

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

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 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, 2019 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 No. 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

March 27, 2020

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, 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, 2019. 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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Income Occurrence

Refer to Note 4 (o) to the accompanying consolidated financial statements for disclosures regarding the accounting policies and detailed information on income.

The Group's revenue mainly comes from the production and sale of ready-made garments, down materials and home textile products. Sales revenue is one of the evaluating criteria to measure the operating performance of the Group's segment, and the main significant risk of the Group is the occurrence of sales revenue. Therefore, we identified occurrence of revenue as a key audit matter. In response to this key audit matter, we performed the following audit procedures:

1. We understood and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We understood and evaluated the effectiveness of its internal control on revenue recognition to confirm the occurrence of sales.
3. We sample-tested sales transactions of the current year and checked the relevant internal and external vouchers to support the facts of the shipment; we checked the sales target and the recipient of the payment and the post-receipt collection for any major abnormalities; we checked the general ledger of sales revenue for any significant debit amount; and we checked the sales returns and allowances ledger for any significant sales return and discounts to confirm that sales revenue transactions did occur.

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, 2019 and 2018 on which we have issued an unmodified opinion.

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, 2019 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 Ching-fu Chang and Meng-chieh Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

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 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 881,256	12	\$ 794,215	12
Financial assets at fair value through profit or loss - current (Note 7)	1,772	-	2,034	-
Financial assets at amortized cost - current (Notes 9 and 31)	158,530	2	3,002	-
Notes receivable (Note 10)	80,896	1	132,444	2
Trade receivables (Notes 10 and 30)	776,821	10	915,574	13
Other receivables (Note 10)	253,737	3	123,443	2
Other receivables from related parties (Note 30)	120,000	2	-	-
Inventories (Note 11)	2,373,358	31	2,618,775	37
Prepayments	117,747	2	138,944	2
Other current assets	<u>99,151</u>	<u>1</u>	<u>89,469</u>	<u>1</u>
Total current assets	<u>4,863,268</u>	<u>64</u>	<u>4,817,900</u>	<u>69</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	367,840	5	100,700	2
Financial assets at amortized cost - non-current (Notes 9 and 30)	60,000	1	60,000	1
Investments accounted for using the equity method (Note 13)	199,656	3	156,970	2
Property, plant and equipment (Notes 14, 30 and 31)	1,505,271	20	1,573,527	22
Right-of-use assets (Notes 15 and 30)	164,493	2	-	-
Investment properties, net (Note 16)	197,708	2	96,680	1
Other intangible assets (Note 17)	64,867	1	66,081	1
Deferred tax assets (Note 24)	49,754	1	50,088	1
Long-term prepayments for leases	-	-	79,455	1
Other non-current assets	<u>98,221</u>	<u>1</u>	<u>29,924</u>	<u>-</u>
Total non-current assets	<u>2,707,810</u>	<u>36</u>	<u>2,213,425</u>	<u>31</u>
TOTAL	<u>\$ 7,571,078</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 327,286	4	\$ 380,855	5
Short-term bills payable (Note 18)	30,000	-	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	2,980	-	10,289	-
Notes payable	7,533	-	5,267	-
Trade payables	540,132	7	782,705	11
Other payables (Notes 20 and 30)	351,642	5	469,308	7
Current tax liabilities (Note 24)	60,277	1	59,474	1
Lease liabilities - current (Note 15)	33,443	-	-	-
Current portion of long-term liabilities (Notes 18, 19 and 31)	860	-	790,871	11
Other current liabilities	<u>33,780</u>	<u>1</u>	<u>44,072</u>	<u>1</u>
Total current liabilities	<u>1,387,933</u>	<u>18</u>	<u>2,542,841</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 19)	-	-	-	-
Long-term borrowings (Notes 18 and 31)	863,931	11	214,720	3
Deferred tax liabilities (Note 24)	138,204	2	129,400	2
Lease liabilities - non-current (Note 15)	53,200	1	-	-
Net defined benefit liabilities - non-current (Note 21)	31,454	1	42,409	1
Other non-current liabilities	<u>3,988</u>	<u>-</u>	<u>1,999</u>	<u>-</u>
Total non-current liabilities	<u>1,090,777</u>	<u>15</u>	<u>388,528</u>	<u>6</u>
Total liabilities	<u>2,478,710</u>	<u>33</u>	<u>2,931,369</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 26)				
Share capital				
Ordinary shares	1,303,075	17	1,103,540	16
Preference shares	182,000	3	182,000	2
Total share capital	<u>1,485,075</u>	<u>20</u>	<u>1,285,540</u>	<u>18</u>
Capital surplus	<u>2,311,774</u>	<u>30</u>	<u>1,687,841</u>	<u>24</u>
Retained earnings				
Legal reserve	435,765	6	373,931	5
Special reserve	88,634	1	80,889	1
Unappropriated earnings	741,128	10	707,906	10
Total retained earnings	<u>1,265,527</u>	<u>17</u>	<u>1,162,726</u>	<u>16</u>
Other equity interests				
Exchange differences on translating the financial statements of foreign operations	(118,966)	(2)	(106,120)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	88,599	1	17,486	-
Total other equity interests	<u>(30,367)</u>	<u>(1)</u>	<u>(88,634)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	5,032,009	66	4,047,473	57
NON-CONTROLLING INTERESTS				
Total equity	<u>60,359</u>	<u>1</u>	<u>52,483</u>	<u>1</u>
TOTAL	<u>\$ 7,571,078</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Note 30)				
Sales revenue	\$ 10,223,938	100	\$ 10,154,312	100
OPERATING COSTS (Notes 11, 23 and 30)				
Cost of goods sold	<u>(8,796,482)</u>	<u>(86)</u>	<u>(8,802,102)</u>	<u>(87)</u>
GROSS PROFIT	<u>1,427,456</u>	<u>14</u>	<u>1,352,210</u>	<u>13</u>
OPERATING EXPENSES (Notes 23 and 30)				
Selling and marketing expenses	(501,733)	(5)	(637,533)	(6)
General and administrative expenses	(289,237)	(3)	(286,291)	(3)
Research and development expenses	(51,919)	-	(79,945)	(1)
Gains on reversal of expected credit loss	<u>-</u>	<u>-</u>	<u>997</u>	<u>-</u>
Total operating expenses	<u>(842,889)</u>	<u>(8)</u>	<u>(1,002,772)</u>	<u>(10)</u>
PROFIT FROM OPERATIONS	<u>584,567</u>	<u>6</u>	<u>349,438</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 30)				
Other income	21,687	-	17,812	-
Other gains and losses	26,116	-	390,163	4
Finance costs	(28,281)	-	(38,410)	-
Share of profit of associates and joint ventures	<u>6,513</u>	<u>-</u>	<u>8,937</u>	<u>-</u>
Total non-operating income and expenses	<u>26,035</u>	<u>-</u>	<u>378,502</u>	<u>4</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	610,602	6	727,940	7
INCOME TAX EXPENSE (Note 24)	<u>(112,125)</u>	<u>(1)</u>	<u>(96,308)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>498,477</u>	<u>5</u>	<u>631,632</u>	<u>6</u>

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 2,834	-	\$ 2,893	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	60,284	-	(45,593)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	12,227	-	2,021	-
Income tax relating to items that will not be reclassified subsequently to loss or profit	<u>(567)</u>	<u>-</u>	<u>(191)</u>	<u>-</u>
	<u>74,778</u>	<u>-</u>	<u>(40,870)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(13,736)</u>	<u>-</u>	<u>35,482</u>	<u>-</u>
	<u>(13,736)</u>	<u>-</u>	<u>35,482</u>	<u>-</u>
Other comprehensive gain (loss) for the year, net of income tax	<u>61,042</u>	<u>-</u>	<u>(5,388)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 559,519</u>	<u>5</u>	<u>\$ 626,244</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 487,589	5	\$ 618,337	6
Non-controlling interests	<u>10,888</u>	<u>-</u>	<u>13,295</u>	<u>-</u>
	<u>\$ 498,477</u>	<u>5</u>	<u>\$ 631,632</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 549,521	5	\$ 613,294	6
Non-controlling interests	<u>9,998</u>	<u>-</u>	<u>12,950</u>	<u>-</u>
	<u>\$ 559,519</u>	<u>5</u>	<u>\$ 626,244</u>	<u>6</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$4.10</u>		<u>\$5.74</u>	
Diluted	<u>\$3.76</u>		<u>\$4.95</u>	

