# Nien Hsing Textile Co., Ltd. and Subsidiaries

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

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

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

NIEN HSING TEXTILE CO., LTD.

By

YI-FUNG, CHEN
Chairman

March 23, 2018

Deloitte.

勤業眾信

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Nien Hsing Textile Co., Ltd.

## Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

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

## Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

1. Impairment of Trade Receivables

   The accounting policies and critical accounting estimates for the impairment of trade receivables are set out in Note 4 (12) and Note 5. Refer to Note 11 for details of the balance of trade receivables.

Description

The impairment assessment of trade receivables is based on management's judgment for overdue and other specific risks, and the future cash flow is also estimated with management's judgment. If the future actual cash flow is less than the book value of the asset, significant impairment losses may be incurred. The impairment of trade receivables involving the judgment and estimation of management is deemed to be one of the key audit matters for the year.

Audit Procedures

The main audit procedures of the aforementioned key audit matter are as follows:

a. Understand and evaluate the design and implementation of the internal controls related to the impairment of trade receivables.

b. Test the accuracy of the aging of trade receivables, and compare and analyze the differences between aging and bad debts.

c. Review the accuracy on management's classification based on the attributes of trade receivables and assess the reasonableness of the ratio for the allowance per bad debt policy that serves as the basis for the calculation of the appropriateness of impairment loss; sample bad debt collection in the subsequent period to ensure the collectability of outstanding receivables.

2. Impairment of Inventories

Refer to Note 4 (6) and Note 5 for the accounting policies and critical accounting estimates used for inventory impairment assessment, and Note 12 for details of the balance of inventories.

Description

The impairment of inventories is measured at the lower of cost and net realizable value. When the net realizable value of inventory is lower than the cost, the allowance for inventory valuation and obsolescence loss is recognized. The impairment of inventories involving management's judgment and estimation is deemed to be one of the key audit matters for the year.

Audit Procedures

The main audit procedures of the aforementioned key audit matter are as follows:

a. Understand and evaluate the design and implementation of the internal controls related to inventory impairment.

b. Confirm and assess whether inventory is out of date or damaged at the end of the year.

c. Test the accuracy of the aging of the inventory at the end of the period and assess the reasonableness of management's estimation on the loss due to the decline in market prices and the policy on obsolete and slow-moving inventories, and sample-check data related to the net realizable value to validate the appropriateness of the loss thereof.

3. Disposal of Subsidiaries

Refer to Note 4 (4) for the accounting policies. For the subsidiaries listed in the consolidated financial statements, please refer to Note 13 to the consolidated financial statements.

Description

The annual resolution of the board of directors of the Company was decided by the board of directors of the Company on March 16, 2017, and the disposal of the subsidiaries and their related net assets and operations was detailed in Note 26 to the consolidated financial statements. The disposal costs and profit (loss) of the above transactions were of major significance, thus, the disposal of subsidiaries was deemed as one of the key audit matters for the year.

Audit Procedures

The main audit procedures of the aforementioned key audit matter are as follows:

a. Obtain the meeting minutes of the board of directors' meeting, and ensure that the disposal transactions are in compliance with the procedures for obtaining or disposing of related net assets, and confirming that the disposed companies and their related net assets and businesses are executed in accordance with the relevant procedures.

b. Evaluate the accounting treatment of the equity transaction, and obtain the related contracts and agreements, transaction contracts, transaction certificates and collection records, and test the accuracy of the recognition of the disposal transactions in profit or loss.

**Other Matter**

We have also audited the parent company only financial statements of Nien Hsing Textile Co., Ltd. as of and for the years ended December 31, 2017 and 2016 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Nan Jiang and Shu-Juan Ye.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2018

<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.*

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2017 AND 2016**
**(In Thousands of New Taiwan Dollars)**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 2,771,591 | 26 | $ 2,107,037 | 16 |
| Available-for-sale financial assets - current (Notes 4 and 8) | 23,583 | - | 30,430 | - |
| Notes receivable (Note 11) | 5,709 | - | 3,638 | - |
| Trade receivables, net (Notes 4, 5 and 11) | 1,454,198 | 14 | 2,221,961 | 17 |
| Other receivables (Note 11) | 45,391 | - | 44,051 | - |
| Current tax assets (Notes 4 and 24) | 1,656 | - | - | - |
| Inventories (Notes 4, 5 and 12) | 2,073,328 | 19 | 2,780,856 | 21 |
| Prepayments | 261,628 | 3 | 350,758 | 3 |
| Other financial assets - current (Note 32) | 50 | - | 50 | - |
| Other current assets | 87,254 | 1 | 71,421 | 1 |
| Total current assets | 6,724,388 | 63 | 7,610,202 | 58 |
| NON-CURRENT ASSETS | | | | |
| Available-for-sale financial assets - non-current (Notes 4 and 8) | 515,757 | 5 | 280,908 | 2 |
| Financial assets carried at cost - non-current (Notes 4 and 9) | 558,669 | 5 | 1,343,769 | 10 |
| Debt investments with no active market - non-current (Notes 4 and 10) | 313,821 | 3 | 352,130 | 3 |
| Investments accounted for using the equity method (Notes 4 and 14) | 258,744 | 2 | 292,258 | 2 |
| Property, plant and equipment (Notes 4, 15 and 32) | 1,823,586 | 17 | 2,838,156 | 22 |
| Investment properties (Notes 4 and 16) | 118,185 | 1 | 24,275 | - |
| Technical know-how (Notes 4 and 17) | - | - | 9,550 | - |
| Deferred tax assets (Notes 4 and 24) | 332,789 | 3 | 272,878 | 2 |
| Prepayments for equipment | 83,181 | 1 | 72,149 | 1 |
| Refundable deposits | 14,128 | - | 17,694 | - |
| Long-term prepayments for lease | 6,473 | - | 36,467 | - |
| Total non-current assets | 4,025,333 | 37 | 5,540,234 | 42 |
| TOTAL | $ 10,749,721 | 100 | $ 13,150,436 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 18) | $ 1,185,900 | 11 | $ 196,406 | 2 |
| Notes payable (Note 19) | 138,467 | 1 | 113,305 | 1 |
| Trade payables (Note 19) | 344,060 | 3 | 433,328 | 3 |
| Other payables to related parties (Note 31) | 45,550 | 1 | 39,901 | - |
| Other payables (Note 20) | 497,995 | 5 | 735,297 | 6 |
| Current tax liabilities (Notes 4 and 24) | 4,566 | - | 53,441 | - |
| Current portion of long-term borrowings (Note 18) | 364,000 | 3 | 364,000 | 3 |
| Other current liabilities | 81,880 | 1 | 54,092 | - |
| Total current liabilities | 2,662,418 | 25 | 1,989,770 | 15 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 18) | 182,000 | 2 | 546,000 | 4 |
| Deferred tax liabilities (Notes 4 and 24) | 458,029 | 4 | 459,455 | 4 |
| Net defined benefit liabilities - non-current (Notes 4 and 21) | 192,222 | 2 | 231,623 | 2 |
| Guarantee deposits received | 1,701 | - | 444 | - |
| Total non-current liabilities | 833,952 | 8 | 1,237,522 | 10 |
| Total liabilities | 3,496,370 | 33 | 3,227,292 | 25 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Capital stock | 1,980,000 | 18 | 4,000,000 | 30 |
| Capital surplus | 419,715 | 4 | 410,589 | 3 |
| Retained earnings | | | | |
| Legal reserve | 2,282,156 | 21 | 2,208,882 | 17 |
| Special reserve | 153,448 | 2 | - | - |
| Unappropriated earnings | 2,832,129 | 26 | 3,389,974 | 26 |
| Total retained earnings | 5,267,733 | 49 | 5,598,856 | 43 |
| Other equity | (414,599) | (4) | (153,447) | (1) |
| Total equity attributable to owners of the Company | 7,252,849 | 67 | 9,855,998 | 75 |
| NON-CONTROLLING INTERESTS | 502 | - | 67,146 | - |
| Total equity | 7,253,351 | 67 | 9,923,144 | 75 |
| TOTAL | $ 10,749,721 | 100 | $ 13,150,436 | 100 |

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

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

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4 and 31) | | | | |
| Sales | $ 9,028,560 | 100 | $ 13,067,331 | 101 |
| Less: Sales returns and allowances | 17,182 | - | 89,241 | 1 |
| Net sales | 9,011,378 | 100 | 12,978,090 | 100 |
| Processing income | 25,626 | - | 31,759 | - |
| Total operating revenue | 9,037,004 | 100 | 13,009,849 | 100 |
| OPERATING COSTS (Notes 12, 22 and 23) | | | | |
| Cost of goods sold | 8,372,458 | 93 | 11,372,959 | 88 |
| Processing costs | 27,797 | - | 36,954 | - |
| Total operating costs | 8,400,255 | 93 | 11,409,913 | 88 |
| GROSS PROFIT | 636,749 | 7 | 1,599,936 | 12 |
| OPERATING EXPENSES (Note 23) | | | | |
| Selling | 317,229 | 4 | 523,786 | 4 |
| Administrative | 187,890 | 2 | 215,833 | 2 |
| Research and development | 26,447 | - | 39,288 | - |
| Total operating expenses | 531,566 | 6 | 778,907 | 6 |
| OPERATING INCOME | 105,183 | 1 | 821,029 | 6 |
| NON-OPERATING INCOME AND EXPENSES (Notes 14 and 23) | | | | |
| Other income | 374,938 | 4 | 194,142 | 2 |
| Other gains and losses | (191,286) | (2) | (120,199) | (1) |
| Finance costs | (13,611) | - | (15,747) | - |
| Share of profit of associates | 66,203 | 1 | 37,447 | - |
| Total non-operating income and expenses | 236,244 | 3 | 95,643 | 1 |
| PROFIT BEFORE INCOME TAX | 341,427 | 4 | 916,672 | 7 |
| INCOME TAX EXPENSE (Notes 4 and 24) | 59,939 | 1 | 186,139 | 1 |
| NET PROFIT FOR THE YEAR | 281,488 | 3 | 730,533 | 6 |

(Continued)

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

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

| | 2017 Amount | 2017 % | 2016 Amount | 2016 % |
|---|---|---|---|---|
| OTHER COMPREHENSIVE LOSS (Notes 22, 23 and 25) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | $ (15,181) | - | $ 10,483 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 2,580 | - | (1,782) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | (225,392) | (2) | (136,688) | (1) |
| Unrealized loss on available-for-sale financial assets | (61,893) | (1) | (130,029) | (1) |
| Share of other comprehensive income of associates accounted for using the equity method | (16,767) | - | 258 | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss | 40,812 | - | 22,956 | - |
| Other comprehensive loss for the year, net of income tax | (275,841) | (3) | (234,802) | (2) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 5,647 | - | $ 495,731 | 4 |
| NET PROFIT (LOSS) ATTRIBUTABLE TO: | | | | |
| Owner of the Company | $ 281,478 | 3 | $ 732,743 | 6 |
| Non-controlling interests | 10 | - | (2,210) | - |
| | $ 281,488 | 3 | $ 730,533 | 6 |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owner of the Company | $ 7,725 | - | $ 499,335 | 4 |
| Non-controlling interests | (2,078) | - | (3,604) | - |
| | $ 5,647 | - | $ 495,731 | 4 |
| EARNINGS PER SHARE (Note 26) | | | | |
| From continuing operations | | | | |
| Basic | $ 0.94 | | $ 1.83 | |
| Diluted | $ 0.94 | | $ 1.83 | |

