (106,120)	\$ 17,486	\$ -	\$ 4,047,473	\$ 52,483	\$ 4,099,956
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	61,834	-	(61,834)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	7,745	(7,745)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(386,957)	-	-	-	(386,957)	-	(386,957)
Preferred dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(1,496)	-	-	-	(1,496)	-	(1,496)
Net profit for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	240,534	-	-	-	240,534	6,466	247,000
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	96,834	29,681	-	126,515	199	126,714
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	240,534	96,834	29,681	-	367,049	6,665	373,714
Employee share options	4,398	-	4,398	9,820	-	-	(760)	-	-	9,060	-	-	-	-	-	-	13,458	-	13,458
Convertible bonds converted to ordinary shares	40,081	-	40,081	-	143,633	-	-	(7,659)	-	135,974	-	-	-	-	-	-	176,055	-	176,055
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	571	-	(571)	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,306)	(2,306)
BALANCE AT JUNE 30, 2019	\$ 1,148,019	\$ 182,000	\$ 1,330,019	\$ 1,587,217	\$ 143,633	\$ 29,284	\$ 44,196	\$ 26,998	\$ 1,547	\$ 1,832,875	\$ 435,765	\$ 88,634	\$ 490,979	\$ (9,286)	\$ 46,596	\$ -	\$ 4,215,582	\$ 56,842	\$ 4,272,424

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

(With Deloitte & Touche review report dated August 14, 2019)

# 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	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 303,893	\$ 280,191
Adjustments for:		
Depreciation expenses	97,956	78,603
Amortization expenses	5,929	7,900
Expected credit loss recognized on trade receivables	-	1,461
Net gain on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	2,361	4,825
Finance costs	15,028	19,391
Interest income	(5,363)	(3,834)
Compensation costs of employee share options	3,627	1,142
Write-downs of inventories	16,659	8,777
Share of profit of associates	(3,587)	(16,355)
Loss (gain) on disposal of property, plant and equipment	343	(30,461)
Gain on disposal of investments	-	(10,762)
Net (gain) loss on foreign currency exchange	8,729	(19,646)
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	2,034	1,594
Notes receivable	9,561	73,554
Trade receivables	(462,875)	(400,078)
Trade receivables from related parties	-	11,015
Other receivables	(276,162)	(116,466)
Inventories	(751,246)	(497,863)
Prepayments	2,773	(74,290)
Other current assets	(45,521)	(9,330)
Financial liabilities held for trading	(10,289)	(78)
Notes payable	6,854	21,316
Trade payables	285,100	379,928
Trade payables from related parties	-	(15,373)
Other payables	(128,707)	47,305
Other current liabilities	1,216	67,195
Net defined benefit liabilities	(6,671)	(1,677)
Cash generated from operations	(928,358)	(192,016)
Interest received	5,363	3,834
Interest paid	(6,870)	(12,780)
Income tax paid	(60,420)	(43,906)
Net cash used in operating activities	(990,285)	(244,868)

(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	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (76,476)	\$ -
Acquisition of financial assets at amortized cost	(97,881)	(10,000)
Proceeds from disposal of financial assets at amortized cost	-	63,898
Net cash outflow on acquisition of subsidiaries (Note 27)	-	16,202
Net cash inflow on disposal of subsidiaries	-	36
Acquisition of property, plant and equipment	(75,382)	(162,009)
Proceeds from disposal of property, plant and equipment	1,536	188,310
Increase in other receivables - related parties	(120,000)	(40,000)
Acquisition of intangible assets	(9,522)	(6,990)
Acquisition of investment properties	(104,226)	-
Increase in other non-current assets	(35,947)	-
Decrease in other non-current assets	-	3,910
Net cash generated from (used in) investing activities	<u>(517,898)</u>	<u>53,357</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	365,376	-
Repayments of short-term borrowings	-	(103,464)
Proceeds from short-term bills payable	-	49,973
Proceeds from long-term borrowings	1,150,000	550,000
Repayments of long-term borrowings	(100,419)	(350,413)
Proceeds from guarantee deposits received	2,171	80
Repayment of the principal portion of lease liabilities	(21,108)	-
Proceeds from share options exercised	9,831	12,448
Cash dividends paid to non-controlling interests of subsidiaries	(2,536)	-
Changes in non-controlling interests	230	(5,219)
Net cash generated from financing activities	<u>1,403,545</u>	<u>153,405</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>72,113</u>	<u>27,582</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(32,525)</b>	<b>(10,524)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>794,215</u>	<u>509,708</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 761,690</u>	<u>\$ 499,184</u>

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

(With Deloitte & Touche review report dated August 14, 2019)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 14, 2019.

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

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

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

- IFRS 16 “Leases”

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

#### Definition of a lease

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

## The Group as lessee

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

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

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

The Group also applies the following practical expedients:

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

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

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

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

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

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

The Group as lessor

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

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

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Right-of-use assets	\$ -	\$ 207,741	\$ 207,741
Other assets			
Prepayments for leases	3,843	(3,843)	-
Long-term prepayments for leases	<u>79,455</u>	<u>(79,455)</u>	<u>-</u>
Effect on assets	<u>\$ 83,298</u>	<u>\$ 124,443</u>	<u>\$ 207,741</u>
Lease liabilities - current	\$ -	\$ 39,799	\$ 39,799
Lease liabilities - non-current	<u>-</u>	<u>84,644</u>	<u>84,644</u>
Effect on liabilities	<u>\$ -</u>	<u>\$ 124,443</u>	<u>\$ 124,443</u>
Effect on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

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

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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: 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 financial statements.

- b. Basis of preparation

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

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

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

c. Basis of consolidation

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

d. Other significant accounting policies

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

1) Leases

2019

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

a) The Group as lessor

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

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

b) The Group as lessee

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

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

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

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

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

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

## 2018

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

### a) The Group as lessor

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

### b) The Group as lessee

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

## 2) Retirement benefits

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

## 3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income in full in the period in which the change in tax rate occurs.