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent Company										Other Equity Interests			Total	Non-controlling Interests	Total Equity			
	Share Capital			Capital Surplus							Retained Earnings						Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets
	Ordinary Shares	Preference Shares	Subtotal	Additional Paid-in Capital	Additional Paid-in Capital - Bond Conversion	Treasury Share Transactions	Employee Share Options	Convertible Bonds Share Options	Expired Share Options	Subtotal	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2018	\$ 1,090,130	\$ -	\$ 1,090,130	\$ 923,606	\$ -	\$ 29,284	\$ 54,557	\$ 34,657	\$ 1,493	\$ 1,043,597	\$ 373,931	\$ -	\$ 386,167	\$ (141,947)	\$ -	\$ 61,058	\$ 2,812,936	\$ 44,100	\$ 2,857,036
Effect of retrospective application	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,058	(61,058)	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,090,130	-	1,090,130	923,606	-	29,284	54,557	34,657	1,493	1,043,597	373,931	-	386,167	(141,947)	61,058	-	2,812,936	44,100	2,857,036
Appropriation of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	80,889	(80,889)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(218,411)	-	-	-	(218,411)	-	(218,411)
Cash dividends from capital surplus	-	-	-	(109,205)	-	-	-	-	-	(109,205)	-	-	-	-	-	-	(109,205)	-	(109,205)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	618,337	-	-	-	618,337	13,295	631,632
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	2,702	35,827	(43,572)	-	(5,043)	(345)	(5,388)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	621,039	35,827	(43,572)	-	613,294	12,950	626,244
Issuance of preference shares	-	182,000	182,000	728,000	-	-	-	-	-	728,000	-	-	-	-	-	-	910,000	-	910,000
Issuance of ordinary shares under employee share options	13,410	-	13,410	34,996	-	-	(9,601)	-	54	25,449	-	-	-	-	-	-	38,859	-	38,859
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,567)	(4,567)
BALANCE AT DECEMBER 31, 2018	1,103,540	182,000	1,285,540	1,577,397	-	29,284	44,956	34,657	1,547	1,687,841	373,931	80,889	707,906	(106,120)	17,486	-	4,047,473	52,483	4,099,956
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-	61,834	-	(61,834)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	61,834	-	(61,834)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	7,745	(7,745)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(386,957)	-	-	-	(386,957)	-	(386,957)
Preference share dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(1,496)	-	-	-	(1,496)	-	(1,496)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	487,589	-	-	-	487,589	10,888	498,477
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	2,267	(12,846)	72,511	-	61,932	(890)	61,042
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	489,856	(12,846)	72,511	-	549,521	9,998	559,519
Expiration of convertible bonds	-	-	-	-	-	-	-	-	30	30	-	-	-	-	-	-	30	-	30
Convertible bonds converted to ordinary shares	192,058	-	192,058	-	640,431	-	-	(34,657)	-	605,774	-	-	-	-	-	-	797,832	-	797,832
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	1,398	-	(1,398)	-	-	-	-
Issuance of ordinary shares under employee share options	7,477	-	7,477	22,048	-	-	(12,679)	-	8,760	18,129	-	-	-	-	-	-	25,606	-	25,606
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,122)	(2,122)
BALANCE AT DECEMBER 31, 2019	\$ 1,303,075	\$ 182,000	\$ 1,485,075	\$ 1,599,445	\$ 640,431	\$ 29,284	\$ 32,277	\$ -	\$ 10,337	\$ 2,311,774	\$ 435,765	\$ 88,634	\$ 741,128	\$ (118,966)	\$ 88,599	\$ -	\$ 5,032,009	\$ 60,359	\$ 5,092,368

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 610,602	\$ 727,940
Adjustments for:		
Depreciation expenses	194,017	136,408
Amortization expenses	13,349	11,469
Expected credit loss reversed on trade receivables	-	(997)
Net loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	1,208	8,255
Finance costs	28,281	38,410
Interest income	(11,095)	(7,042)
Dividend income	(10,592)	(10,770)
Gain on disposal of investments	-	(10,487)
Write-downs of inventories	25,221	9,774
Compensation costs of employee share options	5,647	5,298
Share of profit of associates and joint ventures	(6,513)	(8,937)
Loss (gain) on disposal of property, plant and equipment	1,697	(30,401)
Net (gain) loss on foreign currency exchange	(3,716)	5,636
Other gains	(28)	-
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	2,034	1,594
Notes receivable	51,548	(19,837)
Trade receivables	135,636	18,412
Other receivables	(131,819)	139,020
Inventories	219,030	(375,727)
Prepayments	21,197	(90,791)
Other current assets	(13,525)	(7,325)
Financial liabilities held for trading	(10,289)	(78)
Notes payable	2,266	2,200
Trade payables	(239,881)	(13,365)
Other payables	(106,084)	77,907
Other current liabilities	(10,292)	(5,484)
Net defined benefit liabilities	(8,121)	(2,427)
Cash generated from operations	759,778	598,655
Interest received	11,095	7,042
Interest paid	(19,493)	(25,714)
Income tax paid	(102,751)	(61,862)
Net cash generated from operating activities	<u>648,629</u>	<u>518,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(206,856)	-
Purchase of financial assets at amortized cost	(155,528)	(10,000)

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2019	2018
Proceeds from disposal of financial assets at amortized cost	\$ -	\$ 69,401
Acquisition of investment accounted for using the equity method	(22,470)	-
Net cash inflow on acquisition of subsidiaries (Note 27)	-	16,202
Net cash inflow on disposal of subsidiaries	-	36
Payments for property, plant and equipment	(139,795)	(264,601)
Proceeds from disposal of property, plant and equipment	4,202	217,854
Increase in other receivables - related parties	(120,000)	-
Decrease in other receivables - related parties	-	90,000
Payments for intangible assets	(12,137)	(8,609)
Payments for investment properties	(102,824)	-
Increase in other non-current assets	(32,034)	(7,888)
Dividends received	<u>10,592</u>	<u>10,770</u>
Net cash (used in) generated from investing activities	<u>(776,850)</u>	<u>113,165</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(47,880)	(248,273)
Proceeds from short-term bills payables	30,000	-
Repayments of bond payables	(700)	-
Proceeds from long-term borrowings	1,550,000	950,000
Repayments of long-term borrowings	(900,914)	(1,675,760)
Repayment of the principal portion of lease liabilities	(40,196)	-
Increase in other non-current liabilities	1,989	109
Cash dividends paid	(388,453)	(327,616)
Proceeds from issuing preference shares	-	910,000
Proceeds from share options exercised	19,959	33,561
Cash dividends paid by subsidiary	(2,536)	(4,851)
Changes in non-controlling interests	<u>414</u>	<u>(103)</u>
Net cash generated from (used in) financing activities	<u>221,683</u>	<u>(362,933)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(6,421)</u>	<u>16,154</u>
NET INCREASE IN CASH	87,041	284,507
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>794,215</u>	<u>509,708</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 881,256</u>	<u>\$ 794,215</u>

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 27, 2020.

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

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

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

- IFRS 16 “Leases”

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

The Group as lessee

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

lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

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

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

The Group also applies the following practical expedients:

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

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

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

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

The Group as lessor

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for 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 and Table 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., 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.

g. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process 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.

h. 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.

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

Under the equity method, investments in an associate 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. The Group also recognizes the changes in the Group's share of equity of associates 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 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 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. 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. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate 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 equals or exceeds its interest in that associate (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), 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.

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 and. 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 attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate 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 the Group transacts with its associate, profits and losses resulting from the transactions with the associate venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate of entities that are not related to the Group.

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured 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.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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.

j. 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 initially measured 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.

k. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. 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.

m. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The 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.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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 for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL 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 categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Refer to Note 29 for the determination of fair value of the financial assets.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost - consisting of cash and cash equivalents, trade receivables at amortized cost, trade receivables (including from related parties), contract assets and other receivables (including from related parties) - are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

iii. Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on financial assets at amortized cost (including trade receivables at amortized cost), as well as contract assets.

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

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.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group 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 the Group 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, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

- Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

b) Derecognition of financial liabilities

The difference between the carrying amount of a 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 upon 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 issuance 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 foreign exchange rate risks, including currency swaps.

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative

financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

o. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

- Revenue from the sale of goods

When the product arrives at the customer's designated place or when it is shipped, the customer has the right to set the price and use of the goods and has the primary responsibility for reselling, and bears the risk of obsolescence of the goods. The Group recognizes revenue and accounts receivable at that time.