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

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

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued and Outstanding Capital Stock (Note 22) | | | Retained Earnings (Notes 22 and 24) | | | Other Equity | | | | |
| | Shares (In Thousands) | Amount | Capital Surplus (Notes 22 and 27) | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations (Notes 22 and 26) | Unrealized Gain (Loss) on Available-for-sale Financial Assets (Note 22) | Total | Non-controlling Interests (Notes 22 and 27) | Total Equity |
| BALANCE AT JANUARY 1, 2016 | 400,000 | $ 4,000,000 | $ 410,589 | $ 2,141,360 | $ - | $ 3,316,052 | $ (202,241) | $ 290,903 | $ 9,956,663 | $ 70,750 | $ 10,027,413 |
| Appropriation of the 2015 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 67,522 | - | (67,522) | - | - | - | - | - |
| Cash dividends distributed by the Company - NT$1.5 per share | - | - | - | - | - | (600,000) | - | - | (600,000) | - | (600,000) |
| | - | - | - | 67,522 | - | (667,522) | - | - | (600,000) | - | (600,000) |
| Net profit (loss) for the year ended December 31, 2016 | - | - | - | - | - | 732,743 | - | - | 732,743 | (2,210) | 730,533 |
| Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax | - | - | - | - | - | 8,701 | (112,080) | (130,029) | (233,408) | (1,394) | (234,802) |
| Total comprehensive income (loss) for the year ended December 31, 2016 | - | - | - | - | - | 741,444 | (112,080) | (130,029) | 499,335 | (3,604) | 495,731 |
| BALANCE AT DECEMBER 31, 2016 | 400,000 | 4,000,000 | 410,589 | 2,208,882 | - | 3,389,974 | (314,321) | 160,874 | 9,855,998 | 67,146 | 9,923,144 |
| Appropriation of the 2016 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 73,274 | - | (73,274) | - | - | - | - | - |
| Special reserve | - | - | - | - | 153,448 | (153,448) | - | - | - | - | - |
| Cash dividends distributed by the Company - NT$1.5 per share | - | - | - | - | - | (600,000) | - | - | (600,000) | - | (600,000) |
| | - | - | - | 73,274 | 153,448 | (826,722) | - | - | (600,000) | - | (600,000) |
| Cash dividends distributed by subsidiaries | (202,000) | (2,020,000) | - | - | - | - | - | - | (2,020,000) | - | (2,020,000) |
| Actual acquisition of interest in subsidiaries | - | - | 9,126 | - | - | - | - | - | 9,126 | (64,566) | (55,440) |
| Net profit for the year ended December 31, 2017 | - | - | - | - | - | 281,478 | - | - | 281,478 | 10 | 281,488 |
| Other comprehensive loss for the year ended December 31, 2017, net of income tax | - | - | - | - | - | (12,601) | (199,259) | (61,893) | (273,753) | (2,088) | (275,841) |
| Total comprehensive income (loss) for the year ended December 31, 2017 | - | - | - | - | - | 268,877 | (199,259) | (61,893) | 7,725 | (2,078) | 5,647 |
| BALANCE AT DECEMBER 31, 2017 | 198,000 | $ 1,980,000 | $ 419,715 | $ 2,282,156 | $ 153,448 | $ 2,832,129 | $ (513,580) | $ 98,981 | $ 7,252,849 | $ 502 | $ 7,253,351 |

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

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

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

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

| | 2017 | 2016 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 341,427 | $ 916,672 |
| Adjustments for: | | |
| Depreciation expenses | 445,411 | 569,462 |
| Amortization expenses | 4,182 | 11,205 |
| Impairment loss recognized (reversal of impairment loss) on trade receivables | (38,142) | 42,191 |
| Net loss (gain) on fair value change of financial assets designated as at fair value through profit or loss | 1,383 | (2,219) |
| Finance costs | 13,611 | 15,747 |
| Interest income | (48,519) | (35,390) |
| Dividend income | (215,651) | (38,115) |
| Share of profit of associates | (66,203) | (37,447) |
| Loss (gain) on disposal of property, plant and equipment | (2,291) | 7,951 |
| Net loss (gain) on disposal of investments | (53,507) | 2,663 |
| Impairment loss recognized on financial assets | 1,174 | 52,931 |
| Write-down (reversal of write-down) of inventories | (58,622) | 22,957 |
| Loss on disposal of subsidiaries (Note 26) | 90,286 | - |
| Changes in operating assets and liabilities | | |
| Financial assets held for trading | (1,383) | 2,219 |
| Notes receivable | (2,071) | (210) |
| Trade receivables | 809,042 | 36,957 |
| Other receivables | 154 | 6,324 |
| Inventories | (393,137) | 395,649 |
| Prepayments | 75,520 | (23,132) |
| Other current assets | (54,928) | 36,394 |
| Notes payable | 25,162 | (28,629) |
| Trade payables | (81,348) | (1,215) |
| Trade payables to related parties | 5,649 | 14,991 |
| Other payables | (112,654) | 57,963 |
| Provisions for onerous contracts | - | (8,654) |
| Other current liabilities | 29,832 | (5,778) |
| Net defined benefit liabilities - non-current | (54,582) | (128,229) |
| Cash generated from operations | 659,795 | 1,883,258 |
| Income tax paid | (126,033) | (120,021) |
| Net cash generated from operating activities | 533,762 | 1,763,237 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of available-for-sale financial assets | (289,895) | - |
| Purchase of financial assets carried at cost | (17,700) | (20,696) |
| Proceeds from sale of financial assets carried at cost | 774,618 | 9,399 |
| Return of capital on financial assets carried at cost | 5,420 | - |
| Return of capital on investments accounted for by the equity method | 6,440 | 42,227 |
| Net cash inflow on disposal of subsidiaries (Note 26) | 1,899,129 | - |

(Continued)

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

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

| | 2017 | 2016 |
|---|---|---|
| Acquisition of property, plant and equipment | $ (221,804) | $ (103,578) |
| Proceeds from disposal of property, plant and equipment | 21,338 | 2,547 |
| Decrease (increase) in refundable deposits | (94) | 4,447 |
| Increase in other financial assets | - | (50) |
| Increase in prepayments for equipment | (221,568) | (342,182) |
| Interest received | 59,547 | 35,579 |
| Dividends received | 292,161 | 60,484 |
| Net cash generated from (used in) investing activities | 2,307,592 | (311,823) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of long-term borrowings | (364,000) | - |
| Increase (decrease) in short-term borrowings | 989,494 | (265,961) |
| Proceeds from (refund of) guarantee deposits received | 1,257 | (62) |
| Cash dividends paid | (600,000) | (600,000) |
| Interest paid | (9,618) | (15,836) |
| Capital reduction | (2,020,000) | - |
| Decrease in non-controlling interests | (55,440) | - |
| Net cash used in financing activities | (2,058,307) | (881,859) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (118,493) | (77,095) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 664,554 | 492,460 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 2,107,037 | 1,614,577 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 2,771,591 | $ 2,107,037 |

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

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

## 1. GENERAL INFORMATION

Nien Hsing Textile Co., Ltd. (the Company) was established in 1986. It is listed on the Taiwan Stock Exchange and is principally engaged in the manufacture and distribution of yarns, denim fabric, jeans and knit garments. The Company acquired Chih Hsing Textile Co., Ltd. on the merger date of July 1, 2000, with the Company as the surviving entity.

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

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

## 3. APPLICATION OF NEW, 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) Amendment to IFRS 8 "Operating Segments"

IFRS 8 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to require the disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgments made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017; refer to Note 36 for the details.

2) Amendments to IAS 36 "Impairment of Assets"

The amendment "Disclosures for Non-financial Assets" clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Levels 2 or 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured using the present value technique.

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

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

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

The disclosures of related party transactions would be enhanced when the above amendments were retrospectively applied in 2017; refer to Note 31 for the related disclosures.

Initial application of the above amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs has no significant impact on the Group's consolidated assets, liabilities and equity items, comprehensive profit and loss items and cash flow items.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs for application starting from 2018

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Annual Improvements to IFRSs 2014-2016 Cycle | Note 2 |
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" | January 1, 2018 |
| Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018 |
| IFRS 9 "Financial Instruments" | January 1, 2018 |
| Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures" | January 1, 2018 |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers" | January 1, 2018 |

(Continued)

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendment to IAS 7 “Disclosure Initiative” | January 1, 2017 |
| Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses” | January 1, 2017 |
| Amendments to IAS 40 “Transfers of Investment Property” | January 1, 2018 |
| IFRIC 22 “Foreign Currency Transactions and Advance Consideration” | January 1, 2018 |

(Concluded)

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

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

1) IFRS 9 “Financial Instruments” and related amendment

Classification, measurement, and impairment of financial assets

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss using the effective interest method;

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

Financial assets which do not meet the aforementioned criteria should be measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment that is not held for trading in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group has performed a preliminary assessment of the impact of IFRS 9 to the classification of available-for-sale financial assets, including listed shares, emerging market shares and unlisted shares that will be designated as at fair value through other comprehensive income. The fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides, unlisted shares measured at cost will be measured at fair value instead. The Group will measure other financial assets as at fair value through profit or loss.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Loss Model". A loss allowance is required for financial assets measured at amortized cost. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

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

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

| | **Carrying Amount as of December 31, 2017** | **Adjustments Arising from Initial Application** | **Adjusted Carrying Amount as of January 1, 2018** |
|---|---|---|---|
| Items of assets, liabilities and equity | | | |
| Current available-for-sale financial assets | $ 23,583 | $ (23,583) | $ - |
| Non-current available-for-sale financial assets | 515,757 | (515,757) | - |
| Financial assets carried at cost - non-current | 558,669 | (558,669) | - |
| Debt investment with no active market - non-current | 313,821 | (313,821) | - |
| Financial assets at fair value through other comprehensive income - non-current | - | 929,871 | 929,871 |

(Continued)

| | Carrying Amount as of December 31, 2017 | Adjustments Arising from Initial Application | Adjusted Carrying Amount as of January 1, 2018 |
|---|---|---|---|
| Financial assets at fair value through profit or loss - non-current | $ - | $ 627,160 | $ 627,160 |
| Investments accounted for using the equity method | 258,744 | (9,407) | 249,337 |
| Total effect on assets | $ 1,670,574 | $ 135,794 | $ 1,806,368 |
| Retained earnings | $ 5,267,733 | $ 161,842 | $ 5,429,575 |
| Other equity | (414,599) | (26,048) | (440,647) |
| Total effect on equities | $ 4,853,134 | $ 135,794 | $ 4,988,928 |

(Concluded)

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

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

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

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

3) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that other standards and interpretations will not have a significant impact on the Group’s financial position and financial performance.

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) |
|---|---|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation” | January 1, 2019 (Note 2) |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| IFRS 16 “Leases” | January 1, 2019 (Note 3) |
| IFRS 17 “Insurance Contracts” | January 1, 2021 |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | January 1, 2019 (Note 4) |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” | January 1, 2019 |
| IFRIC 23 “Uncertainty over Income Tax Treatments” | January 1, 2019 |

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

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

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

1) IFRS 16 “Leases”

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

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

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

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

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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 statements of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 13 and Table 6 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentage of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising 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 case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group entities (including subsidiaries in other countries that use currencies 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 (attributed to the owners of the Company and non-controlling interests as appropriate).

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), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, semi-finished goods, finished goods and work-in-progress 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.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

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

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

h. Property, plant and equipment

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

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful life, the asset 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 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. Investment properties

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets

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

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 asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at their fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

ii. Available-for-sale financial assets

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

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

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

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 are presented as a separate line item as financial assets carried 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 is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

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

Cash equivalents include time deposits and short-term transaction instruments with original maturities within three months from the date of acquisition, are highly liquid and, readily convertible to a known amount of cash and 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

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as default on receivables, and other situations.

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

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

For 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 that financial asset because of financial difficulties.

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

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade 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.

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 that had been recognized in other comprehensive income is recognized in 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, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at fair value through profit or loss, all financial liabilities are measured at amortized cost using the effective interest method.

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts, to manage its exposure to foreign exchange rate risks.

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. 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 previous experience and other relevant factors.

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Dividend and interest income

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

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

o. Leasing

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

p. Borrowing costs

Borrowing costs directly attributable to the 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 those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. 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 ventures, 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. The deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the 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 tax 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 tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

a. Estimated impairment of trade receivables

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

b. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Cash on hand | $ 9,852 | $ 16,217 |
| Checking accounts and demand deposits | 1,037,375 | 1,262,342 |
| Cash equivalents | | |
| Time deposits with original maturities of less than three months | 1,704,400 | 49,448 |
| Short-term bills | 19,964 | 779,030 |
| | $ 2,771,591 | $ 2,107,037 |

The market interest rates intervals of cash in bank and short-term bills at the end of the reporting period are as follows:

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Bank deposits | 0.001%-6.20% | 0.00%-6.45% |
| Short-term bills | 0.41% | 0.48% |

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

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The Group did not have unexpired foreign exchange forward contracts as of December 31, 2017 and 2016.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Current | | |
| Domestic investments | | |
| Listed shares | $ 23,583 | $ 30,430 |
| Non-current | | |
| Domestic investments | | |
| Listed shares | $ 515,757 | $ 280,908 |

## 9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Domestic unlisted common shares | $ 233,469 | $ 220,281 |
| Overseas unlisted common shares | 75,263 | 730,119 |
| Other funds | 249,937 | 393,369 |
| | $ 558,669 | $ 1,343,769 |
| Classified according to financial asset measurement categories | | |
| Available-for-sale financial assets | $ 558,669 | $ 1,343,769 |

Management believed that the above unlisted equity investments and funds held by the Group, whose fair values cannot be reliably measured as the range of reasonable fair value estimates was significant; therefore, they were measured at cost less impairment at the end of reporting period.

