TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

TAINAN SPINNING CO., LTD
Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Tainan Spinning Co., Ltd. (the "Consolidated FS of the Affiliates"), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2018 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the Consolidated Financial Statements of Tainan Spinning Co., Ltd. and its subsidiaries (the "Consolidated FS of the Group") in accordance with International Financial Reporting Standard 10. In addition the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Tainan Spinning Co., Ltd. does not prepare a separate set of Consolidated FS of Affiliates.

Hereby declare

Hou Po-Ming, Chairman
TAINAN SPINNING CO., LTD
March 18, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of Tainan Spinning Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Tainan Spinning Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to Other matter section of our report) , the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Cut-off of operating revenue from exports sales

Description

The Group's sales revenue is mainly from manufacturing and sale of textile products, woven textile products, and synthetic fiber materials, and export sales is significant to the Group. Refer to Note 4(27) for the accounting policies on revenue recognition. Sales revenue is recognised based on the terms and transaction of contracts, and is recognised when the significant risk and rewards of ownership have been transferred to the customer. In order to make sure that the significant risks and rewards of ownership is transferred to the customer, a manual process and judgement are essential. As export sales involve manual process, daily transaction amounts are significant, timing of revenue recognition may not be in the proper period, and the transaction amounts around balance sheet date are material, we consider the cut-off of export sales revenue a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

A. We obtained an understanding and evaluated the accounting policies of revenue recognition.
B. We obtained an understanding and evaluated the effectiveness of internal controls relevant to cut-off of revenue, and tested the internal controls of goods delivery and customer billing process.
C. We selected samples from details of export sales revenue around the balance sheet date, and performed cut-off tests on a sampling basis to evaluate that sales revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer.

Inventory valuation

Description

Refer to Note 4(9) for accounting policy on inventory valuation, and Note 5(2) for the accounting estimates and assumption uncertainty in relation to inventory valuation. As of December 31, 2018, the balances of inventories and allowance for inventory valuation losses were NT$6,596,560 thousands and NT$175,672 thousands, respectively.

The Group's primary businesses are the manufacturing, processing, and sale of textile products, woven textile products, and synthetic fiber materials. Due to the constant innovation of textile technologies, there is risk of inventory valuation losses or obsolescence. The Group measures its inventories at the lower of cost and net realizable value. For inventories aged over a certain period, the net realizable value was calculated based on the inventory clearance and historical data of discounts. The allowance for valuation loss mainly arises from individually identified obsolete inventories. As the basis for individual recognition of inventory obsolescence involves subjective judgment resulting in high degree of estimation uncertainty, and considering that the Group's inventory and the allowance for inventory valuation losses were material to the financial statements, we identified the inventory valuation losses a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

A. We assess the reasonableness of policies and procedures on allowance for inventory valuation losses.
B. We verified whether the date used in the inventory aging reports that the Company applied to value inventories were appropriate in order to confirm that the reported information was in line with the Group's policies.
C. We selected samples from inventory items by each sequence number to verify its net realizable value and to evaluate the reasonableness of allowance for inventory valuation loss.

Other matter – Reference to the audits of other independent accountants

We did not audit the financial statements of the investee companies listed in the Group's consolidated financial statement using equity method including Howard Beach Resort Kenting Co., Ltd., T. G. I. Co., Ltd. and Nantai Royal Co., Ltd.. The financial statements of the investee companies not audited by other independent accountants. Therefore, our opinion on the balances in the accompanying consolidated financial statements were based on the reports of the other independent accountants. As of December 31, 2018 and 2017, the balance of these investments accounted for using the equity method was NT$222,395 thousands and NT$213,376 thousands, respectively, both accounting for 0.5% of the total consolidated asset, and the share of profit (loss) of associates and joint ventures accounted for under the equity method were NT($10,347) thousands and NT($86) housands, accounting for (1.87%) and (0.02%) of the total consolidated comprehensive income, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Tainan Spinning Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin Tzu-Shu

Independent Accountants

Liu Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 18, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

