

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

**Consolidated Financial Statements for the  
Nine Months Ended September 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 September 30, 2019 and 2018, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine 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 September 30, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT\$ 2,551,935 thousand and NT\$ 2,100,872 thousand, respectively, representing 30% and 28%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$ 721,542 thousand and NT\$ 764,650 thousand, respectively, representing 21% and 17%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2019 and 2018, the amounts of combined comprehensive income of these non-significant subsidiaries were NT\$ 59,337 thousand, NT\$ 50,393 thousand, NT\$ 120,416 thousand and NT\$ 89,690 thousand, respectively, representing 25 %, 30 %, 20 % and 20 %, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 13, the investments accounted for using the equity method, as of September 30, 2019 and 2018, were NT\$186,812 thousand and NT\$169,622 thousand, respectively, and the consolidated equity in these investees' net loss and gain for the three months and nine

months ended September 30, 2019 and 2018 amounted to NT\$ 6,051 thousand, NT\$ 2,466 thousand, NT\$ 9,638 thousand and NT\$ 18,821 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 September 30, 2019 and 2018 and of its consolidated financial performance and its consolidated cash flows for the three months and nine months ended September 30, 2019 and 2018 and its consolidated cash flows for the nine months ended September 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

November 8, 2019

### Notice to Readers

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

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

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

ASSETS	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 999,662	12	\$ 794,215	12	\$ 694,890	9
Financial assets at fair value through profit or loss - current (Note 7)	1,597	-	2,034	-	13,754	-
Financial assets at amortized cost - current (Note 9)	93,123	1	3,002	-	8,505	-
Notes receivable (Note 10)	183,740	4	132,444	2	146,410	2
Trade receivables (Note 10 and 29)	1,204,987	14	915,574	13	1,280,329	17
Other receivables (Note 10)	278,496	2	123,443	2	208,069	3
Other receivables from related parties (Note 29)	120,000	1	-	-	-	-
Inventories (Note 11)	2,835,685	33	2,618,775	37	2,642,340	35
Prepayments	69,607	1	138,944	2	115,073	2
Other current assets	117,612	1	89,469	1	115,662	2
Total current assets	<u>5,904,509</u>	<u>69</u>	<u>4,817,900</u>	<u>69</u>	<u>5,225,032</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	288,097	3	100,700	2	114,521	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)	186,812	2	156,970	2	169,622	2
Property, plant and equipment (Notes 14, 30 and 31)	1,526,573	18	1,573,527	22	1,561,685	21
Right-of-use assets (Note 15)	172,164	2	-	-	-	-
Investment properties, net (Note 16)	206,416	2	96,680	1	93,671	1
Other intangible assets (Note 17)	66,667	1	66,081	1	67,939	1
Deferred tax assets	49,854	1	50,088	1	56,293	1
Long-term prepayments for leases (Note 15)	-	-	79,455	1	79,735	1
Other non-current assets	121,727	1	29,924	-	28,793	-
Total non-current assets	<u>2,678,310</u>	<u>31</u>	<u>2,213,425</u>	<u>31</u>	<u>2,232,259</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 8,582,819</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>	<u>\$ 7,457,291</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 18 )	\$ 578,812	7	\$ 380,855	5	\$ 714,620	10
Financial liabilities at fair value through profit or loss - current (Note 7)	13,205	-	10,289	-	11,772	-
Notes payable	2,191	-	5,267	-	4,706	-
Trade payables	750,914	9	782,705	11	1,076,893	14
Other payables (Note 20)	366,213	4	469,308	7	453,774	6
Current tax liabilities (Note 4)	61,563	1	59,474	1	61,467	1
Lease liabilities - current (Note 15)	35,617	-	-	-	-	-
Current portion of long-term liabilities (Notes 18,19 and 30)	856	-	790,871	11	787,356	11
Other current liabilities	43,444	1	44,072	1	57,072	1
Total current liabilities	<u>1,852,815</u>	<u>22</u>	<u>2,542,841</u>	<u>36</u>	<u>3,167,660</u>	<u>43</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 19)	-	-	-	-	-	-
Long-term borrowings (Notes 18 and 30)	1,364,148	16	214,720	3	1,115,073	15
Deferred tax liabilities	133,234	1	129,400	2	132,293	2
Lease liabilities - non-current (Note 15)	55,513	1	-	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	34,884	-	42,409	1	45,823	-
Guarantee deposits	4,159	-	1,999	-	1,926	-
Total non-current liabilities	<u>1,591,938</u>	<u>18</u>	<u>388,528</u>	<u>6</u>	<u>1,295,115</u>	<u>17</u>
Total liabilities	<u>3,444,753</u>	<u>40</u>	<u>2,931,369</u>	<u>42</u>	<u>4,462,775</u>	<u>60</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 26)</b>						
Share capital						
Ordinary shares	1,301,100	15	1,103,540	16	1,098,745	15
Preference shares	182,000	2	182,000	2	-	-
Total share capital	<u>1,483,100</u>	<u>17</u>	<u>1,285,540</u>	<u>18</u>	<u>1,098,745</u>	<u>15</u>
Capital surplus	2,307,103	27	1,687,841	24	952,906	13
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	721,865	9	707,906	10	542,830	7
Total retained earnings	<u>1,246,264</u>	<u>15</u>	<u>1,162,726</u>	<u>16</u>	<u>997,650</u>	<u>13</u>
Other equity interests						
Exchange differences on translating the financial statements of foreign operations	(37,713)	(1)	(106,120)	(1)	(138,560)	(2)
Unrealized gain on financial assets at fair value through other comprehensive income	80,679	1	17,486	-	33,898	-
Total other equity interests	<u>42,966</u>	<u>-</u>	<u>(88,634)</u>	<u>(1)</u>	<u>(104,662)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>5,079,433</u>	<u>59</u>	<u>4,047,473</u>	<u>57</u>	<u>2,944,639</u>	<u>39</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>58,633</u>	<u>1</u>	<u>52,483</u>	<u>1</u>	<u>49,877</u>	<u>1</u>
Total equity	<u>5,138,066</u>	<u>60</u>	<u>4,099,956</u>	<u>58</u>	<u>2,994,516</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 8,582,819</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>	<u>\$ 7,457,291</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 8, 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 September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 29)								
Sales revenue	\$ 3,058,894	100	\$ 3,269,856	100	\$ 8,132,076	100	\$ 7,744,975	100
OPERATING COSTS (Notes 11, 23 and 29)								
Cost of goods sold	<u>(2,560,302)</u>	<u>(84)</u>	<u>(2,776,980)</u>	<u>(85)</u>	<u>(6,950,312)</u>	<u>(86)</u>	<u>(6,687,247)</u>	<u>(86)</u>
GROSS PROFIT	<u>498,592</u>	<u>16</u>	<u>492,876</u>	<u>15</u>	<u>1,181,764</u>	<u>14</u>	<u>1,057,728</u>	<u>14</u>
OPERATING EXPENSES (Notes 23 and 29)								
Selling and marketing expenses	(147,970)	(5)	(148,164)	(4)	(402,629)	(5)	(434,620)	(5)
General and administrative expenses	(77,761)	(2)	(71,773)	(2)	(209,457)	(3)	(209,978)	(3)
Research and development expenses	(15,099)	(1)	(18,439)	(1)	(39,406)	-	(51,276)	(1)
Gains on reversal of expected credit loss	<u>-</u>	<u>-</u>	<u>1,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237</u>	<u>-</u>
Total operating expenses	<u>(240,830)</u>	<u>(8)</u>	<u>(236,678)</u>	<u>(7)</u>	<u>(651,492)</u>	<u>(8)</u>	<u>(695,637)</u>	<u>(9)</u>
PROFIT FROM OPERATIONS	<u>257,762</u>	<u>8</u>	<u>256,198</u>	<u>8</u>	<u>530,272</u>	<u>6</u>	<u>362,091</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)								
Other income	13,109	1	11,890	-	18,472	-	15,724	-
Other gains and losses	11,505	-	16,370	-	48,966	1	189,870	2
Finance costs	(8,185)	-	(10,158)	-	(23,213)	-	(29,549)	-
Share of profit of associates	<u>6,051</u>	<u>-</u>	<u>2,466</u>	<u>-</u>	<u>9,638</u>	<u>-</u>	<u>18,821</u>	<u>-</u>
Total non-operating income and expenses	<u>22,480</u>	<u>1</u>	<u>20,568</u>	<u>-</u>	<u>53,863</u>	<u>1</u>	<u>194,866</u>	<u>2</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	280,242	9	276,766	8	584,135	7	556,957	7
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(46,853)</u>	<u>(2)</u>	<u>(43,094)</u>	<u>(1)</u>	<u>(103,746)</u>	<u>(1)</u>	<u>(90,338)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>233,389</u>	<u>7</u>	<u>233,672</u>	<u>7</u>	<u>480,389</u>	<u>6</u>	<u>466,619</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								

