Quang Viet Enterprise Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Quang Viet Enterprise Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Quang Viet Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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.

The description of the key audit matter of the Group's consolidated financial statements for the year ended December 31, 2018 is as follows:

Validity of Revenue Recognized from Some Main Customers

The main source of revenue for the Group is from the sale of garment products. As the customer base is highly concentrated, the validity of revenue recognized from some main customers with higher sales growth rate or gross profit margin compared to the previous year has been identified as a key audit matter for the year ended December 31, 2018.

Refer to Note 4 (m) of the consolidated financial statements for the related accounting policies. The key audit procedures performed with respect to the aforementioned revenue recognized from some main customers are as follows:

1. Understood the internal controls of the sales and receipt cycle.

2. Tested the effectiveness of the internal controls related to the validity of revenue recognition in the sales and receipt cycle, including sampling the related shipping documents and invoices to determine whether appropriate approval was obtained before recognizing sales revenue.

3. Sampled and tested whether the related content and amount of sales revenue ledger, shipping documents, and invoices are consistent.

4. Sampled and tested the sales revenue ledger, to determine whether the customer and amount is the same as the payer and the amount received.

Other Matter

We have also audited the parent company only financial statements of Quang Viet Enterprise Co., Ltd. as of and for the years ended December 31, 2018 and 2017 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, 2018 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 Nai-Hua Kuo and Hui-Min Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

<u>*Notice to Readers*</u>

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.

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,837,854	17	$ 1,597,763	18
Available-for-sale financial assets - current (Notes 4 and 11)	-	-	112,273	1
Financial assets at amortized cost - current (Notes 4, 9, 10 and 36)	515,039	5	-	-
Debt investments with no active market - current (Notes 4, 13 and 36)	-	-	772,289	9
Notes receivable (Notes 4 and 14)	12	-	24	-
Trade receivables (Notes 4 and 14)	1,424,330	13	1,131,098	13
Current tax assets (Notes 4 and 28)	5,090	-	23,077	-
Inventories (Notes 4 and 15)	3,560,503	33	2,134,272	25
Prepayments (Notes 19 and 20)	212,826	2	161,753	2
Other current assets (Note 20)	49,977	-	55,148	1
Total current assets	7,605,631	70	5,987,697	69
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	69,056	1	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	152,082	1	-	-
Financial asset at amortized cost - non-current (Notes 4, 9, 10 and 36)	7,000	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 12)	-	-	6,676	-
Property, plant and equipment (Notes 4, 17 and 36)	2,319,671	22	2,080,491	24
Other intangible assets (Notes 4 and 18)	411,350	4	282,084	3
Deferred tax assets (Notes 4 and 28)	43,608	-	34,540	1
Prepayments for equipment	7,979	-	21,166	-
Refundable deposits	7,652	-	3,353	-
Long-term prepayments for leases (Note 19)	203,687	2	187,354	2
Other non-current assets (Note 20)	6	-	89,945	1
Total non-current assets	3,222,091	30	2,705,609	31
TOTAL	$ 10,827,722	100	$ 8,693,306	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 21)	$ 1,326,260	12	$ 918,099	11
Notes payable (Notes 4, 22 and 35)	42,849	1	32,277	-
Trade payables to unrelated parties (Notes 4 and 22)	617,654	6	395,164	5
Trade payables to related parties (Notes 4, 22 and 35)	111,693	1	99,533	1
Other payables (Note 23)	776,858	7	528,083	6
Other payables to related parties (Note 35)	11,536	-	19,000	-
Current tax liabilities (Note 28)	130,563	1	52,311	1
Current portion of long-term borrowings	26,540	-	19,654	-
Total current liabilities	3,043,953	28	2,064,121	24
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 21)	213,000	2	-	-
Deferred tax liabilities (Notes 4 and 28)	109,881	1	44,552	-
Net defined benefit liabilities - non-current (Notes 4 and 24)	6,303	-	7,597	-
Guarantee deposits received	3	-	3	-
Total non-current liabilities	329,187	3	52,152	-
Total liabilities	3,373,140	31	2,116,273	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25)				
Ordinary shares	1,033,753	10	1,037,639	12
Capital surplus	2,868,874	26	2,873,215	33
Retained earnings				
Special reserve	563,107	5	510,712	6
Legal reserve	246,533	2	131,146	2
Unappropriated earnings	2,164,446	20	2,111,402	24
Total retained earnings	2,974,086	27	2,753,260	32
Other equity				
Exchange differences on translating the financial statements of foreign operations	(232,125)	(2)	(232,805)	(3)
Unrealized loss on financial assets at fair value through other comprehensive income	(18,339)	-	(13,728)	-
Total other equity	(250,464)	(2)	(246,533)	(3)
Treasury shares	-	-	(92,337)	(1)
Total equity attributable to owners of the Company	6,626,249	61	6,325,244	73
NON-CONTROLLING INTERESTS (Note 25)	828,333	8	251,789	3
Total equity	7,454,582	69	6,577,033	76
TOTAL	$ 10,827,722	100	$ 8,693,306	100

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

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)	$ 13,325,279	100	$ 10,210,589	100
SALES RETURNS AND ALLOWANCES	(44,839)	-	(6,934)	-
Total operating revenue	13,280,440	100	10,203,655	100
OPERATING COSTS (Note 27)	(11,070,093)	(84)	(8,780,573)	(86)
GROSS PROFIT	2,210,347	16	1,423,082	14
OPERATING EXPENSES (Notes 24 and 27)				
Selling and marketing expenses	(143,072)	(1)	(132,457)	(1)
General and administrative expenses	(787,953)	(6)	(518,562)	(5)
Research and development expenses	(173,178)	(1)	(116,725)	(1)
Total operating expenses	(1,104,203)	(8)	(767,744)	(7)
PROFIT FROM OPERATIONS	1,106,144	8	655,338	7
NON-OPERATING INCOME AND EXPENSES (Notes 27 and 35)				
Other income	83,717	-	131,507	1
Other gains and losses	(29,802)	-	(77,792)	(1)
Finance costs	(44,343)	-	(26,057)	-
Total non-operating income and expenses	9,572	-	27,658	-
PROFIT BEFORE INCOME TAX	1,115,716	8	682,996	7
INCOME TAX EXPENSE (Notes 4 and 28)	(258,675)	(2)	(136,000)	(2)
NET PROFIT FOR THE YEAR	857,041	6	546,996	5
OTHER COMPREHENSIVE INCOME (LOSS)				
Remeasurement of defined benefit plans	(1,053)	-	1,185	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	3,099	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	219	-	(201)	-

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QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Exchange differences on translating the financial statements of foreign operations	$ (7,658)	-	$ (142,792)	(1)
Unrealized gain (loss) on available-for-sale financial assets	-	-	6,262	-
Income tax relating to items that may be reclassified subsequently to profit or loss	9,798	-	24,929	-
Other comprehensive income (loss) for the year, net of income tax	4,405	-	(110,617)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 861,446	6	$ 436,379	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 768,584	6	$ 523,945	5
Non-controlling interests	88,457	-	23,051	-
	$ 857,041	6	$ 546,996	5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 771,500	6	$ 409,542	4
Non-controlling interests	89,946	-	26,837	-
	$ 861,446	6	$ 436,379	4
EARNINGS PER SHARE (Note 29)				
From continuing operations				
Basic	$ 7.43		$ 5.07	
Diluted	$ 7.43		$ 5.07	

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

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Capital Surplus		Retained Earnings			Other Equity					
	Shares (In Thousands)	Share Capital	Issuance of Ordinary Shares	Share of Change in Capital Surplus of Associates	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	103,764	$ 1,037,639	$ 2,872,658	$ 587	$ 440,798	$ -	$ 2,428,460	$ (111,164)	$ (19,982)	$ -	$ (92,337)	$ 16,100	$ 6,572,759
Appropriation of 2016 earnings													
Legal reserve	-	-	-	-	69,914	-	(69,914)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	131,146	(131,146)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(640,927)	-	-	-	-	-	(640,927)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(58,585)	(58,585)
Changes in percentage of ownership interest in subsidiaries	-	-	-	(30)	-	-	-	-	-	-	-	30	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	523,945	-	-	-	-	23,051	546,996
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	984	(121,641)	6,254	-	-	3,786	(110,617)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	524,929	(121,641)	6,254	-	-	26,837	436,379
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	267,407	267,407
BALANCE AT DECEMBER 31, 2017	103,764	1,037,639	2,872,658	557	510,712	131,146	2,111,402	(232,805)	(13,728)	-	(92,337)	251,789	6,577,033
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	13,728	(12,832)	-	-	896
Appropriation of 2017 earnings													
Legal reserve	-	-	-	-	52,395	-	(52,395)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	115,387	(115,387)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(471,391)	-	-	-	-	-	(471,391)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(35,225)	(35,225)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	768,584	-	-	-	-	88,457	857,041
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(834)	680	-	3,070	-	1,489	4,405
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	767,750	680	-	3,070	-	89,946	861,446
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	521,823	521,823
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	8,577	-	-	(8,577)	-	-	-
Cancelation of treasury shares	(389)	(3,886)	(4,341)	-	-	-	(84,110)	-	-	-	92,337	-	-
BALANCE AT DECEMBER 31, 2018	103,375	$ 1,033,753	$ 2,868,317	$ 557	$ 563,107	$ 246,533	$ 2,164,446	$ (232,125)	$ -	$ (18,339)	$ -	$ 828,333	$ 7,454,582

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

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,115,716	$ 682,996
Adjustments for:		
Depreciation expenses	225,723	162,709
Amortization expenses	6,976	6,157
Expected credit loss recognized on trade receivables	46	-
Impairment loss recognized on trade receivables	-	105
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(19,530)	-
Finance costs	44,343	26,057
Interest income	(37,550)	(31,934)
Share of profit of associates and joint ventures	(9,077)	(6,141)
Gain on disposal of property, plant and equipment	2,978	1,188
Gain on disposal of investments	-	(1,476)
Write-down of inventories	43,532	63,834
Amortization of prepayments for leases	6,006	5,322
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(499)	-
Decrease in notes receivable	12	-
Increase in trade receivables	(121,201)	(293,676)
Increase in inventories	(1,186,088)	(923,135)
Decrease (increase) in other current assets	25,125	(38,784)
Increase in prepayments	(41,466)	(51,580)
(Decrease) increase in notes payable	(2,699)	19,679
Increase in trade payables	87,332	198,901
Increase (decrease) in other payables	68,652	(93,929)
Increase in other current liabilities	5,826	4,524
Decrease in net defined benefit liabilities	(2,347)	(2,071)
Cash generated from (used in) operations	211,810	(271,254)
Interest paid	(42,095)	(25,794)
Income tax paid	(113,484)	(161,775)
Net cash generated from (used in) operating activities	56,231	(458,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(172,488)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	143,350	-
Proceeds from sale of financial assets at amortized cost	250,250	-
Purchase of available-for-sale financial assets	-	(8,272)
Proceeds from sale of available-for-sale financial assets	-	13,854
Proceeds from sale of debt investments with no active market	-	718,023
Decrease in prepayments for investment	-	47,760

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QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Acquisition of subsidiaries	$ 241,791	$ (129,464)
Payments for property, plant and equipment	(216,620)	(185,924)
Proceeds from disposal of property, plant and equipment	3,608	1,035
Decrease in refundable deposits	2,806	979
Payments for intangible assets	(11,758)	(5,819)
Increase in prepayments for equipment	(19,545)	(76,574)
Interest received	32,303	33,708
Other dividends received	9,077	6,141
Net cash generated from investing activities	262,774	415,447
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	238,161	601,500
Proceeds from long-term borrowings	197,300	-
Repayments of long-term borrowings	-	(113,629)
Dividends paid to owners of the Company	(471,391)	(640,927)
Change in non-controlling interests	5,845	4,051
Dividends paid to non-controlling interests	(35,225)	(58,585)
Net cash used in financing activities	(65,310)	(207,590)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(13,604)	(61,828)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	240,091	(312,794)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,597,763	1,910,557
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,837,854	$ 1,597,763

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

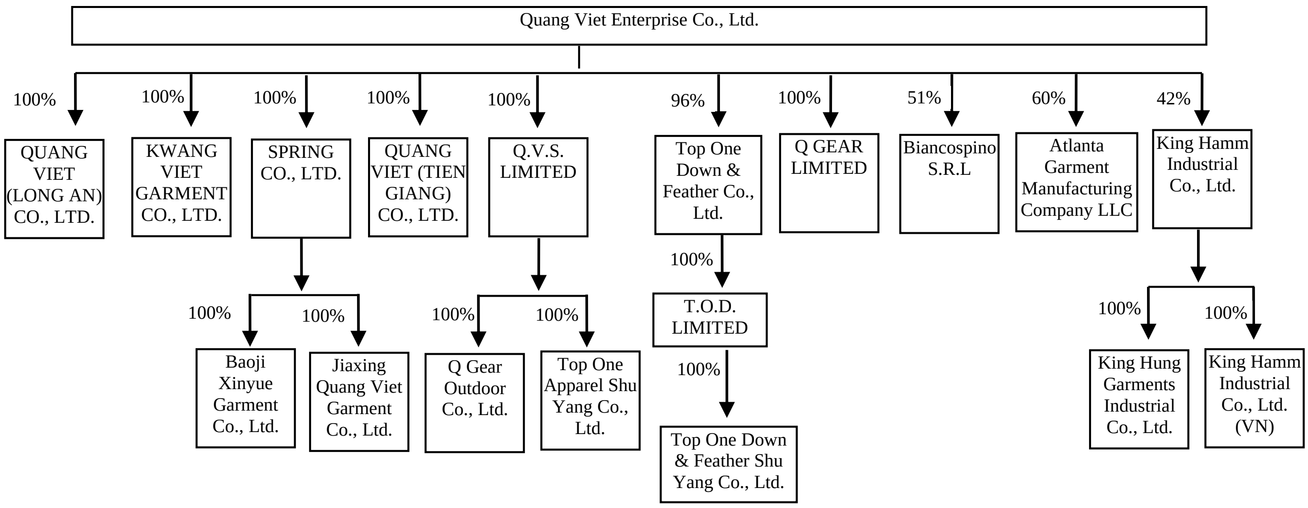
1. GENERAL INFORMATION

Quang Viet Enterprise Co., Ltd. (the "Company") was incorporated in the Republic of China ("ROC") in October 1995. The Company and its subsidiaries (the "Group") is mainly engaged in the manufacturing, processing and sale of garments and raw material such as feather and down.