The Group invested $20,000 thousand in May 2016 to establish BioGend Therapeutics Co., Ltd. and subsequently held an 8% interest in that company. In March 2017, the Group participated in an increase in cash capital according to the shareholding ratio and subscribed for 1,700 thousand shares for an amount of $17,000 thousand; after the subscription, the Group's percentage of ownership in the Company decreased to 7.4%. Thereafter, the Group did not subscribe for the Company's new shares at its shareholding ratio and the percentage of ownership in the Company fell to 6.64% accordingly.

The Group acquired a 2.32% interest in PHM Asia Holding Corporation for US$20,000 thousand on January 31, 2013. The Group received and recognized other investment income of $215,651 thousand in February 2017 in accordance with the contents of the investment agreement. The Group's board of directors in September 2017 resolved to sell all of the shares to a third party at US$5.321 per share for proceeds totaling $603,200 thousand, which referred to the investee's net assets and PE ratio of the counterparties.

UFO Investment Co., Ltd. participated in a reduction in capital in June 2017 and returned $5,000 thousand to the Group; this transaction resulted in the recognition of a gain on disposal of $2,782 thousand.

Der Yang Biotechnology Venture Capital Co., Ltd. participated in a reduction in capital in August 2017 and returned $420 thousand in capital.

In 2017, the Group sold financial assets carried at cost with a total carrying amount of $721,111 thousand (including the mentioned-above equity of PHM Asia Holding Corporation) and recognized a gain on the disposal of $53,507 thousand.

The impairment losses for the unlisted (domestic) common share investments of the Group for the years ended December 31, 2017 and 2016 were $1,174 thousand and $2,931 thousand, respectively.

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Non-current | | |
| Corporate bonds - Rabobank Nederland | $ 313,821 | $ 352,130 |

The Group has invested in subordinated capital securities since November 2009. As of December 31, 2017 and 2016, the carrying amounts of these securities were both US$10,000 thousand. These securities, which were issued by Rabobank Nederland (the Issuer) in June 2009 at a total amount of US$1,500,000 thousand, have no maturity date and bear annual interest at a coupon rate of 11%, payable semiannually until June 2019. From June 30, 2019, the subordinated capital securities will bear interest at a coupon rate equivalent to the three-month USD LIBOR rate plus 10.8675%, and will be redeemable (at the option of the Issuer) on June 30, 2019, or on each interest payment date thereafter, at an amount equal to the par value.

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

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Notes receivable - operating | $ 5,709 | $ 3,638 |
| Trade receivables | | |
| Trade receivables | $ 1,556,440 | $ 2,366,072 |
| Less: Allowance for impairment loss | (102,242) | (144,111) |
| | $ 1,454,198 | $ 2,221,961 |
| Other receivables | | |
| Payment on behalf of others | $ 9,496 | $ 12,635 |
| Interest | 17,627 | 17,885 |
| Others | 18,268 | 13,531 |
| | $ 45,391 | $ 44,051 |

a. Trade receivables

The average credit period for sales of goods was 30 days to 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. An allowance for impairment loss was determined by reference to the aging of receivable, credit rating of customers, economic condition and other factors. The recoverability of trade receivables is evaluated regularly.

There were no past due trade receivables that are not impaired as of December 31, 2017 and 2016.

The aging of receivables is as follows:

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Less than or equal to 60 days | $ 1,094,092 | $ 1,889,020 |
| 61-90 days | 331,935 | 392,248 |
| More than 90 days | 130,413 | 84,804 |
| | $ 1,556,440 | $ 2,366,072 |

The above aging schedule was based on the invoice date.

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

| | **Individually Assessed for Impairment** | **Collectively Assessed for Impairment** | **Total** |
|---|---|---|---|
| Balance at January 1, 2016 | $ - | $ 102,438 | $ 102,438 |
| Add: Impairment losses recognized on receivables (impairment losses reversed) | - | 42,191 | 42,191 |
| Foreign exchange translation gains and losses | - | (518) | (518) |
| Balance at December 31, 2016 | $ - | $ 144,111 | $ 144,111 |
| Balance at January 1, 2017 | $ - | $ 144,111 | $ 144,111 |
| Add: Impairment losses recognized on receivables (impairment losses reversed) | - | (38,142) | (38,142) |
| Foreign exchange translation gains and losses | - | (3,727) | (3,727) |
| Balance at December 31, 2017 | $ - | $ 102,242 | $ 102,242 |

b. Notes receivable and other receivables

As the Group estimated notes receivable and other receivables' recoverable amounts and carrying amounts to be equal, the Group did not recognize an allowance for impairment loss.

## 12. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Finished goods | $ 321,739 | $ 350,654 |
| Work-in-progress | 778,048 | 984,655 |
| Raw materials | 940,135 | 1,330,195 |
| Inventory in transit | 33,406 | 115,352 |
| | $ 2,073,328 | $ 2,780,856 |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 were $8,372,458 thousand and $11,372,959 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included reversal of inventory write-downs of $58,622 thousand and $22,957 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

## 13. SUBSIDIARIES

The subsidiaries included in the consolidated financial statements as of December 31, 2017 and 2016 are listed below. There were no subsidiaries excluded from the consolidated financial statements and no subsidiaries that have material non-controlling interests.

| | | | % of Ownership | | |
|---|---|---|---|---|---|
| | | | December 31 | | |
| Investor | Investee | Nature of Activities | 2017 | 2016 | Remark |
| The Company | Nien Hsing International (B.V.I.) Co., Ltd. | Investment holding company | 100.00 | 100.00 | |
| | Nien Hsing Garment (Ninh Binh) Co., Ltd. | Manufactures jeans | 100.00 | 100.00 | |
| | Nien Hsing International Investment Co., Ltd. | Business investments | 100.00 | 100.00 | |
| | Chih Hsing Garment (Cambodia) Co., Ltd. | Manufactures jeans | 100.00 | 100.00 | Note 26 |
| | Chu Hsing Garment (Cambodia) Co., Ltd. | Manufactures jeans | - | 100.00 | Note 26 |
| | Nien Hsing Garment (Vietnam) Co., Ltd. | Manufactures jeans | - | 100.00 | Note 26 |
| | Alpha Textile (Nicaragua) S.A. | Dyes leisure clothing | - | 100.00 | Note 26 |
| Nien Hsing International (B.V.I.) Co., Ltd. | Nien Hsing International (Bermuda) Ltd. | Investment holding company | 100.00 | 100.00 | |
| | Nien Hsing International (Samoa) Ltd. | Investment holding company | 100.00 | 100.00 | |
| | Phoenix Development & Marketing Co., Ltd. | Sells denim and makes business investments | 100.00 | 100.00 | |
| | C Square Investment Co., Ltd. | Investment holding company; also garment washing industry | - | 77.5 | Note 26 |
| | Foster Capital Management Inc. | Business rental | - | 100.00 | Note 26 |
| Nien Hsing International (Bermuda) Ltd. | Nien Hsing International Victoria Ltd. | Manufactures denims | 99.99 | 99.99 | |
| | Nien Hsing Confeccion Ltd. | Manufactures jeans | 99.99 | 99.99 | |
| Nien Hsing International (Samoa) Ltd. | C&Y Garments (Proprietary) Co., Ltd. | Manufactures jeans | 99.8 | 99.8 | |
| | Nien Hsing International (Lesotho) Ltd. | Manufactures jeans | 100.00 | 100.00 | |
| | Global Garments Co., Ltd. | Manufactures jeans | 100.00 | 100.00 | |
| | Formosa Textile Co., Ltd. | Manufactures denims | 100.00 | 100.00 | |
| C Square Investment Co., Ltd. | C Square Garment Co., Ltd. | Garment washing industry | - | 100.00 | Note 26 |

The financial statements of subsidiaries included in the consolidated financial statements were audited by independent auditors for the years ended December 31, 2017 and 2016.

To reallocate resources, the Group entered into the sale agreement to dispose of subsidiaries on May, 1, 2017; refer to Note 26 for the details.

## 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

**Investments in Associates**

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Associates that are not individually material | $ 258,744 | $ 292,258 |

Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|---|---|---|
| | **2017** | **2016** |
| The Group's share of: | | |
| Profit for the year | $ 66,203 | $ 37,447 |
| Other comprehensive income (loss) | (16,767) | 258 |
| Total comprehensive income for the year | $ 49,436 | $ 37,705 |

Refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

All the associates are accounted for using the equity method.

Except for Wu Hsing International Co., Ltd. and Top Fashion Industrial Co., Ltd., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes that there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of Wu Hsing International Co., Ltd. and Top Fashion Industrial Co., Ltd. that have not been audited.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Carrying amount | | |
| Land and land improvements | $ 245,588 | $ 536,867 |
| Buildings | 804,818 | 1,383,496 |
| Machinery and equipment | 437,303 | 617,319 |
| Transportation equipment | 13,777 | 20,669 |
| Office equipment | 7,767 | 9,037 |
| Miscellaneous equipment | 204,970 | 258,965 |
| Construction in progress | 109,363 | 11,803 |
| | $ 1,823,586 | $ 2,838,156 |

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

| | |
|---|---|
| Land improvements | 3-4 years |
| Buildings | |
| Main buildings | 25-60 years |
| Construction for drain water | 3-20 years |
| Machinery and equipment | 3-11 years |
| Transportation equipment | 2-10 years |
| Office equipment | 2-10 years |
| Miscellaneous equipment | 3-20 years |

For movements of property, plant and equipment for the years ended 2017 and 2016, refer to Table 8. To reallocate resources, the Group disposed of some of the subsidiaries and items of property, plant and equipment on May 1, 2017; refer to Note 26 for the details.

Refer to Note 32 for the carrying amounts of property, plant and equipment pledged by the Group to secure borrowings.

The Company signed trust deeds with related parties for agricultural lots the Company bought under their names, under which both parties agreed to follow the Company's written instructions on the use of these assets and attribute any profits generated from these assets to the Company.

## 16. INVESTMENT PROPERTIES

| | Land | Buildings | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2016 | $ 24,275 | $ - | $ 24,275 |
| Balance at December 31, 2016 | $ 24,275 | $ - | $ 24,275 |
| Accumulated depreciation and impairment | | | |
| Balance at January 1, 2016 | $ - | $ - | $ - |
| Balance at December 31, 2016 | $ 24,275 | $ - | $ 24,275 |
| Carrying amounts at December 31, 2016 | $ 24,275 | $ - | $ 24,275 |
| Cost | | | |
| Balance at January 1, 2017 | $ 24,275 | $ - | $ 24,275 |
| Transferred from property, plant and equipment | 56,009 | 50,738 | 106,747 |
| Balance at December 31, 2017 | $ 80,284 | $ 50,738 | $ 131,022 |

(Continued)

| | Land | Buildings | Total |
|---|---|---|---|
| Accumulated depreciation and impairment | | | |
| Balance at January 1, 2017 | $ - | $ - | $ - |
| Transferred from property, plant and equipment | - | (12,837) | (12,837) |
| Balance at December 31, 2017 | $ - | $ (12,837) | $ (12,837) |
| Carrying amounts at December 31, 2017 | $ 80,284 | $ 37,901 | $ 118,185 |

(Concluded)

As of December 31, 2017 and 2016, the fair values of the investment properties were $288,802 thousand and $44,464 thousand, respectively. The management of the Group used the valuation arrived at based on market evidence of transaction prices for similar properties.

## 17. OTHER INTANGIBLE ASSETS

| | 2017 | 2016 |
|---|---|---|
| Cost | | |
| Balance at January 1 | $ 47,751 | $ 48,730 |
| Disposals | (44,683) | - |
| Effect of foreign currency exchange differences | (3,068) | (979) |
| Balance at December 31 | $ - | $ 47,751 |
| Accumulated amortization and impairment | | |
| Balance at January 1 | $ 38,201 | $ 29,238 |
| Amortization expenses | 3,055 | 9,561 |
| Disposals | (38,726) | - |
| Effect of foreign currency exchange differences | (2,530) | (598) |
| Balance at December 31 | $ - | $ 38,201 |
| Carrying amount at December 31 | $ - | $ 9,550 |

The above items of other intangible assets (technical know-how) were used in the professional washing plant and depreciated on a straight-line basis for 5 years since the beginning of production in 2013. To reallocate resources, the Group disposed of some of the subsidiaries and technical know-how on May, 1, 2017 (refer to Note 26 for the details).