(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 September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	34,083	1	(20,269)	(1)	63,764	-	(27,160)	-
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	(29,254)	(1)	(46,935)	(1)	67,779	1	2,889	-
Other comprehensive income for the period, net of income tax	4,829	-	(67,204)	(2)	131,543	1	(23,884)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>\$ 238,218</u>	<u>7</u>	<u>\$ 166,468</u>	<u>5</u>	<u>\$ 611,932</u>	<u>7</u>	<u>\$ 442,735</u>	<u>6</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>								
Owners of the Company	\$ 230,886	7	\$ 231,836	7	\$ 471,420	6	\$ 455,576	6
Non-controlling interests	2,503	-	1,836	-	8,969	-	11,043	-
	<u>\$ 233,389</u>	<u>7</u>	<u>\$ 233,672</u>	<u>7</u>	<u>\$ 480,389</u>	<u>6</u>	<u>\$ 466,619</u>	<u>6</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>								
Owners of the Company	\$ 236,542	7	\$ 165,221	5	\$ 603,591	7	\$ 432,190	6
Non-controlling interests	1,676	-	1,247	-	8,341	-	10,545	-
	<u>\$ 238,218</u>	<u>7</u>	<u>\$ 166,468</u>	<u>5</u>	<u>\$ 611,932</u>	<u>7</u>	<u>\$ 442,735</u>	<u>6</u>
<b>EARNINGS PER SHARE</b> (Note 25)								
Basic	<u>\$ 1.90</u>		<u>\$ 2.11</u>		<u>\$ 4.10</u>		<u>\$ 4.19</u>	
Diluted	<u>\$ 1.78</u>		<u>\$ 1.81</u>		<u>\$ 3.65</u>		<u>\$ 3.62</u>	

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

(With Deloitte & Touche review report dated November 8, 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 nine months ended September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-	455,576	-	-	-	455,576	11,043	466,619
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	-	-	-	-	-	387	3,387	(27,160)	-	(23,386)	(498)	(23,884)	
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	455,963	3,387	(27,160)	-	432,190	10,545	442,735	
Employee share options	8,615	-	8,615	25,663	-	-	(7,149)	-	-	18,514	-	-	-	-	-	27,129	-	27,129	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,768)	(4,768)	
BALANCE AT SEPTEMBER 30, 2018	\$ 1,098,745	\$ -	\$ 1,098,745	\$ 840,064	\$ -	\$ 29,284	\$ 47,408	\$ 34,657	\$ 1,493	\$ 952,906	\$ 373,931	\$ 80,889	\$ 542,830	\$ (138,560)	\$ 33,898	\$ -	\$ 2,944,639	\$ 49,877	\$ 2,994,516
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	-	-	-	-	-	-	-	-	-	-	61,834	-	(61,834)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	7,745	(7,745)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	(386,957)	-	-	-	(386,957)	-	(386,957)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(1,496)	-	-	-	(1,496)	-	(1,496)
Preferred dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	471,420	-	-	-	471,420	8,969	480,389
Other comprehensive income for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	68,407	63,764	-	132,171	(628)	131,543	
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	471,420	68,407	63,764	-	603,591	8,341	611,932	
Employee share options	5,502	-	5,502	14,026	-	-	(569)	-	-	13,457	-	-	-	-	-	18,959	-	18,959	
Convertible bonds converted to ordinary shares	192,058	-	192,058	-	640,431	-	-	(34,657)	-	605,774	-	-	-	-	-	797,832	-	797,832	
Expiration of convertible bonds	-	-	-	-	-	-	-	-	31	31	-	-	-	-	-	31	-	31	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	571	(571)	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,191)	(2,191)	
BALANCE AT SEPTEMBER 30, 2019	\$ 1,301,100	\$ 182,000	\$ 1,483,100	\$ 1,591,423	\$ 640,431	\$ 29,284	\$ 44,387	\$ -	\$ 1,578	\$ 2,307,103	\$ 435,765	\$ 88,634	\$ 721,865	\$ (37,713)	\$ 80,679	\$ -	\$ 5,079,433	\$ 58,633	\$ 5,138,066

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

(With Deloitte & Touche review report dated November 8, 2019)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 584,135	\$ 556,957
Adjustments for:		
Depreciation expenses	147,106	112,233
Amortization expenses	9,686	11,814
Gains on reversal of expected credit loss	-	(237)
Net (gain) loss on fair value changes of financial assets/liabilities at fair value through profit or loss	11,608	(1,982)
Finance costs	23,213	29,549
Interest income	(7,880)	(4,954)
Dividend income	(10,592)	(10,770)
Compensation costs of employee share options	5,441	3,294
Share of profit of associates	(9,638)	(18,821)
Loss (gain) on disposal of property, plant and equipment	647	(30,461)
Gain on disposal of investments	-	(10,762)
Allowance for inventory valuation and obsolescence loss	19,976	10,246
Net gain on foreign currency exchange	(508)	(2,726)
Other gains and losses	(28)	-
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	2,034	1,594
Notes receivable	(51,296)	(33,803)
Trade receivables	(294,554)	(344,983)
Other receivables	(155,123)	59,066
Inventories	(240,937)	(398,779)
Prepayments	69,337	(66,920)
Other current assets	(31,986)	(33,557)
Financial liabilities held for trading	(10,289)	(78)
Notes payable	(3,076)	1,639
Trade payables	(30,013)	283,957
Other payables	(93,926)	73,613
Other current liabilities	(628)	7,516
Net defined benefit liabilities	(7,525)	(1,906)
Cash generated from operations	(74,816)	190,739
Interest received	7,880	4,954
Interest paid	(13,761)	(19,508)
Income tax paid	(97,589)	(56,633)
Net cash generated from (used in) operating activities	<u>(178,286)</u>	<u>119,552</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(131,139)	-
Acquisition of financial assets at amortized cost	(90,121)	(10,000)
Proceeds from disposal of financial assets at amortized cost	-	63,898