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.

p. Leases

2019

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

1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

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

2018

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

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 expenses on a straight-line basis over the lease term.

q. 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.

r. 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.

s. 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 on 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 2,555	\$ 2,759
Checking accounts and demand deposits	580,586	532,529
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	<u>298,115</u>	<u>258,927</u>
	<u>\$ 881,256</u>	<u>\$ 794,215</u>

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

	December 31	
	2019	2018
Bank balance	0%-1.00%	0%-1.35%
Time deposits	0.66%-2.40%	1.07%-3.15%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets at FVTPL - current</u>		
Mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u>1,772</u>	\$ <u>2,034</u>
<u>Financial liabilities at FVTPL - current</u>		
Held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ 1,538	\$ 10,289
Foreign exchange swap contracts	<u>1,442</u>	<u>-</u>
	<u>\$ 2,980</u>	<u>\$ 10,289</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Buy	EUR/NTD	2020.2.13	EUR1,500/NTD50,508
Sell	USD/CNY	2020.1.15-2020.10.30	USD10,000/CNY69,985
<u>December 31, 2018</u>			
Sell	JPY/NTD	2019.2.26-2019.3.4	JPY600,000/NTD166,820
Sell	USD/CNY	2019.1.31-2019.10.29	USD12,000/CNY80,593

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

	Notional Amount (In Thousands)	Maturity Date	Exchange Rate
<u>December 31, 2019</u>	USD2,000	2020.2.27	30.687-30.699

December 31, 2018: None

The Group entered into foreign exchange forward contracts and foreign currency swap contracts during 2019 and 2018 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ <u>367,840</u>	\$ <u>100,700</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Restricted assets - bank balance	\$ 5,178	\$ 2
Time deposits with original maturity of more than 3 months (a)	<u>153,352</u>	<u>3,000</u>
	<u>\$ 158,530</u>	<u>\$ 3,002</u>
<u>Non-current</u>		
Private corporate bond with no active market (b)	\$ <u>60,000</u>	\$ <u>60,000</u>

- a. The market interest rates of the time deposits with original maturity more than 3 months was 2.1%-7.0% per annum as of December 31, 2019.
- b. The Group bought one and five pieces of 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 2018 and April 2017, respectively.
- c. Refer to Note 31 for information related to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ 80,896	\$ 132,444
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 80,896</u>	<u>\$ 132,444</u>

(Continued)

	December 31	
	2019	2018
<u>Trade receivables (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 776,902	\$ 916,873
Less: Allowance for impairment loss	<u>(81)</u>	<u>(1,299)</u>
	<u>\$ 776,821</u>	<u>\$ 915,574</u>
<u>Other receivables</u>		
Sale of raw materials	\$ 215,284	\$ 29,347
Tax refund receivable	33,321	71,894
Premium receivable	-	18,644
Others	5,132	3,558
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 253,737</u>	<u>\$ 123,443</u>
		(Concluded)

In order to minimize credit risk, the 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 allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to estimate ECLs, which permits the use of a lifetime expected loss allowance for all trade receivables. The ECLs on trade receivables takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. The overdue trade receivables will be provided with an allowance of 0% to 100% and 0.03% to 100% as of December 31, 2019 and December 31, 2018.

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

The aging of receivables was as follows:

	December 31	
	2019	2018
Less than 30 days	\$ 493,538	\$ 532,006
31-60 days	217,287	278,774
61-120 days	65,780	100,770
More than 121 days	<u>297</u>	<u>5,323</u>
	<u>\$ 776,902</u>	<u>\$ 916,873</u>

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

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 1,299	\$ 10,116
Less: Net remeasurement of loss allowance	-	(997)
Less: Amounts written off	(1,218)	(7,851)
Foreign exchange gains and losses	<u>-</u>	<u>31</u>
Balance at December 31	<u>\$ 81</u>	<u>\$ 1,299</u>

11. INVENTORIES

	December 31	
	2019	2018
Merchandise	\$ 255,985	\$ 352,700
Finished goods	216,596	386,445
Work in progress	1,452,589	1,227,280
Raw materials and supplies	279,410	460,673
Goods to subcontractor	4,477	1,406
Inventory in transit	<u>164,301</u>	<u>190,271</u>
	<u>\$ 2,373,358</u>	<u>\$ 2,618,775</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$8,796,482 thousand and \$8,802,102 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of \$25,221 thousand and \$9,774 thousand, respectively.

12. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31	2018	
The Company	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	100	Major subsidiary
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	Major subsidiary
	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	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31 2019	December 31 2018	
	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	1)
	P&B Collection Co., Ltd.	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	100	100	1)
	Kwong Lung Europe SP.Z O.O.	Various selling of down and bedding	100	100	
	Kwong Lung-Omon Company Limited	Manufacturing and selling of apparel.	100	100	2)
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	3)
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60	60	3)
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	Major subsidiary
Snowdown Merchandise (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	100	100	
Snowdown Merchandise (Suzhou) Co., Ltd.	Huai An Guang Long He Yu Home Textile Co., Ltd	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	51	51	
P&B Collection Co., Ltd.	Manumech Corporation	Wholesale	51	51	
Manumech Corporation	Windsun Industry Co., Ltd.	Wholesale	100	100	
	Intime Tech Co., Ltd.	Wholesale	100	100	

(Concluded)

- 1) Klego Co., Ltd. was dissolved after the merger with P&B Collection Co., Ltd. on September 1, 2019, and P&B Collection Co., Ltd. is the surviving company.
- 2) In January 2018, the Group has acquired control of the Viet Tien Meko Company Limited, which was originally a joint venture investment company, and changed its name to “Kwong Lung-O Mon Company Limited”.

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	\$ -	\$ 509,680	\$ 512,444	\$ 29,070	\$ 256,772	\$ -	\$ 1,307,966
Disposals	-	(1,486)	(5,477)	(558)	(12,610)	-	(20,131)
Acquired in business combination	-	11,862	27,897	815	1,829	-	42,403
Depreciation expense	-	50,188	58,306	3,943	19,655	-	132,092
Effect of foreign currency exchange differences	-	(1,504)	3,069	(16)	(2,014)	-	(465)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 568,740</u>	<u>\$ 596,239</u>	<u>\$ 33,254</u>	<u>\$ 263,632</u>	<u>\$ -</u>	<u>\$ 1,461,865</u>
Carrying amounts at December 31, 2018	<u>\$ 473,371</u>	<u>\$ 812,977</u>	<u>\$ 201,146</u>	<u>\$ 12,964</u>	<u>\$ 55,674</u>	<u>\$ 17,295</u>	<u>\$ 1,573,527</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 473,471	\$ 1,381,717	\$ 797,385	\$ 46,218	\$ 319,306	\$ 17,295	\$ 3,035,392
Additions	148	7,109	20,079	-	4,163	60,965	92,464
Disposals	-	(16,205)	(5,488)	-	(38,399)	-	(60,092)
Reclassification	-	26,933	12,818	569	8,651	(50,373)	(1,402)
Effect of foreign currency exchange differences	-	(7,384)	4,852	(550)	(3,121)	(95)	(6,298)
Balance at December 31, 2019	<u>\$ 473,619</u>	<u>\$ 1,392,170</u>	<u>\$ 829,646</u>	<u>\$ 46,237</u>	<u>\$ 290,600</u>	<u>\$ 27,792</u>	<u>\$ 3,060,064</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	\$ -	\$ 568,740	\$ 596,239	\$ 33,254	\$ 263,632	\$ -	\$ 1,461,865
Disposals	-	(16,205)	(4,587)	-	(33,401)	-	(54,193)
Depreciation expense	-	65,011	59,321	3,511	20,480	-	148,323
Effect of foreign currency exchange differences	-	(2,271)	4,250	(296)	(2,885)	-	(1,202)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 615,275</u>	<u>\$ 655,223</u>	<u>\$ 36,469</u>	<u>\$ 247,826</u>	<u>\$ -</u>	<u>\$ 1,554,793</u>
Carrying amounts at December 31, 2019	<u>\$ 473,619</u>	<u>\$ 776,895</u>	<u>\$ 174,423</u>	<u>\$ 9,768</u>	<u>\$ 42,774</u>	<u>\$ 27,792</u>	<u>\$ 1,505,271</u>

(Concluded)

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

Building

Main buildings 5 to 51 years

Construction 1 to 26 years

Machinery equipment 2 to 20 years

Transportation equipment 4 to 12 years

Other equipment

Office equipment 3 to 10 years

Air conditioning 36 to 51 years

Utilities equipment 2 to 23 years

Others 1 to 25 years

Leasehold improvements 1 to 5 years

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land (Note)	\$ 84,142
Buildings	73,132
Machinery	1,524
Transportation equipment	<u>5,695</u>
	<u>\$ 164,493</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 7,366</u>
Depreciation charge for right-of-use assets	
Land (Note)	\$ 4,242
Buildings	34,478
Machinery	680
Transportation equipment	<u>5,285</u>
	<u>\$ 44,685</u>

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

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 33,443</u>
Non-current	<u>\$ 53,200</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.28%
Buildings	1.18%-1.28%
Machinery	1.18%-1.28%
Transportation equipment	1.28%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases and department stores	<u>\$ 45,198</u>
Expenses relating to low-value asset leases	<u>\$ 301</u>
Total cash outflow for leases	<u>\$ (87,071)</u>

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

16. INVESTMENT PROPERTIES

	<u>December 31</u>	
	2019	2018
Completed investment properties	<u>\$ 197,708</u>	<u>\$ 96,680</u>

Except for the addition of \$104,226 thousand of investment for the year ended December 31, 2019 and the recognition of depreciation expenses, there were no significant disposals or impairment of investment properties held by the Group for the years ended December 31, 2019 and 2018.

