

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2017 and 2016 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KWONG LUNG ENTERPRISE CO., LTD.

By

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March 23, 2018

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Impairment of Trade Receivables

Refer to Notes 5 and 10 of the accompanying consolidated financial statements for disclosures regarding the accounting policies for and detailed information on trade receivables and the impairment of trade receivables.

The products sold by the Group to its main customer base are concentrated in clothing, down and bedding, the sales of which comprise more than 60% of the Group's total sales, and trade receivables account for about 9% of total assets. In determining impairment loss on trade receivables, the management uses judgment so that related provisions are subjective and influenced by the estimated recoverability of past due or credit risk trade receivables. When the down and bedding industry is depressed and experiencing financial difficulties, the Group will not be able to collect its receivables from the main customer base. For these reasons, impairment of trade receivables was identified as a key audit matter.

In response to this key audit matter, we performed the following audit procedures:

1. We obtained an understanding of the Group's policy on granting credit to customers as well as the policy on making provision for doubtful accounts. We tested the accuracy of the aging of receivables which is the basis for calculating allowance for impairment loss on trade receivables.
2. We reviewed various customers' historical payment performance to determine whether the provision methodology is effective and followed consistently. We analyzed whether impairment losses were sufficiently recognized against trade receivables based on their estimated irrecoverable amounts which are determined by reference to historical payment experience, current payment status and current financial position of customers.
3. We evaluated the cash collection on past due receivables after the yearend in order to determine whether any additional impairment loss should be recognized.

#### Evaluation of Fire Loss

As described in Notes 5 and 33, some of the inventories, building and equipment of KWONG LUNG MEKO CO., LTD., a Vietnamese subsidiary, were damaged during the fire on March 23, 2017. The estimated amount of disaster loss was NT\$676,878 thousand, and proceeds of insurance claims of NT\$262,377 thousand have been recognized. The Company is pursuing its claims for compensation from the insurance company. The determination of the amount of compensation involves critical accounting judgements and estimates by the management, including the list of losses covered by insurance. Given the significance of the claim, we consider the estimation of disaster insurance claim a key audit matter.

In response to this key audit matter, we performed the following audit procedures:

1. We checked the property insurance contracts with the insurance company, and confirmed that the inventories, building and equipment damaged during the fire are covered by insurance.
2. We obtained a copy of the list of damaged inventories, building and equipment, and we checked the completeness of the list and accuracy of the data by comparing with the accounting records and supporting documents.
3. We assessed the reasonableness of the claimed amount which was estimated by the management based on the list of damaged assets and replacement cost.

## **Other Matter**

We have also audited the parent company only financial statements of Kwong Lung Enterprise Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

We did not audit the financial statements of certain consolidated subsidiaries for the years ended December 31, 2017 and 2016, but such financial statements were audited by other auditors whose reports thereon have been furnished to us. Our opinion, insofar as it relates to the related amounts included and the information disclosed in the Group's consolidated financial statements, is based solely on the reports of the other auditors. The total assets of the aforementioned subsidiaries constitute 21% (NT\$1,375,991 thousand) and 28% (NT\$1,709,591 thousand) of the Group's consolidated total assets as of December 31, 2017 and 2016, respectively, and the total sales of the abovementioned subsidiaries constitute 2% (NT\$156,320 thousand) and 4% (NT\$384,280 thousand) of the consolidated total sales for the years ended December 31, 2017 and 2016, respectively.

## **Responsibilities of Management and Those Charged with Governance for 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2018

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 audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 509,708	8	\$ 797,364	13
Financial assets at fair value through profit or loss - current (Note 7)	1,594	-	13,780	-
Debt investments with no active market - current (Notes 9 and 30)	72,403	1	45,000	1
Notes receivable (Note 10)	112,607	2	177,830	3
Trade receivables (Notes 5 and 10)	868,340	13	773,701	13
Trade receivables from related parties (Notes 10 and 30)	52,543	1	-	-
Other receivables (Note 10)	261,418	4	47,049	1
Other receivables from related parties (Note 30)	90,000	1	80,000	1
Inventories (Notes 5 and 11)	2,251,388	34	2,248,821	36
Prepayments	48,153	1	60,657	1
Prepayments for leases (Note 17)	3,819	-	4,042	-
Other current assets	77,581	1	79,672	1
Total current assets	4,349,554	66	4,327,916	70
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Note 8)	146,293	2	163,410	3
Debt investments with no active market - non-current (Notes 9 and 31)	50,000	1	-	-
Investments accounted for using equity method (Note 13)	200,983	3	181,562	3
Property, plant and equipment (Notes 14, 30 and 31)	1,589,129	24	1,254,198	20
Investment properties (Note 15)	92,282	1	96,750	2
Other intangible assets (Note 16)	37,689	1	36,480	1
Deferred tax assets (Note 24)	44,698	1	26,890	-
Refundable deposits	21,683	-	19,004	-
Long-term prepayments for leases (Note 17)	82,604	1	91,292	1
Other non-current assets	353	-	14,577	-
Total non-current assets	2,265,714	34	1,884,163	30
<b>TOTAL</b>	<b>\$ 6,615,268</b>	<b>100</b>	<b>\$ 6,212,079</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 18)	\$ 627,818	9	\$ 545,006	9
Financial liabilities at fair value through profit or loss - current (Note 7)	78	-	-	-
Notes payable	3,067	-	2,143	-
Trade payables	779,667	12	555,444	9
Trade payables to related parties (Note 30)	15,373	-	25,087	1
Other payables (Note 20)	366,452	6	393,955	6
Current tax liabilities (Note 24)	42,317	1	57,316	1
Current portion of long-term borrowings (Notes 18 and 31)	100,836	1	-	-
Other current liabilities	49,556	1	15,132	-
Total current liabilities	1,985,164	30	1,594,083	26
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 19)	776,572	12	763,482	12
Long-term borrowings (Notes 18 and 31)	840,629	13	200,000	3
Deferred tax liabilities (Note 24)	106,248	1	98,723	2
Net defined benefit liabilities - non-current (Note 21)	47,729	1	47,150	1
Deposits received	1,890	-	1,971	-
Total non-current liabilities	1,773,068	27	1,111,326	18
Total liabilities	3,758,232	57	2,705,409	44
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	1,090,130	16	1,083,250	17
Capital surplus	1,043,597	16	1,024,322	17
Retained earnings				
Legal reserve	373,931	5	329,194	5
Unappropriated earnings	386,167	6	940,615	15
Total retained earnings	760,098	11	1,269,809	20
Other equity				
Exchange differences on translating foreign operations	(141,947)	(2)	2,865	-
Unrealized gain on available-for-sale financial assets	61,058	1	125,637	2
Total other equity	(80,889)	(1)	128,502	2
Total equity attributable to owners of the Company	2,812,936	42	3,505,883	56
<b>NON-CONTROLLING INTERESTS</b>	44,100	1	787	-
Total equity (Notes 22 and 26)	2,857,036	43	3,506,670	56
<b>TOTAL</b>	<b>\$ 6,615,268</b>	<b>100</b>	<b>\$ 6,212,079</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 23, 2018)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Note 30)				
Sales	\$ 8,512,927	100	\$ 8,598,697	100
OPERATING COSTS (Notes 11, 23 and 30)				
Cost of goods sold	<u>(7,276,251)</u>	<u>(86)</u>	<u>(7,213,680)</u>	<u>(84)</u>
GROSS PROFIT	<u>1,236,676</u>	<u>14</u>	<u>1,385,017</u>	<u>16</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	(570,773)	(6)	(538,917)	(6)
General and administrative expenses	(241,122)	(3)	(269,051)	(3)
Research and development expenses	<u>(67,306)</u>	<u>(1)</u>	<u>(77,589)</u>	<u>(1)</u>
Total operating expenses	<u>(879,201)</u>	<u>(10)</u>	<u>(885,557)</u>	<u>(10)</u>
PROFIT FROM OPERATIONS	<u>357,475</u>	<u>4</u>	<u>499,460</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 30)				
Other income	6,209	-	6,729	-
Other gains and losses	(369,892)	(4)	27,009	-
Finance costs	(38,924)	-	(26,420)	-
Share of profit or loss of associates and joint ventures	<u>(5,639)</u>	<u>-</u>	<u>5,119</u>	<u>-</u>
Total non-operating income and expenses	<u>(408,246)</u>	<u>(4)</u>	<u>12,437</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(50,771)	-	511,897	6
INCOME TAX EXPENSE (Note 24)	<u>(59,092)</u>	<u>(1)</u>	<u>(66,052)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(109,863)</u>	<u>(1)</u>	<u>445,845</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(1,689)	-	265	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>287</u>	<u>-</u>	<u>(45)</u>	<u>-</u>
	<u>(1,402)</u>	<u>-</u>	<u>220</u>	<u>-</u>