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
Acquisition of investments accounted for using the equity method	(14,000)	-
Net cash inflow on acquisition of subsidiaries (Note 27)	-	16,202
Net cash inflow on disposal of subsidiaries	-	36
Acquisition of property, plant and equipment	(102,535)	(222,551)
Proceeds from disposal of property, plant and equipment	4,955	189,613
Increase in other receivables - related parties	(120,000)	-
Decrease in other receivables - related parties	-	90,000
Acquisition of intangible assets	(10,272)	(7,945)
Acquisition of investment properties	(104,226)	-
Increase in other non-current assets	(57,037)	(6,757)
Dividends received	<u>10,592</u>	<u>10,770</u>
Net cash generated from (used in) investing activities	<u>(613,783)</u>	<u>123,266</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	203,007	83,582
Repayments of bonds payables	(700)	-
Proceeds from long-term borrowings	1,250,000	950,000
Repayments of long-term borrowings	(100,701)	(775,551)
Proceeds from guarantee deposits received	2,160	36
Repayment of the principal portion of lease liabilities	(30,652)	-
Dividends paid to owners of the Company	(388,453)	(327,616)
Proceeds from share options exercised	13,519	23,835
Dividends paid to non-controlling interests	(2,536)	(4,851)
Changes in non-controlling interests	<u>345</u>	<u>(304)</u>
Net cash generated from (used in) financing activities	<u>945,989</u>	<u>(50,869)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>51,527</u>	<u>(6,767)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>205,447</b>	<b>185,182</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u><b>794,215</b></u>	<u><b>509,708</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>\$ 999,662</b></u>	<u><b>\$ 694,890</b></u>

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

(With Deloitte & Touche review report dated November 8, 2019)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 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 November 8, 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 9, IAS 39 and IFRS7 "Change of Interbank Offered Rate"	January 1, 2020
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

Refer to Note 12 and Table 6 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

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 2,558	\$ 2,759	\$ 6,107
Checking accounts and demand deposits	612,758	532,529	457,211
Cash equivalents (investments with original maturities less than three months)			
Time deposits	<u>384,346</u>	<u>258,927</u>	<u>231,572</u>
	<u>\$ 999,662</u>	<u>\$ 794,215</u>	<u>\$ 694,890</u>

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

	September 30, 2019	December 31, 2018	September 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	\$ 1,252	\$ 2,034	\$ 13,754
Foreign currency swap contracts	<u>345</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,597</u>	<u>\$ 2,034</u>	<u>\$ 13,754</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 13,205</u>	<u>\$ 10,289</u>	<u>\$ 11,772</u>

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>September 30, 2019</u>			
Buy	EUR/NTD	2019.10.7-2019.12.4	EUR 4,000/ NTD 137,787
Sell	USD/CNY	2019.10.29-2020.9.4	USD 11,000/ RMB 76,542
Sell	JPY/NTD	2019.10.15-2019.12.17	JPY 700,000/ NTD 200,524
<u>December 31, 2018</u>			
Sell	JPY/NTD	2019.2.26-2019.3.4	JPY 600,000/ NTD 166,820
Sell	USD/CNY	2019.1.31-2019.10.29	USD 12,000/ RMB 80,593
<u>September 30, 2018</u>			
Buy	EUR/NTD	2018.10.5-2018.11.20	EUR 2,000/ NTD 69,568
Sell	USD/CNY	2019.3.1-2019.8.26	USD 8,000/ RMB 52,761
Sell	JPY/NTD	2018.10.15-2019.1.17	JPY 1,500,000/ NTD 416,504

- 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>September 30, 2019</u>	USD 4,000	2019.11.29-2020.2.27	30.687-30.899
<u>December 31, 2018</u> :	None		
<u>September 30, 2018</u> :	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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<u>Non-current</u>			
Domestic investments			
Listed shares	<u>\$ 288,097</u>	<u>\$ 100,700</u>	<u>\$ 114,521</u>

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Domestic investments			
Restricted assets - bank balance	\$ 3	\$ 2	\$ 5,005
Time deposits with original maturity more than 3 months	<u>93,120</u>	<u>3,000</u>	<u>3,500</u>
	<u>\$ 93,123</u>	<u>\$ 3,002</u>	<u>\$ 8,505</u>

### Non-current

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 September 30, 2019, December 31, 2018 and September 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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Notes receivable</u>			
Notes receivable	\$ 183,740	\$ 132,444	\$ 146,410
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 183,740</u>	<u>\$ 132,444</u>	<u>\$ 146,410</u>
<u>Trade receivables (including related parties)</u>			
Trade receivables	\$ 1,206,286	\$ 916,873	\$ 1,289,595
Less: Allowance for impairment loss	<u>( 1,299)</u>	<u>( 1,299)</u>	<u>( 9,566)</u>
	<u>\$ 1,204,987</u>	<u>\$ 915,574</u>	<u>\$ 1,280,329</u>
<u>Other receivables</u>			
Sale of raw materials	\$ 241,295	\$ 29,347	\$ 154,329
Tax refund receivable	32,148	71,894	44,715
Premium receivable	-	18,644	-
Others	<u>5,053</u>	<u>3,558</u>	<u>9,025</u>
	<u>\$ 278,496</u>	<u>\$ 123,443</u>	<u>\$ 208,069</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 0.08% to 100%, 0.03% to 100% and 2% to 100% as of September 30, 2019, December 31, 2018 and September 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 trade receivables was as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Less than 30 days	\$ 839,334	\$ 532,006	\$ 959,040
31-60 days	334,411	278,774	212,773
61-120 days	31,069	100,770	102,983
More than 121 days	<u>1,472</u>	<u>5,323</u>	<u>15,099</u>
	<u>\$ 1,206,286</u>	<u>\$ 916,873</u>	<u>\$ 1,289,895</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 Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 1,299	\$ 10,116
Less: Net remeasurement of loss allowance	-	( 237)
Less: Amounts written off	-	( 214)
Foreign exchange translation	<u>-</u>	<u>( 99)</u>
Balance at September 30	<u>\$ 1,299</u>	<u>\$ 9,566</u>

## 11. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Merchandise	\$ 336,544	\$ 352,700	\$ 335,134
Finished goods	241,541	386,445	279,114
Work in progress	1,717,034	1,227,280	1,125,121
Raw materials and supplies	392,917	460,673	571,008
Goods to subcontractor	2,858	1,406	37,879
Inventory in transit	<u>144,791</u>	<u>190,271</u>	<u>294,084</u>
	<u>\$ 2,835,685</u>	<u>\$ 2,618,775</u>	<u>\$ 2,642,340</u>

For the three months and the nine months ended September 30, 2019, the cost of goods sold related to the inventories amounted to \$2,560,302 thousand and \$6,950,312 thousand, respectively, which includes the inventory write-down totaling \$3,317 thousand and \$19,976 thousand, respectively.