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

Main buildings 24-28 years

The fair values of investment properties were assessed as follows:

	(In Thousands of Japanese Yen)	
	<u>December 31</u>	
	2019	2018
Independent valuation	<u>\$ 716,860</u>	<u>\$ 349,000</u>

The fair value of investment properties as of December 31, 2019 and 2018 were based on the valuation carried out as of by independent qualified professional valuator, a member of certified Japan real estate appraisers. The fair value of investment properties was estimated by using the market price approach, cost approach and the direct capitalization approach.

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

	December 31, 2019
Year 1	<u>\$ 5,703</u>

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

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

17. OTHER INTANGIBLE ASSETS

	December 31	
	2019	2018
Goodwill (Note 27)	\$ 22,022	\$ 22,022
Cost of computer software	37,287	36,571
Others	<u>5,558</u>	<u>7,488</u>
	<u>\$ 64,867</u>	<u>\$ 66,081</u>

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

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 327,286</u>	<u>\$ 380,855</u>
Range of interest rates	<u>0.29%-2.00%</u>	<u>0.27%-0.94%</u>

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	\$ 30,000	\$ -
Less: Unamortized discounts on bills payable	<u>-</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$ -</u>

Outstanding short-term bills payable were as follows:

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial paper</u>						
Mega International Commercial Bank	\$ 30,000	\$ -	\$ 30,000	1.638%-1.838%	None	\$ -

December 31, 2018: None

c. Current portion of long-term borrowings

	<u>December 31</u>	
	2019	2018
Current portion of bonds payable	\$ -	\$ 789,886
Current portion of long-term borrowings	<u>860</u>	<u>985</u>
	<u>\$ 860</u>	<u>\$ 790,871</u>

d. Long-term borrowings

	<u>December 31</u>	
	2019	2018
<u>Secured borrowings</u>		
Bank loans*	\$ 14,791	\$ 115,705
<u>Unsecured borrowings</u>		
Credit borrowings	<u>850,000</u>	<u>100,000</u>
	864,791	215,705
Less: Current portions	<u>(860)</u>	<u>(985)</u>
Long-term borrowings	<u>\$ 863,931</u>	<u>\$ 214,720</u>
Range of interest rates	<u>1.10%-1.82%</u>	<u>1.30%-1.82%</u>

* The bank borrowings are secured by the Group's freehold land and buildings (see Note 31).

19. BONDS PAYABLE

	<u>December 31</u>	
	2019	2018
Unsecured bonds payable	\$ -	\$ 789,886
Less: Current portion	<u>-</u>	<u>(789,886)</u>
Bonds payable	<u>\$ -</u>	<u>\$ -</u>

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

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

The Company has the right to redeem the outstanding convertible bonds payable at par value in cash during the period from three month after the issuance date (December 31, 2017) to the date 40 days (August 21, 2019) prior to the maturity date. The conditions are as follows:

- 1) The closing price of the Company's ordinary shares continues being at least 130% of the conversion price then in effect for 30 consecutive trading days; or
 - 2) The aggregate outstanding balance of the bonds payable is less than 10% of the original issuance amount.
- e. Redemption method
 - 1) The Company meets the obligation of convertible bonds by issuing ordinary shares.
 - 2) Conversion period:

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

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

- d) After the issuance of the convertible bonds, the conversion price shall be adjusted according to the given formula when the reduction of the ordinary shares is not because of the reduction of the treasury shares.
- 4) The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.7145% per annum on initial recognition.

Proceeds of the issuance (less transaction costs \$5,120 thousand)	\$ 794,880
Equity component (less transaction costs allocated to the equity component of \$223 thousand)	<u>(34,657)</u>
Liability component at the date of issuance (less transaction costs allocated to the liability component of \$4,897 thousand)	<u>\$ 760,223</u>

20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Payables for payroll and employee benefit	\$ 184,366	\$ 228,784
Payables for bonus to employees	17,110	26,899
Payables for remuneration of directors and supervisors	10,550	11,550
Payables for VAT	9,228	4,318
Payables for commissions	8,316	14,000
Payables for fabrication expense	4,987	10,423
Payables for equipment	1,089	12,157
Others	<u>115,996</u>	<u>161,177</u>
	<u>\$ 351,642</u>	<u>\$ 469,308</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, P&B Collection Co., Ltd. and Manumech Corporation of the Group adopted a pension plan under the Labor Pension Act (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 6% 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:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 52,569	\$ 60,568
Fair value of plan assets	<u>(21,115)</u>	<u>(18,159)</u>
Net defined benefit liability	<u>\$ 31,454</u>	<u>\$ 42,409</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	<u>\$ 65,816</u>	<u>\$ (18,087)</u>	<u>\$ 47,729</u>
Service cost			
Current service cost	367	-	367
Past service cost	(298)	-	(298)
Net interest expense (income)	<u>648</u>	<u>(180)</u>	<u>468</u>
Recognized in profit or loss	<u>717</u>	<u>(180)</u>	<u>537</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(602)	(602)
Actuarial loss - changes in demographic assumptions	13	-	13
Actuarial gain - experience adjustments	<u>(2,304)</u>	<u>-</u>	<u>(2,304)</u>
Recognized in other comprehensive income	<u>(2,291)</u>	<u>(602)</u>	<u>(2,893)</u>
Contributions from the employer	-	(2,964)	(2,964)
Benefits paid - from plan assets	<u>(3,674)</u>	<u>3,674</u>	<u>-</u>
Balance at December 31, 2018	<u>60,568</u>	<u>(18,159)</u>	<u>42,409</u>
Service cost			
Current service cost	338	-	338
Past service cost	-	-	-
Net interest expense (income)	<u>600</u>	<u>(185)</u>	<u>415</u>
Recognized in profit or loss	<u>938</u>	<u>(185)</u>	<u>753</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (668)	\$ (668)
Actuarial loss - changes in demographic assumptions	8	-	8
Actuarial gain - experience adjustments	(3,671)	-	(3,671)
Actuarial loss - changes in financial assumption	<u>1,497</u>	<u>-</u>	<u>1,497</u>
Recognized in other comprehensive income	<u>(2,166)</u>	<u>(668)</u>	<u>(2,834)</u>
Contributions from the employer	-	(8,874)	(8,874)
Benefits paid - from plan assets	<u>(6,771)</u>	<u>6,771</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 52,569</u>	<u>\$ (21,115)</u>	<u>\$ 31,454</u> (Concluded)

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:

	December 31	
	2019	2018
Discount rate(s)	0.70%	1.00%
Expected rate(s) of salary increase	3.00%	3.00%

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>	
	<u>2019</u>	<u>2018</u>
Discount rate(s)		
0.25% increase	<u>\$ (1,253)</u>	<u>\$ (1,514)</u>
0.25% decrease	<u>\$ 1,300</u>	<u>\$ 1,572</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,267</u>	<u>\$ 1,537</u>
0.25% decrease	<u>\$ (1,228)</u>	<u>\$ (1,489)</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>	
	<u>2019</u>	<u>2018</u>
The expected contributions to the plan for the next year	<u>\$ 2,980</u>	<u>\$ 1,743</u>
The average duration of the defined benefit obligation	9 years	10 years

22. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>130,308</u>	<u>110,354</u>
Shares issued	<u>\$ 1,303,075</u>	<u>\$ 1,103,540</u>

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

b. Preference shares

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

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

- 1) The preference shares are perpetual.

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

c. Capital surplus

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

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

d. Retained earnings and dividends policy

Under the dividends 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 of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

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

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

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

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

The board of directors also resolved the payment of cash dividends from capital surplus of \$109,205 thousand on June 22, 2018.

The appropriations of earnings for 2019 were proposed by the Company's board of directors on March 27, 2020. The appropriations and dividends per share were as follows:

	<u>For the Year</u>
	<u>Ended</u>
	<u>December 31,</u>
	<u>2019</u>
Legal reserve	\$ <u>49,125</u>
Special reserve	\$ <u>(58,267)</u>
Ordinary share dividends	\$ <u>392,017</u>
Preference dividends	\$ <u>45,500</u>
Ordinary share dividends per share (NT\$)	\$ 3
Preference share dividends per share (NT\$)	\$ 2.5

The appropriations of earnings for 2019 are subject to the resolution in the shareholders' meeting to be held in June 2020.