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

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

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	\$ 2,598	\$ 2,759	\$ 2,945
Checking accounts and demand deposits	567,276	532,529	420,089
Cash equivalents (investments with original maturities less than three months)			
Time deposits	<u>191,816</u>	<u>258,927</u>	<u>76,150</u>
	<u>\$ 761,690</u>	<u>\$ 794,215</u>	<u>\$ 499,184</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 6,224	\$ 2,034	\$ 1,754
Foreign currency swap contracts	<u>10</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,234</u>	<u>\$ 2,034</u>	<u>\$ 1,754</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ 8,523	\$ 10,289	\$ 6,579
Foreign currency swap contracts	<u>72</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,595</u>	<u>\$ 10,289</u>	<u>\$ 6,579</u>

- a. 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, 2019</u>			
Buy	EUR/NTD	2019.7.12-2019.8.23	EUR5,000/NTD173,545
Sell	USD/CNY	2019.7.8-2020.6.29	USD14,000/CNY96,766
Sell	JPY/NTD	2019.7.8-2019.12.17	JPY1,200,000/NTD339,268

(Continued)

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2018</u>			
Sell	JPY/NTD	2019.2.26-2019.3.4	JPY600,000/NTD166,820
Sell	USD/CNY	2019.1.31-2019.10.29	USD12,000/CNY80,593
<u>June 30, 2018</u>			
Buy	EUR/NTD	2018.8.7-2018.11.20	EUR4,000/NTD140,962
Sell	USD/CNY	2019.3.1-2019.6.28	USD6,000/CNY39,008
Sell	JPY/NTD	2018.7.12-2018.9.25	JPY600,000/NTD164,705 (Concluded)

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

	<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Exchange Rate</b>
<u>June 30, 2019</u>	USD4,000	2019.11.29-2020.2.27	30.687-30.899

December 31, 2018: None

June 30, 2018: None

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

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Non-current</u>			
Domestic investments			
Listed shares	<u>\$ 200,015</u>	<u>\$ 100,700</u>	<u>\$ 134,984</u>

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Domestic investments			
Restricted assets - bank balance	\$ 6,003	\$ 2	\$ 5,005
Time deposits with original maturity more than 3 months	<u>94,880</u>	<u>3,000</u>	<u>3,500</u>
	<u>\$ 100,883</u>	<u>\$ 3,002</u>	<u>\$ 8,505</u>
<u>Non-current</u>			
Domestic investments			
Private corporate bond with no active market (a)	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Notes receivable</u>			
Notes receivable	\$ 122,883	\$ 132,444	\$ 39,053
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 122,883</u>	<u>\$ 132,444</u>	<u>\$ 39,053</u>
<u>Trade receivables (including related parties)</u>			
Trade receivables	\$ 1,370,335	\$ 916,873	\$ 1,353,857
Less: Allowance for impairment loss	<u>(1,299)</u>	<u>(1,299)</u>	<u>(11,462)</u>
	<u>\$ 1,369,036</u>	<u>\$ 915,574</u>	<u>\$ 1,342,395</u>
<u>Other receivables</u>			
Sale of raw materials	\$ 346,796	\$ 29,347	\$ 332,442
Tax refund receivable	51,433	71,894	50,221
Premium receivable	-	18,644	-
Others	<u>3,720</u>	<u>3,558</u>	<u>6,717</u>
	<u>\$ 401,949</u>	<u>\$ 123,443</u>	<u>\$ 389,380</u>

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

The Group applies the simplified approach to estimate expected credit losses, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. The overdue trade receivable will be provided with an allowance of 0.02% to 100%, 0.03% to 100% and 0.7% to 100% as of June 30, 2019, December 31, 2018 and June 30, 2018.

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

The aging of receivables was as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Less than 30 days	\$ 1,146,985	\$ 532,006	\$ 1,097,815
31-60 days	189,121	278,774	146,208
61-120 days	30,001	100,770	97,030
More than 121 days	<u>4,228</u>	<u>5,323</u>	<u>12,804</u>
	<u>\$ 1,370,335</u>	<u>\$ 916,873</u>	<u>\$ 1,353,857</u>

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

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

	<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 1,299	\$ 10,116
Add: Net remeasurement of loss allowance	-	1,461
Less: Amounts written off	-	(214)
Foreign exchange translation	<u>-</u>	<u>99</u>
Balance at June 30	<u>\$ 1,299</u>	<u>\$ 11,462</u>

## 11. INVENTORIES

	June 30, 2019	December 31, 2018	June 30, 2018
Merchandise	\$ 366,732	\$ 352,700	\$ 257,080
Finished goods	414,955	386,445	405,928
Work in progress	1,552,699	1,227,280	1,029,001
Raw materials and supplies	814,843	460,673	716,056
Goods to subcontractor	24,350	1,406	52,160
Inventory in transit	<u>175,018</u>	<u>190,271</u>	<u>280,960</u>
	<u>\$ 3,348,597</u>	<u>\$ 2,618,775</u>	<u>\$ 2,741,185</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2019 and 2018 included inventory write-downs of \$10,708 thousand and \$3,206 thousand, and for the six months ended June 30, 2019 and 2018 were \$16,659 thousand and \$8,777 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2019	December 31 2018	June 30, 2018	
The Company	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	100	100	Major subsidiary
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	Major subsidiary
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	1)
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)
	Klego Co., Ltd.	Wholesale and retail sale of clothes, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, cosmetics and other textile products; retail business without shop; retail sale of other products; international trade; software design services; data processing services; third party payment; retail sale of computer software; body shaping services; wholesale and retail sale of drugs, medical goods.	100	100	100	1)
	BBL Premium Co., Ltd.	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	100	100	100	1)
	Kwong Lung Europe SP. Z.O.O.	Various selling of down and bedding	100	100	100	1)
	Kwong Lung-O Mon Company Limited	Manufacturing and selling of apparel.	100	100	100	1), 2)
	Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	100

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2019	December 31, 2018	June 30, 2018	
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60	60	-	1), 3)
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	Major subsidiary
Snowdown Merchandise (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	100	100	100	1)
Snowdown Merchandise (Suzhou) Co., Ltd.	Huai An Guang Long He Yu Home Textile Co., Ltd	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	51	51	51	1)
BBL Premium Co., Ltd.	Manumech Corporation	Wholesale	51	51	51	1)
Manumech Corporation	Windsun Industry Co., Ltd.	Wholesale	100	100	100	1)
Manumech Corporation	Intime Tech Co., Ltd.	Wholesale	100	100	100	1)

(Concluded)

- 1) Because it is not a major subsidiary, its financial statements were not reviewed as of June 30, 2019 and June 30, 2018.
- 2) In January 2018, the Group has acquired control of the Viet Tien Meko Company Limited, which was originally a joint venture investment company, and changed its name to “Kwong Lung-O Mon Company Limited”.
- 3) In October 2018, Kwong Lung Meko Co., Ltd. increased USD 3,000 thousand capital of Kwong Lung Meko (B.V.I.) Ltd., representing a 60% shareholding. This resulted in a decrease from 100% to 40% shareholding on Bohsing Enterprise Co., Ltd. The capital increase did not affect the control of the Group and did not affect its profit and loss.

b. Subsidiaries excluded from consolidated financial statements: None.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Associates that are not individually material			
Investments in joint associates	<u>\$ 167,324</u>	<u>\$ 156,970</u>	<u>\$ 168,386</u>