The Company's shares were listed and have been trading on the Taiwan Stock Exchange ("TWSE") since October 18, 2016.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

Investment organization chart



2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 8, 2019.

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,597,763	$ 1,597,763	d)
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	112,273	112,273	a)
Unlisted shares	Financial assets measured at cost	Fair value through other comprehensive income - equity instruments	6,676	7,572	b)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	740,409	740,409	c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,201,387	1,201,387	d)
Assets pledged as collateral or for security			31,880	31,880	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at fair value through profit or loss	$ -	$ 112,273	$ -	$ 112,273	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	112,273	(112,273)	-	-	-	-	a)
	$ 112,273	$ -	$ -	$ 112,273	$ -	$ -	
Financial assets at amortized cost	$ -	$ 3,571,439	$ -	$ 3,571,439	$ -	$ -	
Add: Reclassification from loans and receivables (IAS 39)	772,289	(772,289)	-	-	-	-	c)
Add: Reclassification from debt investment with no active market	2,799,150	(2,799,150)	-	-	-	-	d)
	$ 3,571,439	$ -	$ -	$ 3,571,439	$ -	$ -	
FVTOCI	$ -	$ 6,676	$ 896	$ 7,572	$ -	$ 896	
Financial assets measured at cost	6,676	(6,676)	-	-	-	-	b)
	$ 6,676	$ -	$ 896	$ 7,572	$ -	$ 896	

a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $13,728 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

b) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $896 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

c) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

d) Cash and cash equivalents, notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

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

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

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Unearned revenue	$ 16,870	$ (16,870)	$ -
Contract liabilities - current	-	16,870	16,870
Total effect on liabilities	$ 16,870	$ -	$ 16,870

Impact on assets, liabilities and equity for the current year

	December 31, 2018
Decrease in other current liabilities	$ (22,101)
Increase in contract liabilities - current	22,101
Total effect on liabilities	$ -

The impact of the initial application of the above New IFRSs is summarized below:

The Group elected to recognize the cumulative effect of initial application of IFRS 9 and IFRS 15 as an adjustment to assets, liabilities and equity on January 1, 2018, and the adjustments are summarized below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated	Remark
Available-for-sale financial asset - current	$ 112,273	$ (112,273)	$ -	a)
Financial assets at amortized cost - current	-	3,571,439	3,571,439	a)
Loans and receivables	2,799,150	(2,799,150)	-	a)
Debt investments with no active market - current	772,289	(772,289)	-	a)
Financial assets at fair value through other comprehensive income - non-current	-	119,845	119,845	a)
Financial assets measured at cost - non-current	6,676	(6,676)	-	a)
	$ 3,690,388	$ 896	$ 3,691,284	
Contract liabilities - current	$ -	$ 16,870	$ 16,870	b)
Unearned revenue	16,870	(16,870)	-	b)
	$ 16,870	$ -	$ 16,870	

(Continued)

	As Originally Stated	Adjustments Arising from Initial Application	Restated	Remark
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	$ -	$ (12,832)	$ (12,832)	a)
Unrealized gain (loss) on available-for-sale financial assets	(13,728)	13,728	-	a)
	$ (13,728)	$ 896	$ (12,832)	

(Concluded)

Had the Group applied the prior year's accounting policies in the current year, the following adjustments should have been made to reflect the line items and balances under the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the above New IFRSs.

Impact on assets, liabilities and equity for the current year

	December 31, 2018	Remark
Increase in available-for sale financial assets - current	$ 144,510	a)
Decrease in financial assets at fair value through other comprehensive income - non-current	(152,082)	a)
Increase in financial assets measured at cost - non-current	6,676	a)
Increase in debt investments with no active market - current	515,039	a)
Increase in debt investments with no active market - non-current	7,000	a)
Decrease in financial assets at amortized cost - current	(515,039)	a)
Decrease in financial assets at amortized cost - non-current	(7,000)	a)
Total effect on assets	$ (896)	
Decrease in contract liabilities	$ (22,101)	b)
Increase in other current liabilities	22,101	b)
Total effect on liabilities	$ -	
Other equity	$ (896)	a)
Total effect on equity	$ (896)	

Impact on total comprehensive income for the current year

	For the Year Ended December 31, 2018	Remark
Items that will not be reclassified subsequently to profit or loss:		
Decrease in unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	$ (3,099)	a)
Items that may be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on available-for-sale financial assets	3,099	a)
Impact on total comprehensive income	$ -	

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

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

1) IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 5,849	$ (5,849)	$ -
Prepayments for leases - non-current	203,687	(203,687)	-
Property, plant and equipment	-	296,307	296,307
Total effect on assets	$ 209,536	$ 86,771	$ 296,307
Lease liabilities - current	$ -	$ 14,599	$ 14,599
Lease liabilities - non-current	-	75,133	75,133
Total effect on liabilities	$ -	$ 89,732	$ 89,732

2) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 obligations less the fair value of plan assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. 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 12 months after the reporting period; and

3) Cash and cash equivalents unless an 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, including structured entities).

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 dates of acquisitions up to the effective dates of disposals, 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 interests of the Group 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.

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 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, 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.

f. Foreign currencies

In preparing the financial statements of each 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 except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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 from 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 cases, 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 translated using the exchange rate at the date of the transaction.

For the purpose of presenting the 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 currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and 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 the 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 which are attributable to the owners of the Company are reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, finished goods, work in progress and merchandise inventory 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. The 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 the weighted-average cost on the balance sheet date.

h. Property, plant and equipment

Property, plant and equipment are measured at cost less 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 their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. 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.

i. 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.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets 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.

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

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or 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

<u>2018</u>

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are 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 subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

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, including cash and cash equivalents and trade receivables at amortized cost, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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.

2017

Financial assets are classified as available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

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

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

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

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

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

b) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, lease 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.

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

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

2017

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

Financial assets at amortized cost, such as trade receivables and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

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

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

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset’s carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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 a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

All financial liabilities are measured at amortized cost using the effective interest method.

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.

m. Revenue recognition

<u>2018</u>

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

<u>Revenue from the sale of goods</u>

The sale of goods is recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

<u>2017</u>

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

1) Revenue from the sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

2) Interest income

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

n. Leasing

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.

o. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. 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 expenses when employees have rendered services entitling them to the contributions.

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

q. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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, 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 assets 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 liabilities are settled or the assets are 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 and deferred taxes for the year

Current and deferred taxes 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 and deferred taxes 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 revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 2,892	$ 2,388
Checking accounts and demand deposits	531,383	277,176
Cash equivalents		
Time deposits	1,303,579	1,318,199
	$ 1,837,854	$ 1,597,763

The market rate intervals of demand deposits and time deposits at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Bank balance	0.01%-4.55%	0.01%-4.00%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	**2017**
Financial assets at FVTPL - current		
Foreign investments		
Unlisted shares	$ 69,056	$ -

Dividends of $562 thousand was recognized during the year. Those related to investments held at the end of the reporting period was $69,056 thousand.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2018
Non-current	
Investments in equity instruments at FVTOCI	
Domestic investments	
Listed shares and emerging market shares	$ 144,510
Unlisted shares	7,572
	$ 152,082

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 11 and 12 for information relating to their reclassification and comparative information for 2017.

In 2018, the Group sold its shares in order to manage credit concentration risk. The sold shares had a fair value of $143,350 thousand and the Group transferred a gain of $8,577 thousand from other equity to retained earnings.

Dividends of $8,515 thousand was recognized during the year. Those related to investments derecognized during the year was $9,777 thousand and those related to investments held at the end of the reporting period was $136,831 thousand.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Time deposits with original maturities of more than 3 months (e)	$ 515,001
Restricted deposits	38
	$ 515,039
Non-current	
Restricted time deposits	$ 7,000

a. The interest rates for time deposits with original maturities of more than 3 months were from 1.65% to 4.55% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 13 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 10 for information relating to their credit risk management and impairment.

c. Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS - 2018

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2018

	At Amortized Cost
Gross carrying amount	
Current	$ 515,039
Non-current	7,000
Less: Allowance for impairment loss	-
Amortized value	$ 522,039

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

				Gross Carrying Amount at December 31, 2018
Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	At Amortized Cost
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%-0.01%	$ 522,039

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Domestic and foreign listed shares	$ 126,015
Adjustments on available-for-sale financial assets	(13,742)
Listed shares and emerging market shares	$ 112,273

12. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Current	
Domestic unlisted ordinary shares	$ 6,676

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

13. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months (c)	$ 740,409
Restricted time deposits	31,880
	$ 772,289

a. As of December 31, 2017, the market interest rate range of the time deposits with original maturities of more than 3 months was 0.50%-6.20%.

b. Refer to Note 36 for information relating to bond investments with no active market pledged as security.

14. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable		
At amortized cost		
Gross carrying amount	$ 12	$ 24
Less: Allowance for impairment loss	-	-
	$ 12	$ 24
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,430,964	$ 1,136,469
Less: Allowance for impairment loss	(6,634)	(5,371)
	$ 1,424,330	$ 1,131,098

a. Trade receivables

<u>In 2018</u>

The average credit period of sales of goods was 30-90 days.

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 providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

<u>December 31, 2018</u>

	1-30 Days	31-60 Days	61-90 Days	91-180 Days	181-365 Days	Over 365 Days	Total
Expect credit loss rate	0.01%-0.15%	0.01%-0.39%	0.01%-9.76%	0.01%-29.68%	0.01%-61.83%	100%	
Gross carrying amount	$ 943,358	$ 298,231	$ 162,690	$ 20,583	$ 6,025	$ 77	$ 1,430,964
Loss allowance	(873)	(538)	(3,425)	(1,331)	(390)	(77)	(6,634)
Amortized cost	$ 942,485	$ 297,693	$ 159,265	$ 19,252	$ 5,635	$ -	$ 1,424,330

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

	December 31, 2017
Balance at January 1, 2018 per IAS 39	$ 5,371
Adjustment on retrospective application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	5,371
Add: Business combinations	1,218
Add: Net remeasurement of loss allowance	46
Foreign exchange gains and losses	(1)
Balance at December 31, 2018	$ 6,634

In 2017

The Group applied the same credit policy in 2018 and 2017. The average credit period of sales of goods was 30-90 days. In determining the collectability of trade receivables, the Group assesses any changes in credit quality from the start of the credit period to the balance sheet date. The Group recognized an allowance for impairment loss of 100% against all receivables past due over 365 days because historical experience had been that receivables that are past due beyond 365 days were not recoverable. Allowance for impairment loss was recognized against trade receivables due between 61 days and 365 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31, 2017
0-30 days	$ 721,243
31-60 days	278,252
61-90 days	108,425
91-180 days	22,891
181-365 days	1,328
Over 365 days	4,330
	$ 1,136,469

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

As of the balance sheet date, the Group had no receivables that were past due but not impaired.

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

	Collectively Assessed for Impairment
Balance at January 1, 2017	$ 5,750
Add: Impairment losses recognized on receivables	105
Less: Amounts written off during the year as uncollectible	(469)
Foreign exchange translation gains and losses	(15)
Balance at December 31, 2017	$ 5,371

15. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 1,280,427	$ 998,266
Work in progress	1,641,783	863,542
Finished goods	608,733	225,363
Merchandise inventory	29,560	47,101
	$ 3,560,503	$ 2,134,272

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $11,070,093 thousand and $8,780,573 thousand, respectively.

The cost of goods sold included reversals of inventory write-downs of $43,532 thousand and $63,834 thousand for the years ended December 31, 2018 and 2017.

16. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

		Proportion of Ownership (%)		
		December 31		
Investor	**Investee**	**2018**	**2017**	**Remark**
Quang Viet Enterprise Co., Ltd.	Kwang Viet Garment Co., Ltd.	100.00	100.00	
Quang Viet Enterprise Co., Ltd.	Quang Viet (Long An) Co., Ltd.	100.00	100.00	
Quang Viet Enterprise Co., Ltd.	Spring Co., Ltd.	100.00	100.00	
Quang Viet Enterprise Co., Ltd.	Quang Viet (Tien Giang) Co., Ltd.	100.00	100.00	
Quang Viet Enterprise Co., Ltd.	Q.V.S. Limited	100.00	100.00	
Quang Viet Enterprise Co., Ltd.	Q Gear Limited	100.00	100.00	
Quang Viet Enterprise Co., Ltd.	Top One Down & Feather Co., Ltd.	95.68	95.68	
Quang Viet Enterprise Co., Ltd.	Biancospino S.R.L.	51.00	51.00	
Quang Viet Enterprise Co., Ltd.	Atlanta Garment Manufacturing Company LLC	60.00	-	1)
Quang Viet Enterprise Co., Ltd.	King Hamm Industrial Co., Ltd.	42.00	-	2)
Spring Co., Ltd.	Jiaxing Quang Viet Garment Co., Ltd.	100.00	100.00	
Spring Co., Ltd.	Baoji Xinyue Garment Co., Ltd.	100.00	-	3)
Q.V.S. Limited	Top One Apparel Shu Yang Co., Ltd.	100.00	100.00	
Q.V.S. Limited	Q Gear Outdoor Co., Ltd.	100.00	100.00	
Top One Down & Feather Co., Ltd.	T.O.D. Limited	100.00	100.00	
T.O.D. Limited	Top One Down & Feather Shu Yang Co., Ltd.	100.00	100.00	
King Hamm Industrial Co., Ltd.	King Hamm Industrial Co., Ltd. (VN)	100.00	-	2)
King Hamm Industrial Co., Ltd.	King Hung Garments Industrial Co., Ltd.	100.00	-	2)

1) The Company acquired 60% interest in Atlanta Garment Manufacturing Company LLC on January 1, 2018 at a transaction price of US$2,714,400, equivalent to JOD200,001 (Note 31). Atlanta Garment Manufacturing Company LLC increased its capital by JOD350,000 on March 1, 2018; the Company proportion of ownership remains at 60%.