23. NET PROFIT FROM CONTINUING OPERATIONS

Net Profit from Continuing Operations

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income	\$ 11,095	\$ 7,042
Dividend income	<u>10,592</u>	<u>10,770</u>
	<u>\$ 21,687</u>	<u>\$ 17,812</u>

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	\$ 233,650	\$ 381,458
Foreign exchange losses	(230,115)	(301,064)
Net loss on financial assets designated as at FVTPL	(1,208)	(8,255)
(Loss) gain on disposal of financial assets designated as at FVTPL	(5,286)	4,812
Gain on disposal of investment	-	10,487
(Loss) gain on disposal of property, plant and equipment	(1,697)	30,401
Insurance claims	-	274,848
Others	<u>30,772</u>	<u>(2,524)</u>
	<u>\$ 26,116</u>	<u>\$ 390,163</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 18,229	\$ 25,095
Convertible bonds	8,676	13,315
Interest on lease liabilities	<u>1,376</u>	<u>-</u>
	<u>\$ 28,281</u>	<u>\$ 38,410</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	\$ 115,478	\$ 95,830
Operating expenses	<u>78,539</u>	<u>40,578</u>
	<u>\$ 194,017</u>	<u>\$ 136,408</u>
An analysis of amortization by function		
Operating costs	\$ 1,868	\$ 2,095
Operating expenses	<u>11,481</u>	<u>9,374</u>
	<u>\$ 13,349</u>	<u>\$ 11,469</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plan	\$ 18,051	\$ 21,642
Defined benefit plans	<u>753</u>	<u>537</u>
	<u>18,804</u>	<u>22,179</u>
Share-based payments		
Equity-settled	<u>5,647</u>	<u>5,298</u>
Other employee benefits	<u>1,237,007</u>	<u>1,281,003</u>
Total employee benefits expense	<u>\$ 1,261,458</u>	<u>\$ 1,308,480</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 863,047	\$ 843,872
Operating expenses	<u>398,411</u>	<u>464,608</u>
	<u>\$ 1,261,458</u>	<u>\$ 1,308,480</u>

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of 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 of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 27, 2020 and March 8, 2019, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	\$ 17,110	\$ 26,899
Remuneration of directors and supervisors	10,550	11,550

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

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

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 87,063	\$ 78,513
Income tax expense of unappropriated earnings	8,150	-
Adjustments for prior year	<u>8,341</u>	<u>224</u>
	<u>103,554</u>	<u>78,737</u>
Deferred tax		
In respect of the current year	8,571	6,322
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>11,249</u>
	<u>8,571</u>	<u>17,571</u>
Income tax expense recognized in profit or loss	<u>\$ 112,125</u>	<u>\$ 96,308</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	<u>\$ 610,602</u>	<u>\$ 727,940</u>
Income tax expense calculated at the statutory rate	\$ 122,121	\$ 145,588
Deductible gains in determining taxable income	(3,813)	(16,952)
Deferred tax effect of earnings of subsidiary	4,670	(3,894)
Additional income tax on unappropriated earnings	8,150	-
Unrecognized deductible temporary differences	(38,306)	(56,883)
Effect of tax rate changes	-	11,249
Effect of different tax rates of the Group operating in other jurisdictions	10,962	16,976
Adjustments for prior years' tax	<u>8,341</u>	<u>224</u>
Income tax expense recognized in profit or loss	<u>\$ 112,125</u>	<u>\$ 96,308</u>

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Foreign exchange losses	\$ 512	\$ 6,326	\$ -	\$ 6,838
Write-down of inventories	4,883	(503)	-	4,380
Unrealized intercompany gain	2,169	553	-	2,722
Foreign subsidiaries' investment profits and losses	26,018	(3,727)	-	22,291
FVTPL financial liabilities	2,058	(1,462)	-	596
Defined benefit obligation	8,454	(1,648)	(567)	6,239
Accrued employee benefit	5,449	1,216	-	6,665
Others	<u>545</u>	<u>(522)</u>	<u>-</u>	<u>23</u>
	<u>\$ 50,088</u>	<u>\$ 233</u>	<u>\$ (567)</u>	<u>\$ 49,754</u>

Deferred tax liabilities

Temporary differences				
Foreign exchange gains	\$ (7,966)	\$ (7,913)	\$ -	\$ (15,879)
FVTPL financial assets	(407)	52	-	(355)
Foreign subsidiaries' investment profits and losses	(120,862)	(943)	-	(121,805)
Others	<u>(165)</u>	<u>-</u>	<u>-</u>	<u>(165)</u>
	<u>\$ (129,400)</u>	<u>\$ (8,804)</u>	<u>\$ -</u>	<u>\$ (138,204)</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Foreign exchange losses	\$ 2,403	\$ (1,891)	\$ -	\$ 512
Write-down of inventories	5,758	(875)	-	4,883
Unrealized intercompany gain	2,181	(12)	-	2,169
Foreign subsidiaries' investment profits and losses	20,944	5,074	-	26,018
FVTPL financial liabilities	13	2,045	-	2,058
Defined benefit obligation	8,089	556	(191)	8,454
Accrued employee benefit	4,573	876	-	5,449
Others	<u>737</u>	<u>(192)</u>	<u>-</u>	<u>545</u>
	<u>\$ 44,698</u>	<u>\$ 5,581</u>	<u>\$ (191)</u>	<u>\$ 50,088</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign exchange gains	\$ (3,104)	\$ (4,862)	\$ -	\$ (7,966)
FVTPL financial assets	(271)	(136)	-	(407)
Foreign subsidiaries' investment profits and losses	(102,732)	(18,130)	-	(120,862)
Others	<u>(141)</u>	<u>(24)</u>	<u>-</u>	<u>(165)</u>
	<u>\$ (106,248)</u>	<u>\$ (23,152)</u>	<u>\$ -</u>	<u>\$ (129,400)</u> (Concluded)

c. Income tax assessments

The tax returns through 2017 have been assessed by the tax authorities, and the Group agrees with the assessment.

25. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2019	2018
Profit for the year attributable to owners of the Company	\$ 487,589	\$ 618,337
Less: Dividends on preference shares	<u>(1,496)</u>	<u>-</u>
Earnings used in the computation of basic earnings per share	486,093	618,337
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds	<u>8,676</u>	<u>13,315</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 494,769</u>	<u>\$ 631,652</u>

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

	<u>For the Year Ended December 31</u>	
	2019	2018
Weighted average number of ordinary shares used in computation of basic earnings per share	118,588	107,808
Effect of potentially dilutive ordinary shares		
Convertible bonds	11,412	18,136
Employee share options	476	1,108
Employees' compensation or bonus issue to employees	487	600
Convertible preference shares	<u>548</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>131,511</u>	<u>127,652</u>

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

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

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

	2019				2018			
	Granted 2014		Granted 2013		Granted 2014		Granted 2013	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	212	\$ 33.20	318	\$ 14.50	274	\$ 35.30	1,055	\$ 15.40
Options exercised	(113)	30.95	(267)	14.50	(62)	34.96	(737)	14.87
Options forfeited	(57)	-	(51)	-	-	-	-	-
Balance at December 31	<u>42</u>	30.80	<u>-</u>	-	<u>212</u>	33.20	<u>318</u>	14.50
Options exercisable, end of period	<u>42</u>		<u>-</u>		<u>212</u>		<u>318</u>	

Information on outstanding options as of December 31, 2019 and 2018 was as follows:

	December 31	
	2019	2018
Range of exercise price (\$)	\$30.80	\$14.5-\$33.2
Weighted-average remaining contractual life (in years)	0.22	0.47-1.22

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 (in 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 ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's ordinary shares listed on the GreTai Securities Market on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	2019				2018			
	Granted 2015		Granted 2014		Granted 2015		Granted 2014	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	600	\$ 32.00	1,616	\$ 36.80	635	\$ 34.00	2,143	\$ 39.10
Options exercised	(90)	31.74	(278)	35.01	(35)	33.86	(507)	37.97
Options forfeited	(5)	-	(437)	-	-	-	(20)	36.80
Balance at December 31	<u>505</u>	29.70	<u>901</u>	34.20	<u>600</u>	32.00	<u>1,616</u>	36.80
Options exercisable, end of period	<u>505</u>		<u>901</u>		<u>417</u>		<u>1,616</u>	

Information on outstanding options as of December 31, 2019 and 2018 was as follows:

	December 31	
	2019	2018
Range of exercise price (\$)	\$29.7-\$34.2	\$32.0-\$36.8
Weighted-average remaining contractual life (in years)	0.28-1.22	1.28-2.22

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		
Exercise price	\$43	\$53.8
Expected volatility	\$43	\$53.8
Expected life (years)	34.65%	37.11%
Expected dividend yield	4.38 years	4.38 years
Risk-free interest rate	0.00%	0.00%
	1.04%	1.09%

Expected volatility was based on the historical share price volatility.

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

	2019				2018	
	Granted 2019		Granted 2018		Granted 2018	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	-	\$ -	1,610	\$ 46.4	-	\$ -
Options granted	590	44.3	-	-	1,610	49.3
Options forfeited	-	-	-	-	-	-
Options expired	(28)	-	(427)	43.1	-	-
Balance at December 31	<u>562</u>	44.3	<u>1,183</u>	43.1	<u>1,610</u>	46.4
Options exercisable, end of period	<u>-</u>		<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>11.1308</u>				<u>11.9957</u>	

Information on outstanding options as of December 31, 2019 and 2018 was as follows:

	December 31	
	2019	2018
Range of exercise price (\$)	\$43.1-\$44.3	\$46.4
Weighted-average remaining contractual life (in years)	3.45-4.36	4.45

Options granted in May 2019 and June 2018 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	May 2019	June 2018
Grant-date share price	\$47.7	\$49.3
Exercise price	\$47.7	\$49.3
Expected volatility	29.52%	30.7%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	0.57%	0.66%
Expected life (years)	3.75 years	3.75 years

Expected volatility was based on the historical share price volatility.