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

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

## 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<b>Cost</b>							
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
Acquired in business combination	-	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>
<b>Accumulated depreciation</b>							
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)
Acquired in business combination	-	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 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>
<b>Cost</b>							
Balance at January 1, 2019	\$ 473,471	\$ 1,381,717	\$ 797,385	\$ 46,218	\$ 319,306	\$ 17,295	\$ 3,035,392
Additions	-	3,589	4,114	-	12,981	9,213	29,897
Disposals	-	(4,755)	(2,467)	-	(10,071)	-	(17,293)
Reclassification	148	-	-	48	6,176	(6,372)	-
Effect of foreign currency exchange differences	-	30,746	31,614	1,259	4,882	139	68,640
Balance at June 30, 2019	<u>\$ 473,619</u>	<u>\$ 1,411,297</u>	<u>\$ 830,646</u>	<u>\$ 47,525</u>	<u>\$ 333,274</u>	<u>\$ 20,275</u>	<u>\$ 3,116,636</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2019	\$ -	\$ 568,740	\$ 596,239	\$ 33,254	\$ 263,632	\$ -	\$ 1,461,865
Disposals	-	(4,755)	(2,151)	-	(8,508)	-	(15,414)
Depreciation expense	-	32,260	30,387	1,783	10,343	-	74,773
Effect of foreign currency exchange differences	-	16,593	25,063	1,100	3,998	-	46,754
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 612,838</u>	<u>\$ 649,538</u>	<u>\$ 36,137</u>	<u>\$ 269,465</u>	<u>\$ -</u>	<u>\$ 1,567,978</u>
Balance at January 1, 2019	<u>\$ 473,471</u>	<u>\$ 812,977</u>	<u>\$ 201,146</u>	<u>\$ 12,964</u>	<u>\$ 55,674</u>	<u>\$ 17,295</u>	<u>\$ 1,573,527</u>
Carrying amounts at June 30, 2019	<u>\$ 473,619</u>	<u>\$ 798,459</u>	<u>\$ 181,108</u>	<u>\$ 11,388</u>	<u>\$ 63,809</u>	<u>\$ 20,275</u>	<u>\$ 1,548,658</u>

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

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

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

## 15. LEASE ARRANGEMENTS

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

	<b>June 30, 2019</b>	
<u>Carrying amounts</u>		
Land (Note)		\$ 83,504
Buildings		95,518
Machinery		1,893
Transportation equipment		<u>8,489</u>
		<u>\$ 189,404</u>
	<b>For the Three Months Ended June 30, 2019</b>	<b>For the Six Months Ended June 30, 2019</b>
Depreciation charge for right-of-use assets		
Land (Note)	\$ 1,004	\$ 1,975
Buildings	8,932	17,726
Machinery	173	336
Transportation equipment	<u>1,343</u>	<u>2,645</u>
	<u>\$ 11,452</u>	<u>\$ 22,682</u>

Note: Located in China and Vietnam. As of December 31, 2018 and June 30, 2018, the non-current prepaid lease amounted to \$79,455 thousand and \$81,870 thousand, respectively.

### b. Lease liabilities - 2019

	<b>June 30, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 40,684</u>
Non-current	<u>\$ 65,538</u>

Range of discount rate for lease liabilities was as follows:

	<b>June 30, 2019</b>
Buildings	1.18%-1.28%
Machinery	1.18%-1.28%
Transportation equipment	1.28%

c. Other lease information

2019

	<b>For the Three Months Ended June 30, 2019</b>	<b>For the Six Months Ended June 30, 2019</b>
Expenses relating to short-term leases and department stores	<u>\$ 16,122</u>	<u>\$ 27,082</u>
Expenses relating to low-value asset leases	<u>\$ 86</u>	<u>\$ 142</u>
Total cash outflow for leases	<u>\$ (27,580)</u>	<u>\$ (49,053)</u>

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

## 16. INVESTMENT PROPERTIES

Except for the addition of \$104,226 thousand of investment for the six months ended June 30, 2019 and the recognition of depreciation expenses, there were no significant disposals or impairment of investment properties held by the Group for the six months ended June 30, 2019 and 2018. The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings 24-28 years

(In Thousands of Japanese Yen)

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Independent valuation	<u>\$ 751,000</u>	<u>\$ 349,000</u>	<u>\$ 388,000</u>

The fair value of investment properties as of June 30, 2019 was based on the valuation carried out as of by independent qualified professional valuator, a member of certified Japan real estate appraisers. The fair value of investment properties was estimated by using the comparative approach and cost approach.

The fair value of investment properties was JPY388,000 thousand as of December 31, 2017. There was no significant change on the fair value of investment properties evaluated by management between June 30, 2018 and December 31, 2017.

Under operating lease of investment properties, the maturity analysis of lease receivable as of June 30, 2019 was as follows:

	<b>June 30, 2019</b>
Year 1	\$ 7,013
Year 2	<u>956</u>
	<u>\$ 7,969</u>

Under operating lease of investment properties, the maturity analysis of lease receivable as of December 31 and June 30, 2018 were as follows:

	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Not later than 1 year	\$ 5,309	\$ 1,259
Later than 1 year and not later than 5 years	<u>3,580</u>	<u>-</u>
	<u>\$ 8,889</u>	<u>\$ 1,259</u>

## 17. OTHER INTANGIBLE ASSETS

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Goodwill (Note 27)	\$ 22,022	\$ 22,022	\$ 22,022
Others	<u>47,652</u>	<u>44,059</u>	<u>47,913</u>
	<u>\$ 69,674</u>	<u>\$ 66,081</u>	<u>\$ 69,935</u>

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

## 18. BORROWINGS

### a. Short-term borrowings

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 748,966</u>	<u>\$ 380,855</u>	<u>\$ 527,337</u>
Range of interest rates	<u>0.28%-2.22%</u>	<u>0.27%-0.94%</u>	<u>0.53%-3.05%</u>

### b. Short-term bills payable

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Commercial paper	\$ -	\$ -	\$ 50,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>	<u>(27)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,973</u>

c. Current portion of long-term liabilities

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Current portion of bonds payable	\$ 620,574	\$ 789,886	\$ -
Current portion of long-term borrowings	<u>851</u>	<u>985</u>	<u>200,837</u>
	<u>\$ 621,425</u>	<u>\$ 790,871</u>	<u>\$ 200,837</u>

d. Long-term borrowings

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Secured borrowings</u>			
Bank loans*	\$ 15,286	\$ 115,705	\$ 116,052
<u>Unsecured borrowings</u>			
Credit borrowings	<u>1,250,000</u>	<u>100,000</u>	<u>1,025,000</u>
	1,265,286	215,705	1,141,052
Less: Current portions	<u>(851)</u>	<u>(985)</u>	<u>(200,837)</u>
Long-term borrowings	<u>\$ 1,264,435</u>	<u>\$ 214,720</u>	<u>\$ 940,215</u>
Range of interest rates	1.13%-1.82%	1.3%-1.82%	1.21%-1.82%

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

## 19. BONDS PAYABLE

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Unsecured bonds payable	\$ 620,574	\$ 789,886	\$ 783,201
Less: Current portions	<u>(620,574)</u>	<u>(789,886)</u>	<u>-</u>
Bonds payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783,201</u>

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

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

d. Redemption of the convertible bonds

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

- 1) The closing price of the Company's ordinary shares continues to be at least 130% of the conversion price; then, the closing price takes effect for 30 consecutive trading days; or
- 2) The aggregate outstanding balance of the bonds payable is less than 10% of the original issuance amount.

e. Redemption method

- 1) The Company meets its convertible bonds obligation by issuing ordinary shares.
- 2) Conversion period:

Except for the book closure period, bondholders are entitled to convert bonds into ordinary shares from October 31, 2016 to September 30, 2019.