2) The Company acquired 42% interest in King Hamm Industrial Co., Ltd. on May 1, 2018, at a purchase price of $334,425 thousand. The remaining 58% interest in King Hamm Industrial Co., Ltd. is dispersed among the rest of the shareholders. Considering the Group’s percentage of ownership in King Hamm Industrial Co., Ltd. and the relative size and dispersion of shares held by the remaining shareholders, it was determined that the Group has the practical ability to direct the relevant activities of King Hamm Industrial Co., Ltd. and therefore, the Group has control over and recognized King Hamm Industrial Co., Ltd. as its subsidiary.

3) The Group established Baoji Xinyue Garment Co., Ltd. on April 18, 2018 to expand production capacity. The establishment of the Group’s new wholly-owned subsidiary, of which the Group invested US$1,500,000, was authorized by the Investment Commission, MOEA.

4) For the nature of activities of subsidiaries refer to Tables 8 and 9.

b. Subsidiaries excluded from the consolidated financial statements: None.

c. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2018	2017
King Hamm Industrial Co., Ltd. and subsidiaries	Republic of China	58%	-

See Table 8 for the information on places of incorporation and principal places of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	May 1, 2018 to December 31, 2018	January 1, 2017 to December 31, 2017	December 31, 2018	December 31, 2017
King Hamm Industrial Co., Ltd. and subsidiaries	$ 37,174	$ -	$ 477,860	$ -

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

King Hamm Industrial Co., Ltd. and its subsidiaries:

	December 31, 2018
Current assets	$ 789,531
Non-current assets	257,748
Current liabilities	(223,383)
Non-current liabilities	-
Equity	$ 823,896
Equity attributable to:	
Owners of King Hamm Industrial Co., Ltd.	$ 346,036
Non-controlling interests of King Hamm Industrial Co., Ltd. and its subsidiaries	477,860
	$ 823,896

	For the Year Ended December 31, 2018
Revenue	$ 1,058,896
Profit for the year	$ 64,093
Other comprehensive income for the year	4,092
Total comprehensive income for the year	$ 68,185

(Continued)

	For the Year Ended December 31, 2018
Profit attributable to:	
Owners of King Hamm Industrial Co., Ltd.	$ 26,919
Non-controlling interests of King Hamm Industrial Co., Ltd. and subsidiaries	37,174
	$ 64,093
Total comprehensive income attributable to:	
Owners of King Hamm Industrial Co., Ltd.	$ 28,638
Non-controlling interests of King Hamm Industrial Co., Ltd. and subsidiaries	39,547
	$ 68,185
Dividends paid to non-controlling interests of:	
King Hamm Industrial Co., Ltd. and King Hamm Industrial Co., Ltd. and subsidiaries	$ 9,425

(Concluded)

17. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Equipment	Transportation	Other Equipment	Leasehold Improvement	Construction Work in Progress	Total
Cost								
Balance at January 1, 2017	$ 431,383	$ 844,388	$ 425,130	$ 53,698	$ 219,563	$ 21,675	$ 574,329	$ 2,570,166
Additions	-	28,188	92,235	1,469	46,156	351	22,208	190,607
Disposals	-	-	(7,292)	(580)	(10,122)	-	-	(17,994)
Acquisitions through business combinations	10,251	56,494	26,586	11,430	2,286	-	2,598	109,645
Effect of foreign currency exchange differences	189	(37,352)	(26,607)	(2,898)	(9,460)	(436)	(26,220)	(102,784)
Reclassification	-	273,366	47,786	1,086	45,760	-	(293,240)	74,758
Balance at December 31, 2017	$ 441,823	$ 1,165,084	$ 557,838	$ 64,205	$ 294,183	$ 21,590	$ 279,675	$ 2,824,398
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 201,761	$ 207,889	$ 29,042	$ 124,474	$ 18,699	$ -	$ 581,865
Depreciation expenses	-	48,670	68,520	5,967	36,317	3,235	-	162,709
Disposals	-	-	(5,194)	(580)	(9,997)	-	-	(15,771)
Acquisitions through business combinations	-	14,776	19,125	9,690	1,661	-	-	45,252
Effect of foreign currency exchange differences	-	(9,900)	(13,852)	(1,839)	(4,213)	(344)	-	(30,148)
Balance at December 31, 2017	$ -	$ 255,307	$ 276,488	$ 42,280	$ 148,242	$ 21,590	$ -	$ 743,907
Carrying amount at December 31, 2017	$ 441,823	$ 909,777	$ 281,350	$ 21,925	$ 145,941	$ -	$ 279,675	$ 2,080,491
Cost								
Balance at January 1, 2018	$ 441,823	$ 1,165,084	$ 557,838	$ 64,205	$ 294,183	$ 21,590	$ 279,675	$ 2,824,398
Additions	2,764	5,476	115,309	9,095	37,027	3,720	36,775	210,166
Disposals	-	(284)	(100,363)	(4,044)	(11,457)	(21,616)	-	(137,764)
Acquisitions through business combinations	45,095	154,173	172,148	1,968	12,505	350	-	386,239
Effect of foreign currency exchange differences	(143)	3,972	5,690	(269)	(505)	(44)	1,121	9,822
Reclassification	-	229,089	18,586	-	23,854	-	(230,036)	41,493
Balance at December 31, 2018	$ 489,539	$ 1,557,510	$ 769,208	$ 70,955	$ 355,607	$ 4,000	$ 87,535	$ 3,334,354

(Continued)

	Land	Building and Construction	Equipment	Transportation	Other Equipment	Leasehold Improvement	Construction Work in Progress	Total
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 255,307	$ 276,488	$ 42,280	$ 148,242	$ 21,590	$ -	$ 743,907
Depreciation expenses	-	66,126	96,023	6,323	57,011	240	-	225,723
Disposals	-	-	(95,134)	(3,466)	(10,962)	(21,616)	-	(131,178)
Acquisitions through business combinations	-	33,209	127,766	861	11,018	140	-	172,994
Effect of foreign currency exchange differences	-	548	3,512	(236)	(609)	22	-	3,237
Balance at December 31, 2018	$ -	$ 355,190	$ 408,655	$ 45,762	$ 204,700	$ 376	$ -	$ 1,014,683
Carrying amount at December 31, 2018	$ 489,539	$ 1,202,320	$ 360,553	$ 25,193	$ 150,907	$ 3,624	$ 87,535	$ 2,319,671

(Concluded)

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

Building and construction	
Main buildings	51 years
Renovations	6-11 years
Equipment	7-11 years
Transportation	6-11 years
Other equipment	3-8 years
Leasehold improvements	2-4 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 36.

18. OTHER INTANGIBLE ASSETS

	Customer Relationship	Value of QIZ Tax-Free Trade	Computer Software	Total
Cost				
Balance at January 1, 2017	$ -	$ -	$ 25,792	$ 25,792
Additions	-	-	5,819	5,819
Acquisitions through business combinations (Note 31)	268,901	-	3,808	272,709
Disposals	-	-	(6,222)	(6,222)
Effect of foreign currency exchange differences	4,972	-	(523)	4,449
Balance at December 31, 2017	$ 273,873	$ -	$ 28,674	$ 302,547

(Continued)

	Customer Relationship	Value of QIZ Tax-Free Trade	Computer Software	Total
Accumulated amortization and impairment				
Balance at January 1, 2017	$ -	$ -	$ 17,343	$ 17,343
Amortization expense	-	-	6,157	6,157
Acquisitions through business combinations (Note 31)	-	-	3,616	3,616
Disposals	-	-	(6,222)	(6,222)
Effect of foreign currency exchange differences	-	-	(431)	(431)
Balance at December 31, 2017	$ -	$ -	$ 20,463	$ 20,463
Carrying amount at December 31, 2017	$ 273,873	$ -	$ 8,211	$ 282,084
Cost				
Balance at January 1, 2018	$ 273,873	$ -	$ 28,674	$ 302,547
Additions	-	-	11,758	11,758
Acquisitions through business combinations (Note 31)	-	123,270	2,985	126,255
Disposals	-	-	(2,637)	(2,637)
Effect of foreign currency exchange differences	(2,848)	3,253	(5)	400
Balance at December 31, 2018	$ 271,025	$ 126,523	$ 40,775	$ 438,323
Accumulated amortization and impairment				
Balance at January 1, 2018	$ -	$ -	$ 20,463	$ 20,463
Amortization expense	-	-	6,976	6,976
Acquisitions through business combinations (Note 31)	-	-	2,163	2,163
Disposals	-	-	(2,637)	(2,637)
Effect of foreign currency exchange differences	-	-	8	8
Balance at December 31, 2018	$ -	$ -	$ 26,973	$ 26,973
Carrying amount at December 31, 2018	$ 271,025	$ 126,523	$ 13,802	$ 411,350

(Concluded)

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

Computer software	1-7 years

Customer Relationships

The goodwill of $268,901 thousand arising from the Group's acquisition of Biancospino S.R.L. was mainly generated from the expected benefits of its customer relationships.

The Group has assessed the value in use of the goodwill for indications of impairment loss at the end of the reporting period. The Group has assessed the value in use of the goodwill for indications of impairment loss at the end of the reporting period. The recoverable amount was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period; the discount rate was 7.82% and 12.76% respectively on December 31, 2018 and 2017 respectively, to accurately reflect the risk related to the cash-generating unit.

Value of QIZ Tax Free Trade

The Group acquired Atlanta Garment Manufacturing LLC on January 1, 2018. Goodwill of $123,270 thousand arised as a result of the transaction, was mainly generated from the expected benefits of the free trade agreement within the Qualified Industrial Zone (QIZ).

The Group has assessed the value in use of the goodwill for indications of impairment loss at the end of the reporting period. The recoverable amount was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period; the discount rate was 7.74% on December 31, 2018, to accurately reflect the risk related to the cash-generating unit.

The Group has not recognized any impairment loss on goodwill for the years ended December 31, 2018 and 2017.

19. REPAYMENTS FOR LEASES

	December 31	
	2018	**2017**
Current assets (included in prepayments)	$ 5,849	$ 5,241
Non-current assets	203,687	187,354
	$ 209,536	$ 192,595

The Group's subsidiary Kwang Viet Garment Co., Ltd. signed agreements with the Socialist Republic of Vietnam to acquire land use rights for four pieces of land. The lease term of one piece is 27 years, with the remainder bearing terms of 35 years. The leased land is 9,053 m^2, 26,324 m^2, 7,260 m^2, and 5,391 m^2 respectively, at an original price of VND2,957,010 thousand, which has been paid for in full. The lease terms are as follows: December 26, 1995 to December 26, 2030, December 4, 2003 to December 26, 2030 (granted a rent extension permit on August 15, 2007), May 20, 1999 to May 20, 2034 (granted a rent extension permit on March 17, 2006), and May 20, 1999 to May 20, 2034 (granted a rent extension permit on May 11, 2006).

The Group's subsidiary Quang Viet (Tien Giang) Co., Ltd. signed agreements with the Socialist Republic of Vietnam to acquire land use rights for two pieces of land. The lease terms are 45 and 43 years respectively. The leased land is 50,109 m^2 and 31,996.5 m^2 respectively, at an original price of VND67,008,900 thousand, which has been paid for in full. The lease terms are as follows: February 17, 2011 to December 9, 2056 and October 25, 2013 to November 28, 2056.

The Group's subsidiary Quang Viet (Long An) Co., Ltd. is in the process of obtaining the land use rights certificate with the Socialist Republic of Vietnam for one piece of land. The land, with a lease term of 41 years and an area of 52,570 $m^{2,}$ at an original purchase price of VND53,961,843 thousand, has been paid for in full. The lease term is from September 14, 2015 to September 28, 2056.

The Group's subsidiary Jiaxing Quang Viet Garment Co., Ltd. acquired land use rights from the Pinghu City Government, Zhejiang Province of the People's Republic of China for two pieces of land with lease terms of 50 years. The leased land is 31,098.10 m^2 and 25,827.7 m^2 respectively, at a transaction price of RMB10,016 thousand, which has been paid for in full. The lease terms are September 25, 2003 to September 25, 2053 and June 30, 2010 to June 30, 2060 respectively.

The Group's subsidiary Top One Down & Feather Shu Yang Co., Ltd. acquired land use rights from the Shuyang County Government, Jiangsu Province of the People's Republic of China for a 21,413 m^2 piece of land with a lease term of 50 years. The transaction price of RMB2,141 thousand has been paid for in full. The lease term is from February 15, 2016 to February 16, 2066.

The Group's subsidiary King Hamm Industrial Co., Ltd. (VN) signed agreements with the Socialist Republic of Vietnam to acquire land use rights for five pieces of land with lease terms of 45 years and areas of 4,439 m^2, 3,561.5 m^2, 607.5 m^2, 385.6 m^2, and 196 m^2 respectively. The transaction price of US$640,018 has been paid for in full. The lease term is from April 1, 2011 to November 28, 2056.