Compensation cost recognized were \$5,647 thousand and \$5,298 thousand for years ended December 31, 2019 and 2018, respectively.

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2019 and 2018 was \$46.41 and \$47.58, respectively.

27. BUSINESS COMBINATIONS

Kwong Lung-Omon Company Limited Acquired

a. Subsidiaries acquired

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

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

b. Consideration transferred

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

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

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

d. Goodwill recognized on acquisition

January 1, 2018

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

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

e. Net cash outflow on acquisition of subsidiary

January 1, 2018

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

28. 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, 2019

	Carrying Amount	Fair Value
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Convertible bonds	\$ -	\$ -

December 31, 2018

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

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 367,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,840</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 1,772</u>	<u>\$ -</u>	<u>\$ 1,772</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 2,980</u>	<u>\$ -</u>	<u>\$ 2,980</u>

December 31, 2018

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

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 1,772	\$ 2,034
Financial assets at amortized cost (1)	2,297,919	1,956,785
Financial assets at FVTOCI	367,840	100,700
<u>Financial liabilities</u>		
FVTPL		
Held for trading	2,980	10,289
Amortized cost (2)	1,909,358	2,376,493

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable, and trade receivables and other receivables.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, trade and other payables, and bonds issued.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivable, other receivables, trade payables, other payables and borrowings and lease liabilities. 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 34.

	December 31	
	2019	2018
<u>Assets</u>		
JPY	\$ -	\$ 320
USD	1,575	1,714
EUR	197	-
<u>Liabilities</u>		
JPY	-	300
USD	2,921	9,989
EUR	59	-

Sensitivity analysis

The Group is mainly exposed to the USD, JPY, VND and EUR.

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

	USD Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Profit or loss*	\$ 18,228	\$ 26,994	\$ 5,694	\$ 10,463
	VND Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Profit or loss*	\$ (2,135)	\$ (665)	\$ (3,056)	\$ (4,597)

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

b) Interest rate risk

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

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Fair value interest rate risk		
Financial assets	\$ 631,467	\$ 318,927
Financial liabilities	287,432	942,246
Cash flow interest rate risk		
Financial assets	576,848	528,033
Financial liabilities	999,542	444,200

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, 2019 and 2018 would decrease/increase by \$2,113 thousand and increase/decrease by \$419 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 is mainly concentrated on equity instruments operating in the ROC.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 10% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increase/decrease by \$36,784 thousand and \$10,070 thousand, respectively, as a result of the changes in fair value of financial asset at FVOCI.

2) Credit risk

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

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

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized bank loan facilities in the amounts of \$6,222,169 thousand and \$6,740,672 thousand, respectively.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table includes 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, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 587,397	\$ 225,164	\$ 86,746	\$ -	\$ -
Lease liabilities	3,504	6,332	24,456	50,024	4,589
Borrowings	<u>113,667</u>	<u>146,096</u>	<u>109,318</u>	<u>861,261</u>	<u>11,314</u>
	<u>\$ 704,568</u>	<u>\$ 377,592</u>	<u>\$ 220,520</u>	<u>\$ 911,285</u>	<u>\$ 15,903</u>

December 31, 2018

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

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

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

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts and foreign currency swap contracts	<u>\$ 29,992</u>	<u>\$ 171,941</u>	<u>\$ 211,150</u>

December 31, 2018

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

a. Related parties and relationships

<u>Related Party</u>	<u>Relationship with the Group</u>
Snowdown Merchandise Corporation	Investments in associate
Koutou Co., Ltd.	Subsidiary of investments in associate
BBL Premium Co., Ltd.	Investments in associate

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
Daquan Hanshi Co., Ltd. Gong Tong Zu Lin Co., Ltd. JFT Circuit Limited	Investments in associate of subsidiary Investments in associate of subsidiary Substantively related party (became substantially related party beginning in May 2017; became a non-consolidated company's related party as of June 2018)
Kwong Lung-Omon Company Limited	Subsidiary (formerly a joint venture company which became a subsidiary in January 2018; changed its name from "Viet Tien Meko Company Limited" to "Kwong Lung-Omon Company Limited" on January 10, 2018)
Kai Sheng Investment Co., Ltd. Ou Li Investment Co., Ltd. Cave & Wine Co., Ltd. Huang Lu Investment Co., Ltd. Fortune Phoenix Insurance Brokerage Service Corporation	Substantively related party Substantively related party Substantively related party Substantively related party Substantively related party

(Concluded)

b. Sales of goods

Related Party	For the Year Ended December 31	
	2019	2018
JFT Circuit Limited	\$ -	\$ 55,604
Daquan Hanshi Co., Ltd.	1,414	357
BBL Premium Co., Ltd.	<u>19,425</u>	<u>-</u>
	<u>\$ 20,839</u>	<u>\$ 55,961</u>

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

c. Receivables from related parties

Related Party	December 31	
	2019	2018
BBL Premium Co. Ltd.	<u>\$ 18,475</u>	<u>\$ -</u>

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

d. Payables to related parties (not including loans from related parties)

Related Party	December 31	
	2019	2018
<u>Other payables</u>		
Investments in associates	\$ 315	\$ 105
Substantively related parties	<u>23</u>	<u>-</u>
	<u>\$ 338</u>	<u>\$ 105</u>

The outstanding trade payables to related parties are unsecured.

e. Acquisitions of property, plant and equipment

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

f. Disposals of property, plant and equipment

Related Party	Proceeds		(Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
BBL Premium Co., Ltd.	\$ 3,304	\$ -	\$ (265)	\$ -
Gong Tong Zu Lin Co., Ltd.	<u>1,352</u>	<u>-</u>	<u>(68)</u>	<u>-</u>
	<u>\$ 4,656</u>	<u>\$ -</u>	<u>\$ (333)</u>	<u>\$ -</u>

g. Lease arrangements

Related Party	For the Year Ended December 31	
	2019	2018
<u>Acquisition of right-of-use assets</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>4,452</u>	\$ <u>-</u>

Account	Related Party	December 31	
		2019	2018
Lease liabilities	Gong Tong Zu Lin Co., Ltd.	\$ <u>2,627</u>	\$ <u>-</u>

Related Party	For the Year Ended December 31	
	2019	2018
<u>Interest expense</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>46</u>	\$ <u>-</u>
<u>Lease expense</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>-</u>	\$ <u>1,248</u>

h. Acquisitions of financial assets

For the year ended December 31, 2019: None.

For the year ended December 31, 2018

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

i. Loans to related parties (refer to Table 1)

Related Party	December 31	
	2019	2018
Other receivables Snowdown Merchandise Corporation	<u>\$ 120,000</u>	<u>\$ -</u>
	For the Year Ended December 31	
Related Party	2019	2018
Interest income Snowdown Merchandise Corporation	<u>\$ 1,326</u>	<u>\$ -</u>

j. Other income

Related Party	For the Year Ended December 31	
	2019	2018
Other income Daquan Hanshi Co., Ltd.	\$ 1,337	\$ 1,337
Snowdown Merchandise Corporation	1,636	1,499
BBL Premium Co., Ltd.	<u>820</u>	<u>-</u>
	<u>\$ 3,793</u>	<u>\$ 2,836</u>

k. Expenses

Related Party	For the Year Ended December 31	
	2019	2018
Investments in associates	\$ 6,482	\$ -
Substantively related parties	<u>3,805</u>	<u>1,400</u>
	<u>\$ 10,287</u>	<u>\$ 1,400</u>

The expenses included rents, other expenses, etc.

l. Other transactions with related parties

The Company's board of directors on December 13, 2019 resolved to acquire property, plant and equipment from Koutou Co., Ltd. The expected transaction amounted to \$114,745 thousand.

m. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 53,387	\$ 61,094
Post-employment benefits	808	710
Share-based payments	<u>875</u>	<u>726</u>
	<u>\$ 55,070</u>	<u>\$ 62,530</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on 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:

	December 31	
	2019	2018
Pledged deposits	\$ 5,178	\$ 2
Land	21,240	236,840
Buildings, net	<u>2,274</u>	<u>2,613</u>
	<u>\$ 28,692</u>	<u>\$ 239,455</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, 2019 and 2018 were as follows:

Significant Commitments

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

	December 31	
	2019	2018
USD	<u>\$ 3,013</u>	<u>\$ 2,121</u>
EUR	<u>\$ 509</u>	<u>\$ 829</u>
NTD	<u>\$ 50,196</u>	<u>\$ 44,434</u>

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

c. As of December 31, 2019 and 2018, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$106,000 thousand and \$107,146 thousand, respectively.