For the three months and the nine months ended September 30, 2018, the cost of goods sold related to the inventories amounted to \$2,776,980 thousand and \$6,687,247 thousand, respectively, which includes the inventory write-down totaling \$1,469 thousand and \$10,246 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2019	December 31 2018	September 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 cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, cosmetics and other textile products; retail business without shop; retail sale of other products; international trade; software design services; data processing services; third party payment; retail sale of computer software; body shaping services; wholesale and retail sale of drugs, medical goods.	-	100	100	1) 、 2)
	P&B Collection 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) 、 2)
	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) 、 3)
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	100	1) 、 4)
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60	60	-	1) 、 4)
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)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2019	December 31, 2018	September 30, 2018	
P&B Collection 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)

- 1) Because it is not a major subsidiary, its financial statements have not been reviewed as of September 30, 2019 and 2018.
- 2) Klego Co., Ltd had been dissolved after the merger with P&B Collection Co., Ltd. since September 1, 2019, and P&B Collection Co., Ltd. is the surviving company.
- 3) In January 2018, the Group 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”.
- 4) In October 2018, Kwong Lung Meko Co., Ltd. increased US\$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

	September 30, 2019	December 31, 2018	September 30, 2018
Associates that are not individually material			
Investments in associates	<u>\$ 186,812</u>	<u>\$ 156,970</u>	<u>\$ 169,622</u>

Refer to Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

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	-	9,418	59,551	4,183	33,537	115,725	222,414
Acquired in business combination	-	16,721	43,098	944	2,340	-	63,103
Disposals	(122,919)	(24,847)	(3,434)	(550)	(36,669)	-	(188,419)
Reclassification	-	31	724	-	11,368	(12,123)	-
Effect of foreign currency exchange differences	-	(8,619)	6	(63)	(3,810)	1,085	(11,401)
Balance at September 30, 2018	<u>\$ 473,471</u>	<u>\$ 1,104,613</u>	<u>\$ 766,690</u>	<u>\$ 45,848</u>	<u>\$ 306,569</u>	<u>\$ 285,601</u>	<u>\$ 2,982,792</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2018	\$ -	\$ 509,680	\$ 512,444	\$ 29,070	\$ 256,772	\$ -	\$ 1,307,966
Disposals	-	(7,207)	(1,476)	(572)	(20,012)	-	(29,267)
Acquired in business combination	-	11,862	27,897	815	1,829	-	42,403
Depreciation expense	-	42,213	42,995	3,044	23,620	-	111,872
Effect of foreign currency exchange differences	-	(5,780)	(2,350)	(317)	(3,420)	-	(11,867)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 550,768</u>	<u>\$ 579,510</u>	<u>\$ 32,040</u>	<u>\$ 258,789</u>	<u>\$ -</u>	<u>\$ 1,421,107</u>
Carrying amounts at September 30, 2018	<u>\$ 473,471</u>	<u>\$ 553,845</u>	<u>\$ 187,180</u>	<u>\$ 13,808</u>	<u>\$ 47,780</u>	<u>\$ 285,601</u>	<u>\$ 1,561,685</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	-	7,109	13,873	-	14,848	20,956	56,786
Disposals	-	(4,755)	(3,485)	-	(17,077)	-	(25,317)
Reclassification	148	-	10,484	580	(4,839)	(6,373)	-
Effect of foreign currency exchange differences	-	15,291	27,204	661	(82)	180	43,254
Balance at September 30, 2019	<u>\$ 473,619</u>	<u>\$ 1,399,362</u>	<u>\$ 845,461</u>	<u>\$ 47,459</u>	<u>\$ 312,156</u>	<u>\$ 32,058</u>	<u>\$ 3,110,115</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2019	\$ -	\$ 568,740	\$ 596,239	\$ 33,254	\$ 263,632	\$ -	\$ 1,461,865
Disposals	-	(4,755)	(2,584)	-	(12,376)	-	(19,715)
Depreciation expense	-	48,664	45,540	2,692	15,393	-	112,289
Effect of foreign currency exchange differences	-	8,328	20,682	543	(450)	-	29,103
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 620,977</u>	<u>\$ 659,877</u>	<u>\$ 36,489</u>	<u>\$ 266,199</u>	<u>\$ -</u>	<u>\$ 1,583,542</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 September 30, 2019	<u>\$ 473,619</u>	<u>\$ 778,385</u>	<u>\$ 185,584</u>	<u>\$ 10,970</u>	<u>\$ 45,957</u>	<u>\$ 32,058</u>	<u>\$ 1,526,573</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>September 30, 2019</b>	
<u>Carrying amounts</u>		
Land (Note)		\$ 81,442
Buildings		81,992
Machinery		1,727
Transportation equipment		<u>7,003</u>
		<u>\$ 172,164</u>
	<b>For the Three Months Ended September 30, 2019</b>	<b>For the Nine Months Ended September 30, 2019</b>
Depreciation charge for right-of-use assets		
Land (Note)	\$ 996	\$ 2,971
Buildings	8,874	26,600
Machinery	174	510
Transportation equipment	<u>1,332</u>	<u>3,977</u>
	<u>\$ 11,376</u>	<u>\$ 34,058</u>

Note: Located in China and Vietnam. As of December 31, 2018 and September 30, 2018, the non-current prepaid lease amounted to \$79,455 thousand and \$79,735 thousand, respectively.

### b. Lease liabilities - 2019

	<b>September 30, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 35,617</u>
Non-current	<u>\$ 55,513</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 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 September 30, 2019</b>	<b>For the Nine Months Ended September 30, 2019</b>
Expenses relating to short-term leases and department stores	<u>\$ 7,668</u>	<u>\$ 34,750</u>
Expenses relating to low-value asset leases	<u>\$ 90</u>	<u>\$ 232</u>
Total cash outflow for leases	<u>(\$ 17,617)</u>	<u>(\$ 66,670)</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 nine months ended September 30, 2019 and the recognition of depreciation expenses, there were no significant disposals or impairment of investment properties held by the Group for the nine months ended September 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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 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 September 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 September 30, 2018 and December 31, 2017.

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

	<b>September 30, 2019</b>
Year 1	\$ 6,648
Year 2	<u>22</u>
	<u>\$ 6,670</u>

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

	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Not later than 1 year	\$ 5,309	\$ 5,062
Later than 1 year and not later than 5 years	<u>3,580</u>	<u>4,837</u>
	<u>\$ 8,889</u>	<u>\$ 9,899</u>

## 17. OTHER INTANGIBLE ASSETS

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Goodwill (Note 27)	\$ 22,022	\$ 22,022	\$ 22,022
Others	<u>44,645</u>	<u>44,059</u>	<u>45,917</u>
	<u>\$ 66,667</u>	<u>\$ 66,081</u>	<u>\$ 67,939</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1-5 years.

## 18. BORROWINGS

### a. Short-term borrowings

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 578,812</u>	<u>\$ 380,855</u>	<u>\$ 714,620</u>
Range of interest rates	<u>0.29%-2.05%</u>	<u>0.27%-0.94%</u>	<u>0.28%-3.27%</u>

b. Current portion of long-term liabilities

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Current portion of bonds payable	\$ -	\$ 789,886	\$ 786,515
Current portion of long-term borrowings	<u>856</u>	<u>985</u>	<u>841</u>
	<u>\$ 856</u>	<u>\$ 790,871</u>	<u>\$ 787,356</u>

c. Long-term borrowings

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<u>Secured borrowings</u>			
Bank loans*	\$ 15,004	\$ 115,705	\$ 15,914
<u>Unsecured borrowings</u>			
Credit borrowings	<u>1,350,000</u>	<u>100,000</u>	<u>1,100,000</u>
	1,365,004	215,705	1,115,914
Less: Current portions	<u>(856)</u>	<u>(985)</u>	<u>(841)</u>
Long-term borrowings	<u>\$ 1,364,148</u>	<u>\$ 214,720</u>	<u>\$ 1,115,073</u>
Range of interest rates	1.13%-1.82%	1.30%-1.82%	1.14%-1.82%

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

## 19. BONDS PAYABLE

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Unsecured bonds payable	\$ -	\$ 789,886	\$ 786,515
Less: Current portions	<u>-</u>	<u>(789,886)</u>	<u>(786,515)</u>
Bonds payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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)	<u>\$ 760,223</u>

## 20. OTHER PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Payables for payroll and employee benefit	\$ 211,115	\$ 228,784	\$ 181,564
Payables for fabrication expense	3,368	10,423	8,819
Payables for bonus to employees	17,110	26,899	32,500
Payables for remuneration to directors and supervisors	5,803	11,550	14,663
Payables for purchase of equipment	1,174	12,157	-
Others	<u>127,643</u>	<u>179,495</u>	<u>216,228</u>
	<u>\$ 366,213</u>	<u>\$ 469,308</u>	<u>\$ 453,774</u>

## 21. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the nine months ended September 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 \$188 thousand, \$209 thousand, \$565 thousand and \$626 thousand for the three months and nine months ended September 30, 2019 and 2018, respectively.