The Group's subsidiary King Hung Garments Industrial Co., Ltd. signed an agreement with the Socialist Republic of Vietnam to acquire land use rights for a 5,897.9 m^2, piece of land with a lease term of 39 years. The transaction price of US$235,917 has been paid for in full. The lease term is from April 1, 2012 to May 22, 2050.

20. OTHER ASSETS

	December 31	
	2018	**2017**
Current		
Prepayments for suppliers	$ 47,002	$ 34,528
Overpaid sales tax	110,280	106,319
Other	55,544	20,906
	$ 212,826	$ 161,753
Sales tax receivable	$ 2,517	$ -
Other receivables	30,875	32,246
Other receivables-related parties (Note 35)	5,661	13,181
Other	10,924	9,721
	$ 49,977	$ 55,148
Non-current		
Prepayments for investments	$ -	$ 89,938 *
Other	6	7
	$ 6	$ 89,945

* As a long term strategy in response to future industry trends, the Group established a manufacturing base in the Middle East in collaboration with Atlanta Garment Manufacturing Co., Ltd to target the branded knitwear processing industry business in the Middle East. To achieve the expansion of sales, while complementing business and integrating production technology, the Group acquired 60% interest in Atlanta Garment Manufacturing Co., Ltd. at a transaction price of US$2,714 thousand. Consideration for the transaction had not been paid for on December 31, 2017, thus, the investment was accounted for under prepayments for investments. The consideration was paid for in full on January 4, 2018, and the related transfer of equity was completed under applicable regulations.

The Group had transferred US$1,624 thousand for their investment in Lan-cheng Dragonstone LP in the Cayman Islands, however, related equity transfers have not been completed as of December 31, 2018 and thus, the payment was recorded under prepayments for investments and subsequently reclassified to financial instruments at fair value through profit or loss.

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Unsecured borrowings		
Operating turnover loans (1)	$ 507,766	$ 200,000
Letters of credit payable (1)	818,494	143,056
	$ 1,326,260	$ 343,056
Secured borrowings (Note 36)		
Operating turnover loans (2)	$ -	$ 483,948
Letters of credit payable (2)	-	91,095
	$ -	$ 575,043

1) The range of weighted average effective interest rates on unsecured borrowings was 0.84%-3.49% and 0.85%-2.09% per annum as of December 31, 2018 and 2017, respectively.

2) The range of weighted average effective interest rates on secured borrowings was 0.83%-2.43% per annum as of December 31 2017.

b. Long-term borrowings

		December 31	
	Repayment Method and Terms	**2018**	**2017**
The Export-Import Bank of ROC - unsecured borrowings	Total: $213,000 thousand Term: April 3, 2018 - April 3, 2021 Interest rate: 0.9813% Repayment method: Term 1: 18 months from the first day of payment; every 6 months constitutes a term thereafter, with full payment of principal after 4 terms	$ 213,000	$ -
Less: Current portions		-	-
		$ 213,000	$ -

22. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
Notes payable		
Operating		
To unrelated parties	$ 42,674	$ 32,222
To related parties (Note 35)	175	55
	$ 42,849	$ 32,277
Trade payables		
Operating		
To unrelated parties	$ 617,654	$ 395,164
To related parties (Note 35)	111,693	99,533
	$ 729,347	$ 494,697

The Group purchases inventory on a credit term of 30-90 days.

23. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payables for salaries and bonuses	$ 378,418	$ 226,224
Payables for labor insurance	81,045	74,291
Payables for purchases of equipment	39,896	46,350
Payables for processing fees	97,478	69,923
Payables for employees and directors’ remuneration	37,344	11,654
Payables for annual leave	756	179
Payables for sales tax	12,117	17,629
Others	129,804	81,833
	$ 776,858	$ 528,083
Other liabilities		
Contract liabilities (Note 26)	$ 22,101	$ -
Receipts in advance	-	16,915
Others	4,439	2,739
	$ 26,540	$ 19,654

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company, Top One Down & Feather Co., Ltd. And King Hamm Industrial Co., Ltd. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company of the Group 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 6 months before retirement. The Company contributes amounts equal to 2% 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 balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 30,764	$ 28,581
Fair value of plan assets	(24,461)	(20,984)
Net defined benefit liabilities	$ 6,303	$ 7,597

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2017	$ 29,237	$ (18,384)	$ 10,853
Service cost			
Current service cost	237	-	237
Net interest expense (income)	329	(219)	110
Recognized in profit or loss	566	(219)	347
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	37	37

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Actuarial (gain) loss			
Changes in demographic assumptions	$ 342	$ -	$ 342
Experience adjustments	(1,564)	-	(1,564)
Recognized in other comprehensive income	(1,222)	37	(1,185)
Contributions from the employer	-	(2,418)	(2,418)
Balance at December 31, 2017	$ 28,581	$ (20,984)	$ 7,597
Balance at January 1, 2018	$ 28,581	$ (20,984)	$ 7,597
Service cost			
Current service cost	243	-	243
Net interest expense (income)	322	(250)	72
Recognized in profit or loss	565	(250)	315
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(565)	(565)
Actuarial (gain) loss			
Changes in demographic assumptions	272	-	272
Changes in financial assumptions	328	-	328
Experience adjustments	1,018	-	1,018
Recognized in other comprehensive income	1,618	(565)	1,053
Contributions from the employer	-	(2,662)	(2,662)
Benefits paid	-	-	-
Balance at December 31, 2018	$ 30,764	$ (24,461)	$ 6,303

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Selling and marketing expenses	$ 79	$ 87
General and administrative expenses	157	173
Research and development expenses	79	87
	$ 315	$ 347

Through the defined benefit plans under the Labor Standards Law, the Company 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/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	
	2018	**2017**
Discount rates	1.000%	1.125%
Expected rates of salary increase	2.000%	2.000%

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:

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (655)	$ (655)
0.25% decrease	$ 678	$ 679
Expected rate(s) of salary increase		
0.25% increase	$ 661	$ 662
0.25% decrease	$ (641)	$ (642)

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.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 2,669	$ 2,432
The average duration of the defined benefit obligation	8.5 years	9.2 years

25. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	150,000	150,000
Shares authorized	$ 1,500,000	$ 1,500,000
Number of shares issued and fully paid (in thousands)	$ 103,375	$ 103,764
Shares issued	$ 1,033,753	$ 1,037,639

Each share issued and fully paid with a par value of NT$10 is entitled to vote and receive dividends.

At the board of directors' meeting on August 8, 2018, it was resolved that the Group would retire 389 thousand treasury shares, with par value of $10, ultimately decreasing share capital by $3,886 thousand. Upon capital reduction, the shares issued and fully paid was $1,033,753 thousand.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 2,868,317	$ 2,872,658
May be used to offset a deficit only (2)		
Changes in percentage of ownership interest in subsidiaries	557	557
	$ 2,868,874	$ 2,873,215

1) Such capital surplus 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.

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's amended Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 27 (f) "employee benefits expense".

According to the Company's Articles of Incorporation, the dividend policy should align with current and future development plans, taking into consideration the investment environment, capital needs, and domestic and international competition, while factoring in the profits of investors. Dividend distribution must not be less than 40% of distributable surplus, except when dividends for distribution are less than 5% of shares issued and fully paid, in which case no distribution shall occur. Distribution of dividends may take the form of cash or share dividends, however, cash dividends shall not comprise less than 20% of total dividends distributed. The type of distribution may change according to circumstances of profitability and capital, and may be adjusted during the annual shareholders meeting.

Appropriation of earnings to the 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 2017 and 2016 approved in the shareholders' meetings on June 21, 2018 and June 15, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 52,395	$ 69,914	$ -	$ -
Special reserve	115,387	131,146	-	-
Cash dividends	471,391	640,927	4.56	6.20

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 8, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 76,858	$ -
Special reserve	3,931	-
Cash dividends	620,252	6.00

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 18, 2019.

d. Special reserves

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 131,146	$ -
Appropriations in respect of Debits to other equity items	115,387	131,146
Balance at December 31	$ 246,533	$ 131,146

The Company sets aside its special reserve under Rule No. 1010012865 issued by the FSC.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (232,805)	$ (111,164)
Effect of change in tax rate	8,415	-
Exchange differences on translating the financial statements of foreign operations	(9,668)	(146,555)
Related income tax	1,933	24,914
Balance at December 31	$ (232,125)	$ (232,805)

2) Unrealized gain (loss) on available-for-sale financial assets

Balance at January 1, 2017	$ (19,982)
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	
Other comprehensive income recognized for the year	6,254
Balance at December 31, 2017	$ (13,728)
Balance at January 1, 2018 per IAS 39	$ (13,728)
Adjustment on retrospective application of IFRS 9	13,728
Balance at January 1, 2018 per IFRS 9	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on retrospective application of IFRS 9	(12,832)
Balance at January 1 per IFRS 9	(12,832)
Recognized for the year	
Unrealized gain (loss) - equity instruments	2,433
Share from associates accounted for using the equity method	637
Other comprehensive income recognized for the year	3,070
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(8,577)
Balance at December 31	$ (18,339)

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 251,789	$ 16,100
Cash dividends received from subsidiaries	(35,225)	(58,585)
Share in profit for the year	88,457	23,051
Other comprehensive income (loss) during the year		
Exchange differences on translating the financial statements of foreign entities	2,010	3,763
Unrealized gain (loss) on available-for-sale financial assets	-	8
Unrealized gain (loss) on financial assets at FVTOCI	29	-
Adjustment relating to changes in capital surplus of subsidiaries accounted for using the equity method	-	30
Related income tax	(557)	15
Effect of change in tax rate	7	-
Increase in non-controlling interests arising from the increase in capital in subsidiaries	521,823	267,407
Balance at December 31	$ 828,333	$ 251,789

g. Treasury shares

Purpose of Buy-back	Total (In Thousands of Shares)
Transfer of shares to employees	
Number of shares at January 1, 2017	$ 389
Increase during the year	-
Number of shares at December 31, 2017	$ 389
Number of shares at January 1, 2018	$ 389
Retirement of treasury shares	(389)
Number of shares at December 31, 2018	$ -

During the Company's board of directors' meeting on August 8, 2018, it was determined that the Company would retire 389 thousand treasury shares, with par value of $10, thereby decreasing capital by a total of $3,886 thousand. After the decrease, the remaining capital was $1,033,753 thousand. The retirement of shares was approved by the change registration form issued by the Department of Commerce, MOEA on October 29, 2018. The date of capital reduction was October 12, 2018, as determined in the board of directors' meeting.

26. REVENUE

	For the Year Ended December 31, 2018
Revenue from contracts with customers	
Revenue from the sale of goods	$ 13,280,440

a. Contract information

Revenue from the sale of goods

The Group generates revenue from the processing, manufacturing and sale of garments. The sale of goods is recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

b. Contract balances

	December 31, 2018
Contract liabilities - current (recorded under other current liabilities)	
Sale of goods	$ 22,101

27. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ (37,550)	$ (31,934)
Dividends		
Financial assets at FVTPL	(562)	-
Available-for-sale financial assets	-	(6,141)
Investments in equity instruments at FVTOCI	(8,515)	-
Others	(37,090)	(93,432)
	$ (83,717)	$ (131,507)

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of property, plant and equipment	$ 2,978	$ 1,188
Gain on disposal of available-for-sale financial assets	-	(1,476)
Net foreign exchange losses	40,336	73,252
Fair value changes of financial assets and financial liabilities		
Financial assets at FVTPL	(19,530)	-
Others	6,018	4,828
	$ 29,802	$ 77,792

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 44,343	$ 26,057

There was no capitalized interest for the years ended December 31, 2018 and 2017.

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 178,821	$ 130,711
Operating expenses	46,902	31,998
	$ 225,723	$ 162,709
An analysis of amortization by function		
Operating costs	$ 291	$ 404
Operating expenses	6,685	5,753
	$ 6,976	$ 6,157

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 3,524,563	$ 2,616,916
Post-employment benefits (see Note 24)		
Defined contribution plans	10,566	7,790
Defined benefit plans	315	347
Total employee benefits expense	$ 3,535,444	$ 2,625,053
An analysis of employee benefits expense by function		
Operating costs	$ 2,931,467	$ 2,177,332
Operating expenses	603,977	447,721
	$ 3,535,444	$ 2,625,053

f. Employee benefits expense

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 8% for the employee's compensation, and no higher than 2% for the remuneration of directors and supervisors, respectively, of net profit before income tax, employees' compensation and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 8, 2019 and March 9, 2018, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	1.02%	1.04%
Remuneration of directors and supervisors	0.54%	0.79%

Amount

	For the Year Ended December 31	
	2018	**2017**
	Cash	**Cash**
Employees' compensation	$ 9,816	$ 6,547
Remuneration of directors and supervisors	5,107	5,107

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

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

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

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	**2017**
Foreign exchange gains	$ (63,551)	$ (7,966)
Foreign exchange losses	103,887	81,218
Net foreign exchange losses	$ 40,336	$ 73,252

28. INCOME TAX RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 183,802	$ 142,498
Income tax on unappropriated earnings	723	-
Adjustments for prior years	6,581	2,582
	191,106	145,080
Deferred tax		
In respect of the current year	53,522	(9,080)
Adjustments to deferred tax attributable to changes in tax rates and law	14,047	-
Income tax expense recognized in profit or loss	$ 258,675	$ 136,000

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 1,115,716	$ 682,996
Income tax expense calculated at the statutory rate	$ 236,274	$ 117,857
Nondeductible expenses in determining taxable income	23,283	1,774
Deferred tax effect of earnings of subsidiaries	(15,362)	14,862
Tax-exempt income	(1,703)	(1,075)
Income tax on unappropriated earnings	723	-
Adjustments for prior years	6,581	2,582
Unrecognized loss carryforwards	(5,168)	-
Effect of tax rate changes	14,047	-
Income tax expense recognized in profit or loss	$ 258,675	$ 136,000