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

	<u>December 31</u>	
	2019	2018
Unpaid amounts of the purchases		
NTD	\$ 1,277	\$ 1,774
USD	-	356

33. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

- a. The Company's board of directors approved to finance \$120,000 thousand to Snowdown Merchandise Corporation on March 27, 2020.
- b. The Company's board of directors approved to acquire treasury shares on March 27, 2020.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,751	29.98 (USD:NTD)	\$ 1,551,495
USD	3,867	6.964 (USD:CNY)	115,933
USD	23,242	23,240 (USD:VND)	696,795
JPY	690,082	0.2760 (JPY:NTD)	190,463
VND	28,948,665	0.000043 (VND:USD)	37,344
EUR	26	33.59 (EUR:NTD)	873
EUR	38	4.237 (EUR:PLN)	1,276
Non-monetary items			
Investments accounted for using equity method			
USD	698	29.98 (USD:NTD)	20,919
CAD	335	22.99 (CAD:NTD)	7,711
<u>Financial liabilities</u>			
Monetary items			
USD	39,599	29.98 (USD:NTD)	1,187,178
USD	2,839	6.964 (USD:CNY)	85,113
USD	16,155	23,240 (USD:VND)	484,327
JPY	2,371	0.276 (JPY:NTD)	654
VND	82,124,087	0.000043 (VND:USD)	108,520
EUR	3,097	33.59 (EUR:NTD)	104,028

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,014	30.715 (USD:NTD)	\$ 1,720,470
USD	10,124	6.8930(USD:CNY)	310,959
USD	20,271	25,596 (USD:VND)	622,624
JPY	1,257,411	0.2782 (JPY:NTD)	349,812
VND	77,988,127	0.000039 (VND:USD)	93,586
EUR	93	35.2 (EUR:NTD)	3,274
CNY	2,302	4.472 (CNY:NTD)	10,295
Non-monetary items			
Investments accounted for using equity method			
USD	722	30.715 (USD:NTD)	22,183
<u>Financial liabilities</u>			
Monetary items			
USD	40,757	30.715 (USD:NTD)	1,251,851
USD	1,221	6.8930 (USD:CNY)	37,503
USD	15,136	25,596 (USD:VND)	464,902
JPY	3,779	0.2782 (JPY:NTD)	1,051
VND	96,467,744	0.000039 (VND:USD)	115,761
EUR	4,446	35.2 (EUR:NTD)	156,499

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

For the Year Ended December 31				
2019			2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
VND	0.00130 (VND:NTD)	\$ (497)	0.00119 (VND:NTD)	\$ 5,083
NTD	1 (NTD:NTD)	(9,789)	1 (NTD:NTD)	66,359
USD	30.911 (USD:NTD)	2,031	30.149 (USD:NTD)	290
CNY	4.4721 (CNY:NTD)	12,001	4.560 (CNY:NTD)	10,519
JPY	0.2837 (JPY:NTD)	(10)	0.273 (JPY:NTD)	-
PLN	8.0554 (PLN:NTD)	(201)	8.3624 (PLN:NTD)	(1,857)
		<u>\$ 3,535</u>		<u>\$ 80,394</u>

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 9) Trading in derivative instruments (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions (Table 6)
 - 11) Information on investees (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 9):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

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

	Segment Revenue		Segment Profit	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Apparel department	\$ 4,627,974	\$ 3,846,466	\$ 442,471	\$ 224,603
Down material department	3,508,134	3,852,135	115,151	64,941
Home textile department	1,728,533	2,399,581	34,691	37,378
Others	<u>672,727</u>	<u>645,009</u>	<u>(7,746)</u>	<u>22,516</u>
Segment revenues	10,537,368	10,743,191	584,567	349,438
Eliminations	<u>(313,430)</u>	<u>(588,879)</u>	<u>-</u>	<u>-</u>
Segment revenue or segment income	<u>\$ 10,223,938</u>	<u>\$ 10,154,312</u>	584,567	349,438
Other income			21,687	17,812
Other gains and losses			26,116	390,163
Finance costs			(28,281)	(38,410)
Share of profit or loss of associates and joint ventures			<u>6,513</u>	<u>8,937</u>
Profit before tax (continuing operations)			<u>\$ 610,602</u>	<u>\$ 727,940</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. Revenue from major products

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

	For the Year Ended December 31	
	2019	2018
Apparel products	\$ 4,627,974	\$ 3,846,466
Down material products	3,229,224	3,418,384
Home textile products	1,694,013	2,244,453
Others	<u>672,727</u>	<u>645,009</u>
	<u>\$ 10,223,938</u>	<u>\$ 10,154,312</u>

c. 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.

	Revenue from		Non-current Assets	
	External Customers		December 31	
	For the Year Ended December 31			
	2019	2018	2019	2018
USA	\$ 3,496,560	\$ 2,503,235	\$ -	\$ -
Taiwan	399,211	432,902	1,010,404	893,063
China	1,250,875	1,459,740	254,239	282,137
Vietnam	111,675	187,178	552,610	558,182
Japan	3,502,423	3,832,131	213,203	112,178
Others	<u>1,463,194</u>	<u>1,739,126</u>	<u>104</u>	<u>107</u>
	<u>\$ 10,223,938</u>	<u>\$ 10,154,312</u>	<u>\$ 2,030,560</u>	<u>\$ 1,845,667</u>

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

d. Information on major customers

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

Customer	For the Year Ended December 31			
	2019		2018	
	Amount	% to Total	Amount	% to Total
A	Note	-	\$ 1,182,364	12

Note: The sales amount does not reach 10% of the Group's revenue.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount (Note 4)	Reasons for Short-term Financing (Note 5)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 6)	Aggregate Financing Limit (Note 6)	Note
													Item	Value			
0	Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise Corporation	Other receivables from related parties	Yes	\$ 120,000	\$ 120,000	\$ 120,000	1.5054	2	\$ -	Operating capital	\$ -	Promissory note	\$ 120,000	\$ 2,012,804 (Note 6, a.)	\$ 2,012,804 (Note 6, b.)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	8,545	8,136	8,136	2.25	2	-	Operating capital	-	Promissory note	8,136	34,692 (Note 6, a.)	34,692 (Note 6, b.)	

Note 1: The numbers denote the following:

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

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

Note 3: Purpose of fund financing for the borrower:

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

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

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

- Note 6: a. Individual loans should not exceed 40% of the lender's net equity of the prior year. For No. 0: \$5,032,009 (net worth) × 40% = \$2,012,804; for No. 1: \$86,730 (net worth) × 40% = \$34,692.
b. Total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0: \$5,032,009 (net worth) × 40% = \$2,012,804; for No. 1: \$86,730 (net worth) × 40% = \$34,692.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars or Foreign Currency)

No. (Note 1)	Endorsement/Guarantee Provider	Guaranteed Party		Limited on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Manumech Corporation	Intime Tech Co., Ltd.	2	\$ 24,745 (Note 3)	\$ 12,915	\$ 12,915	\$ -	\$ -	15%	\$ 24,745 (Note 3)	Y	N	Y

Note 1: The numbers denote the following:

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

Note 2: Relationship information of endorser and endorsee are categorized as follows:

- Business deals between the Company and guarantee party.
- Direct holding of more than 50% of the subsidiaries' ordinary shares
- Direct holding of more than 50% of the invested company's ordinary shares by the Company and its subsidiaries.
- Direct and indirect holding of more than 50% of the parent company's ordinary shares.
- Guarantee by the Company according to construction contract.
- All capital contributing shareholders make endorsements on guarantees for their jointly invested company in proportion to their shareholding percentage.

Note 3: a. The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceed 10% of the parent company's net assets: $\$247,446 \times 10\% = \$24,745$.
b. The maximum balance of endorsement/guarantee provided by the Company cannot exceed 10% of the parent company's net assets: $\$247,446 \times 10\% = \$24,745$.
c. The endorsement/guarantee amount to subsidiaries is not limited by the above-mentioned proportion.