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>160,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>130,110</u>	<u>110,354</u>	<u>109,875</u>
Shares issued	<u>\$ 1,301,100</u>	<u>\$ 1,103,540</u>	<u>\$ 1,098,745</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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Special reserve	\$ 7,745	\$ 80,889		
Legal reserve	61,834	-		
Preferred dividends	1,496	-	\$ 0.08	\$ -
Ordinary dividends	386,957	218,411	3.5	2

## 23. COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

### a. Other gains and losses

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net foreign exchange gains	\$ 20,712	\$ 9,727	\$ 46,431	\$ 61,533
Gain (loss) on financial assets and liabilities designated as at FVTPL	(9,247)	6,807	(11,608)	1,982
Insurance claims	-	-	-	87,609
Gain (loss) on disposal of property, plant and equipment	(304)	-	(647)	30,461
Gain (loss) on disposal of investments	-	-	-	10,762
Others	<u>344</u>	<u>(164)</u>	<u>14,790</u>	<u>(2,477)</u>
	<u>\$ 11,505</u>	<u>\$ 16,370</u>	<u>\$ 48,966</u>	<u>\$ 189,870</u>

### b. Finance costs

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest on bank loans	\$ 5,937	\$ 6,844	\$ 13,501	\$ 19,606
Interest on lease liabilities	315	-	1,036	-
Convertible bonds	<u>1,933</u>	<u>3,314</u>	<u>8,676</u>	<u>9,943</u>
	<u>\$ 8,185</u>	<u>\$ 10,158</u>	<u>\$ 23,213</u>	<u>\$ 29,549</u>

c. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Property, plant and equipment	\$ 37,516	\$ 33,509	\$ 112,289	\$ 111,872
Investment property	258	121	759	361
Right-of-use assets	11,376	-	34,058	-
Prepayments for lease	-	962	-	2,868
Intangible assets	<u>3,757</u>	<u>2,952</u>	<u>9,686</u>	<u>8,946</u>
	<u>\$ 52,907</u>	<u>\$ 37,544</u>	<u>\$ 156,792</u>	<u>\$ 124,047</u>
An analysis of depreciation by function				
Operating costs	\$ 32,276	\$ 16,118	\$ 90,965	\$ 66,589
Operating expenses	<u>16,874</u>	<u>17,512</u>	<u>56,141</u>	<u>45,644</u>
	<u>\$ 49,150</u>	<u>\$ 33,630</u>	<u>\$ 147,106</u>	<u>\$ 112,233</u>
An analysis of amortization by function				
Operating costs	\$ 461	\$ 1,448	\$ 1,405	\$ 1,570
Operating expenses	<u>3,296</u>	<u>2,466</u>	<u>8,281</u>	<u>10,244</u>
	<u>\$ 3,757</u>	<u>\$ 3,914</u>	<u>\$ 9,686</u>	<u>\$ 11,814</u>

d. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Post-employment benefits				
Defined contribution plans	\$ 4,398	\$ 5,489	\$ 13,907	\$ 16,495
Defined benefit plans	<u>188</u>	<u>209</u>	<u>565</u>	<u>626</u>
	4,586	5,698	14,472	17,121
Share-based payments				
Equity-settled	1,814	2,152	5,441	3,294
Other employee benefits	<u>373,454</u>	<u>359,121</u>	<u>955,930</u>	<u>957,988</u>
Total employee benefits expense	<u>\$ 379,854</u>	<u>\$ 366,971</u>	<u>\$ 975,843</u>	<u>\$ 978,403</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 256,839	\$ 248,906	\$ 661,303	\$ 635,555
Operating expenses	<u>123,015</u>	<u>118,065</u>	<u>314,540</u>	<u>342,848</u>
	<u>\$ 379,854</u>	<u>\$ 366,971</u>	<u>\$ 975,843</u>	<u>\$ 978,403</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 nine months ended September 30, 2019 and 2018, the employees' compensation and remuneration to directors and supervisors are as follows:

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 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>\$ 12,890</u>	<u>\$ 7,500</u>	<u>\$ 17,110</u>	<u>\$ 32,500</u>
Remuneration to directors and supervisors	<u>\$ 4,748</u>	<u>\$ 4,888</u>	<u>\$ 5,803</u>	<u>\$ 14,663</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 Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 26,899	\$ -
Remuneration to directors and supervisors	11,550	-

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

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

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current year	\$ 43,704	\$ 48,578	\$ 89,196	\$ 75,501
Income tax on unappropriated earnings	-	-	8,150	-
Adjustments for prior periods	<u>2,332</u>	<u>-</u>	<u>2,332</u>	<u>-</u>
	<u>46,036</u>	<u>48,578</u>	<u>99,678</u>	<u>75,501</u>
Deferred tax				
In respect of the current year	817	(5,759)	4,068	3,519
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>275</u>	<u>-</u>	<u>11,318</u>
	<u>817</u>	<u>(5,484)</u>	<u>4,068</u>	<u>14,837</u>
Income tax expense recognized in profit or loss	<u>\$ 46,853</u>	<u>\$ 43,094</u>	<u>\$ 103,746</u>	<u>\$ 90,338</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 2017, except 2016 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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Profit for the period attributable to owners of the Company	\$ 230,886	\$ 231,836	\$ 471,420	\$ 455,576
Less: Dividends on preference shares	<u>-</u>	<u>-</u>	<u>(1,496)</u>	<u>-</u>
Earnings used in the computation of basic earnings per share	230,886	231,836	469,924	455,576
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds	<u>1,933</u>	<u>3,314</u>	<u>8,676</u>	<u>9,943</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 232,819</u>	<u>\$ 235,150</u>	<u>\$ 478,600</u>	<u>\$ 465,519</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	121,484	109,686	114,680	108,651
Effect of potentially dilutive ordinary shares:				
Employee share option	636	1,176	603	1,249
Employees' compensation or bonus issue to employees	376	689	518	689
Convertible bonds	<u>8,575</u>	<u>18,136</u>	<u>15,252</u>	<u>18,136</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>131,071</u>	<u>129,687</u>	<u>131,053</u>	<u>128,725</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 Nine Months Ended September 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	(27)	31.42	(267)	14.5	(52)	35.3	(384)	15.4
Options forfeited	(51)	-	-	-	-	-	-	-
Options expired	-	-	(51)	-	-	-	-	-
Balance at September 30	<u>134</u>	30.8	<u>-</u>	<u>-</u>	<u>222</u>	33.2	<u>671</u>	14.5
Options exercisable, end of period	<u>134</u>		<u>-</u>		<u>222</u>		<u>671</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 Nine Months Ended September 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	1,616	\$ 36.8	635	\$ 34	2,143	\$ 39.1
Options exercised	(85)	31.86	(172)	35.51	(35)	34	(391)	39.1
Options forfeited	(5)		(33)		-		(20)	
Balance at September 30	<u>510</u>	29.7	<u>1,411</u>	34.2	<u>600</u>	32	<u>1,732</u>	36.8
Options exercisable, end of period	<u>510</u>		<u>1,411</u>		<u>600</u>		<u>1,732</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 Nine Months Ended September 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	44.3	-	-	1,610	49.3
Options forfeited	-	-	-	-	-	-
Balance at September 30	<u>590</u>	44.3	<u>1,610</u>	43.1	<u>1,610</u>	49.3
Options exercisable, end of period	<u>-</u>		<u>-</u>		<u>-</u>	