- 3) The conversion price of the bonds is set up based on the Arithmetic mean of the business day's share closing price multiplied by 103% premium rate before the effective date, September 22, 2016. The conversion price is set initially at 50.88 per share.
  - a) After the issuance of the convertible bonds, in the event that the Company issued new ordinary shares or any kind of securities with conversion option or issue ordinary shares as employee bonus, the Company shall adjust the conversion price of the convertible bonds according to the given formula when the value of publicly or privately issued ordinary shares increased (including but not limited to cash replenishment by either public issuance or private placement, earnings transferred to capital, capital surplus transferred to capital, share issuance in business combination, share split, and cash replenishment to participate in the issuance of overseas depository receipts etc.)
  - b) After the issuance of the convertible bonds, in the event that the ratio of the cash dividends of the ordinary shares to the price per share is more than 1.5%, the conversion price shall be reduced on the basis of the ratio at the effective date.
  - c) After the issuance of the convertible bonds, the conversion price shall be adjusted according to the given formula when the Company issues or privately place any kind of securities with conversion or share option priced lower than the market price per share.
  - d) After the issuance of the convertible bonds, the conversion price shall be adjusted according to the given formula when the reduction of the ordinary shares is not because of the reduction of the treasury shares.

- 4) The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.7145% per annum on initial recognition.

Proceeds from issuance of convertible bonds (less transaction costs \$5,120 thousand)	\$ 794,880
Equity component (less transaction costs allocated to the equity component of \$223 thousand)	<u>(34,657)</u>
Liability component at the date of issuance (less transaction costs allocated to the liability component of \$4,897 thousand)	760,223
Interest charged at an effective interest rate	36,406
Convertible bonds converted into ordinary shares	<u>(176,055)</u>
 Liability component at June 30, 2019	 <u>\$ 620,574</u>

## 20. OTHER PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Accrued payroll and employee benefit	\$ 186,391	\$ 228,784	\$ 198,782
Accrued dividends	388,453	-	327,616
Accrued fabrication expense	8,618	10,423	14,542
Accrued bonus to employees	4,220	26,899	25,000
Accrued remuneration to directors and supervisors	1,055	11,550	9,775
Accrued equipment	2,819	12,157	-
Others	<u>131,048</u>	<u>179,495</u>	<u>180,760</u>
	<u>\$ 722,604</u>	<u>\$ 469,308</u>	<u>\$ 756,475</u>

## 21. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the six months ended June 30, 2019 and 2018 in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017. The Group recognized pension amount of \$189 thousand, \$208 thousand, \$377 thousand and \$417 thousand for the three months and six months ended June 30, 2019 and 2018, respectively.

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	June 30, 2019	December 31, 2018	June 30, 2018
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>114,802</u>	<u>110,354</u>	<u>109,471</u>
Shares issued	<u>\$ 1,148,019</u>	<u>\$ 1,103,540</u>	<u>\$ 1,094,708</u>

The authorized shares include shares allocated for exercise of employee share option and convert convertible bonds.

#### Preference shares

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

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

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

- 8) Preference shares cannot be converted to ordinary shares within one year after the preference share issuance. The actual conversion period will be subjected to the terms approved by the chairman. Preference shareholders A then can convert partially or wholly into ordinary shares based on the approved conversion terms and period. (Conversion ratio 1:1) Once Preference shareholders A are converted to ordinary shares, it has the same rights as ordinary shareholders. The preference shares dividend will be distributed based on the actual number of days issued. Preference shareholders A are not entitled to preferred dividend if the preference shares are converted to ordinary share prior to the ex-dividend record date, but are entitled to ordinary shares dividend derived from earnings and capital reserve.
- 9) Preference shareholders have the same pre-emptive right as ordinary shareholders for newly issued shares.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

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

c. Retained earnings and dividends policy

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

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

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

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

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meeting on May 30, 2019 and June 22, 2018, respectively; the amounts were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Special reserve	\$ 7,745	\$ 80,889		
Legal reserve	61,834	-		
Preferred dividends	1,496	-	\$0.08	\$-
Ordinary dividends	386,957	218,411	3.50	2.00

### 23. COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Other gains and losses

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Foreign exchange gains or losses	\$ 24,188	\$ 59,597	\$ 25,719	\$ 51,806
Net gain on financial assets and liabilities designated as at FVTPL	(3,972)	(6,983)	(2,361)	(4,825)
Insurance claims	-	-	-	87,609
Gain (loss) on disposal of property, plant and equipment	(221)	77	(343)	30,461
Gain on disposal of investments	-	(2,013)	-	10,762
Others	2,035	1,654	14,446	(2,313)
	<u>\$ 22,030</u>	<u>\$ 52,332</u>	<u>\$ 37,461</u>	<u>\$ 173,500</u>

b. Finance costs

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 5,267	\$ 6,368	\$ 7,564	\$ 12,762
Interest on lease liabilities	348	-	721	-
Convertible bonds	3,372	3,315	6,743	6,629
	<u>\$ 8,987</u>	<u>\$ 9,683</u>	<u>\$ 15,028</u>	<u>\$ 19,391</u>

c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Property, plant and equipment	\$ 37,820	\$ 45,920	\$ 74,773	\$ 78,363
Investment property	252	121	501	240
Right-of-use assets	11,452	-	22,682	-
Prepayments for lease	-	960	-	1,906
Intangible assets	<u>3,651</u>	<u>3,456</u>	<u>5,929</u>	<u>5,994</u>
	<u>\$ 53,175</u>	<u>\$ 50,457</u>	<u>\$ 103,885</u>	<u>\$ 86,503</u>
An analysis of depreciation by function				
Operating costs	\$ 29,684	\$ 28,808	\$ 58,689	\$ 50,471
Operating expenses	<u>19,840</u>	<u>17,233</u>	<u>39,267</u>	<u>28,132</u>
	<u>\$ 49,524</u>	<u>\$ 46,041</u>	<u>\$ 97,956</u>	<u>\$ 78,603</u>
An analysis of amortization by function				
Operating costs	\$ 461	\$ 122	\$ 944	\$ 122
Operating expenses	<u>3,190</u>	<u>4,294</u>	<u>4,985</u>	<u>7,778</u>
	<u>\$ 3,651</u>	<u>\$ 4,416</u>	<u>\$ 5,929</u>	<u>\$ 7,900</u>