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (144,776)	(2)	\$ (135,122)	(2)
Unrealized gain (loss) on available-for-sale financial assets	<u>(64,579)</u>	<u>(1)</u>	<u>123,328</u>	<u>2</u>
	<u>(209,355)</u>	<u>(3)</u>	<u>(11,794)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(210,757)</u>	<u>(3)</u>	<u>(11,574)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ (320,620)</u>	<u>(4)</u>	<u>\$ 434,271</u>	<u>5</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ (118,339)	(1)	\$ 447,375	5
Non-controlling interests	<u>8,476</u>	<u>-</u>	<u>(1,530)</u>	<u>-</u>
	<u>\$ (109,863)</u>	<u>(1)</u>	<u>\$ 445,845</u>	<u>5</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ (329,132)	(4)	\$ 435,668	5
Non-controlling interests	<u>8,512</u>	<u>-</u>	<u>(1,397)</u>	<u>-</u>
	<u>\$ (320,620)</u>	<u>(4)</u>	<u>\$ 434,271</u>	<u>5</u>
<b>EARNINGS (LOSS) PER SHARE (Note 25)</b>				
From continuing operations				
Basic	<u>\$(1.09)</u>		<u>\$4.19</u>	
Diluted	<u>\$(1.09)</u>		<u>\$3.91</u>	

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

(With Deloitte & Touche auditors' report dated March 23, 2018)

(Concluded)

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Other Equity			Non-controlling Interests	Total Equity		
	Share Capital	Capital Surplus				Retained Earnings		Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total				
		Additional Paid-in Capital	Treasury Share Transactions	Employee Share Options	Convertible Bonds Share Options	Expired Share Options	Subtotal						Legal Reserve	Unappropriated Earnings
BALANCE AT JANUARY 1, 2016	\$ 1,064,690	\$ 869,047	\$ 29,284	\$ 54,854	\$ -	\$ 19	\$ 953,204	\$ 286,060	\$ 855,561	\$ 138,120	\$ 2,309	\$ 3,299,944	\$ 2,184	\$ 3,302,128
Appropriation of the 2015 earnings														
Legal reserve	-	-	-	-	-	-	-	43,134	(43,134)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(319,407)	-	-	(319,407)	-	(319,407)
Net profit (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	447,375	-	-	447,375	(1,530)	445,845
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	-	-	220	(135,255)	123,328	(11,707)	133	(11,574)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	447,595	(135,255)	123,328	435,668	(1,397)	434,271
Issue of ordinary shares under employee share options	18,560	33,978	-	2,016	-	467	36,461	-	-	-	-	55,021	-	55,021
Recognition of equity component of convertible bonds issued by the Company	-	-	-	-	34,657	-	34,657	-	-	-	-	34,657	-	34,657
BALANCE AT DECEMBER 31, 2016	1,083,250	903,025	29,284	56,870	34,657	486	1,024,322	329,194	940,615	2,865	125,637	3,505,883	787	3,506,670
Appropriation of the 2016 earnings														
Legal reserve	-	-	-	-	-	-	-	44,737	(44,737)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(389,970)	-	-	(389,970)	-	(389,970)
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	-	(118,339)	-	-	(118,339)	8,476	(109,863)
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	-	(1,402)	(144,812)	(64,579)	(210,793)	36	(210,757)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	-	(119,741)	(144,812)	(64,579)	(329,132)	8,512	(320,620)
Issue of ordinary shares under employee share options	6,880	20,581	-	(2,313)	-	1,007	19,275	-	-	-	-	26,155	-	26,155
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	34,801	34,801
BALANCE AT DECEMBER 31, 2017	\$ 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

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

(With Deloitte & Touche auditors' report dated March 23, 2018)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (50,771)	\$ 511,897
Adjustments for:		
Depreciation expenses	120,201	136,938
Amortization expenses	12,905	19,411
Amortization of prepayments for leases	3,861	4,148
Impairment loss (reversal of impairment loss) on trade receivables	5,072	(1,068)
Net (gain) loss on fair value changes of financial assets and liabilities held for trading	(1,516)	(13,780)
Finance costs	38,924	26,420
Interest income	(6,209)	(5,794)
Loss from disasters	676,878	-
Net gain on disposal of investments	(76,601)	-
Write-down of inventories	18,272	9,239
Compensation cost of employee share options	6,413	17,157
Share of profit of associates and joint ventures	5,639	(5,119)
Loss on disposal of property, plant and equipment	(205)	187
Other losses	9	-
Net loss (gain) on foreign currency exchange	(1,207)	(10,587)
Changes in operating assets and liabilities		
Decrease in derivative financial assets held for trading	13,780	-
Decrease (increase) in notes receivable	67,926	(42,896)
(Increase) decrease in trade receivables	(12,672)	53,493
Increase in trade receivables from related parties	(52,543)	-
(Increase) decrease in other receivables	(212,401)	37,259
(Increase) decrease in inventories	(544,267)	257,349
Decrease (increase) in prepayments	12,504	(15,923)
Decrease in other current assets	2,674	34,622
Increase in derivative financial liabilities held for trading	-	(28,060)
Increase (decrease) in notes payable	924	(21,282)
Increase (decrease) in trade payables	191,239	(109,571)
(Decrease) increase in trade payables to related parties	(9,714)	4,186
(Decrease) increase in other payables	(29,830)	52,713
Increase (decrease) in other current liabilities	34,391	(583)
Decrease in net defined benefit liabilities	(1,110)	(1,023)
Cash generated from operations	212,566	909,333
Interest received	6,209	5,794
Interest paid	(25,423)	(24,195)
Income tax paid	(85,950)	(78,078)
Net cash generated from operating activities	<u>107,402</u>	<u>812,854</u>

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	\$ (66,920)	\$ -
Proceeds from sale of available-for-sale financial assets	94,495	-
Purchase of debt investments with no active market	(67,612)	-
Proceeds from sale of debt investments with no active market	-	8,000
Acquisition of associates and joint ventures	(38,422)	(77,197)
Net cash outflow on acquisition of associates and joint ventures	(11,991)	-
Payments for property, plant and equipment	(626,095)	(143,076)
Proceeds from disposal of property, plant and equipment	20,737	1,072
Increase in refundable deposits	(2,674)	-
Decrease in refundable deposits	-	4,904
Increase in other receivables - related parties	(10,000)	(20,000)
Payments for intangible assets	(14,151)	(18,772)
Decrease in other non-current assets	2,023	1,826
Other dividends received	-	2,607
	<u>(720,610)</u>	<u>(240,636)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	41,953	-
Repayments of short-term borrowings	-	(18,513)
Proceeds from issue of convertible bonds	-	794,880
Proceeds from long-term borrowings	1,155,000	660,000
Repayments of long-term borrowings	(430,619)	(1,325,094)
Proceeds from guarantee deposits received	-	7
Refund of guarantee deposits received	(81)	-
Dividends paid to owners of the Company	(389,970)	(319,407)
Proceeds from share options exercised	19,742	37,825
Increase in non-controlling interests	15,594	39
	<u>411,619</u>	<u>(170,263)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(86,067)</u>	<u>(94,047)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(287,656)</b>	<b>307,908</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>797,364</u>	<u>489,456</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>\$ <u>509,708</u></b>	<b>\$ <u>797,364</u></b>

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

(With Deloitte & Touche auditors' report dated March 23, 2018)

(Concluded)

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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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 Taiwan GreTai Securities Market since April 1999.