Compensation cost recognized was \$1,814 thousand, \$2,152 thousand, \$5,441 thousand and \$3,294 thousand for the three months and nine months ended September 30, 2019 and 2018, respectively.

## 27. BUSINESS COMBINATIONS

- a. Acquired Kwong Lung-O Mon Company Limited

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 \$ 38,422

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

September 30, 2019

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

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

September 30, 2018

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	<u>\$ 786,515</u>	<u>\$ 920,240</u>

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

- 1) Fair value hierarchy

September 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>\$ 288,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,097</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 1,597</u>	<u>\$ -</u>	<u>\$ 1,597</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 13,205</u>	<u>\$ -</u>	<u>\$ 13,205</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>

September 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>\$ 114,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,521</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 13,754</u>	<u>\$ -</u>	<u>\$ 13,754</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 11,772</u>	<u>\$ -</u>	<u>\$ 11,772</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

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 1,597	\$ 2,034	\$ 13,754
Financial assets at amortized cost (1)	2,907,860	1,956,785	2,353,488
Financial assets at FVTOCI	288,097	100,700	114,521
<u>Financial liabilities</u>			
FVTPL			
Held for trading	13,205	10,289	11,772
Amortized cost (2)	2,829,106	2,376,493	3,927,195

- 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, 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.

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<u>Assets</u>			
JPY	\$ 998	\$ 320	\$ 12,317
EUR	-	-	1,437
USD	599	1,714	-
<u>Liabilities</u>			
JPY	1,945	300	-
EUR	2,017	-	-
USD	9,243	9,989	11,772

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.

	<b>CNY Impact</b>		<b>JPY Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit or loss*	\$ 848	\$ 235	\$ 12,809	\$ 16,213
	<b>EUR Impact</b>		<b>USD Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit or loss*	\$ (4,969)	\$ (7,860)	\$ 34,491	\$ 28,688

\* 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>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Fair value interest rate risk			
Financial assets	\$ 567,466	\$ 318,927	\$ 291,573
Financial liabilities	591,115	942,246	1,121,892
Cash flow interest rate risk			
Financial assets	816,658	528,033	458,016
Financial liabilities	1,443,831	444,200	1,495,157

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 nine months ended September 30, 2019 and 2018 would decrease/increase by \$2,352 thousand and increase/decrease by \$3,889 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 nine months ended September 30, 2019 and 2018 would increase/decrease by \$28,810 thousand and \$11,452 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 September 30, 2019, December 31, 2018 and September 30, 2018, the Group had available unutilized bank loan facilities in the amounts of \$6,185,336 thousand, \$6,740,672 thousand and \$6,110,218 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.

September 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>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 686,415	\$ 289,179	\$ 143,724	\$ -	\$ -
Lease liabilities	3,214	6,428	26,865	56,366	-
Borrowings	<u>225,204</u>	<u>169,151</u>	<u>202,521</u>	<u>1,364,757</u>	<u>11,594</u>
	<u>\$ 914,833</u>	<u>\$ 464,758</u>	<u>\$ 373,110</u>	<u>\$ 1,421,123</u>	<u>\$ 11,594</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>

September 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	\$ 1,124,692	\$ 398,601	\$ 12,080	\$ -
Bonds payable	-	-	800,000	-
Borrowings	<u>148,255</u>	<u>218,800</u>	<u>365,080</u>	<u>1,112,891</u>
	<u>\$ 1,272,947</u>	<u>\$ 617,401</u>	<u>\$ 1,177,160</u>	<u>\$ 1,112,891</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.

September 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>\$ 157,249</u>	<u>\$ 336,672</u>	<u>\$ 310,348</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>

September 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>\$ 142,630</u>	<u>\$ 250,271</u>	<u>\$ 326,671</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Snowdown Merchandise Corporation	Investments in associates
Koutou Co., Ltd.	Investments in associates
BBL Premium Co., Ltd.	Investments in associates
Daquan Hanshi Co., Ltd.	Investments in associates
Gong Tong Zu Lin Co., Ltd.	Investments in associates
JFT Circuit Limited	Substantively related parties (beginning in May 2017 as a substantively related parties, as of June 2018, the non-consolidated company's relationship)
Kwong Lung-O Mon Company Limited	Subsidiary (the original joint venture company was a subsidiary in January 2018; on January 10, 2018, it

Related Parties	Relationships with the Group
	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

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
JFT Circuit Limited	\$ -	\$ -	\$ -	\$ 55,604
Daquan Hanshi Co., Ltd.	191	142	1,253	209
BBL Premium Co., Ltd.	<u>1,830</u>	<u>-</u>	<u>1,830</u>	<u>-</u>
	<u>\$ 2,021</u>	<u>\$ 142</u>	<u>\$ 3,083</u>	<u>\$ 55,813</u>

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

c. Receivables from related parties

Related Party	September 30, 2019	December 31, 2018	September 30, 2018
JFT Circuit Limited	\$ -	\$ -	\$ 6,043
BBL Premium Co., Ltd.	<u>1,922</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,922</u>	<u>\$ -</u>	<u>\$ 6,043</u>

Payment terms of export relations are 120 days for JFT Circuit Limited and 90 days for BBL Premium Co., Ltd. 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 nine months ended September 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 September 30		For the Nine Months Ended September 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

Proceeds	Gain (Loss) on Disposal
For the Three Months Ended September 30	For the Three Months Ended September 30

Related Party	2019		2018	
	2019	2018	2019	2018
Investment in associates/ Gong Tong Zu Lin Co., Ltd.	\$ -	\$ -	\$ -	\$ -
Investment in associates/ BBL Premium Co., Ltd.	<u>3,304</u>	<u>-</u>	<u>(265)</u>	<u>-</u>
	<u>\$ 3,304</u>	<u>\$ -</u>	<u>\$ (265)</u>	<u>\$ -</u>

Related Party	Proceeds		Gain (Loss) on Disposal	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
Related Party	2019	2018	2019	2018
Investment in associates/ Gong Tong Zu Lin Co., Ltd.	\$ 1,352	\$ -	\$ (68)	\$ -
Investment in associates/ BBL Premium Co., Ltd.	<u>3,304</u>	<u>-</u>	<u>(265)</u>	<u>-</u>
	<u>\$ 4,656</u>	<u>\$ -</u>	<u>\$ (333)</u>	<u>\$ -</u>

f. Acquisitions of financial assets

For the three months ended September 30, 2019 and 2018: None.