TAINAN SPINNING CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,080,048	7	$ 2,946,875	7
1110	Financial assets at fair value through profit or loss - current	6(2) and 12	58,057	-	61,964	-
1150	Notes receivable, net	6(3)	409,878	1	362,252	1
1170	Accounts receivable, net	6(3)(4) and 12	1,625,791	4	1,675,378	4
1200	Other receivables		172,284	-	185,833	-
1220	Current income tax assets	6(25)	199,205	-	223,173	1
130X	Inventories	5(2) and 6(5)	6,420,888	15	4,962,660	12
1410	Prepayments		166,351	-	115,385	-
1476	Other financial assets - current	6(1)	1,611	-	1,546	-
11XX	**Total current assets**		12,134,113	27	10,535,066	25
	Non-current assets					
1510	Non-current financial assets at fair value through profit or loss	6(2)	103,275	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income	3(1), 5(2), 6(6) and 12	3,732,177	9	-	-
1523	Available-for-sale financial assets - non-current	3(1) and 12	-	-	2,690,116	6
1543	Financial assets carried at cost - non-current	3(1) and 12	-	-	1,586,783	4
1550	Investments accounted for under equity method	3(1), 6(7) and 7	2,414,045	6	2,119,056	5
1600	Property, plant and equipment	6(8)(10) and 8	19,160,976	43	18,149,954	42
1760	Investment property - net	6(9)(10) and 8	5,948,410	14	5,977,016	14
1780	Intangible assets		3,199	-	4,482	-
1840	Deferred income tax assets	6(25)	108,190	-	86,983	-
1915	Prepayments for equipment	6(8)	378,204	1	1,486,175	4
1920	Guarantee deposits paid		7,095	-	9,732	-
1985	Long-term prepaid rents		155,340	-	158,366	-
1990	Other non-current assets, others		6,484	-	6,095	-
15XX	**Total non-current assets**		32,017,395	73	32,274,758	75
1XXX	**Total assets**		$ 44,151,508	100	$ 42,809,824	100

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TAINAN SPINNING CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)(30) and 8	$ 6,162,185	14	$ 5,678,338	13
2110	Short-term notes and bills payable	6(12)(30)	1,020,000	2	400,000	1
2130	Current contract liabilities	6(19) and 12	256,818	1	-	-
2150	Notes payable		63,400	-	75,267	-
2170	Accounts payable		2,097,686	5	1,949,361	5
2200	Other payables		1,059,566	1	917,781	2
2230	Current income tax liabilities	6(25)	24,540	-	134,036	-
2310	Advance receipts	3(1) and 6(19)	27,661	(1)	295,363	1
2320	Long-term liabilities, current portion	6(13)(30) and 8	452,197	1	517,857	1
2399	Other current liabilities, others	3(1)	16,848	1	14,816	-
21XX	**Total current liabilities**		11,180,901	24	9,982,819	23
	Non-current liabilities					
2540	Long-term borrowings	6(13)(30) and 8	3,482,449	8	3,281,905	8
2570	Deferred income tax liabilities	6(25)	4,079,409	9	4,020,068	9
2640	Accrued pension liabilities	6(14)	202,879	1	322,985	1
2645	Guarantee deposits received	6(30)	63,050	1	62,470	-
2670	Other non-current liabilities, others		10,500	-	10,486	-
25XX	**Total non-current liabilities**		7,838,287	19	7,697,914	18
2XXX	**Total Liabilities**		19,019,188	43	17,680,733	41
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(15)	16,568,159	38	16,568,159	39
3200	**Capital surplus**	6(16)(27)	64,650	-	64,650	-
	Retained earnings	3(1) and 6(17)				
3310	Legal reserve		2,376,843	5	2,301,620	5
3320	Special reserve		4,407,479	10	4,407,479	10
3350	Unappropriated retained earnings		2,058,296	5	1,250,414	3
3400	**Other equity interest**	3(1) and 6(18)	(496,940)	(1)	378,309	1
31XX	**Total equity attributable to owners of the parent**		24,978,487	57	24,970,631	58
36XX	**Non-controlling interest**	3(1) and 6(27)	153,833	-	158,460	1
3XXX	**Total equity**		25,132,320	57	25,129,091	59
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 44,151,508	100	$ 42,809,824	100

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

TAINAN SPINNING CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Sales revenue**	6(9)(19)(28), 7 and 12	$ 24,946,094	100	$ 21,063,133	100
5000	**Operating costs**	6(5)(9)(14)(23)(24)	(22,211,162)	(89)	(18,754,976)	(89)
5900	**Gross profit**		2,734,932	11	2,308,157	11
	Operating expenses	6(14)(23)(24), 7 and 12				
6100	Selling expenses		(1,157,882)	(5)	(1,182,609)	(6)
6200	General and administrative expenses		(837,562)	(3)	(780,640)	(4)
6300	Research and development expenses		(54,956)	-	(30,088)	-
6450	Credit impairment loss		(1,052)	-	-	-
6000	**Total operating expenses**		(2,051,452)	(8)	(1,993,337)	(10)
6900	**Operating income**		683,480	3	314,820	1
	Non-operating income and expenses					
7010	Other income	6(20) and 7	437,023	2	361,735	2
7020	Other gains and losses	6(2)(10)(21) and 12	(42,256)	-	(37,062)	-
7050	Finance costs	6(4)(8)(11)(13)(22)	(183,268)	(1)	(110,971)	(1)
7060	Share of profit or loss of associates and joint ventures accounted for using equity method	6(7)	406,286	1	219,899	1
7000	**Total non-operating income and expenses**		617,785	2	433,601	2
7900	**Profit before income tax**		1,301,265	5	748,421	3
7950	Income tax expense	6(25)	(238,571)	(1)	(63,166)	-
8200	**Profit for the year**		$ 1,062,694	4	$ 685,255	3