## 18. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Unsecured borrowings | | |
| Line of credit borrowings | $ 1,185,900 | $ 196,406 |
| Interest rate renges | | |
| Unsecured borrowings | | |
| Line of credit borrowings | 0.08%-2.98% | 1.05%-2.23% |

b. Long-term borrowings

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Unsecured borrowings | | |
| Loan of credit borrowings (1) | $ 336,000 | $ 560,000 |
| Loan of credit borrowings (2) | 210,000 | 350,000 |
| | 546,000 | 910,000 |
| Less: Current portions | 364,000 | 364,000 |
| Long-term borrowings | $ 182,000 | $ 546,000 |
| Interest rate renges | | |
| Unsecured borrowings | | |
| Loan of credit borrowings (1) | 1.349% | 1.350% |
| Loan of credit borrowings (2) | 1.349% | 1.350% |

1) On December 11, 2013, a five-year credit line agreement amounting to $800,000 thousand was signed by the Company with CCB. Under this agreement, the Company may repay the principal semi-annually on the fourth year from December 11, 2013, or make a one-time principal repayment at the end of 36 months from the date of the Company's first use of the credit line, which was on April 25, 2014.

2) On December 2, 2013, a five-year credit line agreement amounting to $500,000 thousand was signed by the Company with Hua Nan Bank. Under this agreement, the Company may repay the principal semi-annually on the fourth year from December 11, 2013, or make a one-time principal repayment at the end of 36 months from the date of the Company's first use of the credit line, which was on April 25, 2014.

## 19. NOTES PAYABLE AND TRADE PAYABLES

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Notes payable | $ 138,467 | $ 113,305 |
| Trade payables | $ 344,060 | $ 433,328 |

Both notes payable and trade payables were generated from operating activities.

The average credit period on purchases of certain goods was 30 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 20. OTHER LIABILITIES

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Other payables | | |
| Payables for salaries or bonuses | $ 255,900 | $ 455,923 |
| Payables for fuel and utilities | 25,412 | 36,233 |
| Payables for employees' compensation | 3,423 | 9,050 |
| Payables for annual leave | 14,301 | 16,580 |
| Others | 198,959 | 217,511 |
| | $ 497,995 | $ 735,297 |

## 21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The pension plan policies of subsidiaries based overseas follow local laws, and the subsidiary Nien Hsing International Investment Co., Ltd. has no full-time employees.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 3% (6% from September 2015) 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Present value of defined benefit obligation | $ 345,218 | $ 394,721 |
| Fair value of plan assets | (152,996) | (163,098) |
| Net defined benefit liabilities | $ 192,222 | $ 231,623 |

Movements in net defined benefit liabilities are as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|---|---|---|
| Balance at January 1, 2016 | $ 407,128 | $ (36,793) | $ 370,335 |
| Service cost | | | |
| Current service cost | 6,159 | - | 6,159 |
| Past service cost and gain on settlements | (1,503) | - | (1,503) |
| Net interest expense (income) | 5,043 | (561) | 4,482 |
| Recognized in profit or loss | 9,699 | (561) | 9,138 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (348) | (348) |
| Actuarial (gain) loss - changes in demographic assumptions | 108 | - | 108 |
| Actuarial (gain) loss - changes in financial assumptions | (10,243) | - | (10,243) |
| Recognized in other comprehensive income | (10,135) | (348) | (10,483) |
| Contributions from the employer | - | (137,367) | (137,367) |
| Benefits paid | (11,971) | 11,971 | - |
| Balance at December 31, 2016 | $ 394,721 | $ (163,098) | $ 231,623 |
| Balance at January 1, 2017 | $ 394,721 | $ (163,098) | $ 231,623 |
| Service cost | | | |
| Current service cost | 5,087 | - | 5,087 |
| Past service cost and gain on settlements | (21,218) | - | (21,218) |
| Net interest expense (income) | 4,629 | (2,111) | 2,518 |
| Recognized in profit or loss | (11,502) | (2,111) | (13,613) |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 658 | 658 |
| Actuarial (gain) loss - changes in demographic assumptions | 828 | - | 828 |
| Actuarial (gain) loss - experience adjustments | 4,172 | - | 4,172 |
| Actuarial (gain) loss - changes in financial assumptions | 9,523 | - | 9,523 |
| Recognized in other comprehensive income | 14,523 | 658 | 15,181 |
| Contributions from the employer | - | (32,466) | (32,466) |
| Benefits paid | (49,081) | 43,548 | (5,533) |
| Liabilities extinguished on settlement | (3,443) | 473 | (2,970) |
| Balance at December 31, 2017 | $ 345,218 | $ (152,996) | $ 192,222 |

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 | |
|---|---|---|
| | **2017** | **2016** |
| Operating costs | $ 5,349 | $ 7,581 |
| Selling and marketing expenses | (11,600) | 421 |
| General and administrative expenses | (7,483) | 931 |
| Research and development expenses | 121 | 205 |
| | $ (13,613) | $ 9,138 |

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

1) Investment risk: The plan assets are invested in domestic and foreignequity and debt securities, bank deposits, etc. The investments are conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by the 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 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 are as follows:

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Discount rate | 1.00% | 1.25% |
| Expected rate of salary increase | 2.00% | 2.00% |
| Turnover rate | 0.63% | 0.73% |

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 | |
|---|---|---|
| | **2017** | **2016** |
| Discount rate | | |
| 0.25% increase | $ (9,372) | $ (11,073) |
| 0.25% decrease | $ 9,749 | $ 11,532 |
| Expected rate of salary increase | | |
| 0.25% increase | $ 9,627 | $ 11,417 |
| 0.25% decrease | $ (9,304) | $ (11,020) |
| Turnover rate | | |
| 10% increase | $ (311) | $ (563) |
| 10% decrease | $ 312 | $ 566 |

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 | |
|---|---|---|
| | 2017 | 2016 |
| The expected contributions to the plan for the next year | $ 30,942 | $ 36,028 |
| The average duration of the defined benefit obligation | 10 years | 11 years |

## 22. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Numbers of shares authorized (in thousands) | 600,000 | 600,000 |
| Shares authorized | $ 6,000,000 | $ 6,000,000 |
| Number of shares issued and fully paid (in thousands) | 198,000 | 400,000 |
| Shares issued | $ 1,980,000 | $ 4,000,000 |

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and a right to dividends.

The reduction in capital was resolved in the shareholders' meeting of the Group on June 13, 2017. After the reduction in capital of $2,020,000 thousand, the paid-in capital was $1,980,000 thousand, which was declared effective by the financial supervisory and management committee. The base date of the capital reduction was July 5, 2017 and the registration of the reduction in capital was completed on July 17, 2017. The Group's board of directors resolved that October 5, 2017 was the date of replacement of the old share certificates with new ones as a result of the reduction in capital. The accrued capital returns as a result of a reduction were distributed on October 11, 2017.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Share premiums | $ 89 | $ 89 |
| Treasury share transactions | 5,952 | 5,952 |
| Gain on disposal of property, plant and equipment | 255 | 255 |
| Consolidation excess | 380,471 | 380,471 |
| The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 26,599 | 17,473 |
| Changes in percentage of ownership interest in subsidiaries | 1,194 | 1,194 |
| Others | 5,155 | 5,155 |
| | $ 419,715 | $ 410,589 |

The capital surplus arising from shares issued in excess of par (including share premiumes from the issuance of common shares, consolidation excess, the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, the capital surplus may be distributed as cash dividends, or may be transferred to share capital within a certain percentage of the Company's capital surplus once a year. The capital surplus from the share of changes in equities of subsidiaries may be used to offset a deficit.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, 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 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 distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to employee benefits expense in Note 23(6).

The Company can appropriate all the distributable earnings, taking into account financial, business and operating factors. Appropriations may be in the form of cash dividends or stock dividends, with cash dividends currently preferred because the Company's business is mature. In addition, any stock dividends distributed should not exceed 50% of the total distribution. If the Company has no unappropriated earnings, if earnings appropriable are much less than the prior year's, or if certain financial, business and operating factors need to be considered, the legal reserve may be distributed in accordance with relevant laws or regulations or as requested by the authorities in charge.

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.

Under Order No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

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

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 13, 2017 and June 13, 2016, respectively, are as follows:

| | Appropriation of Earnings For the Year Ended December 31 | | Dividends Per Share (NT$) For the Year Ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Legal reserve | $ 73,274 | $ 67,522 | | |
| Special reserve | 153,448 | - | | |
| Cash dividends | 600,000 | 600,000 | $1.5 | $1.5 |

The appropriations of earnings for 2017 had been proposed by the Company's board of directors on March 23, 2018. The appropriations are follows:

| | Appropriation of Earnings | Dividends Per Share (NT$) |
|---|---|---|
| Legal reserve | $ 261,152 | |
| Cash dividends | 297,000 | $1.5 |

The appropriations from the 2017 earnings, including the bonuses to employees and the remuneration to directors and supervisors, are subject to the approval of the shareholders in the shareholders' meeting which was held on June 12, 2018.

d. Special reserve

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Beginning at January 1 | $ - | $ - |
| Appropriations | 153,448 | - |
| Balance at December 31 | $ 153,448 | $ - |

e. Other equity items

1) Exchange differences on translating foreign operations

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Balance at January 1 | $ (314,321) | $ (202,241) |
| Exchange differences arising on translating the foreign operations | (313,590) | (135,294) |
| Reclassification to profit or loss on the disposal of foreign operations | 90,286 | - |
| Share of exchange difference of associates accounted for using the equity method | (16,767) | 258 |
| Income tax related to gains arising on translation of the net assets of foreign operations | 40,812 | 22,956 |
| Balance at December 31 | $ (513,580) | $ (314,321) |

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Balance at January 1 | $ 160,874 | $ 290,903 |
| Unrealized loss arising on revaluation of available-for-sale financial assets | (61,893) | (130,029) |
| Balance at December 31 | $ 98,981 | $ 160,874 |

Unrealized gains or losses on available-for-sale financial assets represent the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

e. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Balance at January 1 | $ 67,146 | $ 70,750 |
| Attributable to non-controlling interests: | | |
| Share of gain (loss) for the year | 10 | (2,210) |
| Exchange differences arising on the translation of foreign entities | (2,088) | (1,394) |
| The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | (9,126) | - |
| Decrease in non-controlling interests arising from the acquisition of subsidiaries | (55,440) | - |
| Balance at December 31 | $ 502 | $ 67,146 |

## 23. NET PROFIT

Net profit:

a. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Interest income | | |
| Bank deposits | $ 25,955 | $ 10,654 |
| Debt investments with no active market - non-current | 22,564 | 24,736 |
| Compensation revenue | 40,815 | 34,836 |
| Dividends and other investment income (Note 9) | 215,651 | 38,115 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Rental income (Note 31) | $ 2,846 | $ 1,169 |
| Tariff refund income | - | 53,199 |
| Others | 67,107 | 31,433 |
| | $ 374,938 | $ 194,142 |

(Concluded)

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Gain (loss) on disposal of property, plant and equipment | $ 2,291 | $ (7,951) |
| Gain (loss) on disposal of investment | 53,507 | (2,663) |
| Net foreign exchange gain (loss) | (94,365) | 15,858 |
| Net gain (loss) arising on financial assets classified as held for trading | (1,383) | 2,219 |
| Loss on disposal of subsidiaries | (90,286) | - |
| Impairment loss recognized on financial assets | (1,174) | (52,931) |
| Others | (59,876) | (74,731) |
| | $ (191,286) | $ (120,199) |

c. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Interest on bank loans | $ 13,611 | $ 15,746 |
| Others | - | 1 |
| | $ 13,611 | $ 15,747 |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Property, plant and equipment | $ 445,411 | $ 569,462 |
| Long-term prepayments for lease | 1,127 | 1,644 |
| Intangible assets | 3,055 | 9,561 |
| | $ 449,593 | $ 580,667 |
| An analysis of deprecation by function | | |
| Operating costs | $ 432,870 | $ 555,448 |
| Operating expenses | 12,541 | 14,014 |
| | $ 445,411 | $ 569,462 |
| An analysis of amortization by function | | |
| Operating costs | $ 4,182 | $ 11,205 |

e. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Post-employment benefits (see Note 21) | | |
| Defined contribution plans | $ 23,394 | $ 27,661 |
| Defined benefit plans | (13,613) | 9,138 |
| | 9,781 | 36,799 |
| Short-term benefits | 2,319,682 | 3,341,428 |
| | $ 2,329,463 | $ 3,378,227 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 2,016,054 | $ 3,014,718 |
| Operating expenses | 313,409 | 363,509 |
| | $ 2,329,463 | $ 3,378,227 |

Employees' Compensation for 2017 and 2016

The Company accrued employees' compensation at rates higher than 1%, of net profit before income tax. For the years ended December 31, 2017 and 2016, employees' compensation were $3,403 thousand and $9,030 thousand, respectively, based on past experience and present operating conditions.

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.