For the nine months ended September 30, 2019: None.

For the nine months ended September 30, 2018

Related Party	Account	Number of Shares	Underlying Assets	Price
Investment in associates/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>

g. Loans to related parties

Related Party	September 30, 2019	December 31, 2018	September 30, 2018
Other receivables Investment in associates/ Snowdown Merchandise Corporation	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ -</u>

Interest revenue

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Investment in associates/Snowdown Merchandise Corporation	\$ 455	\$ -	\$ 871	\$ -

Investment in associates/Gong Tong Zu Lin Co., Ltd.	-	-	-	728
	<u>\$ 455</u>	<u>\$ -</u>	<u>\$ 871</u>	<u>\$ 728</u>

h. Expenses

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Substantively related parties	\$ 1,028	\$ 928	\$ 2,922	\$ 2,567
Investments in associates	<u>1,924</u>	<u>728</u>	<u>4,664</u>	<u>1,565</u>
	<u>\$ 2,952</u>	<u>\$ 1,656</u>	<u>\$ 7,586</u>	<u>\$ 4,132</u>

The expenses included rents, other expenses, etc.

i. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 6,583	\$ 14,995	\$ 37,883	\$ 52,972
Post-employment benefits	232	171	577	511
Share-based payments	<u>228</u>	<u>220</u>	<u>649</u>	<u>397</u>
	<u>\$ 7,043</u>	<u>\$ 15,386</u>	<u>\$ 39,109</u>	<u>\$ 53,880</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:

	September 30, 2019	December 31, 2018	September 30, 2018
Pledged deposits	\$ 3	\$ 2	\$ 5,005
Land	21,240	236,840	236,840
Buildings, net	<u>2,359</u>	<u>2,613</u>	<u>2,698</u>
	<u>\$ 23,602</u>	<u>\$ 239,455</u>	<u>\$ 244,543</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 September 30, 2019 and 2018 were as follows:

#### Significant Commitments

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

	September 30, 2019	December 31, 2018	September 30, 2018
USD	<u>\$ 1,699</u>	<u>\$ 2,121</u>	<u>\$ 5,522</u>
EUR	<u>\$ 591</u>	<u>\$ 829</u>	<u>\$ 851</u>
NTD	<u>\$ 21,116</u>	<u>\$ 44,434</u>	<u>\$ 45,823</u>

- b. As of September 30, 2019, December 31, 2018 and September 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 \$53,688 thousand, respectively.
- c. As of September 30, 2019, December 31, 2018 and September 30 2018, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$106,146 thousand, \$107,146 thousand and \$104,146 thousand, respectively.
- d. As of September 30, 2019, December 31, 2018 and September 30 2018, commitments for purchases of machinery and equipment were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Unpaid amounts of the purchases			
NTD	\$ 5,014	\$ 1,774	\$ -
USD	-	356	591

### 32. SIGNIFICANT EVENT AFTER REPORTING PERIOD

On August 14, 2019, the Board of Directors originally decided to increase capital of the subsidiary, Kwong Lung (B.V.I) Ltd., and it would establish and invest in Xiang Lung Feather Anhui Limited. In order to meet the operational requirements, the Board of Directors propose to cease increasing capital of the subsidiary, Kwong Lung (B.V.I) Ltd, and let Snowdown Merchandise (Suzhou) Co., Ltd directly establish and invest in Xiang Lung Feather Anhui Limited instead.

### 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:

September 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 71,034	31.04 (USD:NTD)	\$ 2,204,895
USD	5,254	7.1356 (USD:CNY)	163,084
USD	25,041	23,164(USD:VND)	777,273
JPY	1,483,554	0.2878(JPY:NTD)	426,967
VND	11,796,497	0.000043(VND:USD)	15,807
EUR	9	33.95 (EUR:NTD)	306
CNY	6,500	4.35 (CNY:NTD)	28,275
EUR	38	4.395 (EUR:PLN)	1,290
Non-monetary items			
Investments accounted for using equity method			
USD	649	31.04 (USD:NTD)	20,134
<u>Financial liabilities</u>			
Monetary items			
USD	45,764	31.04 (USD:NTD)	1,420,515
USD	727	7.1356 (USD:CNY)	22,566
USD	17,799	23,164(USD:VND)	552,481
VND	83,591,811	0.000043(VND:USD)	112,013
EUR	4,926	33.95 (EUR:NTD)	167,238

December 31, 2018

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

September 30, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,430	30.525 (USD:NTD)	\$ 2,119,351
USD	8,416	6.9061 (USD:CNY)	256,898
USD	22,356	25,869 (USD:VND)	682,417
JPY	2,025,304	0.2692 (JPY:NTD)	545,212
VND	30,310,344	0.000039 (VND:USD)	35,766
EUR	156	35.48 (EUR:NTD)	5,535
CNY	1,775	4.42 (CNY:NTD)	7,846
Non-monetary items			
Investments accounted for using equity method			
USD	935	30.525 (USD:NTD)	28,552

Financial liabilities

Monetary items			
USD	55,667	30.525 (USD:NTD)	1,699,235
USD	1,044	6.9061 (USD:CNY)	31,868
USD	12,164	25,869 (USD:VND)	371,306
JPY	17,796	0.2692 (JPY:NTD)	4,791
VND	120,171,889	0.000039 (VND:USD)	141,803
EUR	7,540	35.48 (EUR:NTD)	267,519

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Three Months Ended September 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	0.00134(VND:NTD)	\$ 233	0.00120 (VND:NTD)	\$ 3,514
NTD	1(NTD:NTD)	8,212	1 (NTD:NTD)	(2,441)
USD	31.173(USD:NTD)	855	30.672 (USD:NTD)	(8)
CNY	4.4187(CNY:NTD)	11,353	4.501 (CNY:NTD)	10,885
PLN	7.9072(PLN:NTD)	<u>59</u>	8.2884 (PLN:NTD)	<u>(2,223)</u>
		<u>\$ 20,712</u>		<u>\$ 9,727</u>

<b>For the Nine Months Ended September 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	0.00129(VND:NTD)	\$ 271	0.00118 (VND:NTD)	\$ 6,590
NTD	1(NTD:NTD)	30,666	1 (NTD:NTD)	41,273
USD	31.054(USD:NTD)	1,355	29.915 (USD:NTD)	483
CNY	4.52(CNY:NTD)	14,293	4.594 (CNY:NTD)	13,258
PLN	8.1156(PLN:NTD)	<u>(154)</u>	8.3980 (PLN:NTD)	<u>(71)</u>
		<u>\$ 46,431</u>		<u>\$ 61,533</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 Nine Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Apparel department	\$ 3,725,055	\$ 3,000,259	\$ 404,630	\$ 228,296
Down material department	2,756,822	2,923,805	110,123	104,863
Home textile department	1,362,625	1,812,051	23,218	21,015
Others	533,071	457,649	(7,699)	7,917
Segment revenues	8,377,573	8,193,764	530,272	362,091
Eliminations	(245,497)	(448,789)	-	-
Segment revenue or segment income	<u>\$ 8,132,076</u>	<u>\$ 7,744,975</u>	530,272	362,091
Other income			18,472	15,724
Other gains and losses			48,966	189,870
Finance costs			(23,213)	(29,549)
Share of profit or loss of associates			9,638	18,821
Profit (loss) before tax (continuing operations)			<u>\$ 584,135</u>	<u>\$ 556,957</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 NINE MONTHS ENDED SEPTEMBER 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%	2	\$ -	Operating capital	\$ -	Promissory note	\$ 120,000	\$ 2,031,773 (Note 6.a.)	\$ 2,031,773 (Note 6.b.)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	8,545	8,222	8,222	2.25%	2	-	Operating capital	-	Promissory note	8,222	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 recognized, 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:  $\$5,079,433(\text{net worth}) \times 40\% = \$2,031,773$ ; for No. 1:  $\$72,099(\text{net worth}) \times 40\% = \$28,840$ .
- b. Total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$5,079,433(\text{net worth}) \times 40\% = \$2,031,773$ ; for No. 1:  $\$72,099(\text{net worth}) \times 40\% = \$28,840$ .