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TAINAN SPINNING CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		$ 18,876	-	($ 34,658)	-
8316	Unrealised gains (losses) on valuation of investment in equity instruments measured at fair value through other comprehensive income	6(6)	(584,167)	(2)	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)	11,268	-	835	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(675)	-	5,892	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		59,823	-	(471,943)	(2)
8362	Unrealized gain on valuation of available-for-sale financial assets	12	-	-	231,281	1
8370	Share of other comprehensive income of associates and joint ventures accounted for uner equity method	6(7)	(13,844)	-	(19,659)	-
8300	**Other comprehensive loss for the year**		($ 508,719)	(2)	($ 288,252)	(1)
8500	**Total comprehensive income for the year**		$ 553,975	2	$ 397,003	2
	Profit, attributable to:					
8610	Owners of the parent		$ 1,071,003	4	$ 752,227	3
8620	Non-controlling interest		(8,309)	-	(66,972)	-
			$ 1,062,694	4	$ 685,255	3
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 558,603	2	$ 479,426	2
8720	Non-controlling interest		(4,628)	-	(82,423)	-
			$ 553,975	2	$ 397,003	2
	Earnings per share	6(26)				
9750	**Basic earnings per share**		$	0.65	$	0.45
9850	**Diluted earnings per share**		$	0.65	$	0.45

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

TAINAN SPINNING CO.,LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent												
			Capital surplus			Retained earnings			Other equity interest					
	Notes	Share capital - common stock	Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Year ended December 31, 2017														
Balance at January 1, 2017		$ 16,568,159	$ 35,983	$ 26,933	$ 12,196	$ 2,243,886	$ 4,407,479	$ 1,114,033	($ 107,772)	$ -	$ 730,951	$ 25,031,848	$ 433,049	$ 25,464,897
Profit (loss) for the year		-	-	-	-	-	-	752,227	-	-	-	752,227	(66,972)	685,255
Other comprehensive (loss) income for the year	6(18)	-	-	-	-	-	-	(27,931)	(484,153)	-	239,283	(272,801)	(15,451)	(288,252)
Total comprehensive (loss) income		-	-	-	-	-	-	724,296	(484,153)	-	239,283	479,426	(82,423)	397,003
Appropriation and distribution of 2016 retained earnings														
Legal reserve		-	-	-	-	57,734	-	(57,734)	-	-	-	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	(530,181)	-	-	-	(530,181)	-	(530,181)
Difference between consideration and carrying amount of subsidiaries acquired	6(27)	-	-	(10,462)	-	-	-	-	-	-	-	(10,462)	(192,166)	(202,628)
Balance at December 31, 2017		$ 16,568,159	$ 35,983	$ 16,471	$ 12,196	$ 2,301,620	$ 4,407,479	$ 1,250,414	($ 591,925)	$ -	$ 970,234	$ 24,970,631	$ 158,460	$ 25,129,091
Year ended December 31, 2018														
Balance at January 1, 2018		$ 16,568,159	$ 35,983	$ 16,471	$ 12,196	$ 2,301,620	$ 4,407,479	$ 1,250,414	($ 591,925)	$ -	$ 970,234	$ 24,970,631	$ 158,460	$ 25,129,091
Effect of retrospective application and retrospective restatement	3(1) and 12	-	-	-	-	-	-	446,671	-	569,270	(970,234)	45,707	1	45,708
Balance at January 1, 2018 after retrospective restatement		16,568,159	35,983	16,471	12,196	2,301,620	4,407,479	1,697,085	(591,925)	569,270	-	25,016,338	158,461	25,174,799
Profit (loss) for the year		-	-	-	-	-	-	1,071,003	-	-	-	1,071,003	(8,309)	1,062,694
Other comprehensive (loss) income for the year	6(18)	-	-	-	-	-	-	19,801	42,286	(574,487)	-	(512,400)	3,681	(508,719)
Total comprehensive (loss) income		-	-	-	-	-	-	1,090,804	42,286	(574,487)	-	558,603	(4,628)	553,975
Appropriation and distribution of 2017 retained earnings														
Legal reserve		-	-	-	-	75,223	-	(75,223)	-	-	-	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	(596,454)	-	-	-	(596,454)	-	(596,454)
Disposal of equity instruments at fair value through other comprehensive income	6(6)(18)	-	-	-	-	-	-	(57,916)	-	57,916	-	-	-	-
Balance at December 31, 2018		$ 16,568,159	$ 35,983	$ 16,471	$ 12,196	$ 2,376,843	$ 4,407,479	$ 2,058,296	($ 549,639)	$ 52,699	$ -	$ 24,978,487	$ 153,833	$ 25,132,320