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

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company's board of directors on March 23, 2018.

### **3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

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

- Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 30 for the related disclosures.

- b. 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 by the FSC for application starting from 2018

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

## 1) IFRS 9 “Financial Instruments”

### Classification, measurement and impairment of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above measurement, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
<b><u>Impact on assets, liabilities and equity</u></b>			
Financial assets at fair value through other comprehensive income - non-current	\$ -	\$ 146,293	\$ 146,293
Debt investments with no active market - current	72,403	(72,403)	-
Available-for-sale financial assets - non-current	-	72,403	72,403
Financial assets measured at amortized cost - current	146,293	(146,293)	-
Debt investments with no active market - non-current	-	50,000	50,000
	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total effect on assets	<u>\$ 268,696</u>	<u>\$ -</u>	<u>\$ 268,696</u>
Other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income	\$ -	\$ 61,058	\$ 61,058
Unrealized gain (loss) on available for sale financial assets	<u>61,058</u>	<u>(61,058)</u>	<u>-</u>
Total effect on equity	<u>\$ 61,058</u>	<u>\$ -</u>	<u>\$ 61,058</u>

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

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

When applying IFRS 15, the Group will recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

The Group elects to recognize the cumulative effect of retrospectively applying IFRS 15 in the retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

## 3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, and irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax effects of reversed deductible temporary differences.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
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 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

2) IFRS 16 “Leases”

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by 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 or financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

### 3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process, goods to subcontractor and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint venture attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate or joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate or joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate or joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate or joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate or a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a Group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and joint venture of entities that are not related to the Group.

#### h. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## 1. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement category

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

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 29.

##### ii. Available-for-sale financial assets

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

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

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

### iii. Loans and receivables

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

### b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

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

#### 4) Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

#### 5) Derivative financial instruments

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

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

#### m. Revenue recognition

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

##### 1) Sale of goods

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

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

- d) It is probable that the economic benefits associated with the transaction will flow to the Group;  
and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

## 2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

## n. Leasing

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.

### 1) The Group as lessor

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

### 2) The Group as lessee

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

## o. Employee benefits

### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

### 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Employee share options

Employee share options granted to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

a. Estimated impairment of trade receivables

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

b. Evaluation of fire loss

The insurance claim revenue is recognized when it is virtually certain that the compensation will be received in the future. As the amount of claim is measured based on the amount which is permitted by insurance company, management shall assess and estimate the replacement cost of damaged assets.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Cash on hand	\$ 1,727	\$ 2,834
Checking accounts and demand deposits	400,313	776,793
Cash equivalent (investments with original maturities less than three months)		
Time deposits	<u>107,668</u>	<u>17,737</u>
	<u>\$ 509,708</u>	<u>\$ 797,364</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Bank balance	0%-1.35%	0%-1%
Time deposits	1.75%-3.95%	0.9%

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

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 1,594</u>	<u>\$ 13,780</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>\$ 78</u>	<u>\$ -</u>

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>December 31, 2017</u>			
Sell	JPY/NTD	2018.1.29-2018.2.27	JPY300,000/NTD80,777
Buy	EUR/NTD	2018.3.28-2018.4.11	EUR2,000/NTD71,215
<u>December 31, 2016</u>			
Sell	JPY/NTD	2017.1.10-2017.3.28	JPY400,000/NTD124,056

The Group entered into foreign exchange forward contracts during 2017 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
<u>Non-current</u>		
Domestic investments		
Listed shares	<u>\$ 146,293</u>	<u>\$ 163,410</u>

## 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Restricted assets - bank balance (a)	\$ 8,883	\$ 2,000
Time deposits with original maturity more than 3 months (b)	<u>63,520</u>	<u>43,000</u>
	<u>\$ 72,403</u>	<u>\$ 45,000</u>

### Non-current

Private corporate bond with no active market	<u>\$ 50,000</u>	<u>\$ -</u>
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- a. Refer to Note 31 for information relating to bond investments with no active market pledged as security.
- b. The market interest rates of the time deposits with original maturity more than 3 months were 0.09%-1.75% and 0.2%-1.2% per annum as of December 31, 2017 and 2016, respectively.
- c. The Group bought five-year corporate bond without security issued by Snowdown Merchandise Corporation with a coupon rate of 2.75%, at a par value of \$10,000 thousand, as of April 2017.

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

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes receivable</u>		
Notes receivable	\$ 112,607	\$ 177,830
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 112,607</u>	<u>\$ 177,830</u>
<u>Trade receivables (including related parties)</u>		
Trade receivables	\$ 930,999	\$ 778,843
Less: Allowance for impairment loss	<u>(10,116)</u>	<u>(5,142)</u>
	<u>\$ 920,883</u>	<u>\$ 773,701</u>
<u>Other receivables</u>		
Sale of raw materials	\$ 47,205	\$ 4,771
Premium receivable	99,517	34,411
Tax refund receivable	102,868	-
Others	11,828	7,867
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 261,418</u>	<u>\$ 47,049</u>

## Notes Receivable and Trade Receivables

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

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

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Less than 30 days	\$ 514,665	\$ 436,203
31-60 days	255,782	231,977
61-120 days	149,934	100,084
More than 121 days	<u>10,618</u>	<u>10,579</u>
	<u>\$ 930,999</u>	<u>\$ 778,843</u>

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Less than 30 days	\$ 8,612	\$ 19,075
31-60 days	148	13,019
61-120 days	3	1,271
More than 121 days	<u>-</u>	<u>-</u>
	<u>\$ 8,763</u>	<u>\$ 33,365</u>

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

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

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 1,218	\$ 5,048	\$ 6,266
Less: Impairment losses recognized			
(Impairment losses reversed)	217	(1,285)	(1,068)
Foreign exchange translation gains and losses	<u>-</u>	<u>(56)</u>	<u>(56)</u>
Balance at December 31, 2016	<u>\$ 1,435</u>	<u>\$ 3,707</u>	<u>\$ 5,142</u>
Balance at January 1, 2017	\$ 1,435	\$ 3,707	\$ 5,142
Less: Impairment losses recognized			
(Impairment losses reversed)	(2)	5,074	5,072
Foreign exchange translation gains and losses	<u>-</u>	<u>(98)</u>	<u>(98)</u>
Balance at December 31, 2017	<u>\$ 1,433</u>	<u>\$ 8,683</u>	<u>\$ 10,116</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Merchandise	\$ 264,152	\$ 197,250
Finished goods	205,936	310,863
Work in progress	1,070,541	1,272,270
Raw materials and supplies	411,743	383,696
Goods to subcontractor	17,837	3,134
Inventory in transit	<u>281,179</u>	<u>81,608</u>
	<u>\$ 2,251,388</u>	<u>\$ 2,248,821</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was \$7,276,251 thousand and \$7,213,680 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of \$18,272 thousand and \$9,239 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		Remark
			2017	2016	
The Company	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	100	
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel.	100	100	
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel.	100	100	
	Nepheles Co., Ltd.	Manufacturing, exporting, importing and selling clothing.	90	90	
	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	
	BBL Premium Co., Ltd.	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	100	100	
	KWONG LUNG EUROPE SP.Z.O.O.	Various selling of down and bedding	100	-	a)
	Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	100	-
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	
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	-	
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	-	
Kwong Lung Japan Co., Ltd.	Downgoods Co., Ltd.	Manufacturing, exporting, importing and selling clothing.	100	51	b)
BBL Premium Co., Ltd.	Manumech Corporation	Wholesale	51	-	
Manumech Corporation	Windsun Industry Co., Ltd.	Wholesale	100	-	
	Intime Tech Co., Ltd.	Wholesale	100	-	

a) The financial statements of the subsidiaries are audited as of December 31, 2017. KWONG LUNG EUROPE SP.Z.O.O. is not a major subsidiary, so its financial statements have not been audited. The management believes that an audit of the financial statements of KWONG LUNG EUROPE SP.Z.O.O. would not result in significant impact on the Group's consolidated financial statements.