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Post-employment benefits				
Defined contribution plans	\$ 4,624	\$ 5,722	\$ 9,509	\$ 11,006
Defined benefit plans	<u>189</u>	<u>208</u>	<u>377</u>	<u>417</u>
	4,813	5,930	9,886	11,423
Share-based payments				
Equity-settled	1,814	753	3,627	1,142
Other employee benefits	<u>309,477</u>	<u>305,700</u>	<u>582,476</u>	<u>598,867</u>
Total employee benefits expense	<u>\$ 316,104</u>	<u>\$ 312,383</u>	<u>\$ 595,989</u>	<u>\$ 611,432</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 219,831	\$ 203,025	\$ 404,464	\$ 386,649
Operating expenses	<u>96,273</u>	<u>109,358</u>	<u>191,525</u>	<u>224,783</u>
	<u>\$ 316,104</u>	<u>\$ 312,383</u>	<u>\$ 595,989</u>	<u>\$ 611,432</u>

e. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months and six months ended June 30, 2019 and 2018, the employees' compensation and remuneration to directors and supervisors are as follows:

Amount

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 2,083</u>	<u>\$ 12,500</u>	<u>\$ 4,220</u>	<u>\$ 25,000</u>
Remuneration to directors and supervisors	<u>\$ 554</u>	<u>\$ 4,887</u>	<u>\$ 1,055</u>	<u>\$ 9,775</u>

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

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

	<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 26,899	\$ -
Remuneration to directors and supervisors	11,550	-

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

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

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current year	\$ 41,691	\$ 23,492	\$ 45,492	\$ 26,923
Income tax on unappropriated earnings	<u>8,150</u>	<u>-</u>	<u>8,150</u>	<u>-</u>
	<u>49,841</u>	<u>23,492</u>	<u>53,642</u>	<u>26,923</u>
Deferred tax				
In respect of the current year	2,923	6,314	3,251	9,278
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>1,248</u>	<u>-</u>	<u>11,043</u>
	<u>2,923</u>	<u>7,562</u>	<u>3,251</u>	<u>20,321</u>
Income tax expense recognized in profit or loss	<u>\$ 52,764</u>	<u>\$ 31,054</u>	<u>\$ 56,893</u>	<u>\$ 47,244</u>

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

### b. Income tax assessments

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

## 25. EARNINGS PER SHARE

### Net Profit

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Profit for the period attributable to owners of the Company	\$ 229,905	\$ 151,433	\$ 240,534	\$ 223,740
Less: Dividends on preference shares	<u>(1,496)</u>	<u>-</u>	<u>(1,496)</u>	<u>-</u>
Earnings used in the computation of basic earnings per share	228,409	151,433	239,038	223,740
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds	<u>3,371</u>	<u>3,315</u>	<u>6,743</u>	<u>6,629</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 231,780</u>	<u>\$ 154,748</u>	<u>\$ 245,781</u>	<u>\$ 230,369</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	111,924	107,037	111,249	108,129
Effect of potentially dilutive ordinary shares:				
Convertible bonds	17,979	15,723	18,597	15,723
Employee share option	714	1,661	703	1,265
Employees' compensation or bonus issue to employees	<u>89</u>	<u>493</u>	<u>304</u>	<u>493</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>130,706</u>	<u>124,914</u>	<u>130,853</u>	<u>125,610</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group will assume the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

	For the Six Months Ended June 30							
	2019				2018			
	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	212	\$ 33.2	318	\$ 14.5	274	\$ 35.3	1,055	\$ 15.4
Options exercised	(7)	33.2	(267)	14.5	(30)	35.3	(222)	15.4
Options forfeited	(30)	-	-	-	-	-	-	-
Options expired	-	-	(51)	-	-	-	-	-
Balance at June 30	<u>175</u>	33.2	<u>-</u>	-	<u>244</u>	35.3	<u>833</u>	15.4
Options exercisable, end of period	<u>175</u>		<u>-</u>		<u>244</u>		<u>833</u>	

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

	For the Six Months Ended June 30							
	2019				2018			
	Granted 2015		Granted 2014		Granted 2015		Granted 2014	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	600	\$ 32.0	1,616	\$ 36.8	635	\$ 34.0	2,143	\$ 39.1
Options exercised	(80)	32.0	(86)	36.8	(17)	34.0	(189)	39.1
Options forfeited	-	-	(4)	36.8	-	-	(17)	39.1
Balance at June 30	<u>520</u>	32.0	<u>1,526</u>	36.8	<u>618</u>	34.0	<u>1,937</u>	39.1
Options exercisable, end of period	<u>520</u>		<u>1,526</u>		<u>618</u>		<u>1,937</u>	

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

	For the Six Months Ended June 30					
	2019			2018		
	Granted 2019		Granted 2018		Granted 2018	
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	-	\$ -	1,610	\$ 46.4	-	\$ -
Options granted	590	47.7	-	-	1,610	49.3
Options forfeited	-	-	-	-	-	-
Balance at June 30	<u>590</u>	47.7	<u>1,610</u>	46.4	<u>1,610</u>	49.3
Options exercisable, end of period	<u>-</u>		<u>-</u>		<u>-</u>	

Compensation cost recognized was \$1,814 thousand, \$753 thousand, \$3,627 thousand and \$1,142 thousand for the three months and six months ended June 30, 2019 and 2018, respectively.

## 27. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

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

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

### b. Consideration transferred

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

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

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

### d. Goodwill recognized on acquisition

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

The goodwill recognized in the acquisitions of Kwong Lung-O Mon Company Limited mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of Kwong Lung-O Mon Company Limited. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

- e. Net cash outflow on acquisition of subsidiary

**January 1, 2018**

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

## 28. FINANCIAL INSTRUMENTS

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

June 30, 2019

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	\$ 620,574	\$ 711,507

December 31, 2018

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

June 30, 2018

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	\$ 783,201	\$ 927,920

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

1) Fair value hierarchy

June 30, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 200,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,015</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 6,234</u>	<u>\$ -</u>	<u>\$ 6,234</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 8,595</u>	<u>\$ -</u>	<u>\$ 8,595</u>

December 31, 2018

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

June 30, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 134,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,984</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 1,754</u>	<u>\$ -</u>	<u>\$ 1,754</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 6,579</u>	<u>\$ -</u>	<u>\$ 6,579</u>

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

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts and foreign currency swap 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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 6,234	\$ 2,034	\$ 1,754
Financial assets at amortized cost (1)	2,885,008	1,956,785	2,419,715
Financial assets at FVTOCI	200,015	100,700	134,984
<u>Financial liabilities</u>			
FVTPL			
Held for trading	8,595	10,289	6,579
Amortized cost (2)	4,243,568	2,376,493	4,214,794

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

- d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency swap contracts denominated sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Assets</u>			
JPY	\$ -	\$ 320	\$ 412
EUR	3,487	-	1,342
USD	2,747	1,714	-
<u>Liabilities</u>			
JPY	7,493	300	1,031
EUR	-	-	426
USD	1,102	9,989	5,122