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to 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 group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2019 appropriation of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate	$ 8,431	$ -
In respect of the current year:		
Translation of foreign operations	1,376	24,949
Remeasurement of defined benefit plan	210	(201)
Total income tax recognized in other comprehensive income	$ 10,017	$ 24,728

c. Current tax assets and liabilities

	December 31	
	2018	**2017**
Current tax assets		
Tax refund receivable	$ 5,090	$ 23,077
Current tax liabilities		
Income tax payable	$ 130,563	$ 52,311

d. Deferred tax assets and liabilities

The Group offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

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

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Business Combination	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Effect of Change in Tax Rate Recognized in Profit or Loss	Effect of Change in Tax Rate Recognized in Other Comprehen-sive Income	Exchange Rate Differences	Closing Balance
Temporary differences								
Loss on inventory	$ 13,896	$ 251	$ 884	$ -	$ -	$ -	$ (239)	$ 14,792
Unrealized exchange differences	319	(448)	(90)	-	261	-	36	78
Payables for social insurance	16,956	-	407	-	-	-	(302)	17,061
Adjustments on revenues and expenses extending multiple periods	(7,834)	-	3,635	-	-	-	69	(4,130)
Provisions for accounts receivable	6	243	8	-	-	-	2	259
Exchange differences on translating foreign operations	1,901	334	-	(157)	-	336	(1)	2,413
Unappropriated earnings of subsidiaries	9,296	948	(3,193)	-	1,640	-	-	8,691
Unused loss carryforwards	-	-	4,528	-	-	-	(84)	4,444
	$ 34,540	$ 1,328	$ 6,179	$ (157)	$ 1,901	$ 336	$ (519)	$ 43,608

Deferred Tax Liabilities	Opening Balance	Business Combination	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Effect of Change in Tax Rate Recognized in Profit or Loss	Effect of Change in Tax Rate Recognized in Other Comprehen-sive Income	Exchange Differences	Closing Balance
Temporary differences								
Loss on inventory	$ 15,200	$ -	$ 8,114	$ -	$ 2,682	$ -	$ -	$ 25,996
Exchange differences on translating foreign operations	45,821	-	-	1,533	-	8,086	-	55,440
Unrealized exchange differences	1,412	-	(2,754)	-	249	-	-	(1,093)
Defined benefit obligations	1,292	-	(469)	210	219	9	-	1,261
Unappropriated earnings of subsidiaries	(108,341)	-	(68,181)	-	(19,118)	-	-	(195,640)
Provisions for accounts receivable	64	-	-	-	11	-	-	75
Unrealized gain on financial assets at FVTPL	-	-	4,006	-	-	-	-	4,006
Payables for annual leave	-	-	74	-	-	-	-	74
	$ (44,552)	$ -	$ (59,210)	$ 1,743	$ (15,957)	$ 8,095	$ -	$ (109,881)

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventory	$ 10,523	$ 3,548	$ -	$ (175)	$ 13,896
Unrealized exchange differences	(721)	998	-	42	319
Payables for social insurance	29,261	(11,584)	-	(721)	16,956
Adjustments on revenues and expenses extending multiple periods	(8,259)	255	-	170	(7,834)
Provisions for allowance for doubtful accounts	165	(156)	-	(3)	6
Exchange differences on translating foreign operations	1,576	-	327	(2)	1,901
Unappropriated earnings of subsidiaries	5,246	4,050	-	-	9,296
	$ 37,791	$ (2,889)	$ 327	$ (689)	$ 34,540

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventory	$ 6,761	$ 8,439	$ -	$ -	$ 15,200
Exchange differences on translating foreign operations	21,219	-	24,602	-	45,821
Unrealized exchange differences	(4,334)	5,662	-	84	1,412
Defined benefit obligations	1,845	(352)	(201)	-	1,292
Unappropriated earnings of subsidiaries	(106,561)	(1,780)	-	-	(108,341)
Provisions for allowance for doubtful accounts	64	-	-	-	64
	$ (81,006)	$ 11,969	$ 24,401	$ 84	$ (44,552)

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	**Expiry Year**
$ 31,269	2023

f. Income tax assessment

Income tax assessments of the Company, Top One Down & Feather Co., Ltd. and King Hamm Industrial Co., Ltd. have been approved up to the year 2016 by the local tax authorities according to the declaration schedule stipulated by law.

29. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 7.43	$ 5.07
Diluted earnings per share	$ 7.43	$ 5.07

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

Net Profit for the Year (Attributable to Owners of the Company)

	For the Year Ended December 31	
	2018	**2017**
Profit for the year attributable to owners of the Company	$ 768,584	$ 523,945
Effect of potentially dilutive ordinary shares		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 768,584	$ 523,945

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in the computation of basic earnings per share	103,375	103,375
Effect of potentially dilutive ordinary shares		
Employees' compensation	103	62
Weighted average number of ordinary shares used in the computation of diluted earnings per share	103,478	103,437

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will 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, as 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.

30. GOVERNMENT GRANTS

In August 2018, the Company has started to recognize the grants received from the Department of Commerce, MOEA for the research and development of intellectual outdoor apparel using integrating technology. The Company recognized the two government grants which totaled $15,786 thousand as other revenues in 2018.

31. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
King Hamm Industrial Co., Ltd.	Manufacture of apparel	May 1, 2018	42.00	$ 334,425
Atlanta Garment Manufacturing Company LLC	Manufacture of apparel	January 1, 2018	60.00	$ 81,229
Biancospino S.R.L.	Manufacture of apparel	February 21, 2017	51.00	$ 274.104

The Group acquired King Hamm Industrial Co., Ltd. and its subsidiaries, Atlanta Garment Manufacturing Company LLC, and Biancospino S.R.L. in order to expand of the Group's operations in the manufacturing of apparel.

b. Consideration transferred

	King Hamm Industrial Co., and Its Subsidiaries	Atlanta Garment Manufacturing Company LLC	Biancospino S.R.L.
Cash	$ 334,425	$ 81,229	$ 274,104

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

	King Hamm Industrial Co., and Its Subsidiaries	Atlanta Garment Manufacturing Company LLC	Biancospino S.R.L.
Current assets			
Cash and cash equivalents	$ 615,351	$ 1,183	$ 144,640
Trade receivables	167,186	4,891	60,398
Inventories	271,537	11,180	24,946
Other current assets	17,554	9,992	2,338
Non-current assets			
Property, plant and equipment	200,333	12,912	64,393
Prepayments for leases	21,596	-	-
Other intangible assets	730	92	192
Other non-current assets	17,675	-	-

(Continued)

	King Hamm Industrial Co., and Its Subsidiaries	Atlanta Garment Manufacturing Company LLC	Biancospino S.R.L.
Current liabilities			
Short-term borrowings	$ (170,000)	$ -	$ -
Notes payable	(12,204)	(1,067)	-
Trade payables	(144,973)	(2,345)	(21,366)
Other payables	(153,104)	(24,726)	(3,721)
Current tax liabilities	(18,671)	-	-
Other current liabilities	(1,060)		(3,261)
Non-current liabilities			
Long-term borrowings	(15,700)	-	-
	$ 796,250	$ 12,112	$ 268,559

(Concluded)

The acquisition price of $187,954 thousand of King Hamm Industrial Co., Ltd. and its subsidiaries' acquisition of property plant and equipment comprised a premium of $24,289 thousand, which arised from the difference between the fair value and the book value of its land.

d. Goodwill recognized on acquisitions

	King Hamm Industrial Co., and Its Subsidiaries	Atlanta Garment Manufacturing Company LLC	Biancospino S.R.L.
Cash consideration transferred	$ 334,425	$ 81,229	$ 274,104
Plus: Non-controlling interests from the acquisition of subsidiaries	461,825	54,153	263,356
Less: Fair value of identifiable net assets acquired	(796,250)	(12,112)	(268,559)
Goodwill recognized on acquisitions	$ -	$ 123,270	$ 268,901

Goodwill recognized on the acquisitions of Atlanta Garment Manufacturing Company LLC and Biancospino S.R.L. 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, the value of the tax-free trade in the Qualified Industrial Zone of Atlanta Garment Manufacturing Company LLC and the customer relationships of Biancospino S.R.L.

e. Non-controlling interests

The non-controlling interests of King Hamm Industrial Co., Ltd. and its subsidiaries, Atlanta Garment Manufacturing Company LLC and Biancospino S.R.L. were determined by measuring the fair value of identifiable net assets attributable to non-controlling interests on the acquisition dates.

f. Net cash outflow on the acquisition of subsidiaries

	King Hamm Industrial Co., and Its Subsidiaries	Atlanta Garment Manufacturing Company LLC	Biancospino S.R.L.
Consideration paid in cash	$ 334,425	$ 81,229	$ 274,104
Less: Balances of cash and cash equivalents acquired	(615,351)	(1,183)	(144,640)
	(280,926)	80,046	129,464
Prepaid investment, beginning of year	-	(40,911)	-
	$(280,926)	$ 39,135	$ 129,464

g. Impact of acquisitions on the results of the Group

The results of the acquirees included in the consolidated statements of comprehensive income since the acquisition date are as follows:

	King Hamm Industrial Co., and Its Subsidiaries	Atlanta Garment Manufacturing Company LLC	Biancospino S.R.L.
	May 1, 2018 to December 31, 2018	January 1, 2018 to December 31, 2018	January 1, 2018 to December 31, 2018
Revenue	$ 1,058,896	$ 462,076	$ 347,459
Profit	$ 26,919	$ 12,988	$ 24,577

32. NON-CASH TRANSACTIONS

For the years ended December 31, 2018 and 2017, the Company entered into the following non-cash investing and financing activities which were not reflected in the statements of cash flows:

	For the Year Ended December 31	
	2018	2017
a. Additions to property, plant and equipment		
Increase in property, plant and equipment	$ 210,166	$ 190,607
Add: Payables for equipment, beginning of year	46,350	41,667
Less: Payables for equipment, end of year	(39,896)	(46,350)
Cash paid	$ 216,620	$ 185,924

(Continued)

	For the Year Ended December 31	
	2018	**2017**
b. Acquisition of subsidiaries		
Current assets	$ 1,098,874	$ 232,322
Non-current assets	253,338	64,585
Current liabilities	(528,150)	(28,348)
Non-current liabilities	(15,700)	-
	808,362	268,559
Non-controlling interests	(515,978)	(263,356)
Other intangible assets - customer relationships	-	268,901
Other intangible assets - value of tax-free trade	123,270	-
Total acquisition price	415,654	274,104
Less: cash and cash equivalents received on acquisition date	(616,534)	(144,640)
Prepayments for investment, beginning of year	(40,911)	-
Cash received (paid) on acquisition of subsidiaries	$ (241,791)	$ 129,464

(Concluded)

c. The Group reclassified its prepayments for investments of $49,027 thousand to financial assets at fair value through other comprehensive income in 2018.

33. 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 capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

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

34. FINANCIAL INSTRUMENTS

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

The management of the Group claims that the book value of the Group's financial instruments not measured at fair value are close to the fair value.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - non-current				
Unlisted shares	$ -	$ -	$ 69,056	$ 69,056
Financial assets at FVTOCI - non-current				
Domestic listed shares (ROC)	$ 144,510	$ -	$ -	$ 144,510
Domestic unlisted shares (ROC)	-	-	7,572	7,572
	$ 144,510	$ -	$ 7,572	$ 152,082

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed on foreign stock markets	$ 112,273	$ -	$ -	$ 112,273

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1, 2018	$ -	$ 6,676	$ 6,676
Reclassification of prepayments for investments	49,027	-	49,027
Recognized in profit or loss (included in other gains and losses)	20,029	-	20,029
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	896	896
Balance at December 31, 2018	$ 69,056	$ 7,572	$ 76,628
Recognized in other gains and losses - unrealized	$ 20,029	$ 896	$ 20,925

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic and foreign unlisted shares are determined using the market approach with reference to the industry type, similar companies in the same industry, and the operating condition of the Company.

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	$ 69,056	$ -
Loans and receivables (1)	-	3,574,792
Available for sale financial assets (2)	-	112,273
Financial assets measured at amortized cost (3)	3,830,940	-
Financial assets at FVTOCI		
Equity instruments	152,082	-
Financial liabilities		
Amortized cost (4)	3,230,415	2,044,470

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable and trade receivables, other receivables, and refundable deposits.

2) The balances include the carrying amount of available-for-sale financial assets measured at cost.

3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable and trade receivables, other receivables, time deposits with original maturities of more than 3 months, and refundable deposits.

4) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, notes payable, trade and other payables, current income tax liabilities and refundable deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Company'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 Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposed to foreign currency risk at the end of the reporting period are set out in Note 38.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% 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. A positive number below indicates an increase in pre-tax profit and other equity associated with the US dollar strengthening by 1% against the relevant currency. For a 1% weakening of the US dollar 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	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 9,001	$ 15,901

b) Interest rate risk

The Group was exposed to interest rate risk because it borrowed funds at both fixed and floating interest rates. The Group manages the risk 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:

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial assets	$ 531,384	$ 277,176
Financial liabilities	1,539,260	918,099

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. A change of 1% (i.e. 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 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $1,007 thousand and $641 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by $691 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by $1,521 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2017 would have increased/decreased by $1,124 thousand, as a result of the changes in fair value of available-for-sale investments which have been impaired.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. 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 allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents 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, 2018 and 2017, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2018

	1-3 Months	3 Months to 1 Year	1 Year+	Total
Non-derivative financial liabilities				
Variable interest rate liabilities				
Short-term borrowings	$ 1,048,494	$ 277,766	$ -	$ 1,326,260
Long-term borrowings - current portion	-	-		-
Long-term borrowings	-	-	213,000	213,000
	$ 1,048,494	$ 277,766	$ 213,000	$ 1,539,260

December 31, 2017

	1-3 Months	3 Months to 1 Year	1 Year+	Total
Non-derivative financial liabilities				
Variable interest rate liabilities				
Short-term borrowings	$ 819,198	$ 98,901	$ -	$ 918,099
Long-term borrowings - current portion	-	-		-
Long-term borrowings	-	-	-	-
	$ 819,198	$ 98,901	$ -	$ 918,099

Taking into account the Group's financial position, management believes there is a low probability that the banks will exercise their discretionary rights to demand immediate repayment.

b) Financing facilities

	December 31	
	2018	2017
Unsecured bank overdraft facilities, reviewed annually:		
Amount used	$ 1,539,260	$ 343,056
Amount unused	5,713,540	2,554,438
Secured bank overdraft facilities:		
Amount used	-	575,043
Amount unused	-	3,622,193
	$ 7,252,800	$ 7,094,730

35. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

Related Party Name	Related Party Category
Formosa Taffeta Co., Ltd. (Group company)	Corporate director of the Company and its subsidiary
Top One Investment Co., Ltd.	Corporate director of the Company
Spring Printing Co., Ltd. (Group company)	Related party in substance
Cu Chi Investment, Ltd.	Related party in substance
Xin Xiang Investment Co., Ltd.	Related party in substance
Best One Investment Co., Ltd.	Related party in substance
Da Fang Investment Co., Ltd.	Supervisor
Quanzhou Honghan Garment Co., Ltd.	Related party in substance
Atlanta Garment Manufacturing Company LLC	Related party in substance (2017)

b. Sale of goods

	December 31	
Related Party Category	2018	2017
Corporate director of the Company and its subsidiary		
Formosa Taffeta Co., Ltd. (Group company)	$ -	$ 64

The sale of goods to the corporate director of the Company, also its subsidiary, was made at the Group’s usual listed prices.

c. Processing fees

Related Party Category	December 31	
	2018	2017
Related party in substance		
Spring Printing Co., Ltd. (Group company)	$ 50,525	$ 67,598
Quanzhou Honghan Garment Co., Ltd.	83,811	-
	$ 134,336	$ 67,598

The processing fees charged by the related parties in substance to the Group and the credit terms granted were made at the Group's usual prices and terms.

d. Purchases of goods

Related Party Category	December 31	
	2018	2017
Corporate director of the Company and its subsidiary		
Formosa Taffeta Co., Ltd. (Group company)	$ 856,868	$ 725,895
Related party in substance		
Quanzhou Honghan Garment Co., Ltd.	183	-
	$ 857,051	$ 725,895

The purchases of goods from the corporate director of the Company, also its subsidiary, were made at the Group's usual listed prices.

e. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category	December 31	
		2018	2017
Other receivables	Corporate director of the Company and its subsidiary		
	Formosa Taffeta Co., Ltd. (Group company)	$ 5,653	$ 10,729
	Related party in substance		
	Atlanta Garment Manufacturing Company LLC	-	2,451
	Spring Printing Co., Ltd. (Group company)	8	-
		$ 5,661	$ 13,180

f. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category	December 31 2018	December 31 2017
Notes payable	Corporate director of the Company and its subsidiary		
	Formosa Taffeta Co., Ltd. (Group company)	$ 175	$ 55
Trade payables	Corporate director of the Company and its subsidiary		
	Formosa Taffeta Co., Ltd. (Group company)	$ 111,689	$ 99,533
	Related party in substance		
	Quanzhou Honghan Garment Co., Ltd.	4	-
		$ 111,693	$ 99,533
Other payables	Corporate director of the Company and its subsidiary		
	Formosa Taffeta Co., Ltd. (Group company)	$ 32	$ -
	Related party in substance		
	Quanzhou Honghan Garment Co., Ltd.	4,216	19,000
	Spring Printing Co., Ltd. (Group company)	7,288	-
		$ 11,536	$ 19,000

g. Other transactions with related parties

Line Item	Related Party Category	December 31 2018	December 31 2017
Other income (rent revenue)	Corporate director of the Company		
	Top One Investment Co., Ltd.	$ 23	$ 23
	Supervisor		
	Da Fang Investment Co., Ltd.	23	23
	Related party in substance		
	Cu Chi Investment Co., Ltd.	23	23
	Xin Xiang Investment Co., Ltd.	23	23
	Best One Investment Co., Ltd.	23	23
		$ 115	$ 115

The rent revenue received from the corporate director, supervisor and related parties in substance of the Company, were for the renting of office space at prices negotiated between the transacting parties.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 52,107	$ 54,477
Post-employment benefits	954	862
	$ 53,061	$ 55,339

The remuneration of directors and key executives was determined by the remuneration committee based on individual performance and market trends.

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for borrowings from banks and other financial institutions:

	December 31	
	2018	2017
Demand deposits (classified as financial assets measured at amortized cost - current)	$ 38	$ -
Time deposits (classified as financial assets measured at amortized cost - non-current)	7,000	-
Time deposits (classified as equity instruments with no active market)	-	31,880
Land	-	431,383
Properties and buildings	-	131,464
	$ 7,038	$ 594,727

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2018, the Group had letters of credit (L/Cs) with unused balances of $220,663 thousand for the purchase of raw materials.

b. As of December 31, 2018, guarantee notes submitted by the Group for loan applications and borrowings amounted to $5,882,782 thousand.

c. As of December 31, 2018, the Group had unrecognized commitments for purchase contracts of property, plant and equipment amounting to $51,187 thousand.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 70,837	30.715 (USD:NTD)	$ 2,175,757
USD	19,692	23,220 (USD:VND)	604,842
USD	3,580	6.8632 (USD:RMB)	109,947
USD	373	4.01 (USD:RON)	11,456
JOD	3,540	0.708 (USD:JOD)	108,727
RMB	61,739	4.472 (RMB:NTD)	276,096
RMB	28,256	0.1457 (RMB:USD)	126,360
VND	5,695,788	0.000043 (VND:USD)	6,835
EUR	1,292	4.65 (EUR:RON)	45,489
Financial liabilities			
USD	59,120	30.715 (USD:NTD)	1,815,881
USD	4,047	23,220 (USD:VND)	124,305
USD	2,011	6.8632 (USD:RMB)	61,759
JOD	1,452	0.708 (USD:JOD)	44,597
VND	29,520,469	0.000043 (VND:USD)	35,425

December 31, 2017

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 74,050	29.76 (USD:NTD)	$ 2,203,739
USD	24,810	23,220 (USD:VND)	738,328
USD	8,681	6.53 (USD:RMB)	258,361
USD	409	3.79 (USD:RON)	12,161
RMB	62,420	4.57 (RMB:NTD)	284,948
RMB	32,050	0.22 (RMB:USD)	146,311
EUR	1,139	4.65 (EUR:RON)	40,453
Financial liabilities			
USD	50,173	29.76 (USD:NTD)	1,493,156
USD	3,156	23,220 (USD:VND)	93,933
USD	1,188	6.53 (USD:RMB)	35,352
RMB	26,239	0.22 (RMB:USD)	119,781

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange losses were $40,336 thousand and $73,252 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. 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 (Table 4)

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 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

9) Trading in derivative instruments (Note 27)

10) Intercompany relationships and significant intercompany transactions (Table 7)

11) Information on investees (Table 8)

c. 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 9)

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 10):

   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 financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

40. 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.

Garment business

Down feather business

Retail business

a. Segment revenue and results

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

	Garment	Down Feather	Retail Business	Total
For the year ended December 31, 2018				
Revenue from external customers	$ 12,809,215	$ 464,904	$ 6,321	$ 13,280,440
Inter-segment revenue	4,926,558	885,814	2,339	5,814,711
Segment revenue	$ 17,735,773	$ 1,350,718	$ 8,660	19,095,151
Eliminations				(5,814,711)
Consolidated revenue				$ 13,280,440
Segment income	$ 1,061,620	$ 65,382	$ (20,858)	1,106,144
Dividend revenue				9,077
Interest revenue				37,550
Loss on disposal of property, plant and equipment				(2,978)
Financial assets measured at FVTPL				19,530
Exchange loss				(40,336)
Primary revenue				37,090
Operating expense				(6,018)
Interest expense				(44,343)
Profit before tax from continuing operations				$ 1,115,716

(Continued)

	Garment	Down Feather	Retail Business	Total
For the year ended December 31, 2017				
Revenue from external customers	$ 9,844,324	$ 260,718	$ 98,613	$ 10,203,655
Inter-segment revenue	3,738,666	438,605	-	4,177,271
Segment revenue	$ 13,582,990	$ 699,323	$ 98,613	14,380,926
Eliminations				(4,177,271)
Consolidated revenue				$ 10,203,655
Segment income	$ 693,939	$ (14,146)	$ (24,455)	655,338
Dividend revenue				6,141
Interest revenue				31,934
Loss on disposal of property, plant and equipment				(1,188)
Gain on disposal of financial instruments				1,476
Exchange (loss) gain				(73,252)
Primary revenue				93,432
Operating expense				(4,828)
Interest expense				(26,057)
Profit before tax from continuing operations				$ 682,996

(Concluded)

Inter-segment revenue was generated from transactions with external customers.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance

b. Segment total assets and liabilities

	December 31	
	2018	2017
Segment assets		
Garment	$ 9,856,055	$ 7,904,010
Down feather	855,122	719,348
Retail	116,545	69,948
Consolidated total assets	$ 10,827,722	$ 8,693,306

(Continued)

	December 31	
	2018	2017
Segment liabilities		
Garment	$ 3,079,024	$ 1,953,311
Down feather	289,195	161,985
Retail	4,921	977
Consolidated total liabilities	$ 3,373,140	$ 2,116,273

(Concluded)

c. Revenue from major products and services

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

	For the Year Ended December 31	
	2018	2017
Down jackets	$ 5,310,117	$ 4,345,256
Fiberfill jackets	3,704,663	3,188,783
Light jackets and parka	1,648,959	1,325,348
Others (knitted garments, down material and others)	2,616,701	1,344,268
	$ 13,280,440	$ 10,203,655

d. Geographical information

The Group operates in three principal geographical areas - the United States (USA), China and Japan.

The Group's revenue from continuing operations from external customers by location of is detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2018	2017
North America	$ 4,597,060	$ 3,514,434
China	3,490,455	2,901,985
Europe	2,662,586	1,784,686
Japan	1,078,952	794,172
Russia	163,485	211,744
Others	1,287,902	996,634
	$ 13,280,440	$ 10,203,655

e. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2018	**% of Total Sales**	**2017**	**% of Total Sales**
ADIDAS (Group company)				
VF (Group company)	$ 3,349,834	25	$ 2,814,081	28
PATAGONIA	2,145,588	16	1,400,894	14
NIKE	2,032,896	15	1,848,492	18
	1,733,653	14	1,539,323	15
	$ 9,261,971	70	$ 7,602,790	75

QUANG VIET ENTERPRISE CO. LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, and Thousands of Foreign Currencies, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3a)	Aggregate Financing Limit (Note 3b)	Note
													Item	Value			
0	Quang Viet Enterprise Co., Ltd.	Jiaxing Quang Viet Garment Co., Ltd.	Other receivables - related parties	Yes	$ 470,175 (US$ 15,000)	$ 307,150 (US$ 10,000)	$ - (US$ -)	1.75-2.80	1	$ 748,700	Business	$ -	None	-	$ 1,987,875	$ 2,650,500	Note 5
		Quang Viet (Long An) Co., Ltd.	Other receivables - related parties	Yes	311,500 (US$ 10,000)	153,575 (US$ 5,000)	111,342 (US$ 3,625)	-	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
		Atlanta Garment Manufacturing Company LLC	Other receivables - related parties	Yes	92,865 (US$ 3,000)	92,145 (US$ 3,000)	92,145 (US$ 3,000)	3.00-3.50	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
1	Top One Down & Feather Co., Ltd.	Top One Down & Feather Shu Yang Co., Ltd.	Other receivables - related parties	Yes	162,578 (RMB 34,000)	152,161 (RMB 34,000)	98,457 (RMB 22,000)	1.50-2.50	1	453,672	Business	-	〃	-	1,987,875	2,650,500	Note 6
		T.O.D Limited	Other receivables - related parties	Yes	128,669 (RMB 26,000)	116,358 (RMB 26,000)	116,358 (RMB 26,000)	1.50	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
2	Top One Apparel Shu Yang Co., Ltd.	Top One Down & Feather Shu Yang Co., Ltd.	Other receivables - related parties	Yes	39,590 (RMB 8,000)	- (RMB -)	- (RMB -)	1.50	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
		Jiaxing Quang Viet Garment Co., Ltd.	Other receivables - related parties	Yes	31,504 (RMB 7,000)	- (RMB -)	- (RMB -)	4.35	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
3	T.O.D Limited	Top One Down & Feather Shu Yang Co., Ltd.	Other receivables - related parties	Yes	133,618 (RMB 27,000)	120,834 (RMB 27,000)	120,834 (RMB 27,000)	1.50	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
4	Q Gear Outdoor Co., Ltd.	Top One Down & Feather Shu Yang Co., Ltd.	Other receivables - related parties	Yes	141,362 (RMB 30,000)	67,130 (RMB 15,000)	67,130 (RMB 15,000)	1.50-4.35	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
5	Jiaxing Quang Viet Garment Co., Ltd.	Baoji Xinyue Garment Co., Ltd.	Other receivables - related parties	Yes	7,005 (RMB 1,500)	- (RMB -)	- (RMB -)	4.35	2	-	Turnover	-	〃	-	1,987,875	2,650,500	-
6	King Hamm Industrial Co., Ltd.	King Hamm Industrial Co., Ltd. (VN)	Other receivables - related parties	Yes	61,660 (US$ 2,000)	61,430 (US$ 2,000)	18,429 (US$ 600)	-	2	-	Turnover	-	〃	-	247,169	329,559	-

Note 1: Numbering sequence is as follows:

a. The issuer is numbered 0.
b. Investees are numbered sequentially starting from 1.