b) The management believes that the Group's acquisition of all non-controlling interests as of August 31, 2017 would not result in significant impact on the Group's consolidated financial statements.

b. Subsidiaries excluded from consolidated financial statements: None.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Investments in associates	\$ 145,939	\$ 158,363
Investments in joint ventures	<u>55,044</u>	<u>23,199</u>
	<u>\$ 200,983</u>	<u>\$ 181,562</u>

a. Investments in associates

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Associates that are not individually material	<u>\$ 145,939</u>	<u>\$ 158,363</u>

#### Aggregate information of associates that are not individually material

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
The Group's share of:		
Profit (loss) from continuing operations	\$ (687)	\$ 7,968
Other comprehensive income	<u>(11,016)</u>	<u>4,050</u>
Total comprehensive income (loss) for the year	<u>\$ (11,703)</u>	<u>\$ 12,018</u>

The Group invested \$77,197 thousand to acquire some associates that are not individually material in 2016.

b. Investments in joint ventures

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Joint ventures that are not individually material	<u>\$ 55,044</u>	<u>\$ 23,199</u>

#### Aggregate information of joint ventures that are not individually material

**(In Thousands of Vietnamese Dong)**

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
The Group's share of:		
Profit (loss) from continuing operations	\$ (4,015,358)	\$ (1,852,274)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ (4,015,358)</u>	<u>\$ (1,852,274)</u>

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Group was 49%.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2016	\$ 265,684	\$ 1,300,403	\$ 723,655	\$ 42,299	\$ 320,212	\$ 3,000	\$ 2,655,253
Additions	-	1,370	43,597	3,296	2,334	28,444	79,041
Disposals	-	-	(4,985)	(93)	(6,704)	-	(11,782)
Reclassification	-	5,116	16,324	2,468	5,231	33,132	62,271
Effect of foreign currency exchange differences	-	(61,744)	(35,137)	(2,400)	(13,813)	(15)	(113,109)
Balance at December 31, 2016	<u>\$ 265,684</u>	<u>\$ 1,245,145</u>	<u>\$ 743,454</u>	<u>\$ 45,570</u>	<u>\$ 307,260</u>	<u>\$ 64,561</u>	<u>\$ 2,671,674</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2016	\$ -	\$ 496,800	\$ 580,167	\$ 26,744	\$ 255,990	\$ -	\$ 1,359,701
Disposals	-	-	(4,478)	(93)	(5,952)	-	(10,523)
Depreciation expense	-	57,790	48,035	5,404	25,184	-	136,413
Effect of foreign currency exchange differences	-	(25,801)	(29,367)	(1,677)	(11,270)	-	(68,115)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 528,789</u>	<u>\$ 594,357</u>	<u>\$ 30,378</u>	<u>\$ 263,952</u>	<u>\$ -</u>	<u>\$ 1,417,476</u>
Carrying amounts at December 31, 2016	<u>\$ 265,684</u>	<u>\$ 716,356</u>	<u>\$ 149,097</u>	<u>\$ 15,192</u>	<u>\$ 43,308</u>	<u>\$ 64,561</u>	<u>\$ 1,254,198</u>
<u>Cost</u>							
Balance at January 1, 2017	\$ 265,684	\$ 1,245,145	\$ 743,454	\$ 45,570	\$ 307,260	\$ 64,561	\$ 2,671,674
Additions	-	63,506	61,927	4,320	13,278	474,508	617,539
Acquired in business combination	21,240	3,834	-	-	270	-	25,344
Disposals	-	(196,086)	(119,566)	(7,497)	(22,517)	-	(345,666)
Reclassification	309,466	40,758	19,233	1,165	5,988	(355,716)	20,894
Effect of foreign currency exchange differences	-	(45,248)	(38,303)	(2,224)	(4,476)	(2,439)	(92,690)
Balance at December 31, 2017	<u>\$ 596,390</u>	<u>\$ 1,111,909</u>	<u>\$ 666,745</u>	<u>\$ 41,334</u>	<u>\$ 299,803</u>	<u>\$ 180,914</u>	<u>\$ 2,897,095</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ -	\$ 528,789	\$ 594,357	\$ 30,378	\$ 263,952	\$ -	\$ 1,417,476
Acquired in business combination	-	655	-	-	81	-	736
Disposals	-	(52,130)	(98,325)	(4,361)	(21,332)	-	(176,148)
Depreciation expense	-	48,975	48,833	4,366	17,548	-	119,722
Effect of foreign currency exchange differences	-	(16,609)	(32,421)	(1,313)	(3,477)	-	(53,820)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 509,680</u>	<u>\$ 512,444</u>	<u>\$ 29,070</u>	<u>\$ 256,772</u>	<u>\$ -</u>	<u>\$ 1,307,966</u>
Carrying amounts at December 31, 2017	<u>\$ 596,390</u>	<u>\$ 602,229</u>	<u>\$ 154,301</u>	<u>\$ 12,264</u>	<u>\$ 43,031</u>	<u>\$ 180,914</u>	<u>\$ 1,589,129</u>

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

##### Building

Main buildings 10 to 51 years

Construction 1 to 26 years

Machinery equipment 2 to 20 years

Transportation equipment 4 to 12 years

Office equipment 2 to 15 years

##### Other equipment

Air conditioning 36 to 51 years

Utilities equipment 2 to 23 years

Others 1 to 25 years

Leasehold improvements 1 to 7 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 31.

## 15. INVESTMENT PROPERTIES

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Completed investment properties	<u>\$ 92,282</u>	<u>\$ 96,750</u>

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

Main buildings 28 years

The fair values of investment properties were assessed as follows:

**(In Thousands of Japanese Yen)**

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Independent valuation	<u>\$ 388,000</u>	<u>\$ 388,000</u>

The fair value of investment properties was not evaluated by independent appraisers on December 31, 2017 but evaluated by the management using the evaluation model commonly used by market participants. This evaluation is based on market evidence of transactions involving similar real estate.

The fair value of investment properties as of December 31, 2016 was based on the valuation carried out as of December 31, 2016 by independent qualified professional valuator in CCIS Real Estate Joint Appraisers Firm, a member of Taiwan certified Japan real estate appraisers. The fair value of investment properties was estimated based on unobservable inputs (Level 3), and by using the comparison approach, cost approach and the direct capitalization approach.