The bonuses to employees which have been approved by the Company's board of directors in their meetings on March 16, 2017 and March 17, 2016 are as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2016 | 2015 |
| | Cash | Cash |
| Bonuses to employees | $ 9,030 | $ 8,252 |

There was no difference between the actual amounts of employees' compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the bonuses to employees and remuneration of directors and supervisors resolved by the shareholders in their meetings in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Current tax | | |
| In respect of the current year | $ (57) | $ 84,410 |
| Deferred tax | | |
| In respect of the current year | 53,998 | 79,734 |
| Adjustment for prior years | 5,998 | 21,995 |
| Income tax expense recognized in profit or loss | $ 59,939 | $ 186,139 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Profit before tax | $ 341,427 | $ 916,672 |
| Income tax expense calculated at the statutory rate | $ 57,217 | $ 158,047 |
| Nondeductible expenses in determining taxable income | 530 | 6,097 |
| Deferred tax | | |
| Unrecognized temporary difference | (3,806) | - |
| Adjustments for prior years' tax | 5,998 | 21,995 |
| Income tax expense recognized in profit or loss | $ 59,939 | $ 186,139 |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in the ROC. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $58,728 thousand and $80,829 thousand, respectively, in 2018.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Deferred tax | | |
| In respect of the current year: | | |
| Translation of foreign operations | $ (40,812) | $ (22,956) |
| Remeasurement on defined benefit plan | (2,580) | 1,782 |
| | $ (43,392) | $ (21,174) |

c. Current tax liabilities

| | December 31 2017 | December 31 2016 |
|---|---|---|
| Current tax assets | | |
| Tax refund receivable | $ 1,656 | $ - |
| Current tax liabilities | | |
| Income tax payable | $ 4,566 | $ 53,441 |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

| **Deferred Tax Assets** | **Opening Balance** | **Recognized in Profit or Loss** | **Recognized in Other Compreh-ensive Income** | **Others** | **Closing Balance** |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Exchange difference on foreign operations | $ 193,368 | $ (22,567) | $ 40,812 | $ - | $ 211,613 |
| Provisions for pension cost | 34,236 | (8,728) | - | - | 25,508 |
| Allowance for loss of write-down of inventories | 17,352 | (2,759) | - | - | 14,593 |
| Allowance for impairment loss of trade receivables | 8,535 | 5,082 | - | - | 13,617 |
| Defined benefit obligation | 7,080 | - | 2,580 | - | 9,660 |
| Provisions for warranty | 4,149 | (298) | - | - | 3,851 |
| Provisions for onerous contracts | - | 43,961 | - | - | 43,961 |
| Others | 8,158 | 1,828 | - | - | 9,986 |
| | $ 272,878 | $ 16,519 | $ 43,392 | $ - | $ 332,789 |

| **Deferred Tax Liabilities** | **Opening Balance** | **Recognized in Profit or Loss** | **Recognized in Other Compreh-ensive Income** | **Others** | **Closing Balance** |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Share of earnings of subsidiaries | $ (459,455) | $ (70,517) | $ - | $ 71,943 | $ (458,029) |

For the year ended December 31, 2016

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Exchange difference on foreign operations | $ 170,412 | $ - | $ 22,956 | $ 193,368 |
| Provisions for pension cost | 56,035 | (21,799) | - | 34,236 |
| Allowance for loss of write-down of inventories | 13,763 | 3,589 | - | 17,352 |
| Allowance for impairment loss of trade receivables | 4,913 | 3,622 | - | 8,535 |
| Defined benefit obligation | 8,862 | - | (1,782) | 7,080 |
| Provisions for warranty | 4,797 | (648) | - | 4,149 |
| Provisions for onerous contracts | 1,471 | (1,471) | - | - |
| Others | 3,013 | 5,145 | - | 8,158 |
| | $ 263,266 | $ (11,562) | $ 21,174 | $ 272,878 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Share of earnings of subsidiaries | $ (391,283) | $ (68,172) | $ - | $ (459,455) |

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets are as follows:

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Loss carryforwards | | |
| Expiring in 2019 | $ 42,391 | $ 42,391 |
| Expiring in 2020 | 10,086 | 10,086 |
| Expiring in 2023 | 1,722 | 1,722 |
| Expiring in 2024 | 3,037 | 3,956 |
| Expiring in 2026 | 3,958 | 4,211 |
| Expiring in 2027 | 1,256 | - |
| | $ 62,450 | $ 62,366 |
| Deductible temporary differences | | |
| Unrealized investment loss | $ 29,995 | $ 29,762 |

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised:

| Unused Amount | Expiry Year |
|---|---|
| $ 42,391 | 2019 |
| 10,086 | 2020 |
| 1,722 | 2023 |
| 3,037 | 2024 |
| 3,958 | 2026 |
| 259,851 | 2027 |
| $ 321,045 | |

g. Integrated income tax

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Unappropriated earnings | | |
| Generated before January 1, 1998 | $ 360,545 | $ 360,545 |
| Generated on and after January 1, 1998 | 2,471,584 | 3,029,429 |
| | $ 2,832,129 | $ 3,389,974 |
| Shareholder-imputed credit accounts | $ -<br>Note | $ 459,947 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Creditable ratio for distribution of earnings | Note | 15.67% |

According to the revised Article 66-6(1) of the Income Tax Act, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio.

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

h. Income tax assessments

Income tax returns of the Company and Nien Hsing International Investment Co., Ltd. through 2015 had been examined by the tax authorities.

## 25. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Basic earnings per share | $ 0.94 | $ 1.83 |
| Diluted earnings per share | $ 0.94 | $ 1.83 |

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

**Net Profit for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Earnings used in the computation of basic and diluted earnings per share | $ 281,478 | $ 732,743 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 300,384 | 400,000 |
| Effect of potentially dilutive ordinary shares: | | |
| Compensation issued to employees | 126 | 448 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 300,510 | 400,448 |

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

## 26. DISPOSAL OF SUBSIDIARIES

As of March 16, 2017, under the approval of its board of directors, the Group signed the Sale and Purchase Agreement with Texhong Textile Group Limited (stock code 2678 of the Stock Exchange of Hong Kong, hereinafter referred to as “Texhong Company”) to dispose of the following assets (hereinafter referred to as “the assets”) for a total amount of US$53,647 thousand (hereinafter referred to as the “transfer consideration”) to Texhong Company (hereinafter referred to as “the disposal transaction”):

a. 100% equity of Nien Hsing Garment (Vietnam) Co., Ltd.

b. 100% equity of Chu Hsing Garment (Cambodia) Co., Ltd.

c. 100% equity of Alpha Textile (Nicaragua) S.A.

d. 100% equity of C Square Investment Co., Ltd., which was held by the Group’s wholly-owned Nien Hsing International (B.V.I.) Co., Ltd.

e. 100% equity of Foster Capital Management Inc., which was held by Nien Hsing International (B.V.I.) Co., Ltd.

f. The plant and equipment owned by Chih Hsing Garment (Cambodia) Co., Ltd.

g. The net assets and business (including but not limited to inventory, equipment, and trade payables to related parties, etc.) with regard to the business of the Group and the above-mentioned investments (re-investment).

The transfer consideration was based on the book value as of December 31, 2016. However, as indicated in the Sale and Purchase Agreement, the actual transfer consideration was adjusted in line with the unaudited accounts as of April 30, 2017. The transfer consideration amounting to US$63,932 thousand after the adjustment was paid by electronic remittance would be settled in accordance with the stipulation of the agreement. The transaction was completed on May 1, 2017 and the proceeds of the disposal of subsidiaries had been fully collected.

a. Consideration received from the disposal

| | |
|---|---|
| Consideration received in cash and cash equivalents | $ 1,927,554 |
| Related disposal costs | (28,643) |
| Total consideration received | $ 1,898,911 |

b. Analysis of assets and liabilities on the date control was lost

| | The Company | Subsidiaries | Total |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | $ - | $ 28,425 | $ 28,425 |
| Trade receivables | - | 590 | 590 |
| Inventories | 946,228 | 213,059 | 1,159,287 |
| Prepayments | 6,141 | 7,469 | 13,610 |
| Others | 15 | 39,080 | 39,095 |
| Non-current assets | | | |
| Property, plant and equipment | 165 | 790,963 | 791,128 |
| Technical know-how | - | 5,957 | 5,957 |
| Refundable deposits | 472 | 3,188 | 3,660 |
| Long-term prepayments for lease | - | 26,789 | 26,789 |
| Current liabilities | | | |
| Payables | - | (7,920) | (7,920) |
| Other payables | - | (157,284) | (157,284) |
| Others | - | (4,426) | (4,426) |
| Net assets disposed of | $ 953,021 | $ 945,890 | $ 1,898,911 |

c. Loss on disposal of subsidiaries

| | |
|---|---|
| Consideration received | $ 1,898,911 |
| Net assets disposed of | (1,898,911) |
| The reclassification of other comprehensive income in respect of the subsidiaries | (90,286) |
| Loss on disposal | $ (90,286) |

d. Net cash inflow on disposal of subsidiaries and associated net assets

| | |
|---|---|
| Consideration received in cash and cash equivalents | $ 1,927,554 |
| Less: Cash and cash equivalent balances disposed of | (28,425) |
| | $ 1,899,129 |

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On February 20, 2017 the Group acquired a 22.5% interest in C Square Investment Co., Ltd. increasing its continuing interest from 77.5% to 100%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

| | C Square Investment Co., Ltd. |
|---|---|
| Cash consideration received (paid) | $ (55,440) |
| The proportionate share of the carrying amount of the net assets of the subsidiaries transferred to (from) non-controlling interests | 64,566 |
| Differences recognized from equity transactions | $ 9,126 |
| Line items adjusted for equity transactions | |
| Capital surplus - difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | $ 9,126 |

## 28. OPERATING LEASE ARRANGEMENTS

**The Group as Lessor**

Operating leases relate to the leasing of the investment properties owned by the Group with lease terms between 1 to 7 years.

The future minimum lease payments of non-cancellable operating lease are as follows:

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Not later than 1 year | $ 8,077 | $ 958 |
| Later than 1 year and not later than 5 years | 28,319 | 1,241 |
| | $ 36,396 | $ 2,199 |

## 29. 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.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or capital reduced, and/or the amount of new debt issued or existing debt redeemed.

## 30. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values when their fair values cannot be reliably measured.

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

Fair value hierarchy

| | Level 1 | |
|---|---|---|
| | December 31 | |
| | 2017 | 2016 |
| Available-for-sale financial assets | | |
| Securities listed in the ROC | | |
| Equity securities | $ 539,340 | $ 311,338 |

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

c. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Financial assets | | |
| Loans and receivables (1) | $ 4,604,888 | $ 4,746,561 |
| Available-for-sale financial assets (2) | 1,098,009 | 1,655,107 |
| Financial liabilities | | |
| Amortized cost (3) | 2,759,673 | 2,428,681 |

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

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

3) The balances include financial liabilities measured at amortized cost, which comprise short-term and long-term borrowings including the current portion of long-term bank loans, notes and trade payables, payables to related parties, other payables and guarantee deposits received.

d. Financial risk management objectives and policies

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

The Corporate Treasury function, an independent body that monitors risks and policies implemented to mitigate risk exposures, reports quarterly to the Group's risk management committee.

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

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed by adjusting the net position between foreign assets and foreign liabilities and within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposing to foreign currency risk at the end of the reporting period are set out in Note 34.

<u>Sensitivity analysis</u>

The Group was mainly exposed to the U.S. dollar and the Mexican peso.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan 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** | | **PESO** | |
|---|---|---|---|---|
| | **For the Year Ended December 31** | | **For the Year Ended December 31** | |
| | **2017** | **2016** | **2017** | **2016** |
| Profit (loss) | $ 111,462 | $ 92,236 | $ (7,172) | $ (3,416) |

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

| | December 31 | |
|---|---|---|
| | **2017** | **2016** |
| Fair value interest rate risk | | |
| Financial assets | $ 313,821 | $ 352,130 |
| Cash flow interest rate risk | | |
| Financial assets | 2,761,789 | 2,090,870 |
| Financial liabilities | 1,731,900 | 1,106,406 |

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2017 and 2016 would increase/decrease by $2,575 thousand and $2,461 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by $5,393 thousand and $3,113 thousand, respectively.

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. The Group is exposed to credit risk from operating activities, primarily on trade receivables, and from financing activities, primarily on deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business- and financial-related exposures.

Business-related credit risk

To maintain the quality of its accounts receivable, the Group has established management procedures on dealing with credit risks.

Individual customers are assessed for their payment capability, including financial status, aging analysis, historical transactions, etc. In special cases involving individual customers, the Group may enhance its protection against credit risk by requiring advance payment or using credit insurance.