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

MARKETABLE SECURITIES HELD  
 SEPTEMBER 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	September 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	\$ 174,580	2%	\$ 174,580	
	Tainan Enterprises Co., Ltd.	-	Financial assets at FVTOCI - non-current	4,341	113,517	3%	113,517	
	<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 NINE MONTHS ENDED SEPTEMBER 30, 2019  
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		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	\$ 649,970	9%	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	\$ 354,049	28%	
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	1,428,598	24%	T/T 30-180 days	No significant difference	No significant difference	Trade payables	657,090	45%	
	Snowdown Merchandise (Suzhou) Co., Ltd.	Subsidiary	Purchase	783,582	13%	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	156,533	11%	
	Toptex Garment Co., Ltd.	Subsidiary	Purchase	614,892	10%	T/T 30-180 days	No significant difference	No significant difference	Trade payables	58,720	4%	
	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	1,649,101	27%	T/T 30-180 days	No significant difference	No significant difference	Trade payables	284,875	20%	
Kwong Lung Japan Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Purchase	649,970	82%	T/T 30-180 days	No significant difference	No significant difference	Trade payables	354,049	91%	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	1,428,598	97%	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	657,090	100%	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	783,582	52%	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	156,533	91%	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	614,892	95%	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	58,720	89%	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	1,649,101	80%	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	284,875	88%	

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

SEPTEMBER 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	\$ 354,049	2.45	\$ -	-	\$ -	\$ -
	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	304,345	-	-	-	90,416	-
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Other receivables	380,809	-	-	-	120,015	-
	Toptex Garment Co., Ltd.	Subsidiary	Other receivables	167,477	-	-	-	40,602	-
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	156,533	6.67	-	-	75,737	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	284,875	7.72	-	-	242,113	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	657,090	2.90	-	-	213,931	-

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

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR NINE MONTHS ENDED SEPTEMBER 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	\$ 80,075	No significant difference	1%
			a	Trade receivables	63,804	No significant difference	1%
			a	Cost of goods sold	1,649,101	No significant difference	20%
			a	Trade payables	284,875	No significant difference	3%
		Kwong Lung Japan Co., Ltd.	a	Other receivables	304,345	-	4%
			a	Sales revenue	649,970	No significant difference	8%
			a	Trade receivables	354,049	No significant difference	4%
			Snowdown Merchandise (Suzhou) Co., Ltd.	a	Sales revenue	97,437	No significant difference
		a		Trade receivables	8,494	No significant difference	-
		a		Cost of goods sold	783,582	No significant difference	10%
		a		Trade payables	156,533	No significant difference	2%
		Toptex Garment Co., Ltd.	a	Other receivables	1,120	-	-
			a	Cost of goods sold	614,892	No significant difference	8%
			a	Trade payables	58,720	No significant difference	1%
			a	Other receivables	167,477	-	2%
		Bo Hsing Enterprise Co., Ltd.	a	Cost of goods sold	1,428,598	No significant difference	18%
a	Trade payables		657,090	No significant difference	8%		
a	Other receivables		380,809	-	4%		
1	Manumech Corporation		Intime Tech Co., Ltd.	a	Sales revenue	29,825	No significant difference
		a		Trade receivables	35,910	No significant difference	-
		a		Other receivables	8,222	-	-
2	Huai An Guang Long He Yu Home Textile Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	b	Sales revenue	29,744	No significant difference	-
			b	Trade receivables	1,430	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 September 30, 2019. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2019.

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

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

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 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%	\$ 833,916	\$ 16,256	\$ 20,310	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.0%	1,028,928	47,811	46,347	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	15	100.0%	312,775	17,554	17,556	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.0%	749,999	65,807	65,807	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.0%	41,022	11,240	11,240	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	-	-	-	1,434	1,434	Subsidiary
	P&B Collection 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%	243,511	(5,737)	(12,039)	Subsidiary
	Kwong Lung-Omon Company Limited	Vietnam	Various selling of down and bedding	69,799	69,799	-	100.0%	84,895	10,248	8,211	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	6,636	39.5%	104,702	11,436	338	Associate
	Kwong Lung Europe SP.Z O.O. BBL Premium Co., Ltd.	Poland Taiwan	Various selling of down and bedding Wholesale and retail sale	7,102 14,000	7,102 -	17 1,400	100.0% 46.67%	2,944 14,000	(1,437) (1,105)	1,150 -	Subsidiary 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%	65,080	5,420	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%	96,541	5,420	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%	20,134	(2,726)	NA	Associate of subsidiary
P&B Collection Co., Ltd.	Gong Tong Zu Lin Co., Ltd.	Taiwan	Wholesale of machinery and equipment	27,300	27,300	3,148	39.0%	40,571	18,336	NA	Associate of subsidiary
	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	6,927	-	588	49.0%	7,405	6,056	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	3,060	51.0%	42,464	15,854	NA	Subsidiary
Manumech Corporation	Windsun Industry Co., Ltd.	Taiwan	Wholesale	10,000	15,000	1,000	100.0%	15,878	4,376	NA	Subsidiary
Klego Co., Ltd.	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	-	5,880	-	-	-	6,056	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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2019	Accumulated Repatriation of Investment Income as of September 30, 2019
					Outward	Inward						
Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 20,000	b.	\$ 598,186	\$ -	\$ -	\$ 598,186	\$ 16,564	100%	\$ 16,564 b. 2)	\$ 799,582	\$ -
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)	-	-	-	-	(1,229)	100%	(1,229) b. 3)	19,697	-
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)	-	-	-	-	2,449	51%	1,249 b. 3)	18,563	-
Intime Tech Co., Ltd.	Wholesale	RMB 1,200	c. 2)	5,408	-	-	5,408	3,599	100%	3,599 b. 3)	7,618	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of September 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)	\$ 3,082,840 (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 \$5,138,066 (consolidated net worth) x 60% = \$3,082,840.

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 NINE MONTHS ENDED SEPTEMBER 30, 2019**  
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Trade Receivables (Payables)			Unrealized (Gain) Loss
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Snowdown Merchandise (Suzhou) Co., Ltd.	Purchase	\$ 783,582	13%	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 156,533	11%	\$ 2,647
Snowdown Merchandise (Suzhou) Co., Ltd.	Sale	97,437	1%	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	8,494	1%	34
Intime Tech Co., Ltd. (Note 2)	Sale	29,825	11%	Normal	Open account 120 days	No significant difference	Trade receivables	35,910	40%	108

Note 1: As of September 30, 2019, the Company had transactions with Snowdown Merchandise (Suzhou) Co., Ltd. for processing of materials and purchase of materials amounted to \$1,120 thousand of the Company's other receivables.

Note 2: As of September 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.