## 16. OTHER INTANGIBLE ASSETS

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Licenses	\$ 195	\$ 282
Cost of computer software	<u>37,494</u>	<u>36,198</u>
	<u>\$ 37,689</u>	<u>\$ 36,480</u>

Other intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

Licenses 10 years  
 Cost of computer software 2-5 years

## 17. PREPAYMENTS FOR LEASE OBLIGATIONS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Current asset	\$ 3,819	\$ 4,042
Non-current asset	<u>82,604</u>	<u>91,292</u>
	<u>\$ 86,423</u>	<u>\$ 95,334</u>

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

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 627,818</u>	<u>\$ 545,006</u>
Range of interest rates	<u>0.25%-4.79%</u>	<u>0.53%-2.16%</u>

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Secured borrowings (Note 31)</u>		
Bank loans	\$ 116,465	\$ -
	(1)	
<u>Unsecured borrowings</u>		
Credit borrowings	<u>825,000</u>	<u>200,000</u>
	941,465	200,000
Less: Current portion	<u>(100,836)</u>	<u>-</u>
Long-term borrowings	<u>\$ 840,629</u>	<u>\$ 200,000</u>
Range of interest rates	<u>1.21%-1.72%</u>	<u>1.23%-1.41%</u>

- 1) The bank borrowings are secured by the Group's freehold land and buildings (see Note31)
- 2) The Company entered into a syndicated loan agreement with E.SUN Bank, the mandated lead arranger of the loan agreement, and other participants. The agreement offered the Company a line of credit for \$1,350,000 thousand.
  - a) First Credit - the credit line for \$900,000 thousand may be used separately but may not be used on a revolving basis.
  - b) Second Credit - the credit line for \$450,000 thousand may be used on a revolving basis. The credit line shall be reduced starting from the end of the twenty-fourth month after the first use and every three months thereafter, with a total of five adjustments. The reduction in each of the first to fourth adjustments is 12.5% and 50% on the fifth adjustment.

In addition to the general provisions, the agreement also included covenants which require the Company to maintain some financial ratios. If the Company fails to comply with the covenants, the consequence shall be decided by majority lenders.

The financial ratios that the Company shall comply with during the agreement period are as follows:

- a) Current Ratio (Current assets ÷ Current liabilities) shall be maintained at above 100%;
- b) Debt Ratio (Liabilities ÷ Tangible equities) shall be maintained at below 180%;
- c) Interest Coverage Ratio [(Profit before income tax + Interest expenses + Depreciation expenses + Amortization expenses) ÷ Interest expenses) shall be maintained at above 400%;
- d) Minimum tangible equities (Equities - Intangible assets) shall be maintained at above \$1,900,000 thousand;

The above financial ratios shall be tested annually using the consolidated financial statements of the Company for the relevant financial year, and may be tested on other dates when the facility agent deems necessary. Also the Company's financial manager or certified public accountant shall issue an announcement to declare that, based on the testing results, there was no breach of the financial covenants.

If the Company failed to maintain the above financial ratios, the Company shall adjust within nine months after the relevant financial year, and if after the adjustment, the above financial ratios have been reviewed by certified public accountant and declared in compliance with covenants, the Company will not be regarded in breach of the agreement. But after the next interest payment date, as informed by the facility agent, till the next interest payment date after the Company's compliance with the loan covenants, all provision in the agreement about the margin of interest rate shall be increased by 0.125%.

The syndicated loan agreement mentioned above had been paid in full in March 2017.

## 19. BONDS PAYABLE

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Unsecured bonds payable	\$ 776,572	\$ 763,482
Less: Current portion	<u>-</u>	<u>-</u>
Bonds payable	<u>\$ 776,572</u>	<u>\$ 763,482</u>

To repay the loan, the Company issued the 1st domestic unsecured convertible bonds with an aggregate principal amount of \$800,000 thousand and a face value of \$100 thousand per bond certificate. At the end of the third year from the bond issuance date, bondholders have the right to redeem the convertible bonds at face value in cash. The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The terms and conditions of the bond are as follows:

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

d. Redemption of the convertible bonds

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

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

e. Redemption method

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

- 2) Conversion period:

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

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

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

Proceeds from issue (less transaction costs \$5,120 thousand)	\$ 794,880
Equity component (less transaction costs allocated to the equity component of \$223 thousand)	<u>(34,657)</u>
Liability component at the date of issuance (less transaction costs allocated to the liability component of \$4,897 thousand)	760,223
Interest charged at an effective interest rate	<u>16,349</u>
Liability component at December 31, 2017	<u>\$ 776,572</u>

## 20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Accrued payroll and employee benefit	\$ 203,392	\$ 172,994
Accrued fabrication expense	22,214	23,707
Accrued bonus to employees	-	50,000
Accrued remuneration to directors and supervisors	-	14,900
Others	<u>140,846</u>	<u>132,354</u>
	<u>\$ 366,452</u>	<u>\$ 393,955</u>

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company, Klego Co., Ltd. and BBL Premium Co., Ltd. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary outside Taiwan are members of a state-managed retirement benefit plan operated by the government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 3.18% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Present value of defined benefit obligation	\$ 65,816	\$ 69,036
Fair value of plan assets	<u>(18,087)</u>	<u>(21,886)</u>
Net defined benefit liability	<u>\$ 47,729</u>	<u>\$ 47,150</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2016	<u>\$ 73,550</u>	<u>\$ (25,112)</u>	<u>\$ 48,438</u>
Service cost			
Current service cost	591	-	591
Changes in plan curtailment	(2,159)	-	(2,159)
Payments in plan settlement	-	1,784	1,784
Net interest expense (income)	<u>913</u>	<u>(320)</u>	<u>593</u>
Recognized in profit or loss	<u>(655)</u>	<u>1,464</u>	<u>809</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	160	160
Actuarial loss - changes in demographic assumptions	15	-	15
Actuarial loss - experience adjustments	<u>(440)</u>	<u>-</u>	<u>(440)</u>
Recognized in other comprehensive income	<u>(425)</u>	<u>160</u>	<u>(265)</u>
Contributions from the employer	-	(1,825)	(1,825)
Benefits paid - recognized expenses	(7)	-	(7)
Benefits paid - from plan assets	<u>(3,427)</u>	<u>3,427</u>	<u>-</u>
Balance at December 31, 2016	<u>69,036</u>	<u>(21,886)</u>	<u>47,150</u>
Service cost			
Current service cost	409	-	409
Net interest expense (income)	<u>851</u>	<u>(274)</u>	<u>577</u>
Recognized in profit or loss	<u>1,260</u>	<u>(274)</u>	<u>986</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	73	73
Actuarial loss - changes in demographic assumptions	120	-	120
Actuarial loss - experience adjustments	(336)	-	(336)
Actuarial loss - changes in financial assumptions	<u>1,832</u>	<u>-</u>	<u>1,832</u>
Recognized in other comprehensive income	<u>1,616</u>	<u>73</u>	<u>1,689</u>
Benefits paid - recognized expenses	-	(2,096)	(2,096)
Benefits paid - from plan assets	<u>(6,096)</u>	<u>6,096</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 65,816</u>	<u>\$ (18,087)</u>	<u>\$ 47,729</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Discount rate(s)	1.00%	1.25%
Expected rate(s) of salary increase	3.00%	3.00%
Turnover rate	0.30%	0.34%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Discount rate(s)		
0.25% increase	<u>\$ (1,837)</u>	<u>\$ (2,052)</u>
0.25% decrease	<u>\$ 1,913</u>	<u>\$ 2,140</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,871</u>	<u>\$ 2,098</u>
0.25% decrease	<u>\$ (1,806)</u>	<u>\$ (2,032)</u>
Turnover rate		
10% increase	<u>\$ (10)</u>	<u>\$ (27)</u>
10% decrease	<u>\$ 10</u>	<u>\$ 27</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
The expected contributions to the plan for the next year	<u>\$ 1,853</u>	<u>\$ 1,852</u>
The average duration of the defined benefit obligation	11 years	11 years

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Number of shares authorized (in thousands)	<u>160,000</u>	<u>160,000</u>
Shares authorized	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>109,013</u>	<u>108,325</u>
Shares issued	<u>\$ 1,090,130</u>	<u>\$ 1,083,250</u>

### b. Capital surplus

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

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

### c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 21, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

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

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

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

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 and 2015 have been approved in the shareholders' meetings on June 22, 2017 and June 21, 2016, 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Legal reserve	\$ 44,737	\$ 43,134		
Cash dividends	389,970	319,407	\$3.6	\$3.0

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on March 23, 2017. The appropriations and dividends per share were as follows:

	<u>Appropriation</u>	<u>Dividends Per</u>
	<u>of Earnings</u>	<u>Share (NT\$)</u>
Special reserve	\$ 80,889	
Cash dividends	218,411	\$2

The appropriations of earnings for 2017 are subject to the resolution in the shareholders' meeting to be held in June 2018.