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Kwong Lung Enterprise Co., Ltd.	<u>Ordinary shares</u> Co-Tech Development Corporation	Member of the board directors	Financial assets at FVTOCI - non-current	4,300	\$ 182,965	1.7	\$ 182,965	
	Tainan Enterprises Co., Ltd.	-	Financial assets at FVTOCI - non-current	7,500	184,875	5.1	184,875	
Manumech Corporation	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates	Financial assets at amortized cost - non-current	-	50,000	-	-	
	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates (parent company)	Financial assets at amortized cost - non-current	-	10,000	-	-	

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Trade Receivables (Payables)			Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Account	Ending Balance	% of Total	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Sale	\$ 837,302	10	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	\$ 166,602	21	
Kwong Lung Japan Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Purchase	837,302	69	T/T 30-180 days	No significant difference	No significant difference	Trade payables	166,602	85	
Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	Subsidiary	Sale	148,587	2	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	19,653	2	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Purchase	148,587	9	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	19,653	11	
Kwong Lung Enterprise Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	1,822,229	24	T/T 30-180 days	No significant difference	No significant difference	Trade payables	588,291	48	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	1,822,229	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	588,291	96	
Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	Subsidiary	Purchase	894,563	12	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	108,541	9	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	894,563	53	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	108,541	98	
Kwong Lung Enterprise Co., Ltd.	Toptex Garment Co., Ltd.	Subsidiary	Purchase	778,723	10	T/T 30-180 days	No significant difference	No significant difference	Trade payables	56,657	5	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	778,723	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	56,657	100	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	2,209,007	29	T/T 30-180 days	No significant difference	No significant difference	Trade payables	222,201	18	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	2,209,007	82	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	222,201	79	
	Snowdown Merchandise (Suzhou) Co., Ltd.	Brother company	Sale	104,480	4	O/A 120 days	No significant difference	No significant difference	Trade receivables	52,679	19	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Meko Co., Ltd.	Brother company	Purchase	104,480	6	O/A 120 days	No significant difference	No significant difference	Trade payables	52,679	29	

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Receivables from Related Parties Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Account	Ending Balance		Amount	Actions Taken		
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Trade receivables	\$ 166,602	3.31	\$ -	-	\$ 166,602	\$ -
	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	125,705		-	-	125,303	-
	Toptex Garment Co., Ltd.	Subsidiary	Other receivables	135,741		-	-	72,247	-
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Other receivables	328,989		247	Received in subsequent period	146,585	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	588,291	3.34	-	-	289,978	-
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	108,541	8.49	334	Received in subsequent period	108,454	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	222,201	11.20	-	-	222,201	-

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	a	Sales revenue	\$ 89,990	No significant difference	1
			a	Trade receivables	28,905	No significant difference	-
			a	Cost of goods sold	2,209,007	No significant difference	22
			a	Trade payables	222,201	No significant difference	3
		Kwong Lung Japan Co., Ltd.	a	Other receivables	125,705	-	2
			a	Sales revenue	837,302	No significant difference	8
			a	Trade receivables	166,602	No significant difference	2
			a	Other receivables	23,400	No significant difference	-
		Snowdown Merchandise (Suzhou) Co., Ltd.	a	Sales revenue	148,587	No significant difference	1
			a	Trade receivables	19,653	No significant difference	-
			a	Cost of goods sold	894,563	No significant difference	9
			a	Trade payables	108,541	No significant difference	1
			a	Other receivables	12,373	-	-
			a	Cost of goods sold	778,723	No significant difference	8
		Toptex Garment Co., Ltd.	a	Other receivables	135,741	-	2
			a	Trade payables	56,657	No significant difference	1
		Bo Hsing Enterprise Co., Ltd.	a	Cost of goods sold	1,822,229	No significant difference	18
			a	Trade payables	588,291	No significant difference	8
			a	Other receivables	328,989	-	4
			a	Other payables	31,859	-	-
a	Sales revenue		10,224	No significant difference	-		
a	Trade receivables		10,089	No significant difference	-		
P&B Collection Co., Ltd.	a	Sales revenue	5,382	No significant difference	-		
1	Manumech Corporation	Intime Tech Co., Ltd.	a	Sales revenue	52,079	No significant difference	1
			a	Trade receivables	34,475	No significant difference	-
2	Huai An Guang Long He Yu Home Textile Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	b	Sales revenue	34,148	No significant difference	-
			b	Trade receivables	3,121	No significant difference	-
3	Kwong Lung Meko Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	c	Sales revenue	104,480	No significant difference	1
			c	Trade receivables	52,679	No significant difference	1
4	Bo Hsing Enterprise Co., Ltd.	Kwong Lung O-Mon Company Limited	c	Trade payables	5,571	No significant difference	-

(Continued)

Note 1: The parent company and its subsidiaries are coded as follows:

- a. The parent company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- a. From the parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

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

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	%	Carrying Amount			
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company.	\$ 691,210	\$ 691,210	24,613	100.00	\$ 788,022	\$ (24,175)	\$ (20,178)	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding.	198,399	198,399	-	100.00	1,053,744	105,213	104,401	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding.	280,977	280,977	11	100.00	303,878	15,382	15,385	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel.	386,911	386,911	-	100.00	773,740	116,013	116,002	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel.	191,809	191,809	-	100.00	41,670	13,449	13,453	Subsidiary
	Klego Co., Ltd.	Taiwan	Wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, cosmetics and other textile products; retail business without shop; retail sale of other products; international trade; software design services; data processing services; third party payment; retail sale of computer software; body shaping services; wholesale and retail sale of drugs, medical goods.	-	15,000	-	-	-	1,434	1,434	Subsidiary
	P&B Collection Co., Ltd.	Taiwan	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	260,000	260,000	26,000	100.00	241,998	(7,544)	(13,623)	Subsidiary
	Kwong Lung-Omon Company Limited	Vietnam	Various selling of down and bedding.	69,799	69,799	-	100.00	76,592	4,403	1,687	Subsidiary
	Kwong Lung Europe SP.Z O.O.	Poland	Various selling of down and bedding.	7,102	7,102	17	100.00	4,219	(1,824)	2,305	Subsidiary
	Snowdown Merchandise Corporation	Taiwan	Retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories and other textile products; real estate rental and leasing.	55,095	55,095	6,636	39.50	107,587	7,341	(1,084)	Associate
BBL Premium Co., Ltd.	Taiwan	Wholesale and retail sale.	14,000	-	1,400	46.67	14,968	2,074	968	Associate	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company.	60,180	60,180	2,000	40.00	60,670	366	NA	Subsidiary
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company.	92,880	92,880	3,000	60.00	90,265	366	NA	Subsidiary
Kwong Lung Feather (B.V.I.) Limited	Jbv HI-TECH Ltd.	Republic of Seychelles	Overseas reinvested holding company.	44,017	44,017	1,350	30.00	20,919	(11,297)	NA	Associate of subsidiary
P&B Collection Co., Ltd.	Gong Tong Zu Lin Co., Ltd.	Taiwan	Wholesale of machinery and equipment.	27,300	27,300	3,148	39.00	40,387	18,285	NA	Associate of subsidiary
	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities.	6,927	-	588	49.00	7,892	7,049	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale.	20,000	20,000	3,060	51.00	44,232	19,338	NA	Subsidiary
Manumech Corporation	Windsun Industry Co., Ltd.	Taiwan	Wholesale.	10,000	15,000	1,000	100.00	18,115	6,613	NA	Subsidiary
Klego Co., Ltd.	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities.	-	5,880	-	-	-	6,056	NA	Associate of subsidiary
Kwong Lung Meko (B.V.I.) Ltd.	Lyon Ventures Holdings Ltd.	Canada	Wholesale of household products.	8,471	-	90	45.00	7,711	(1,259)	NA	Associate of subsidiary

Note: Refer to Table 8 for investments in mainland China.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currency)

Investee Company	Main Businesses and Products	Paid in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 20,000	b.	\$ 598,186	\$ -	\$ -	\$ 598,186	\$ (20,163)	100	\$ (20,163) b. 2)	\$ 754,775	\$ -
Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	RMB 5,000	c. 1)	-	-	-	-	(1,354)	100	(1,354) b. 2)	19,414	-
Huai An Guang Long He Yu Home Textile Co., Ltd.	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business	RMB 7,000	c. 1)	-	-	-	-	2,883	51	1,470 b. 2)	18,634	-
Intime Tech Co., Ltd.	Wholesale	RMB 1,200	c. 2)	5,408	5,227	-	10,635	5,906	100	5,906 b. 2)	15,351	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Kwong Lung Enterprise Co., Ltd.	\$ 598,186	\$ 600,875 (US\$ 20,000)	\$ 3,055,421 (Note 3)
Manumech Corporation	10,635	10,635 (US\$ 350)	52,038 (Note 4)

Note 1: The method of investment in mainland China is as follows:

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

Note 2: Recognition of gain or loss was based on the percentage of shares held from the unreviewed financial statements.

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

(Continued)

Note 3: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$5,092,368 (consolidated net worth) x 60% = \$3,055,421

Note 4: The maximum allowable limit on investment was 60% of the net asset value of Manumech Corporation. \$86,730 (net worth) x 60% = \$52,038

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Trade Receivables (Payables)		Unrealized Gain	
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Snowdown Merchandise (Suzhou) Co., Ltd. (Note 1)	Purchase	\$ 894,563	12	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 108,541	9	\$ 2,703
	Sale	148,587	2	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	19,563	2	717
Intime Tech Co., Ltd. (Note 2)	Sale	52,079	16	Normal	Open account 120 days	No significant difference	Trade receivables	34,475	48	398

Note 1: As of December 31, 2019, the Company had transactions with Snowdown Merchandise (Suzhou) Co., Ltd. for processing and purchasing materials which amounted to \$12,373 thousand of the Company's other receivables.

Note 2: As of December 31, 2019, Manumech Corporation, the investor company, had significant transactions with Intime Tech Co., Ltd., the investee company in mainland China.

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