Financial credit risk

The credit risk from bank deposits, fixed income investments and other financial instruments is measured and supervised by the financial department of the Group. The counterparties of the Group are banks with good credit ratings, investment-grade financial institutions, corporations and the government, which have no contract performance risk. Thus, the credit risk is insignificant.

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's current financial liabilities mature within a year and are not required for immediate settlements. The Group's guarantee deposits received under non-current financial liabilities do not have a specific maturity.

## 31. 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. Except for those disclosed in Note 15, the details of transactions between the Group and other related parties are disclosed below.

a. The names and relationships of related parties are as follows:

| Related Party | Relationship with the Group |
|---|---|
| Grand Paper International Ltd. | Associate |
| Hong Yuan Investment Co., Ltd. | Other related party |
| Guozhong Investment Co., Ltd. | Other related party |
| Li Feng Investment Co., Ltd. | Other related party |
| Nuevo Investment Development Co., Ltd. | Other related party |

b. Processing income

| | For the Year Ended December 31 | |
|---|---|---|
| **Related Party Category** | **2017** | **2016** |
| Associates | | |
| Grand Paper International Ltd. | $ 18,337 | $ 16,821 |

The processing income is negotiated based on the required operating costs.

c. Rental income

| Related Party Category | For the Year Ended December 31 2017 | 2016 |
|---|---|---|
| Other related parties | | |
| Hong Yuan Investment Co., Ltd. | $ 26 | $ 26 |
| Guozhong Investment Co., Ltd. | 26 | 26 |
| Li Feng Investment Co., Ltd. | 26 | 26 |
| Nuevo Investment Development Co., Ltd. | 26 | - |
| | $ 104 | $ 78 |

The Group leased operating properties to related parties. The lease prices are referred to the local lease standard and the payments were received monthly.

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

| Related Party Category | December 31 2017 | 2016 |
|---|---|---|
| Associates | | |
| Grand Paper International Ltd. | $ 45,550 | $ 39,901 |

The other payables to related parties include the payment on behalf of others and receipts under custody derived from the operation of related parties.

e. Compensation of key management personnel

| | For the Year Ended December 31 2017 | 2016 |
|---|---|---|
| Short-term employee benefits | $ 33,885 | $ 55,234 |
| Post-employment benefits | (1,714) | 1,383 |
| Termination benefits | 1,752 | - |
| | $ 33,923 | $ 56,617 |

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

## 32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as loan issuance facilities and customs guarantees.

| | December 31 2017 | 2016 |
|---|---|---|
| Property, plant and equipment | $ 232,325 | $ 240,908 |
| Other financial assets - current | 50 | 50 |
| | $ 232,375 | $ 240,958 |

The revolving credit line of a syndicated loan agreement expired in March 2014. However, the Group did not retrieve the above collateral.

## 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2017 and 2016, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $1,140,789 thousand and $1,562,723 thousand, respectively.

As of December 31, 2017 and 2016, the non-cancellable cotton purchase contracts for which the Group has entered into but where the goods have not yet been received are in the amounts of 29,684 thousand pounds and 12,022 thousand pounds, respectively.

## 34. 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 foreign currencies and respective functional currencies are as follows:

The significant financial assets and liabilities denominated in foreign currencies are as follows:

December 31, 2017

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 263 | 12.37 (USD:ZAR) | $ 7,798 |
| USD | 116,503 | 29.68 (USD:NTD) | 3,457,806 |
| USD | 1,247 | 22,425 (USD:VND) | 37,014 |
| PESO | 12 | 0.0507 (PESO:USD) | 17 |
| | | | $ 3,502,635 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 10,821 | 12.37 (USD:ZAR) | $ 321,177 |
| USD | 32,082 | 29.68 (USD:NTD) | 952,199 |
| PESO | 91,784 | 1.50 (PESO:NTD) | 138,034 |
| PESO | 3,601 | 0.0507 (PESO:USD) | 5,415 |
| | | | $ 1,416,825 |

December 31, 2016

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 363 | 13.55 (USD:ZAR) | $ 11,709 |
| USD | 81,938 | 32.22 (USD:NTD) | 2,640,054 |
| USD | 950 | 29.325 (USD:NIC) | 30,619 |
| USD | 7,335 | 22,159 (USD:VND) | 236,336 |
| PESO | 12 | 0.0484 (PESO:USD) | 18 |
| | | | $ 2,918,736 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 10,546 | 13.55 (USD:ZAR) | $ 339,782 |
| USD | 22,672 | 32.22 (USD:NTD) | 730,487 |
| USD | 116 | 29.325 (USD:NIC) | 3,727 |
| PESO | 43,823 | 0.0484 (PESO:USD) | 68,330 |
| | | | $ 1,142,326 |

For the years ended December 31, 2017 and 2016, (realized and unrealized) net foreign exchange (losses) gains were $(94,365) thousand and $15,858 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 and functional currencies of the group entities.

## 35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly-controlled entities). (Table 2)

4) Marketable securities acquired and disposed of at costs or prices at least NT$300 million or 20% of the paid-in capital. (Table 3)

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 6)

11) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (None)

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: (None)

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 period or on the financial position, such as the rendering or receiving of services.

## 36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments are as follows:

- Textile
- Garment

a. Segment revenue and results

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

| | Segment Revenue For the Year Ended December 31 | | Segment Profit For the Year Ended December 31 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Textile segment | | | $ 204,013 | $ 807,054 |
| From external customers | $ 3,779,563 | $ 4,252,291 | | |
| From intersegment sales | 1,103,072 | 1,408,470 | | |
| Garment segment | | | (13,296) | 206,484 |
| From external customers | 5,256,069 | 8,754,278 | | |
| From intersegment sales | | - | | |
| Other segment | | | 1,983 | 3,758 |
| From external customers | 1,372 | 3,280 | | |
| From intersegment sales | - | - | | |
| Elimination | (1,103,072) | (1,408,470) | | |
| Total revenue | $ 9,037,004 | $ 13,009,849 | 192,700 | 1,017,296 |
| Unallocated amount | | | | |
| Administrative cost | | | (137,082) | (141,896) |
| Other shared income (expense) | | | 49,565 | (54,371) |
| Operating income | | | 105,183 | 821,029 |
| Other income | | | 374,938 | 194,142 |
| Other gain and loss | | | (191,286) | (120,199) |
| Financial cost | | | (13,611) | (15,747) |
| Share of profit of associates accounted for using the equity method | | | 66,203 | 37,447 |
| Income before income tax | | | $ 341,427 | $ 916,672 |

The measure of the operating segments' profit or loss is controlled by management.

b. Segment assets and liabilities

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Segment assets | | |
| Textile segment | $ 3,634,682 | $ 4,438,868 |
| Garment segment | 2,235,243 | 3,598,506 |
| Other shared assets | 4,879,796 | 5,113,062 |
| Consolidated total assets | $ 10,749,721 | $ 13,150,436 |

The measure of the Group's operating assets is the assets controlled by management. The measure of operating liabilities is the Group's capital budget and capital demand that are not allocated to individual operating segments. Thus, the operating liabilities are not subject to segment performance evaluation.

c. Other segment information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Depreciation and amortization | | |
| Textile segment | $ 282,128 | $ 308,062 |
| Garment segment | 141,504 | 203,776 |
| Other segment | 25,961 | 68,829 |
| | $ 449,593 | $ 580,667 |

The increase in non-current assets is not reviewed regularly by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Thus, non-current assets are not disclosed in the operating segments.

d. Revenue from major products and services

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Fabric | $ 3,734,682 | $ 4,252,291 |
| Garments | 5,251,485 | 8,754,278 |
| Others | 50,837 | 3,280 |
| | $ 9,037,004 | $ 13,009,849 |

e. Geographical information

The Group operates in three principal geographical areas: Taiwan, America, Africa and other Asian areas. The Group's revenue from external customers by operating location and information about its non-current assets by geographical location are as follows:

| | Revenue from External Customers | | Non-current Assets | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | December 31 | |
| | 2017 | 2016 | 2017 | 2016 |
| Taiwan | $ 8,289,674 | $ 10,145,856 | $ 955,534 | $ 888,143 |
| America | 3,411 | 2,148,907 | 359,762 | 575,761 |
| Africa | 742,547 | 710,965 | 569,945 | 553,831 |
| Other parts of Asia | 1,372 | 4,121 | 146,184 | 962,862 |
| | $ 9,037,004 | $ 13,009,849 | $ 2,031,425 | $ 2,980,597 |

Non-current assets exclude financial instruments, investments accounted for using the equity method, deferred tax assets and refundable deposits.

f. Information regarding major customers

Single customers which contributed 10% or more to the Group’s revenue for 2017 and 2016 are as follows:

| | 2017 Sales Amount | 2016 Sales Amount |
|---|---|---|
| Customer A (Note 1) | $ 1,919,427 | $ 3,282,812 |
| Customer B (Note 2) | 1,789,261 | 2,128,313 |
| Customer C (Note 1) | 1,059,648 | 949,680 |
| Customer D (Note 1) | 1,030,770 | 1,162,944 |
| | $ 5,799,106 | $ 7,523,749 |

Note 1: Revenue from garment segment.

Note 2: Revenue from textile segment.

**TABLE 1**

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| No. | Endorsement/Guarantee Provider | Counterparty | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note B) | Maximum Balance for the Period | Ending Balance | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note B) | 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 | Nature of Relationship (Note A) | | | | | | | | | | |
| 0 | Nien Hsing Textile Co., Ltd. (the "Company") | Phoenix Development & Marketing Co., Ltd. | c | $ 2,175,854 | $ 491,355 | $ 415,520 | $ - | $ - | 5.73 | $ 3,626,424 | Y | N | N |
| | | Nien Hsing International Investment Co., Ltd. | b | 2,175,854 | 400,000 | 300,000 | 153,500 | - | 4.14 | 3,626,424 | Y | N | N |

Notes:

A. The relationship between Posiflex Technology, Inc. and the endorsed/guaranteed entities can be classified into the six following categories.

a. A company with a business relationship.
b. A subsidiary in which over 50% of the ordinary shares are held by the parent company directly.
c. An investee company in which over 50% of the ordinary shares are held directly/indirectly by the Group.
d. A parent company which holds, directly or indirectly through subsidiaries, over 50% of the ordinary shares of Posiflex Technology, Inc.
e. Mutually endorsed companies due to the contractual requirements of commonly contracted work.
f. A company endorsed due to a co-investment agreement. The endorsement percentage of each investor is based on its investment percentage.

B. The maximum total guarantee that the Company may provide is 50% of the carrying value of its net assets, and maximum guarantee for each party is 30% of the carrying value of the Company's net assets.

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2017 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Value | Percentage of Ownership | Fair Value | |
| Nien Hsing Textile Co., Ltd. | Share | | | | | | | |
| | Mycenax Biotech Inc. | - | Available-for-sale financial asset - non-current | 8,262,000 | $ 217,704 | 7.37 | $ 217,704 | Market price |
| | E.SUN Financial Holding Co., Ltd. | - | Available-for-sale financial asset - non-current | 15,770,000 | 298,053 | 0.15 | 298,053 | Market price |
| | UFO Investment Corporation | - | Financial assets carried at cost - non-current | 134,000 | - | 5.00 | - | |
| | Leadray Energy Co., Ltd. | - | Financial assets carried at cost - non-current | 2,532,619 | 15,374 | 6.34 | - | |
| | Der Yang Biotechnology Venture Capital Co., Ltd. | - | Financial assets carried at cost - non-current | 167,808 | 1,678 | 2.22 | - | |
| | Breeze Digital Technology Corp. | - | Financial assets carried at cost - non-current | 147,000 | - | 2.94 | - | |
| Nien Hsing International (BVI) Co., Ltd. | Bond | | | | | | | |
| | RABOBANK NEDERLAND | - | Bond investments with no active market - non-current | 10,000 | 313,821 | - | - | |
| Phoenix Development & Marketing Co., Ltd. | Fund | | | | | | | |
| | Prodigy Strategic Investment Fund XXI Segregated Portfolio | - | Financial assets carried at cost - non-current | 8,509 | 249,937 | - | - | |
| | Share | | | | | | | |
| | Gongwin Biopharm Co., Ltd. | - | Financial assets carried at cost - non-current | 2,482,000 | 58,933 | 2.55 | - | |
| | VeriSilicon Holdings (Cayman Islands) Co., Ltd. | - | Financial assets carried at cost - non-current | 193,547 | 8,917 | 0.23 | - | |
| | DigiMedia Technologies Co., Ltd. | - | Financial assets carried at cost - non-current | 368,532 | - | 0.54 | - | |
| | Thousand Luck Limited | - | Financial assets carried at cost - non-current | 200,000 | - | 1.33 | - | |
| | ALO7 Limited | - | Financial assets carried at cost - non-current | 113,733 | 5,187 | 0.37 | - | |
| | Digital Knowledge World Co., Ltd. | - | Financial assets carried at cost - non-current | 357,140 | 2,226 | 0.26 | - | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2017 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Value | Percentage of Ownership | Fair Value | |
| Nien Hsing International Investment Co., Ltd. | Share | | | | | | | |
| | Mycenax Bigtech Inc. | - | Available-for-sale financial assets - current | 895,000 | $ 23,583 | 0.80 | $ 23,583 | Market price |
| | Imagic Technologies Co., Ltd. | - | Financial assets carried at cost - non-current | 3,400 | - | 0.01 | - | |
| | Igiant Optics Co., Ltd. | - | Financial assets carried at cost - non-current | 4,800 | - | 0.01 | - | |
| | Koatech Technology Corp. | - | Financial assets carried at cost - non-current | 809,280 | 8,221 | 1.59 | - | |
| | Alpha Optical Co., Ltd. | - | Financial assets carried at cost - non-current | 316,123 | 3,528 | 0.70 | - | |
| | Leadray Energy Co., Ltd. | - | Financial assets carried at cost - non-current | 2,910,578 | 17,668 | 7.29 | - | |
| | BioEngine Capital Inc. | - | Financial assets carried at cost - non-current | 15,000,000 | 150,000 | 5.26 | - | |
| | BioGend Therapeutics Co., Ltd. | - | Financial assets carried at cost - non-current | 3,700,000 | 37,000 | 6.64 | - | |

Note: For related information on the investment of subsidiaries, associates and joint ventures, refer to Table 7.