The Company's shareholders will also resolve in June 2018 the payment of cash dividends from capital surplus of \$109,205 thousand.

### 23. NET PROFIT FROM CONTINUING OPERATIONS

#### Net Profit from Continuing Operations

##### a. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Foreign exchange gains	\$ 221,218	\$ 185,302
Foreign exchange losses	(262,790)	(179,260)
Net gain on financial assets designated as at FVTPL	1,516	13,780
Gain on disposal of investment	76,601	-
Gain (loss) on disposal of property, plant and equipment	205	(187)
Loss on disasters (Note 33)	(676,878)	-
Insurance claims (Note 33)	262,377	-
Others	<u>7,859</u>	<u>7,374</u>
	<u>\$ (369,892)</u>	<u>\$ 27,009</u>

##### b. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Interest on bank loans	\$ 25,834	\$ 23,161
Convertible bonds	<u>13,090</u>	<u>3,259</u>
	<u>\$ 38,924</u>	<u>\$ 26,420</u>

c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Property, plant and equipment	\$ 119,722	\$ 136,413
Investment property	479	525
Intangible assets (included in operating expenses)	<u>12,905</u>	<u>19,411</u>
	<u>\$ 133,106</u>	<u>\$ 156,349</u>
 An analysis of depreciation by function		
Operating costs	\$ 75,827	\$ 87,106
Operating expenses	<u>44,374</u>	<u>49,832</u>
	<u>\$ 120,201</u>	<u>\$ 136,938</u>

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Post-employment benefits		
Defined contribution plans	\$ 21,293	\$ 20,826
Defined benefit plans	<u>986</u>	<u>809</u>
	<u>22,279</u>	<u>21,635</u>
Share-based payments		
Equity-settled	<u>6,413</u>	<u>17,157</u>
Other employee benefits	<u>1,010,039</u>	<u>1,083,650</u>
Total employee benefits expense	<u>\$ 1,038,731</u>	<u>\$ 1,122,442</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 634,195	\$ 696,670
Operating expenses	<u>404,536</u>	<u>425,772</u>
	<u>\$ 1,038,731</u>	<u>\$ 1,122,442</u>

e. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2017 and 2016 which have been approved by the Company's board of directors on March 23, 2018 and March 24, 2017, respectively, were as follows:

Amount

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

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

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Major components of income tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Current tax		
In respect of the current year	\$ 63,992	\$ 58,695
Income tax expense of unappropriated earnings	1,361	6,208
Adjustments for prior periods	<u>3,565</u>	<u>(1,226)</u>
	68,918	63,677
Deferred tax		
In respect of the current year	<u>(9,826)</u>	<u>2,375</u>
Income tax expense recognized in profit or loss	<u>\$ 59,092</u>	<u>\$ 66,052</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Profit (loss) before tax from continuing operations	<u>\$ (50,711)</u>	<u>\$ 511,897</u>
Income tax expense (benefit) calculated at the statutory rate (17%)	\$ (8,631)	\$ 87,022
Nondeductible expenses (deductible gains) in determining taxable income	3,190	981
Deferred tax on undistributed earnings (loss) from subsidiary	(73,666)	39,605
Additional income tax on unappropriated earnings	1,361	6,208
Unrecognized deductible temporary differences	47,462	(40,396)
Effect of different tax rates of group entities operating in other jurisdictions	85,811	(26,142)
Adjustments for prior years' tax	<u>3,565</u>	<u>(1,226)</u>
Income tax expense recognized in profit or loss	<u>\$ 59,092</u>	<u>\$ 66,052</u>

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$7,888 thousand and \$18,750 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Acquired in Business Combination</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Foreign exchange losses	\$ 6,624	\$ (4,221)	\$ -	\$ -	\$ 2,403
Write-down of inventories	4,630	1,128	-	-	5,758
Unrealized intercompany gain	2,483	(257)	-	-	2,181
Foreign subsidiaries' investment profits and losses	-	20,944	-	-	20,944
FVTPL financial liabilities	-	13	-	-	13
Defined benefit obligation	7,989	(187)	-	287	8,089
Accrued employee benefit	4,411	162	-	-	4,573
Others	<u>798</u>	<u>(554)</u>	<u>493</u>	<u>-</u>	<u>737</u>
	<u>\$ 26,890</u>	<u>\$ 17,028</u>	<u>\$ 493</u>	<u>\$ 287</u>	<u>\$ 44,698</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Foreign exchange gains	\$ (31)	\$ (2,750)	\$ (323)	\$ -	\$ (3,104)
FVTPL financial assets	(2,342)	2,071	-	-	(271)
Unappropriated earnings of subsidiaries and joint ventures	(96,209)	(6,523)	-	-	(102,732)
Others	<u>(141)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141)</u>
	<u>\$ (98,723)</u>	<u>\$ (7,202)</u>	<u>\$ (323)</u>	<u>\$ -</u>	<u>\$ (106,248)</u>

For the year ended December 31, 2016

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Foreign exchange losses	\$ 3,777	\$ 2,847	\$ -	\$ 6,624
Write-down of inventories	4,934	(304)	-	4,630
Unrealized intercompany gain	2,112	326	-	2,438
FVTPL financial liabilities	4,770	(4,770)	-	-
Defined benefit obligation	8,210	(176)	(45)	7,989
Accrued employee benefit	4,696	(285)	-	4,411
Others	<u>-</u>	<u>798</u>	<u>-</u>	<u>798</u>
	<u>\$ 28,499</u>	<u>\$ (1,564)</u>	<u>\$ (45)</u>	<u>\$ 26,890</u>

Deferred tax liabilities

Temporary differences				
Foreign exchange gains	\$ (1,775)	\$ 1,744	\$ -	\$ (31)
FVTPL financial assets	-	(2,342)	-	(2,342)
Unappropriated earnings of subsidiaries and joint ventures	(95,996)	(213)	-	(96,209)
Others	<u>(141)</u>	<u>-</u>	<u>-</u>	<u>(141)</u>
	<u>\$ (97,912)</u>	<u>\$ (811)</u>	<u>\$ -</u>	<u>\$ (98,723)</u>

c. Integrated income tax

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unappropriated earnings		
Generated before January 1, 1998		\$ -
Generated on and after January 1, 1998	Note	<u>940,615</u>
		<u>\$ 940,615</u>
Imputation credits account	Note	<u>\$ 80,662</u>
	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
	<u>(Expected)</u>	<u>(Actual)</u>
Creditable ratio for distribution of earnings.	Note	12.31%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

d. Income tax assessments

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

## 25. EARNINGS PER SHARE (LOSS)

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

### Net Profit (loss) for the Year

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Profit (loss) for the period attributable to owners of the Company	\$ (118,339)	\$ 447,375
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>-</u>	<u>3,259</u>
	Note	
Earnings used in the computation of diluted earnings (loss) per share	<u>\$ (118,339)</u>	<u>\$ 450,634</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	107,518	106,674
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	5,241
Employee share option	-	2,141
Employees' compensation or bonus issue to employees	<u>-</u>	<u>1,326</u>
	Note	
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>107,518</u>	<u>115,382</u>

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

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

## 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 common shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the GreTai Securities Market on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	2017				2016			
	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	352	\$ 38.40	1,375	\$ 16.70	452	\$ 41.20	2,996	\$ 17.90
Options exercised	(78)	37.92	(320)	16.40	(87)	39.76	(1,592)	16.80
Options forfeited	-	-	-	-	(13)	38.40	(29)	17.18
Balance at December 31	<u>274</u>	35.30	<u>1,055</u>	15.40	<u>352</u>	38.40	<u>1,375</u>	16.70
Options exercisable, end of period	<u>274</u>		<u>1,055</u>		<u>139</u>		<u>1,375</u>	

Information on outstanding options as of December 31, 2017 and 2016 was as follows:

	December 31	
	2017	2016
Range of exercise price (NT\$)	\$15.4-\$35.3	\$16.7-\$38.4
Weighted-average remaining contractual life (years)	1.46-2.22	2.46-3.22

Options granted in March 2014 and June 2013 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	March 2014	June 2013
Grant-date share price (\$)	\$48	\$21.3
Exercise price (\$)	\$48	\$21.3
Expected volatility	37.04%	36.55%
Expected life (years)	4.25 years	4.25 years
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	1.07%	0.99%

Expected volatility was based on the historical share price volatility.