Note 2: The nature of financing is as follows:

a. Borrowers with business relationships are numbered 1.
b. Borrowers with short term financing needs are numbered 2.

Note 3: a. The amount available for lending to individual borrowers shall not exceed 30% of the net worth of the parent company on its most recent financial statements. In addition, the total amount lendable shall not exceed 40% of net worth on the parent company on its most recent financial statements.
b. The amount that King Hamm Industrial Co., Ltd. can provide to any individual borrower shall not exceed of 30% of its net worth on its most recent financial statements; the amount of total financing provided shall not exceed 40% of its net worth on its most recent financial statements.

Note 4: The above transactions have been eliminated on the preparation of the consolidated financial statements.

Note 5: In the most recent fiscal year, the amounts transacted between the Company and Jiaxing Quang Viet Garment Co., Ltd. were purchases of $591,890 thousand and revenue from technical services of $156,810 thousand, for a total of $747,800 thousand.

Note 6: The amounts transacted between Top One Down & Feather Co., Ltd. in the most recent fiscal year were purchases amounting to $453,672 thousand.

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Quang Viet Enterprise Co., Ltd.	Jiaxing Quang Viet Garment Co., Ltd.	b.	$ 1,987,875	$ 808,341	$ 447,530	$ -	$ -	6.75	$ 3,313,125	Y	N	Y
		Top One Down & Feather Co., Ltd.	b.	1,987,875	511,500	253,575	23,400	-	3.83	3,313,125	Y	N	N
		Top One Down & Feather Shu Yang Co., Ltd.	b.	1,987,875	551,543	268,518	54,366	-	4.05	3,313,125	Y	N	Y

Note 1: Numbering sequence is as follows:

a. The issuer is numbered 0
b. Investees are numbered sequentially starting from 1.

Note 2: The 7 types of relationships between the endorser/guarantor and endorsees/guarantees are as follows:

a. Company with business transactions
b. Company where Quang Viet Enterprise Co., Ltd directly or indirectly holds over 50% of its voting shares
c. Company that directly or indirectly holds more 50% of the shares in Quang Viet Enterprise Co., Ltd.
d. Company where Quang Viet Enterprise Co., Ltd directly or indirectly holds of or exceeding 90% of its voting shares
e. Companies in the same industry bound by contracts that must endorse/guarantee one another for construction contract purposes.
f. For investment purposes, where it is necessary that all investors endorse/guarantee for the company according to the proportion of shares held.
g. Companies in the business of sales of presale houses that must endorse/guarantee for each other according the Consumer Protection Law.

Note 3: The limits to be granted for endorsements/guarantees are calculated as follows:

a. The amount of the guarantee provided by Quang Viet Enterprise Co., Ltd to any individual entity shall not exceed 30% of its net worth.
b. The aggregate amount of endorsement/guarantee provided shall not exceed 50% of Quang Viet Enterprise Co., Ltd.'s net worth.

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Quang Viet Enterprise Co., Ltd.	Publicly traded shares Formosa Taffeta Co., Ltd.	Director of the Company	Financial assets at fair value through other comprehensive income - non-current	3,287,000	$ 113,566		$ 113,566	
Quang Viet Enterprise Co., Ltd.	Publicly traded shares Formosa Chemicals & Fibre Corp.	-	Financial assets at fair value through other comprehensive income - non-current	100,000	$ 10,500		$ 10,500	
Quang Viet Enterprise Co., Ltd.	Publicly traded shares Macauto Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	68,000	$ 5,386		$ 5,386	
Quang Viet Enterprise Co., Ltd.	Publicly traded shares Yageo Corporation	-	Financial assets at fair value through other comprehensive income - non-current	25,000	$ 7,975		$ 7,975	
Quang Viet Enterprise Co., Ltd.	Non-publicly traded shares Spring Printing Co., Ltd.	Related party in substance	Financial assets at fair value through other comprehensive income - non-current	498,750	$ 7,572	19	$ 7,572	
Top One Down & Feather Co., Ltd.	Publicly traded shares Formosa Taffeta Co., Ltd.	Director of the company's parent company	Financial assets at fair value through other comprehensive income - non-current	205,000	$ 7,083		$ 7,083	

Note: For information on subsidiaries, affiliates, and interests in joint ventures, refer to Tables 8 and 9.

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (loss) on Disposal	Number of Shares	Amount
Quang Viet Enterprise Co., Ltd.	Investments accounted for using equity method													
	King Hamm Industrial Co., Ltd.	Investments accounted for using the equity method	King Hamm Industrial Co., Ltd.	Subsidiary	-	$ -	-	Value of shares acquired $ 334,425 Gain on investment 26,919 Cumulative translation adjustment 1,719	-	$ -	Cash dividends $ 6,825	$ -	-	$ 356,238

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Quang Viet Enterprise Co., Ltd.	Jiaxing Quang Viet Garment Co., Ltd.	Subsidiary	Purchases	$ 591,900	7	Internal transfer pricing	Internal transfer pricing	Net 60 days from the end of the month when the invoice is issued	$ (91,293)	7	Note
	Kwang Viet Garment Co., Ltd.	Subsidiary	Processing fee	1,874,571	22	Internal transfer pricing	Internal transfer pricing	Net 60 days from the end of the month when the invoice is issued	(436,624)	32	Note
	Quang Viet (Tien Giang) Co., Ltd.	Subsidiary	Processing fee	1,279,914	15	Internal transfer pricing	Internal transfer pricing	Net 60 days from the end of the month when the invoice is issued	-	-	Note
	Top One Down & Feather Co., Ltd	Subsidiary	Purchases	162,220	2	Internal transfer pricing	Internal transfer pricing	Net 30 days from the end of the month when the invoice is issued	(5,390)	-	Note
	Quang Viet (Long An) Co., Ltd.	Subsidiary	Processing fee	293,699	3	Internal transfer pricing	Internal transfer pricing	Net 60 days from the end of the month when the invoice is issued	(159,758)	13	Note
	Atlanta Garment Manufacturing Company LLC	Subsidiary	Purchases	340,090	4	Internal transfer pricing	Internal transfer pricing	Net 60 days from the end of the month when the invoice is issued	(75,796)	6	Note
	Formosa Taffeta Co., Ltd. (Group company)	Corporate director of the Company and its subsidiary	Purchases	514,963	6	Net 75 days from the end of the month when the invoice is issued	Normal transaction price	Net 75 days from the end of the month when the invoice is issued	(91,943)	7	-
Top One Down & Feather Co., Ltd	Top One Down & Feather Shu Yang Co., Ltd	Subsidiary	Purchases	453,672	100	Internal transfer pricing	Internal transfer pricing	Net 30 days from the end of the month when the invoice is issued	(18,033)	100	Note
Jiaxing Quang Viet Garment Co., Ltd.	Top One Down & Feather Shu Yang Co., Ltd	Sister company	Purchases	269,957	100	Internal transfer pricing	Internal transfer pricing	Net 30 days from the end of the month when the invoice is issued	-	-	Note
Quang Viet Enterprise Co., Ltd.	Formosa Taffeta Co., Ltd. (Group company)	Corporate director of the Company and its subsidiary	Purchases	341,905	23	Net 75 days from the end of the month when the invoice is issued	Normal transaction price	Net 75 days from the end of the month when the invoice is issued	(20,308)	4	-
Kwang Viet Garment Co., Ltd.	Quang Viet (Tien Giang) Co., Ltd.	Sister company	Processing fee	237,173	23	Internal transfer pricing	Internal transfer pricing	Net 60 days from the end of the month when the invoice is issued	(417,085)	87	-

Note: The above transactions have been eliminated upon consolidation.

TABLE 6

QUANG VIET 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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Kwang Viet Garment Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Subsidiary	Trade receivables - related parties $ 436,660	6.39	$ -	-	$ 424,461	$ -
Quang Viet (Tien Giang) Co., Ltd.	Kwang Viet Garment Co., Ltd.	Sister company	Trade receivables - related parties 417,085	0.49	-	-	-	-
Quang Viet (Long An) Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Subsidiary	Trade receivables - related parties 159,758	3.11	-	-	49,817	-
Quang Viet Enterprise Co., Ltd.	Quang Viet (Long An) Co., Ltd.	Subsidiary	Other receivables - related parties 111,342	-	-	-	-	-
T.O.D Limited	Top One Down & Feather Shuyang Co., Ltd.	Subsidiary	Other receivables - related parties 121,938	-	-	-	54,487	-
Top One Down & Feather Co., Ltd.	T.O.D Limited	Subsidiary	Other receivables - related parties 117,413	-	-	-	49,967	-
Top One Down & Feather Co., Ltd.	Top One Down & Feather Shuyang Co., Ltd.	Subsidiary	Other receivables - related parties 102,142	-	-	-	-	-
Quang Viet Enterprise Co., Ltd.	Atlanta Garment Manufacturing Company LLC	Subsidiary	Other receivables - related parties 138,745	-	-	-	69,501	-

Note: The above transactions have been eliminated upon consolidation.

TABLE 7

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Quang Viet Enterprise Co., Ltd.	Kwang Viet Garment Co., Ltd.	1	Cost of goods sold (processing fee)	$ 1,874,571	Mutual agreement on internal transfer pricing	14
		Quang Viet (Tien Giang) Co., Ltd.	1	Cost of goods sold (processing fee)	1,279,914	〃	10
		Quang Viet (Long An) Co., Ltd.	1	Cost of goods sold (processing fee)	293,699	〃	2
		Jiaxing Quang Viet Garment Co., Ltd.	1	Cost of goods sold (purchase of finished goods)	591,890	〃	4
		Atlanta Garment Manufacturing Company LLC	1	Cost of goods sold (purchase of finished goods)	340,090	〃	3
		Top One Down & Feather Co., Ltd.	1	Cost of goods sold (purchase of raw material)	162,220	〃	1
		Jiaxing Quang Viet Garment Co., Ltd.	1	Technical service revenue	156,810	〃	1
		Top One Down & Feather Co., Ltd.	1	Other payables	5,386	〃	-
		Top One Down & Feather Co., Ltd.	1	Rent revenue	23	〃	-
		Top One Down & Feather Co., Ltd.	1	Trade payables	4	〃	-
		Kwang Viet Garment Co., Ltd.	1	Other payables	436,660	〃	4
		Jiaxing Quang Viet Garment Co., Ltd.	1	Trade payables	91,293	〃	1
		Quang Viet (Tien Giang) Co., Ltd.	1	Prepayments for inventory	390,222	〃	4
		Quang Viet (Tien Giang) Co., Ltd.	1	Other receivables	7,282	〃	-
		Jiaxing Quang Viet Garment Co., Ltd.	1	Other receivables	42,962	〃	-
		Atlanta Garment Manufacturing Company LLC	1	Trade payables	75,710	〃	1
		Atlanta Garment Manufacturing Company LLC	1	Other receivables	138,745	〃	1
		Atlanta Garment Manufacturing Company LLC	1	Other payables	86	〃	1
		Quang Viet (Long An) Co., Ltd.	1	Other receivables	111,342	〃	1
		Quang Viet (Long An) Co., Ltd.	1	Other payables	159,758	〃	1
		King Hamm Industrial Co., Ltd.	1	Other payables	5,312	〃	-
		King Hamm Industrial Co., Ltd.	1	Other receivables	600	〃	-
		King Hamm Industrial Co., Ltd.	1	Other revenue	600	〃	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
1	Kwang Viet Garment Co., Ltd.	Quang Viet (Tien Giang) Co., Ltd.	3	Cost of goods sold (processing fee)	$ 237,173	〃	2
		Quang Viet (Long An) Co., Ltd.	3	Cost of goods sold (processing fee)	29,919	〃	-
		Quang Viet (Long An) Co., Ltd.	3	Processing revenue	62,963	〃	-
		Quang Viet (Tien Giang) Co., Ltd.	3	Processing revenue	18,300	〃	-
		Quang Viet (Long An) Co., Ltd.	3	Trade receivables	13,815	〃	-
		Quang Viet (Tien Giang) Co., Ltd.	3	Trade receivables	8,926	〃	-
		Quang Viet (Tien Giang) Co., Ltd.	3	Trade payables	417,085	〃	4
		Quang Viet (Long An) Co., Ltd.	3	Trade payables	7,821	Mutual agreement on internal transfer pricing	-
		King Hamm Industrial Co., Ltd.	3	Cost of goods sold (processing fee)	5,630	〃	-
2	Quang Viet (Tien Giang) Co., Ltd.	Quang Viet (Long An) Co., Ltd.	3	Cost of goods sold (processing fee)	4,025	〃	-
		Quang Viet (Long An) Co., Ltd.	3	Other payables	124	〃	-
		King Hamm Industrial Co., Ltd.	3	Cost of goods sold (processing fee)	7,295	〃	-
3	Jiaxing Quang Viet Garment Co., Ltd.	Top One Down & Feather Shu Yang Co., Ltd.	3	Cost of goods sold (purchase of raw material)	269,957	〃	2
		Top One Apparel Shu Yang Co., Ltd.	3	Cost of goods sold (processing fee)	81,977	〃	-
		Baoji Xinyue Garment Co., Ltd.	3	Cost of goods sold (processing fee)	37,008	〃	-
		Q Gear Limited	3	Commission expense	27,453	〃	-
		Q Gear Limited	3	Other payables	3,332	〃	-
		Top One Apparel Shu Yang Co., Ltd.	3	Other payables	18,592	〃	-
		Q Gear Outdoor Co., Ltd.	3	Rent revenue	117	〃	-
		Baoji Xinyue Garment Co., Ltd.	3	Other receivables	1,355	〃	-
		Q Gear Outdoor Co., Ltd.	3	Cost of goods sold (employment benefits)	2,339	〃	-
		Baoji Xinyue Garment Co., Ltd.	3	Other payables	13,865	〃	-
4	Top One Down & Feather Co., Ltd.	Top One Down & Feather Shu Yang Co., Ltd.	3	Cost of goods sold (purchases)	453,672	〃	3
		Top One Down & Feather Shu Yang Co., Ltd.	3	Trade payables	18,033	〃	-
		Top One Down & Feather Shu Yang Co., Ltd.	3	Other receivables	102,142	〃	1
		T.O.D Limited	3	Other receivables	117,413	〃	1
		T.O.D Limited	3	Interest revenue	1,706	〃	-
		Q Gear Limited	3	Other revenue	4,334	〃	-
		Top One Down & Feather Shu Yang Co., Ltd.	3	Interest revenue	1,505	〃	-
5	T.O.D Limited	Top One Down & Feather Shu Yang Co., Ltd.	3	Other receivables	121,938	〃	1
		Top One Down & Feather Shu Yang Co., Ltd.	3	Interest revenue	1,764	〃	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
6	Top One Down & Feather Shu Yang Co., Ltd.	Q Gear Outdoor Co., Ltd.	3	Other payables	$ 67,474	〃	1
		Q Gear Outdoor Co., Ltd.	3	Interest expense	1,204	〃	-
		Q Gear Limited	3	Other payables	424	〃	-
		Q Gear Limited	3	Commission expense	13,126	〃	-
7	King Hamm Industrial Co., Ltd.	King Hung Garments Industrial Co., Ltd.	3	Cost of goods sold (processing fee)	479,580	〃	4
		King Hung Garments Industrial Co., Ltd.	3	Other payables	30,229	〃	-
		King Hamm Industrial Co., Ltd. (VN)	3	Cost of goods sold (processing fee)	32,987	〃	-
		King Hamm Industrial Co., Ltd. (VN)	3	Other payables	32,798	〃	-
		King Hamm Industrial Co., Ltd. (VN)	3	Interest revenue	42	〃	-
		King Hamm Industrial Co., Ltd. (VN)	3	Other receivables	18,471	〃	-
8	King Hung Garments Industrial Co., Ltd.	King Hamm Industrial Co., Ltd. (VN)	3	Cost of goods sold (processing fee)	197,641	〃	1
		King Hamm Industrial Co., Ltd. (VN)	3	Prepayments for inventory	20,866	〃	-