(Concluded)

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2017**
**(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 | Adjustment | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| Nien Hsing Textile Co., Ltd. | Chu Hsing Garment (Cambodia) Co, Ltd. | Equity-method investee | Texhong Textile Group Limited | - | 14,000 | $ 421,289 | - | $ - | $ (41,615) (Note A) | 14,000 | $ 378,418 (Note B) | $ 378,418 | $ (1,256) (Note C) | - | $ - |
| Phoenix Development & Marketing Co., Ltd. | PHM Asia Holding Corporation | Financial assets carried at cost | - | - | 3,758,698 | 644,400 | - | - | (41,200) (Note D) | 3,758,098 | 603,200 | 603,200 | - | - | - |

Note A: Gain on investee accounted for using the equity method and effects of exchange rate changes.

Note B: Related costs of $16,582 thousand dollars has been deducted from the selling price.

Note C: Due to exchange differences on translating foreign operations.

Note D: The exchange differences upon translation of the U.S. dollar.

**TABLE 4**

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| Buyer | Related Party | Relationship | Transaction/Item Details | | | | Abnormal Transaction | | Notes/Trade Payables or Receivables | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/Sale/ Processing Expense | Amount | % to Total (Note C) | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Nien Hsing Textile Co., Ltd. | Formosa Textile Co., Ltd. | Subsidiary | Sale | $ (724,210) | (8) | Note B | - | Note B | $ 187,611 | 11 | |
| | Formosa Textile Co., Ltd. | Subsidiary | Processing expense | 436,976 | 11 | Note A | Note A | Note A | - | - | |
| | Nien Hsing International Victoria Ltd. | Subsidiary | Processing expense | 490,050 | 12 | Note A | Note A | Note A | (138,034) | (11) | |
| | Nien Hsing Garment (Vietnam) Co., Ltd | Subsidiary | Processing expense | 248,342 | 6 | Note A | Note A | Note A | - | - | Note E |
| | Nien Hsing Garment (Ninh Binh) Co., Ltd. | Subsidiary | Processing expense | 610,489 | 15 | Note A | Note A | Note A | (34,858) | (3) | |
| | Chu Hsing Garment (Cambodia) Co., Ltd. | Subsidiary | Processing expense | 216,398 | 5 | Note A | Note A | Note A | - | - | Note E |
| | C&Y Garments | Subsidiary | Processing expense | 327,622 | 8 | Note A | Note A | Note A | - | - | |
| | Nien Hsing International (Lesotho) Co., Ltd. | Subsidiary | Processing expense | 367,585 | 9 | Note A | Note A | Note A | - | - | |
| | Global Garment Co., Ltd | Subsidiary | Processing expense | 357,892 | 9 | Note A | Note A | Note A | - | - | |
| Formosa Textile Co., Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | Purchase | 724,210 | 100 | Note B | - | Note B | (187,612) | (77) | |
| | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (436,976) | (96) | Note A | Note A | Note A | - | - | |
| Nien Hsing Garment (Vietnam) Co., Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (248,342) | (100) | Note A | Note A | Note A | - | - | Note E |
| Nien Hsing Garment (Ninh Binh) Co., Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (610,489) | (100) | Note A | Note A | Note A | 34,858 | 100 | |
| Chu Hsing Garment (Cambodia) Co., Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (216,398) | (100) | Note A | Note A | Note A | - | - | Note E |
| C&Y Garments | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (327,622) | (100) | Note A | Note A | Note A | - | - | |
| Nien Hsing International (Lesotho) Co., Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (367,585) | (100) | Note A | Note A | Note A | - | - | |
| Global Garment Co., Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (357,892) | (99) | Note A | Note A | Note A | - | - | |
| Nien Hsing International Victoria Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | Processing income | (490,050) | (100) | Note A | Note A | Note A | 138,034 | 4 | |

Notes:

A. Processing fees charged by subsidiaries were based on operating cost; subsidiaries made payments depending on their financial condition.

B. Payments were made in cash upon demand.

C. Processing expense was calculated as a percentage to the sum of manufacturing expense and direct labor.

D. The accounts were eliminated when the consolidated financial statements were prepared.

E. After the Company sold all of its equity on May 1, 2017, it lost control and was no longer a related party.

TABLE 5

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Ending Balance (Notes A and B) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | |
| Nien Hsing Textile Co., Ltd. | Formosa Textile Co., Ltd. | Subsidiary | $ 187,611 | Note A | $ - | - | $ 69,635 | $ - |
| Nien Hsing International Victoria Ltd. | Nien Hsing Textile Co., Ltd. | Parent company | 138,034 | Note A | - | - | 71,613 | - |
| Nien Hsing International (BVI) Co., Ltd. | Nien Hsing Textile Co., Ltd | Parent company | 424,263 | Note B | - | - | - | - |

Notes:

A: Payments were made upon request.

B. Collections of disposal of subsidiaries.

C: The accounts were eliminated when the consolidated financial statements were prepared.

**TABLE 6**

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| No. | Investee Company | Counterparty | Relationship (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount (Note E) | Payment Terms | % to Total Sales or Assets |
| 0 | Nien Hsing Textile Co., Ltd. | Formosa Textile Co., Ltd. | a | Sales revenue | $ 724,210 | Note B | 8 |
| | | Formosa Textile Co., Ltd. | a | Receivable from related parties | 187,611 | Note B | 2 |
| | | Phoenix Development & Marketing Co., Ltd. | a | Service revenue | 35,510 | Note B | - |
| | | Nien Hsing International Investment Co., Ltd. | a | Rent income | 25 | Note D | - |
| | | Nien Hsing International Investment Co., Ltd. | a | Receivable from related parties | 81 | Note B | - |
| | | Nien Hsing International (Lesotho) Co., Ltd. | a | Sales revenue | 30,772 | Note B | - |
| | | Nien Hsing International (Lesotho) Co., Ltd. | a | Receivable from related parties | 23,113 | Note B | - |
| | | Global Garment Co., Ltd. | a | Receivable from related parties | 47,841 | Note B | - |
| | | Nien Hsing International (Samoa) Ltd. | a | Receivable from related parties | 81,783 | Note B | 1 |
| | | C&Y Garments | a | Receivable from related parties | 62,611 | Note B | 1 |
| 1 | Chu Hsing Garment (Cambodia) Co., Ltd. (Note F) | Nien Hsing Textile Co., Ltd. | b | Processing income | 216,398 | Note C | 2 |
| 2 | Nien Hsing Garment (Vietnam) Co., Ltd. (Note F) | Nien Hsing Textile Co., Ltd. | b | Processing income | 248,342 | Note C | 3 |
| 3 | Nien Hsing Garment (Ninh Binh) Co., Ltd. | Nien Hsing Textile Co., Ltd. | b | Processing income | 610,489 | Note C | 7 |
| | | Nien Hsing Textile Co., Ltd. | b | Receivable from related parties | 34,858 | Note B | - |
| 4 | Alpha Textile (Nicaragua) S.A. (Note F) | Nien Hsing Textile Co., Ltd. | b | Processing income | 62,182 | Note C | 1 |
| 5 | Nien Hsing International Victoria Ltd. | Nien Hsing Textile Co., Ltd. | b | Processing income | 490,050 | Note C | 5 |
| | | Nien Hsing Textile Co., Ltd. | b | Receivable from related parties | 138,034 | Note B | 1 |
| | | Phoenix Development & Marketing Co., Ltd. | c | Receivable from related parties | 5,415 | Note B | - |
| | | Nien Hsing Confeccion Ltd. | c | Receivable from related parties | 9,957 | Note B | - |
| 6 | Nien Hsing International (BVI) Co., Ltd. | Nien Hsing Textile Co., Ltd. | b | Receivable from related parties | 424,263 | Note B | 4 |
| 7 | Nien Hsing International (Samoa) Ltd. | Nien Hsing Textile Co., Ltd. | b | Rent income | 94,604 | Note D | 1 |
| 8 | C&Y Garments | Nien Hsing Textile Co., Ltd. | b | Processing income | 327,622 | Note C | 4 |
| | | Nien Hsing International (Lesotho) Co., Ltd. | c | Processing income | 515 | Note C | - |
| | | Global Garment Co., Ltd. | c | Processing income | 430 | Note C | - |
| 9 | Nien Hsing International (Lesotho) Co., Ltd. | Nien Hsing Textile Co., Ltd. | b | Processing income | 367,585 | Note C | 4 |
| | | C&Y Garments | c | Receivable from related parties | 58 | Note B | - |
| | | Global Garment Co., Ltd. | c | Processing income | 306 | Note C | - |
| | | Global Garment Co., Ltd. | c | Receivable from related parties | 105 | Note B | - |

(Continued)

| No. | Investee Company | Counterparty | Relationship (Note A) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount (Note E) | Payment Terms | % to Total Sales or Assets |
| 10 | Global Garment Co., Ltd. | Nien Hsing Textile Co., Ltd. | b | Processing income | $ 357,892 | Note C | 4 |
| | | Nien Hsing International (Lesotho) Co., Ltd. | c | Processing income | 2,401 | Note C | - |
| | | Formosa Textile Co., Ltd. | c | Receivable from related parties | 9,924 | Note B | - |
| | | C&Y Garments | c | Receivable from related parties | 251 | Note B | - |
| 11 | Formosa Textile Co., Ltd. | Nien Hsing Textile Co., Ltd. | b | Processing income | 436,976 | Note C | 5 |
| | | C&Y Garments | c | Receivable from related parties | 1,297 | Note B | - |
| | | Nien Hsing International (Lesotho) Co., Ltd. | c | Receivable from related parties | 1,763 | Note B | - |
| | | Nien Hsing International (Samoa) Co., Ltd. | c | Receivable from related parties | 312 | Note B | - |
| 12 | Phoenix Development & Marketing Co., Ltd. | Nien Hsing Textile Co., Ltd. | b | Rent income | 92,157 | Note D | 1 |
| | | Nien Hsing Textile Co., Ltd. | b | Receivable from related parties | 87,416 | Note B | 1 |
| 13 | C Square Garment Co., Ltd. (Note F) | Chu Hsing Garment (Cambodia) Co., Ltd. (Note F) | c | Processing income | 88,243 | Note C | 1 |
| 14 | Chih Hsing Garment (Cambodia) Co., Ltd. | Nien Hsing Textile Co., Ltd. | b | Receivable from related parties | 74,689 | Note B | 1 |

Note A: Flow of transaction:

a. From parent company to subsidiary
b. From subsidiary to parent company
c. Between subsidiaries

Note B: Collection of receivables is based on the related parties' cash requirements.

Note C: Processing incomes charged by subsidiaries were based on operating costs; subsidiaries made payments depending on their financial condition.

Note D: Related-party transactions had no significant differences from third-party transactions.

Note E: The accounts were eliminated when consolidated financial statements were prepared.

Note F: After the Group sold all its shares on May 1, 2017, it lost control and was no longer a related party. Therefore, the transaction only included the period from January 1, 2017 to April 30, 2017.