Sensitivity analysis

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

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

	<u>CNY Impact</u>		<u>JPY Impact</u>	
	<u>For the Six Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit or loss*	\$ 691	\$ 369	\$ 9,490	\$ 6,895

	<b>EUR Impact</b>		<b>USD Impact</b>	
	<b>For the Six Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit or loss*	\$ (9,587)	\$ (6,597)	\$ 49,139	\$ 39,274

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

b) Interest rate risk

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

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Fair value interest rate risk			
Financial assets	\$ 384,996	\$ 318,927	\$ 266,150
Financial liabilities	1,266,537	942,246	1,003,515
Cash flow interest rate risk			
Financial assets	770,222	528,033	414,924
Financial liabilities	1,474,511	444,200	1,498,048

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, 2019 and 2018 would decrease/increase by \$1,761 thousand and increase/decrease by \$2,708 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, 2019 and 2018 would increase/decrease by \$20,002 thousand and \$13,498 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

#### 2) Credit risk

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

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

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

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

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

#### 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group had available unutilized bank loan facilities in the amounts of \$6,017,284 thousand, \$6,740,672 thousand and \$5,250,695 thousand, respectively.

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

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

June 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 877,876	\$ 751,952	\$ 170,580	\$ -
Lease liabilities	3,503	7,007	31,462	66,094
Bonds payable	-	620,574	-	-
Borrowings	<u>264,023</u>	<u>301,197</u>	<u>199,668</u>	<u>1,280,381</u>
	<u>\$ 1,145,402</u>	<u>\$ 1,680,730</u>	<u>\$ 401,710</u>	<u>\$ 1,346,475</u>

December 31, 2018

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

June 30, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 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>

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, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts and foreign currency swap contracts - outflows	<u>\$ 220,451</u>	<u>\$ 339,488</u>	<u>\$ 519,204</u>

December 31, 2018

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

June 30, 2018

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

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed as follows:

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Snowdown Merchandise Corporation Koutou Co., Ltd.	Investments in associates Investments in associates

(Continued)

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

(Concluded)

b. Sales of goods

<b>Related Party</b>	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
JFT Circuit Limited	\$ <u>          -</u>	\$ <u>19,564</u>	\$ <u>          -</u>	\$ <u>55,604</u>
Daquan Hanshi Co., Ltd.	\$ <u>  967</u>	\$ <u>    67</u>	\$ <u> 1,062</u>	\$ <u>    67</u>

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

c. Receivables from related parties

<b>Related Party</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
JFT Circuit Limited	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>41,528</u>

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, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

d. Acquisition of property, plant and equipment

Related Party	Purchase Price			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Gong Tong Zu Lin Co., Ltd.	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  2,130</u>

e. Disposals of property, plant and equipment

Related Party	Proceeds		Gain (Loss) on Disposal	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Gong Tong Zu Lin Co., Ltd.	\$ <u>  1,352</u>	\$ <u>          -</u>	\$ <u>  (68)</u>	\$ <u>          -</u>

f. Acquisitions of financial assets

For the three months ended June 30, 2019: None.

For the three months ended June 30, 2018

Related Party	Account	Number of Shares	Underlying Assets	Price
Snowdown Merchandise Corporation	Financial assets at amortized cost - non-current	One shares with par value of \$10,000 thousand	Five-year private corporate bond with no active market	\$ <u>  10,000</u>

For the six months ended June 30, 2019: None.

For the six months ended June 30, 2018

Related Party	Account	Number of Shares	Underlying Assets	Price
Snowdown Merchandise Corporation	Financial assets at amortized cost - non-current	Six shares with par value of \$10,000 thousand	Five-year private corporate bond with no active market	\$ <u>  60,000</u>

g. Loans to related parties

Related Party	June 30, 2019	December 31, 2018	June 30, 2018
Other receivables			
Snowdown Merchandise Corporation	\$ 120,000	\$ -	\$ 90,000
Gong Tong Zu Lin Co., Ltd.	<u>          -</u>	<u>          -</u>	<u>  40,000</u>
	\$ <u>  120,000</u>	\$ <u>          -</u>	\$ <u>  130,000</u>

Interest revenue

Related Party	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
	Snowdown Merchandise Corporation	\$ 416	\$ -	\$ 416
Gong Tong Zu Lin Co., Ltd.	<u>-</u>	<u>-</u>	<u>-</u>	<u>728</u>
	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 416</u>	<u>\$ 728</u>

h. Expenses

Related Party	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
	Substantively related parties	\$ 838	\$ 818	\$ 1,894
Investments in associates	<u>1,528</u>	<u>552</u>	<u>2,740</u>	<u>837</u>
	<u>\$ 2,366</u>	<u>\$ 1,370</u>	<u>\$ 4,634</u>	<u>\$ 2,476</u>

The expenses included rents, other expenses, etc.

i. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
	Short-term employee benefits	\$ 13,820	\$ 23,340	\$ 31,300
Post-employment benefits	174	171	345	340
Share-based payments	<u>220</u>	<u>109</u>	<u>421</u>	<u>177</u>
	<u>\$ 14,214</u>	<u>\$ 23,620</u>	<u>\$ 32,066</u>	<u>\$ 38,494</u>

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

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
Pledged deposits	\$ 6,003	\$ 2	\$ 5,005
Land	21,240	236,840	236,840
Buildings, net	<u>2,444</u>	<u>2,613</u>	<u>2,783</u>
	<u>\$ 29,687</u>	<u>\$ 239,455</u>	<u>\$ 244,628</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2019 and 2018 were as follows:

#### Significant Commitments

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

	June 30, 2019	December 31, 2018	June 30, 2018
USD	<u>\$ 1,756</u>	<u>\$ 2,121</u>	<u>\$ 3,634</u>
EUR	<u>\$ 726</u>	<u>\$ 829</u>	<u>\$ 776</u>
NTD	<u>\$ 46,066</u>	<u>\$ 44,434</u>	<u>\$ 59,923</u>

- b. As of June 30, 2019, December 31, 2018 and June 30 2018, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$40,000 thousand, \$51,954 thousand and \$53,659 thousand, respectively.
- c. As of June 30, 2019, December 31, 2018 and June 30 2018, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$106,146 thousand, \$107,146 thousand and \$224,146 thousand, respectively.
- d. As of June 30, 2019, December 31, 2018 and June 30 2018, commitments for purchases of machinery and equipment were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Unpaid amounts of the purchases			
NTD	\$ 2,600	\$ 1,774	\$ 5,723
USD	-	356	604

### 32. SIGNIFICANT EVENT AFTER REPORTING PERIOD

- a. On August 14, 2019, the Board of Directors decided to dispose all investment in Klego Co., Ltd. because Klego Co., Ltd. is expected to be merged with BBL Premium Co., Ltd. on September 1, 2019.
- b. In order to meet the future operation requirement, on August 14, 2019, the Board of Directors decided to increase capital of the subsidiary, Kwong Lung (B.V.I.) Ltd. by US\$8.8 million, and it would establish and invest in Xiang Lung Feather Anhui Limited with the capital of US\$10 million.