Note 1: The numbering sequence for transactions between the parent company and its subsidiaries are numbered as follows:

a. The parent company is numbered 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: The three types of relationships between transacting parties are as follows, the same transaction between the parent company and its subsidiary or between subsidiaries is only listed on one end.

a. Parent company to subsidiary.
b. Subsidiary to parent company.
c. Between subsidiaries.

Note 3: Transaction price as a percentage of total sales or total assets is calculated based on the percentage of the ending balance to consolidated total assets for balance sheet items, and calculated based on the interim amount as a percentage of consolidated total revenue for income statement line items.

(Concluded)

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Quang Viet Enterprise Co., Ltd.	Kwang Viet Garment Co., Ltd.	Vietnam	Manufacturing and processing of apparel	$ 303,219	$ 303,219		100.00	$ 674,205	$ 195,058	$ 191,088	Note 1
				(VND 172,313,196)	(VND 172,313,196)			(VND 509,687,461)	(VND 148,791,271)	(VND 145,763,105)	
	Spring Co., Ltd.	Samoa	Holding company	489,503	445,785	15,700,000	100.00	1,313,455	47,638	50,790	Note 2
				(US$ 15,700,000)	(US$ 14,200,000)			(US$ 42,762,650)	(US$ 1,580,067)	(US$ 1,684,616)	
	Quang Viet (Tien Giang) Co., Ltd.	Vietnam	Manufacturing and processing of apparel	761,563	761,563	-	100.00	750,702	87,640	75,030	Note 3
				(VND 521,418,024)	(VND 521,418,024)			(VND 567,517,785)	(VND 66,851,872)	(VND 57,233,283)	
	Q.V.S. Limited	Samoa	Holding company	373,987	373,987	12,400,000	100.00	242,226	(21,945)	(21,945)	-
				(US$ 12,400,000)	(US$ 12,400,000)			(US$ 7,886,252)	(US$ -727,878)	(US$ -727,878)	
	Top One Down & Feather Co., Ltd.	Taiwan	Sale of down products	478,385	478,385	47,838,480	95.68	481,231	49,761	49,891	Note 4
	Q Gear Limited	Samoa	Agency for sale to external parties	1,510	1,510	50,000	100.00	36,703	24,998	24,998	-
				(US$ 50,000)	(US$ 50,000)			(US$ 1,194,939)	(US$ 829,126)	(US$ 829,126)	
	Quang Viet (Long An) Co., Ltd.	Vietnam	Manufacturing and processing of apparel	325,580	325,580	-	100.00	360,014	53,865	52,986	Note 5
				(VND 224,957,000)	(VND 224,957,000)			(VND 272,164,364)	(VND 41,088,336)	(VND 40,417,813)	
	Biancospino S.R.L.	Romania	Manufacturing and processing of apparel	274,104	274,104	-	51.00	252,728	79,605	40,599	-
				(RON 36,554,700)	(RON 36,554,700)			(RON 33,439,765)	(RON 10,398,849)	(RON 5,303,413)	
	Atlanta Garment Manufacturing Company LLC	Jordan	Manufacturing and processing of apparel	13,839	-	-	60.00	105,752	24,994	12,988	Note 6
				(JOD 330,000)	(JOD -)			(JOD 2,436,781)	(JOD 586,937)	(JOD 304,986)	
	King Hamm Industrial Co., Ltd.	Taiwan	Manufacturing, processing, and sale of apparel	334,425	-	136,500,000	42.00	356,238	117,192	26,919	-
Spring Co., Ltd.	Jiaxing Quang Viet Garment Co., Ltd.	China	Manufacturing, processing, and sale of apparel	445,785	445,785	-	100.00	1,281,606	58,777	58,777	-
				(RMB 98,939,650)	(RMB 98,939,650)			(RMB 286,372,017)	(RMB 12,889,987)	(RMB 12,889,987)	
	Baoji Xinyue Garment Co., Ltd.	China	Manufacturing and processing of apparel	43,718	-	-	100.00	31,326	(11,069)	(11,069)	-
				(RMB 9,424,800)	(RMB -)			(RMB 6,999,661)	(RMB -2,425,139)	(RMB -2,425,139)	
Q.V.S Limited	Top One Apparel Shu Yang Co., Ltd.	China	Manufacturing and processing of apparel	61,693	61,693	-	100.00	73,744	1,400	1,400	-
				(RMB 13,228,560)	(RMB 13,228,560)			(RMB 16,477,858)	(RMB 307,126)	(RMB 307,126)	
	Q Gear Outdoor Co., Ltd.	China	Retail sales	312,294	312,294	-	100.00	111,623	(23,793)	(23,793)	-
				(RMB 63,730,830)	(RMB 63,730,830)			(RMB 24,942,010)	((RMB -5,217,786)	((RMB -5,217,786)	
Top One Down & Feather Co., Ltd.	T.O.D Limited	Samoa	Holding company	271,666	271,666	9,000,000	100.00	255,474	55,692	54,021	Note 7
				(US$ 9,000,000)	(US$ 9,000,000)			(US$ 8,317,576)	(US$ 1,847,194)	(US$ 1,791,773	
T.O.D Limited	Top One Down & Feather Shu Yang Co., Ltd.	China	Manufacturing, processing and sale of down products	267,934	267,934	-	100.00	251,096	56,177	56,177	-
				(RMB 56,000,000)	(RMB 56,000,000)			(RMB 56,106,918)	(RMB 12,319,830)	(RMB 12,319,830	
King Hamm Industrial Co., Ltd.	King Hung Garments Industrial Co., Ltd.	Vietnam	Manufacturing and processing of apparel	42,500	-	-	100.00	64,604	(22,467)	(24,347)	-
				(US$ 1,410,000)	(US$ -)			(US$ 2,103,331)	(US$ -745,208)	(US$ -807,562)	
	King Hamm Industrial Co., Ltd.	Vietnam	Manufacturing and processing of apparel	47,623	-	-	100.00	106,252	(13,444)	(18,447)	-
				(US$ 1,580,000)	(US$ -)			(US$ 3,468,189)	(US$ -445,910)	(US$ -611,849)	

Note 1: The difference between the investees' net income (loss) and the parent company's share of profits/losses of investees mainly includes the realized (unrealized) gross sales profit of $1,181 thousand and $(5,151) thousand.

Note 2: The difference between the investees' net income (loss) and the parent company's share of profits/losses of investees mainly includes the realized (unrealized) gross sales profit of $6,447 thousand and $(3,295) thousand.

Note 3: The difference between the investees' net income (loss) and the parent company's share of profits/losses of investees mainly includes the realized (unrealized) gross sales profit of $3,522 thousand and $(16,132) thousand.

Note 4: The difference between the investees' net income (loss) and the parent company's share of profits/losses of investees mainly includes the realized (unrealized) gross sales profit of $570 thousand and $(440) thousand.

Note 5: The difference between the investees' net income (loss) and the parent company's share of profits/losses of investees mainly includes the realized (unrealized) gross sales profit of $376 thousand and $(1,255) thousand.

Note 6: The difference between the investees' net income (loss) and the parent company's share of profits/losses of investees mainly includes the realized (unrealized) gross sales profit of $0 thousand and $(2,009) thousand.

Note 7: The difference between the investees' net income (loss) and the parent company's share of profits/losses of investees mainly includes the realized (unrealized) gross sales profit of $(478) thousand and $(1,193) thousand.

QUANG VIET ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Jiaxing Quang Viet Garment Co., Ltd.	Manufacturing and processing, and sale of apparel	$ 445,785 (RMB 98,939,650)	(2) Spring Co., Ltd.	$ 445,785 (US$ 14,200,000)	$ -	$ -	$ 445,785 (US$ 14,200,000)	$ 58,777 (RMB 12,889,986)	100.00	$ 61,929 (RMB 13,581,247)	$ 1,327,040 (RMB 285,662,570)	$ -	-
Baoji Xinyue Garment Co., Ltd.	Manufacturing and processing of apparel	45,690 (RMB 9,924,900)	(2) Spring Co., Ltd.	- (US$ -)	43,718 (US$ 1,500,000)	-	43,718 (US$ 1,500,000)	(11,058) (RMB -2,425,139)	100.00	(11,058) (RMB -2,425,139)	31,326 (RMB 6,999,661)	-	-
Top One Apparel Shu Yang Co., Ltd.	Manufacturing and processing of apparel	61,693 (RMB 13,228,560)	(2) Q.V.S. Limited	61,693 (US$ 2,100,000)	-	-	61,693 (US$ 2,100,000)	1,400 (RMB 307,126)	100.00	1,400 (RMB 307,126)	73,744 (RMB 16,477,858)	-	-
Q Gear Outdoor Co., Ltd.	Trading	312,294 (RMB 63,730,830)	(2) Q.V.S. Limited	312,294 (US$ 10,300,000)	-	-	312,294 (US$ 10,300,000)	(23,792) (RMB -5,217,786)	100.00	(23,792) (RMB -5,217,786)	111,623 (RMB 24,942,010)	-	-
Top One Down & Feather Shu Yang Co., Ltd.	Manufacturing, processing and sale of down products	267,934 (RMB 56,000,000)	(2) T.O.D. Limited	267,934 (US$ 8,877,506)	-	-	267,934 (US$ 8,877,506)	56,177 (RMB 12,319,830)	95.68	52,152 (RMB 11,437,007)	239,107 (RMB 53,427,912)	-	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA
$1,131,424 (US$38,096,339)	$1,139,527 (US$37,100,000) (Exchange rate: 30.715)	$4,472,749

Note 1: The three methods of investment are as follows:

a. Direct investment in China
b. Indirect investment through a company registered in a third region
c. Other

Note 2: The amount recognized in investment income in the current year:

a. Should be indicated if currently under preparation and not generating investment income.

b. The basis of recognition of investment profit (loss) should be indicated and is classified as follows:

1) Amount was recognized based on the financial statements audited by international audit firms with business relationships with audit firms in the ROC.
2) Amount was recognized based on the parent company’s audited financial statements.
3) Others.

Note 3: According to Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China administered by the Foreign Investment Commission, the amount is limited to the higher of the net worth of the investor company or 60% of the consolidated net worth.

QUANG VIET 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, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price		Transaction Details		Notes/Accounts Receivable (Payable)	Unrealized (Gain) Loss
		Amount	%	Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Jiaxing Quang Viet Garment Co., Ltd.	Purchases	$ 591,900	7	Internal transfer pricing	Net 60 days from the end of the month when the invoice is issued	$ (91,292)	7	$ (3,296)	-
	Technical service revenue	156,810	-	〃	-	24,286	7	-	Notes 1 and 2
Top One Down & Feather Shu Yang Co., Ltd	Raw material purchases	453,672	100	Internal transfer pricing	Net 30 days from the end of the month when the invoice is issued	(18,033)	100	(930)	-

Note 1: The proportion of technical service revenue to purchases/sales is calculated based on its percentage to consolidated other revenue.

Note 2: The proportion of technical service revenue receivable is calculated based on its percentage of other receivables.