(Concluded)

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**
**FOR THE YEAR ENDED DECEMBER 31, 2017**
**(In Thousands of New Taiwan Dollars)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2017 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note (Relationship of Investee to Investor) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2017 | December 31, 2016 | Shares | Percentage of Ownership % | Carrying Value | | | |
| Nien Hsing Textile Co., Ltd. (the "Company") | Nien Hsing International (BVI) Co., Ltd. | Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands | Investment holding company | $ 1,016,508 | $ 2,090,873 | 56,350 | 100.00 | $ 3,264,364 | $ 465,468 | $ 465,468 | Subsidiary |
| | Nien Hsing Garment (Ninh Binh) Co., Ltd. | Ninh Phuc Industrial Zone, Ninh Binh City, Ninh Binh Province, Vietnam | Manufactures jeans | 714,092 | 714,092 | - | 100.00 | 178,865 | (27,286) | (27,286) | Subsidiary |
| | Nien Hsing Garment (Vietnam) Co., Ltd. | Rd. TRAN THI DUNG, Phuc khanh Industrial Park, Thai Binh City, Thai Binh Province. Viet Nam | Manufactures jeans | - | 597,121 | - | - | - | 10,233 | 10,233 | Note B |
| | Alpha Textile (Nicaragua) S.A. | Km 15 1/2 Carretera Nueva a L'eon, Los Brasiles, Managua | Dyes leisure clothing | - | 209,254 | - | - | - | (13,043) | (13,043) | Note B |
| | Chu Hsing Garment (Cambodia) Co., Ltd. | Road 6A; Phum Khtor; Sangkat Prek Leap; Russey Keo District; Phnom Penh; Kingdom of Cambodia | Manufactures jeans | - | 288,801 | - | - | - | (15,781) | (15,781) | Note B |
| | Chih Hsing Garment (Cambodia) Co., Ltd. | Road 6A; Phum Khtor; Sangkat Prek Leap; Russey Keo District; Phnom Penh; Kingdom of Cambodia | Manufactures jeans | 133,641 | 133,641 | 4,500 | 100.00 | 76,019 | (5,894) | (5,894) | Subsidiary |
| | Nien Hsing International Investment Co., Ltd. | 12F-2, No. 308, Neihu Rd., Sec. 1, Neihu Dist., Taipei City, Taiwan 114, R.O.C. | Business investment | 20,000 | 20,000 | 9,722,833 | 100.00 | 87,496 | (2,813) | (2,813) | Subsidiary |
| | China International Investment Co., Ltd. | 25F, No. 97 Dunhua S. Rd., Sec. 2, Da-an Taipei, Taiwan 106, R.O.C. | Business Investment | 819 | 819 | 81,850 | 22.42 | 7,426 | (1,345) | (302) | Equity-method investee |
| | Wu Hsing International Co., Ltd. | No. 97, Ln. 297, Yuanguan Rd., Nuannuan Dist., Keelung City 205, Taiwan, R.O.C. | Purchases and sells raw material, supplies and jeans | 4,500 | 4,500 | 450,000 | 30.00 | - | - | - | Equity-method investee |
| Nien Hsing International (BVI) Co., Ltd. | Nien Hsing International (Bermuda) Ltd. | Canon's Court, 22 Victoria Street, Hamilton Hm12, Bermuda | Investment holding company | 538,101 | 538,101 | 29,400 | 100.00 | 421,851 | 29,116 | 29,116 | Subsidiary |
| | Nien Hsing International (Samoa) Ltd. | 2nd Floor, Building B, SNPF Plaza, Saralalo, Apia, Samoa | Investment holding company | 987,858 | 1,125,996 | 34,900,000 | 100.00 | 487,548 | 45,574 | 45,574 | Subsidiary |
| | Phoenix Development & Marketing Co., Ltd. | 2nd Floor, Building B, SNPF Plaza, Saralalo, Apia, Samoa | Sells denims and makes business investments | 102,692 | 1,442,492 | 10,000,000 | 100.00 | 1,454,867 | 402,509 | 402,509 | Subsidiary |
| | Foster Capital Management Inc. | 2nd Floor, Building B, SNPF Plaza, Saralalo, Apia, Samoa | Business rental | - | 149,703 | - | - | - | (13) | (13) | Note B |
| | C Square Investment Co., Ltd. | 2nd Floor, Building B, SNPF Plaza, Saralalo, Apia, Samoa | Investment holding company | - | 291,054 | - | - | - | (818) | (818) | Note B |
| C Square Investment Co., Ltd. | C Square Garment Co., Ltd. | Road 6a; Phum Khtor; Sangkat Prek Leap; Russey Keo District; Phnom Penh; Kingdom of Cambodia | Garment washing industry | - | 331,323 | - | - | - | 2,261 | 2,261 | Note B |
| Nien Hsing International (Bermuda) Ltd. | Nien Hsing International Victoria Ltd. | Libramiento Naciones Unidas Km. 20, Esquina Con Carretera a Soto La Marina Km. 5.5 S/N Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. 87130 | Manufactures denims | 636,161 | 636,161 | 47,410 | 99.99 | 427,351 | 29,677 | 29,677 | Subsidiary |
| | Nien Hsing Confeccion Ltd. | Libramiento Naciones Unidas Km. 20, Esquina Con Carretera a Soto La Marina Km. 5.5 S/N Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. 87130 | Manufactures jeans | 30,021 | 30,021 | 26 | 99.99 | (9,085) | (7) | (7) | Subsidiary |
| Nien Hsing International (Samoa) Ltd. | C&Y Garments | Site No. 7D Thetsane Industrial Area Maseru 100. Lesotho | Manufactures jeans | 105,226 | 105,226 | 99,800 | 99.80 | 46,267 | 5,144 | 5,134 | Subsidiary |
| | Nien Hsing International (Lesotho) Co., Ltd. | Site No. 009 Thetsane Industrial Area Maseru 100. Lesotho | Manufactures jeans | 10,562 | 10,562 | 200,000 | 100.00 | 90,373 | 11,524 | 11,524 | Subsidiary |
| | Global Garments Co., Ltd. | Site No. 12293-827 Thetsane Industrial Area. Maseru 100, Lesotho | Manufactures jeans | 150,535 | 150,535 | 100,000 | 100.00 | 108,709 | 10,857 | 10,857 | Subsidiary |
| | Formosa Textile Co., Ltd. | 827 Thetsane Industrial Area, Maseru 100. Lesotho | Manufactures denims | 280,856 | 280,856 | 100,000 | 100.00 | 142,285 | 18,098 | 18,098 | Subsidiary |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2017 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note (Relationship of Investee to Investor) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2017 | December 31, 2016 | Shares | Percentage of Ownership % | Carrying Value | | | |
| Phoenix Development & Marketing Co., Ltd. | Grand Paper International Ltd. | Private Bag A438 Maseru 100 Lesotho | Manufactures and sells cartons | $ 37,713 | $ 37,713 | 1,110,000 | 37.00 | $ 45,219 | $ 29,312 | $ 10,845 | Equity-method investee |
| | C&D Capital Corp. | OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands | Business investment | 75,965 | 82,571 | 2,340,839 | 22.42 | 84,570 | 236,135 | 52,953 | Equity-method investee |
| | C&D Capital II Corp. | OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands | Business investment | 128,264 | 128,264 | 4,005,000 | 28.74 | 121,529 | 9,417 | 2,707 | Equity-method investee |
| | Top Fashion Industrial Co., Ltd. | P.O. Box 3321, (Sealight House), Road Town, Tortola, British Virgin Islands | Purchases and sells raw material, supplies and jeans | 14,644 | 14,644 | 450,000 | 30.00 | - | - | - | Equity-method investee |

Note A: The accounts were eliminated when the consolidated financial statements were prepared.

Note B: Nien Hsing Textile Co., Ltd. sold the equity to Texhong Textile Group Limited on May 1, 2017 based on the book value of the Company on April 30, 2017, and disclosed the Company’s current profit and loss from January 1 to April 30, 2017.

(Concluded)

**TABLE 8**

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**
**(In Thousands of New Taiwan Dollars)**

| | Land | Land Improvements | Buildings | Machinery and Equipment | Transportation Equipment | Office Equipment | Miscellaneous Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance at January 1, 2016 | $ 545,381 | $ 1,516 | $ 3,122,870 | $ 5,576,459 | $ 68,355 | $ 71,430 | $ 1,713,762 | $ 3,532 | $ 11,103,305 |
| Additions | 606 | - | 9,683 | 43,277 | 3,355 | 4,149 | 20,068 | 22,662 | 103,800 |
| Disposals | - | - | - | (271,015) | (6,312) | (179) | (483,886) | - | (761,392) |
| Reclassification | - | - | 9,729 | 227,635 | 2,029 | 2,913 | 182,200 | (13,877) | 410,629 |
| Effect of foreign currency exchange differences | (9,120) | - | (62,877) | (50,959) | 946 | (696) | (26,618) | (514) | (149,838) |
| Balance at December 31, 2016 | $ 536,867 | $ 1,516 | $ 3,079,405 | $ 5,525,397 | $ 68,373 | $ 77,617 | $ 1,405,526 | $ 11,803 | $ 10,706,504 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2016 | $ - | $ 1,516 | $ 1,548,924 | $ 5,044,269 | $ 43,177 | $ 65,268 | $ 1,467,647 | $ - | $ 8,170,801 |
| Disposals | - | - | - | (263,902) | (4,010) | (179) | (482,803) | - | (750,894) |
| Depreciation expense | - | - | 188,435 | 183,687 | 8,122 | 4,297 | 184,921 | - | 569,462 |
| Effect of foreign currency exchange differences | - | - | (41,450) | (55,976) | 415 | (806) | (23,204) | - | (121,021) |
| Balance at December 31, 2016 | $ - | $ 1,516 | $ 1,695,909 | $ 4,908,078 | $ 47,704 | $ 68,580 | $ 1,146,561 | $ - | $ 7,868,348 |
| Carrying amounts at December 31, 2016 | $ 536,867 | $ - | $ 1,383,496 | $ 617,319 | $ 20,669 | $ 9,037 | $ 258,965 | $ 11,803 | $ 2,838,156 |
| Cost | | | | | | | | | |
| Balance at January 1, 2017 | $ 536,867 | $ 1,516 | $ 3,079,405 | $ 5,525,397 | $ 68,373 | $ 77,617 | $ 1,405,526 | $ 11,803 | $ 10,706,504 |
| Additions | - | - | 9,152 | 49,223 | 7,628 | 1,816 | 18,610 | 135,375 | 221,804 |
| Disposals | - | - | - | (21,539) | (7,877) | (9,687) | (133,471) | - | (172,574) |
| Disposal subsidiaries | (223,243) | - | (957,217) | (627,338) | (14,491) | (10,344) | (101,723) | - | (1,934,356) |
| Reclassification | - | - | 37,767 | 72,137 | - | 1,269 | 132,463 | (36,778) | 206,858 |
| Reclassified to investment properties | (56,009) | - | (50,738) | - | - | - | - | - | (106,747) |
| Effect of foreign currency exchange differences | (12,027) | - | (94,429) | (298,810) | (1,031) | (2,620) | (60,341) | (1,037) | (470,295) |
| Balance at December 31, 2017 | $ 245,588 | $ 1,516 | $ 2,023,940 | $ 4,699,070 | $ 52,602 | $ 58,051 | $ 1,261,064 | $ 109,363 | $ 8,451,194 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2017 | $ - | $ 1,516 | $ 1,695,909 | $ 4,908,078 | $ 47,704 | $ 68,580 | $ 1,146,561 | $ - | $ 7,868,348 |
| Disposals | - | - | - | (7,556) | (3,145) | (9,521) | (133,305) | - | (153,527) |
| Disposal subsidiaries | - | - | (536,059) | (504,086) | (11,370) | (9,914) | (81,799) | - | (1,143,228) |
| Depreciation expense | - | - | 129,142 | 134,782 | 6,274 | 3,610 | 171,603 | - | 445,411 |
| Reclassified to investment properties | - | - | (12,837) | - | - | - | - | - | (12,837) |
| Effect of foreign currency exchange differences | - | - | (57,033) | (269,451) | (638) | (2,471) | (46,966) | - | (376,559) |
| Balance at December 31, 2017 | $ - | $ 1,516 | $ 1,219,122 | $ 4,261,767 | $ 38,825 | $ 50,284 | $ 1,056,094 | $ - | $ 6,627,608 |
| Carrying amounts at January 1, 2017 | $ 536,867 | $ - | $ 1,383,496 | $ 617,319 | $ 20,669 | $ 9,037 | $ 258,965 | $ 11,083 | $ 2,838,156 |
| Carrying amounts at December 31, 2017 | $ 245,588 | $ - | $ 804,818 | $ 437,303 | $ 13,777 | $ 7,767 | $ 204,970 | $ 109,363 | $ 1,823,586 |