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

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

June 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 96,466	31.06 (USD:NTD)	\$ 2,996,234
USD	9,393	6.8702 (USD:CNY)	291,747
USD	29,673	23,353 (USD:VND)	921,643
JPY	1,109,247	0.2886 (JPY:NTD)	320,129
VND	30,520,998	0.000043 (VND:USD)	40,593
EUR	36	35.38 (EUR:NTD)	1,274
EUR	43	4.253 (EUR:PLN)	1,521
CNY	5,096	4.521 (CNY:NTD)	23,039
Non-monetary items			
Investments accounted for using equity method			
USD	676	31.06 (USD:NTD)	20,991

Financial liabilities

Monetary items			
USD	56,571	31.06 (USD:NTD)	1,757,095
USD	187	6.8702 (USD:CNY)	5,808
USD	26,038	23,353 (USD:VND)	808,740
JPY	13,145	0.2886 (JPY:NTD)	3,794
VND	86,004,429	0.000043 (VND:USD)	114,386
EUR	9,111	35.38 (EUR:NTD)	322,347

December 31, 2018

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

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Non-monetary items			
Investments accounted for using equity method			
USD	\$ 722	30.715 (USD:NTD)	\$ 22,183
<u>Financial liabilities</u>			
Monetary items			
USD	40,757	30.715 (USD:NTD)	1,251,851
USD	1,221	6.8930 (USD:CNY)	37,503
USD	15,136	25,596 (USD:VND)	464,902
JPY	3,779	0.2782 (JPY:NTD)	1,051
VND	96,467,744	0.000039 (VND:USD)	115,761
EUR	4,446	35.2 (EUR:NTD)	156,499
			(Concluded)

June 30, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
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
Non-monetary items			
Investments accounted for using equity method			
USD	1,000	30.46 (USD:NTD)	30,471
PLN	874	8.1258 (PLN:NTD)	7,102
<u>Financial liabilities</u>			
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

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

<b>For the Three Months Ended June 30</b>				
<b>2019</b>			<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00122 (VND:NTD)	\$ (246)	0.00118 (VND:NTD)	\$ 2,351
NTD	1 (NTD:NTD)	15,430	1 (NTD:NTD)	42,520
USD	31.137 (USD:NTD)	260	29.774 (USD:NTD)	261
CNY	4.554 (CNY:NTD)	8,769	4.669 (CNY:NTD)	12,370
PLN	8.1703 (PLN:NTD)	<u>(25)</u>	8.3371 (PLN:NTD)	<u>2,095</u>
		<u>\$ 24,188</u>		<u>\$ 59,597</u>

<b>For the Six Months Ended June 30</b>				
<b>2019</b>			<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00121 (VND:NTD)	\$ 38	0.00117 (VND:NTD)	\$ 3,076
NTD	1 (NTD:NTD)	22,454	1 (NTD:NTD)	43,714
USD	30.983 (USD:NTD)	500	29.537 (USD:NTD)	491
CNY	4.56 (CNY:NTD)	2,940	4.64 (CNY:NTD)	2,373
PLN	8.1525 (PLN:NTD)	<u>(213)</u>	8.4345 (PLN:NTD)	<u>2,152</u>
		<u>\$ 25,719</u>		<u>\$ 51,806</u>

### 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

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

### **35. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

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

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

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

## Segment Revenues and Results

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

	Segment Revenue		Segment Profit	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Apparel department	\$ 2,243,855	\$ 1,564,468	\$ 205,960	\$ 51,318
Down material department	1,723,365	1,799,883	64,694	80,569
Home textile department	896,524	1,091,848	3,673	(34,574)
Others	381,081	322,529	(1,817)	8,580
Segment revenues	5,244,825	4,778,728	272,510	105,893
Eliminations	(171,643)	(303,609)	-	-
Segment revenue or segment income	<u>\$ 5,073,182</u>	<u>\$ 4,475,119</u>	272,510	105,893
Other income			5,363	3,834
Other gains and losses			37,461	173,500
Finance costs			(15,028)	(19,391)
Share of profit or loss of associates			3,587	16,355
Profit (loss) before tax (continuing operations)			<u>\$ 303,893</u>	<u>\$ 280,191</u>

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

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

FINANCING PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars or Foreign Currency)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount (Note 4)	Reasons for Short-term Financing (Note 5)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 6)	Aggregate Financing Limit (Note 6)	Note
													Item	Value			
0	Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise Corporation	Other receivables from related parties	Yes	\$ 120,000	\$ 120,000	\$ 120,000	1.5054	b.	\$ -	Operating capital	\$ -	Promissory note	\$ 120,000	\$ 1,686,233 (Note 6.a.)	\$ 1,686,233 (Note 6.b.)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	8,545	8,545	-	-	b.	-	Operating capital	-	-	-	28,840 (Note 6.a.)	28,840 (Note 6.b.)	

Note 1: The numbers denote the following:

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

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

Note 3: Purpose of fund financing for the borrower:

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

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

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

Note 6: a. Individual loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$4,215,582 \times 40\% = \$1,686,233$ ; for No. 1:  $\$72,099 \times 40\% = \$28,840$ .  
b. Total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$4,215,582 \times 40\% = \$1,686,233$ ; for No. 1:  $\$72,099 \times 40\% = \$28,840$ .

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

## MARKETABLE SECURITIES HELD

JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Kwong Lung Enterprise Co., Ltd.	<u>Ordinary shares</u> Co-Tech Development Corporation	Member of the board directors	Financial assets at FVTOCI - non-current	4,300	\$ 138,030	2	\$ 138,030	
	Tainan Enterprises Co., Ltd.	-	Financial assets at FVTOCI - non-current	2,254	61,985	1	61,985	
	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates	Financial assets at amortized cost - non-current	-	50,000	-	-	
Manumech Corporation	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates (Parent Company)	Financial assets at amortized cost - non-current	-	10,000	-	-	

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

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Note/Trade Receivables (Payables)			Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Account	Ending Balance	% of Total	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Sale	\$ 338,047	8	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	\$ 261,381	20	
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	915,986	17	T/T 30-180 days	No significant difference	No significant difference	Trade payables	772,401	42	
	Snowdown Merchandise (Suzhou) Co., Ltd.	Subsidiary	Purchase	651,250	12	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	273,778	15	
	Toptex Garment Co., Ltd.	Subsidiary	Purchase	459,191	8	T/T 30-180 days	No significant difference	No significant difference	Trade payables	85,482	5	
	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	943,628	17	T/T 30-180 days	No significant difference	No significant difference	Trade payables	237,343	13	
Kwong Lung Japan Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Purchase	338,047	80	T/T 30-180 days	No significant difference	No significant difference	Trade payables	261,381	96	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	651,250	68	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	273,778	96	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	943,628	78	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	237,343	83	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	915,986	99	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	772,401	100	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	459,191	97	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	85,482	100	