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

	2017				2016			
	Granted 2015		Granted 2014		Granted 2015		Granted 2014	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	735	\$ 36.9	2,395	\$ 42.50	785	\$ 39.60	2,717	\$ 45.60
Options granted	-	-	-	-	-	-	-	-
Options exercised	(100)	36.9	(190)	41.36	-	-	(176)	43.12
Options forfeited	-	-	(62)	41.92	(50)	36.72	(146)	43.90
Balance at December 31	<u>635</u>	34.0	<u>2,143</u>	39.1	<u>735</u>	36.90	<u>2,395</u>	42.50
Options exercisable, end of period	<u>268</u>		<u>1,533</u>		-		<u>1,146</u>	
Weighted-average fair value of options granted (\$)	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>	

Information on outstanding options as of December 31, 2017 and 2016 was as follows:

	December 31	
	2017	2016
Range of exercise price (NT\$)	\$34-\$39.1	\$36.9-\$42.5
Weighted-average remaining contractual life (years)	2.28-3.22	3.28-4.22

Options granted in March 2015 and April 2014 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	March 2015	April 2014
Grant-date share price (\$)	\$43	\$53.8
Exercise price (\$)	\$43	\$53.8
Expected volatility	34.65%	37.11%
Expected life (years)	4.38 years	4.38 years
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	1.04%	1.09%

Expected volatility was based on the historical share price volatility.

Compensation cost recognized was \$6,413 thousand and \$17,157 thousand for years ended December 31, 2017 and 2016, respectively.

The weighted-average share price at the date of exercise of share options for the year ended December 31, 2017 and 2016 was \$45.45 and \$49.26, respectively.

## 27. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

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

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

### b. Consideration transferred

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

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

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

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

d. Net cash outflow on acquisition of subsidiaries

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

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

e. Net cash outflow on acquisition of subsidiary

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

f. Impact of acquisition on the results of the Group

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

	<b>Manumech Corporation</b>
Revenue	<u>\$ 231,512</u>
Profit	<u>\$ 18,758</u>

Had the business combination been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$8,686,897 thousand, and the loss from continuing operations would have been \$(102,042) thousand for the year ended December 31, 2017. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that may have been actually achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

## 28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

## 29. FINANCIAL INSTRUMENTS

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

December 31, 2017

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	\$ 776,572	\$ 876,000

December 31, 2016

	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>		
Convertible bonds	\$ 763,482	\$ 823,360

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

- 1) Fair value hierarchy

December 31, 2017

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

December 31, 2016

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 163,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,410</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 13,780</u>	<u>\$ -</u>	<u>\$ 13,780</u>

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

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

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

- c. Categories of financial instruments

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 1,594	\$ 13,780
Loans and receivables (1)	1,917,502	1,886,533
Available-for-sale financial assets	146,293	163,410
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	78	-
Amortized cost (2)	3,307,022	2,247,223

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

- d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
JPY	\$ 1,336	\$ 13,780
EUR	258	-
<u>Liabilities</u>		
JPY	78	-

Sensitivity analysis

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

The following table details the Group's sensitivity to a 3% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 3% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts which were not designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars weakening by 3% against the relevant currency. For a 3% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<u>USD Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit or loss*	\$ 19,723	\$ 6,379	\$ 2,881	\$ 5,079
	<u>CNY Impact</u>		<u>EUR Impact</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit or loss*	\$ 231	\$ 5,555	\$ (1,099)	\$ (2,610)

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

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Fair value interest rate risk		
Financial assets	\$ 307,188	\$ 138,715
Financial liabilities	1,139,656	914,631
Cash flow interest rate risk		
Financial assets	409,368	775,248
Financial liabilities	1,206,199	593,857

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 years ended December 31, 2017 and 2016 would decrease/increase by \$3,984 thousand and increase/decrease by \$907 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 years ended December 31, 2017 and 2016 would increase/decrease by \$14,629 thousand and \$16,341 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

## 2) Credit risk

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

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

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

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

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

As of December 31, 2017 and 2016, the individual account receivable comprising more than 10% of the Group's total accounts receivable would be \$278,245 thousand and \$336,705 thousand, respectively. The credit risk concentration of the Group's single customer does not exceed 20% of the total monetary assets.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group had available unutilized bank loan facilities in the amounts of \$5,545,186 thousand and \$7,134,609 thousand, respectively.

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

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

December 31, 2017

	<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	\$ 842,170	\$ 302,908	\$ 19,481	\$ -
Bonds payable	-	-	-	800,000
Borrowings	<u>93,259</u>	<u>265,125</u>	<u>391,896</u>	<u>851,113</u>
	<u>\$ 935,429</u>	<u>\$ 568,033</u>	<u>\$ 411,377</u>	<u>\$ 1,651,113</u>

December 31, 2016

	<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	\$ 945,671	\$ 27,144	\$ 3,814	\$ -
Bonds payable	-	-	-	800,000
Borrowings	<u>65,763</u>	<u>86,728</u>	<u>397,297</u>	<u>201,241</u>
	<u>\$ 1,011,434</u>	<u>\$ 113,872</u>	<u>\$ 401,111</u>	<u>\$ 1,001,241</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities will change if variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

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

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis or on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2017

	<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>\$ 52,969</u>	<u>\$ 62,246</u>	<u>\$ 35,440</u>

December 31, 2016

	<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>\$ 61,481</u>	<u>\$ 62,575</u>	<u>\$ -</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

Besides the information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Snowdown Merchandise Corporation	Investments in associates
Daquan Hanshi Co., Ltd.	Investments in associates
VIET TIEN MEKO COMPANY LIMITED	Joint venture
Jet Circuit Limited	Substantively related parties

b. Sales of goods

<b>Related Party Name</b>	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Jet Circuit Limited	<u>\$ 79,674</u>	<u>\$ -</u>

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

c. Manufacturing overhead

<b>Related Party Name</b>	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
VIET TIEN MEKO COMPANY LIMITED	\$ <u>105,765</u>	\$ <u>141,293</u>

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

d. Receivables from related parties

<b>Related Party Name</b>	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Jet Circuit Limited	\$ <u>52,543</u>	\$ <u>-</u>

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

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

<b>Related Party Name</b>	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
VIET TIEN MEKO COMPANY LIMITED	\$ <u>15,373</u>	\$ <u>25,087</u>

The outstanding trade payables to related parties are unsecured.

f. Property, plant and equipment acquired

<b>Related Party Name</b>	<b>Price</b>	
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Daquan Hanshi Co., Ltd.	\$ <u>4,000</u>	\$ <u>-</u>

g. Acquisitions of financial assets

For the year ended December 31, 2017

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

For the years ended December 31, 2016: None

h. Loans to related parties

<b>Related Party Name</b>	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Other receivables		
Snowdown Merchandise Corporation	<u>\$ 90,000</u>	<u>\$ 80,000</u>