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

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

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

JUNE 30, 2019

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Receivables from Related Parties Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Account	Ending Balance		Amount	Actions Taken		
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Trade receivables	\$ 261,381	2.59	\$ -	-	\$ -	\$ -
	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	483,306	-	-	-	71,790	-
	Toptex Garment Co., Ltd.	Subsidiary	Other receivables	175,052	-	-	-	45,994	-
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Other receivables	629,579	-	-	-	82,152	-
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	273,778	4.76	-	-	24,600	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	237,343	7.95	-	-	171,838	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	772,401	2.37	-	-	174,527	-

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

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details				
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)	
0	Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	a	Sales revenue	\$ 51,666	No significant difference	1	
			a	Trade receivables	51,751	No significant difference	1	
			a	Cost of goods sold	943,628	No significant difference	19	
			a	Trade payables	237,343	No significant difference	3	
			a	Other receivables	483,306	-	5	
		Kwong Lung Japan Co., Ltd.	a	Sales revenue	338,047	No significant difference	7	
			a	Trade receivables	261,381	No significant difference	3	
			a	Sales revenue	59,038	No significant difference	1	
		Snowdown Merchandise (Suzhou) Co., Ltd.	a	Trade receivables	1,491	No significant difference	-	
			a	Cost of goods sold	651,250	No significant difference	13	
			a	Trade payables	273,778	No significant difference	3	
			a	Other receivables	4,582	-	-	
			a	Cost of goods sold	459,191	No significant difference	9	
			a	Trade payables	85,482	No significant difference	1	
		Toptex Garment Co., Ltd.	a	Other receivables	175,052	-	2	
			Bo Hsing Enterprise Co., Ltd.	a	Cost of goods sold	915,986	No significant difference	18
				a	Trade payables	772,401	No significant difference	8
a	Other receivables			629,579	-	7		
1	Manumech Corporation		Intime Tech Co., Ltd.	a	Sales revenue	11,884	No significant difference	-
		a		Trade receivables	32,892	No significant difference	-	
2	Huai An Guang Long He Yu Home Textile Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	b	Sales revenue	28,467	No significant difference	1	
			b	Trade receivables	21,957	No significant difference	-	

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

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

Note 2: Nature of relationship is as follows:

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

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of June 30, 2019. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2019.

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

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

INFORMATION ON INVESTEEES  
FOR SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2019	December 31, 2018	Shares (In Thousands)	%	Carrying Amount			
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company	\$ 691,210	\$ 691,210	24,613	100.0	\$ 869,859	\$ 22,751	\$ 24,938	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.0	972,887	(7,677)	(9,538)	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	15	100.0	303,109	10,269	10,272	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.0	712,597	33,227	33,227	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.0	36,638	7,125	7,125	Subsidiary
	Klego Co., Ltd.	Taiwan	Wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, cosmetics and other textile products; retail business without shop; retail sale of other products; international trade; software design services; data processing services; third party payment; retail sale of computer software; body shaping services; wholesale and retail sale of drugs, medical goods	15,000	15,000	-	100.0	9,595	869	869	Subsidiary
	BBL Premium Co, Ltd.	Taiwan	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade	260,000	260,000	26,000	100.0	249,773	(1,467)	(5,126)	Subsidiary
	Kwong Lung-Omon Company Limited	Vietnam	Various selling of down and bedding	69,799	69,799	-	100.0	80,243	5,249	3,891	Subsidiary
	Snowdown Merchandise Corporation	Taiwan	Retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories and other textile products; real estate rental and leasing	55,095	55,095	4,193	39.5	103,171	307	(996)	Associate
	Kwong Lung Europe SP.Z O.O.	Poland	Various selling of down and bedding	7,102	7,102	17	100.0	3,227	(1,166)	1,063	Subsidiary
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	60,180	60,180	2,000	40.0	64,195	4,400	NA	Subsidiary
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	92,880	92,880	3,000	60.0	96,002	4,400	NA	Subsidiary
Kwong Lung Feather (B.V.I.) Limited	Jbv HI-TECH Ltd.	Republic of Seychelles	Overseas reinvested holding company	44,017	44,017	1,350	30.0	20,991	99	NA	Associate of subsidiary
BBL Premium Co., Ltd.	Gong Tong Zu Lin Co., Ltd.	Taiwan	Wholesale of machinery and equipment	27,300	27,300	2,969	39.0	37,098	7,505	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	3,060	51.0	39,892	10,786	NA	Subsidiary
Manumech Corporation	Windsun Industry Co., Ltd.	Taiwan	Wholesale	10,000	15,000	1,000	100.0	15,143	3,641	NA	Subsidiary
Klego Co., Ltd.	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	5,880	5,880	588	49.0	6,064	3,319	NA	Associate of subsidiary

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

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company	Main Businesses and Products	Paid in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 2019
					Outward	Inward						
Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 20,000	b.	\$ 598,186	\$ -	\$ -	\$ 598,186	\$ 22,295	100	\$ 22,295 b. 2)	\$ 836,857	\$ -
Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	RMB 5,000	c. 1)	-	-	-	-	(576)	100	(576) b. 3)	21,137	-
Huai An Guang Long He Yu Home Textile Co., Ltd.	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business	RMB 7,000	c. 1)	-	-	-	-	2,410	51	1,229 b. 3)	19,270	-
Intime Tech Co., Ltd.	Wholesale	RMB 1,200	c. 2)	5,408	-	-	5,408	1,530	100	1,530 b. 3)	5,808	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Kwong Lung Enterprise Co., Ltd.	\$ 598,186	\$ 600,875 (US\$ 20,000)	\$ 2,563,454 (Note 3)
Manumech Corporation	5,408	5,408 (US\$ 180)	43,259 (Note 4)

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

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

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

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

(Continued)

Note 3: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$4,272,424 (consolidated net worth) x 60% = \$2,563,454.

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

(Concluded)

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

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Note/Trade Receivables (Payables)			Unrealized (Gain) Loss
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Snowdown Merchandise (Suzhou) Co., Ltd. (Note 1)	Purchase	\$ 651,250	12	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 273,778	15	\$ 4,513
	Sale	59,038	1	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	1,491	-	272
Intime Tech Co., Ltd. (Note 2)	Sale	11,884	7	Normal	Open account 120 days	No significant difference	Trade receivables	32,892	39	54

Note 1: As of June 30, 2019, the Company had transactions with Snowdown Merchandise (Suzhou) Co., Ltd. for processing of materials and purchase of materials amounted to \$4,582 thousand of the Company's other receivables.

Note 2: As of June 30, 2019, it is the significant transaction between the investor company Manumech Corporation and the investee companies in Mainland China Intime Tech Co., Ltd.

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