<b>Related Party Name</b>	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Interest income		
Snowdown Merchandise Corporation	<u>\$ 2,362</u>	<u>\$ 1,024</u>

i. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Short-term employee benefits	\$ 43,980	\$ 53,866
Post-employment benefits	702	683
Share-based payments	<u>1,220</u>	<u>2,677</u>
	<u>\$ 45,902</u>	<u>\$ 57,226</u>

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

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Pledged assets (classified as debt investments with no active market)	\$ 8,883	\$ 2,000
Land	236,840	-
Buildings, net	<u>2,952</u>	<u>-</u>
	<u>\$ 248,675</u>	<u>\$ 2,000</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

#### Significant Commitments

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

	December 31	
	2017	2016
USD	\$ 2,493	\$ 2,022
EUR	654	185
NTD	57,597	-

- b. As of December 31, 2017 and 2016, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$22,795 thousand and \$24,450 thousand, respectively.
- c. As of December 31, 2017 and 2016, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$223,000 thousand and \$224,000 thousand, respectively.
- d. As of December 31, 2017 and 2016, commitments for purchases of machinery and equipment were as follows:

	December 31	
	2017	2016
Unpaid price		
NTD	\$ 46,857	\$ 166,050
USD	319	60

### 33. SIGNIFICANT LOSSES FROM DISASTERS

A fire broke out on March 23, 2017 at the plant of the Vietnamese subsidiary Kwong Lung Meko Co., Ltd., resulting in the destruction of some buildings, equipment and inventories. The estimated amount of disaster damage was \$676,878 thousand (US\$21,808 thousand), including loss of inventories \$527,892 thousand (US\$17,008 thousand), real estate, plant and equipment \$148,986 thousand (US\$4,800 thousand), and the claim for compensation from insurance was \$262,377 thousand (US\$8,454 thousand). As of the auditors' report date, the application for settlement of claims was still in process with the insurance company. Since the claims involved disaster assessment, the amount of the insurance claims could not be fully confirmed. The aforementioned amount of disaster losses was recognized as disaster losses of the year 2017 (included in non-operating income and under the item of expenditure); compensation from the insurance company that can be reasonably estimated is recognized as claims income.

### 34. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Company's board of directors completed an arrangement to acquire the equity of VIET TIEN MEKO COMPANY LIMITED on August 11, 2017, and obtained control of the company on January 1, 2018, holding 100% of the shares.

In response to operational growth and production needs, the Group plans to purchase land in Vietnam's Houjiang Industrial Zone and build a Vietnam home textiles manufacturing plant on March 23, 2018.

The Company's board of directors, BBL Premium CO., LTD., completed an financing provided \$40,000 thousand to the equity of Gong Tong Zu Lin Co., Ltd. on January 10, 2017.

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

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

December 31, 2017

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 46,199	29.76 (USD:NTD)	\$ 1,374,882
USD	12,430	6.5192 (USD:CNY)	369,917
USD	18,550	25,008 (USD:VND)	552,048
JPY	666,287	0.2642 (JPY:NTD)	176,033
VND	82,931,696	0.00004 (VND:USD)	98,689
EUR	182	35.57 (EUR:NTD)	6,474
CNY	1,687	4.565 (CNY:NTD)	7,701
Non-monetary items			
Investments accounted for using equity method			
VND	13,968,285	0.00119 (VND:NTD)	16,622
USD	1,144	29.76 (USD:NTD)	34,035
PLN	728	8.5688 (PLN:NTD)	6,500
<u>Financial liabilities</u>			
Monetary items			
USD	42,173	29.76 (USD:NTD)	1,255,068
USD	1,598	6.5192 (USD:CNY)	47,556
USD	11,317	25,008 (USD:VND)	336,794
JPY	2,067	0.2642 (JPY:NTD)	546
VND	99,202,728	0.00004 (VND:USD)	118,051
EUR	3,226	35.57 (EUR:NTD)	114,749

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 36,645	32.25 (USD:NTD)	\$ 1,181,786
USD	7,384	6.9851 (USD:CNY)	238,125
USD	13,227	25,000 (USD:VND)	426,564
JPY	1,166,371	0.2756 (JPY:NTD)	321,452
VND	27,954,063	0.00129 (VND:USD)	35,551
CNY	40,104	4.617 (CNY:NTD)	185,160
Non-monetary items			
Investments accounted for using equity method			
VND	17,983,643	0.00129 (VND:NTD)	23,199
USD	1,500	32.25 (USD:NTD)	48,351
<u>Financial liabilities</u>			
Monetary items			
USD	35,660	32.25 (USD:NTD)	1,150,036
USD	4,534	6.9851 (USD:CNY)	146,210
USD	10,468	25,000 (USD:VND)	337,608
EUR	2,608	33.9 (EUR:NTD)	88,421
VND	60,185,919	0.00129 (VND:USD)	2,407
JPY	151,312	0.2756 (JPY:NTD)	41,702

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

<b>For the Year Ended December 31</b>				
<b>2017</b>		<b>2016</b>		
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00122 (VND:NTD)	\$ (173)	0.00134 (VND:NTD)	\$ 1,173
NTD	1 (NTD:NTD)	(15,981)	1 (NTD:NTD)	(15,451)
USD	30.432 (USD:NTD)	903	31.263 (USD:NTD)	2,474
CNY	4.507 (CNY:NTD)	(26,727)	4.849 (CNY:NTD)	17,846
PLN	8.1549 (PLN:NTD)	<u>406</u>		<u>-</u>
		<u>\$ (41,572)</u>		<u>\$ 6,042</u>

### 36. 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.

a. Segment revenues and results

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

	<b>Segment Revenue</b>		<b>Segment Profit</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Apparel department	\$ 3,720,239	\$ 3,499,281	\$ 274,424	\$ 158,512
Down material department	2,630,417	2,809,383	(22,976)	184,361
Home textile department	2,142,340	2,493,765	89,740	158,276
Others	478,507	181,253	16,287	(1,689)
Segment revenues	8,971,503	8,983,682	357,475	499,460
Eliminations	(458,576)	(384,985)	-	-
Segment revenue or segment income	<u>\$ 8,512,927</u>	<u>\$ 8,598,697</u>	357,475	499,460
Other income			6,209	6,729
Other gains and losses			(369,892)	27,009
Finance costs			(38,924)	(26,420)
Share of profit or loss of associates and joint ventures			(5,639)	5,119
Profit (loss) before tax (continuing operations)			<u>\$ (50,771)</u>	<u>\$ 511,897</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.

b. Segment total assets and liabilities

This is not a measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

c. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations by major products.

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Apparel products	\$ 3,720,212	\$ 3,499,281
Down material products	2,237,468	2,523,848
Home textile products	2,076,740	2,403,761
Others	478,507	171,807
	<u>\$ 8,512,927</u>	<u>\$ 8,598,697</u>

d. Geographical information

The Group operates in four principal geographical areas - Taiwan, China, Vietnam and Japan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
USA	\$ 2,520,326	\$ 2,572,834	\$ -	\$ -
Taiwan	617,118	527,206	941,344	464,927
China	821,008	758,891	304,946	321,359
Vietnam	80,707	99,501	468,677	601,966
Japan	3,154,578	3,683,246	108,661	105,045
Others	<u>1,319,190</u>	<u>957,019</u>	<u>112</u>	<u>-</u>
	<u>\$ 8,512,927</u>	<u>\$ 8,598,697</u>	<u>\$ 1,823,740</u>	<u>\$ 1,493,297</u>

Non-current assets exclude non-current assets classified as financial instruments and deferred tax assets.

e. Information on major customers

Single customer that contributed 10% or more to the Group's revenue was as follows:

<b>Customer</b>	<b>For the Year Ended December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
A	\$ 1,155,322	14	\$ 1,537,927	18