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

TAINAN SPINNING CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,301,265	$ 748,421
Adjustments			
Adjustments to reconcile profit (loss)			
Net gains on financial assets at fair value through profit or loss	6(21) and 12	4,094	(4,893)
Expected credit impairment loss	12	1,052	-
Loss on inventory market price decline	6(5)	167,615	8,052
Share of gain of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	(406,286)	(219,899)
Depreciation	6(8)(9)(23)	1,108,604	1,023,915
Net gains on disposal of property, plant and equipment	6(21)	(11,442)	(4,791)
Impairment loss (reversal of impairment) on non-financial assets	6(8)(10)(21)	99,283	(817)
Amortisations	6(23)	3,434	7,412
Amortisation on long-term prepaid rent		5,172	5,429
Dividend income	6(6)(20)	(253,905)	(189,308)
Interest income	6(20)	(37,730)	(5,770)
Interest expense	6(22)	183,268	110,971
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		884	(26,486)
Notes receivable		(47,626)	(38,083)
Accounts receivable		48,535	(354,003)
Other receivables		17,326	139,881
Inventories		(1,625,843)	(757,785)
Prepayments		(50,966)	55,989
Changes in operating liabilities			
Current contract liabilities		(38,545)	-
Notes payable		(11,867)	(7,120)
Accounts payable		148,325	333,845
Other payables		122,507	(20,547)
Advance receipts		27,661	30,792
Other current liabilities		2,032	(684)
Net defined benefit liability-non-current		(101,230)	(92,481)
Other current liabilities-others		14	-
Cash inflow generated from operations		655,631	742,040
Dividend received		381,689	404,814
Interest received		33,953	5,565
Inocme tax received		63	414
Interest paid		(179,612)	(103,256)
Inocme tax paid		(284,349)	(141,281)
Net cash flows from operating activities		607,375	908,296

(Continued)

TAINAN SPINNING CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit and loss-non-current		($ 103,275)	$ -
Acquisition of financial assets at fair value through other comprehensive income		(7,146)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	30	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6(6)	9,708	-
Increase in other current financial assets		(65)	(1,546)
Acquisition of available-for-sale financial assets		-	(69,564)
Shares returned from reduction in financial assets measured at cost	12	-	26,938
Acquisition of investment accounted for using equity method	6(7)	(18,500)	-
Cash paid for acquisition of property, plant and equipment	6(29)	(498,958)	(215,815)
Interest paid for acquisition of property, plant and equipment	6(8)(22)(29)	(2,410)	(5,308)
Proceeds from disposal of property, plant and equipment		17,816	15,064
Acquisition of intangible assets		(2,151)	(1,900)
Increase in prepayments for equipment		(535,919)	(832,711)
Decrease in guarantee deposits paid		2,637	6,041
(Increase) decrease in other non-current assets		(389)	166
Net cash flows used in investing activities		(1,138,622)	(1,078,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(30)	17,916,195	22,839,419
Repayments of short-term borrowings	6(30)	(17,494,183)	(20,811,559)
Increase (decrease) in short-term notes and bills payable	6(30)	620,000	(100,000)
Proceeds from long-term borrowings	6(30)	1,792,604	5,570,000
Repayments of long-term borrowings	6(30)	(1,657,857)	(5,349,633)
Increase in guarantee deposits received	6(30)	580	806
Cash dividends paid	6(17)	(596,454)	(530,181)
Net cash paid for equity interest transaction made with non-controlling interest	6(27)	-	(202,628)
Net cash flows from financing activities		580,885	1,416,224
Effect due to changes in exchange rates		83,535	(139,539)
Net increase in cash and cash equivalents		133,173	1,106,346
Cash and cash equivalents at beginning of year	6(1)	2,946,875	1,840,529
Cash and cash equivalents at end of year	6(1)	$ 3,080,048	$ 2,946,875

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

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) Tainan Spinning Co., Ltd. (the "Company") was incorporated in March 1955 in accordance with Company Act of the Republic of China and other relevant laws and regulations. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in manufacturing, processing, sale of textile products, woven textile products, and synthetic fiber materials, construction of public housing, and the rental and sale of commercial property.

(2) The company's stock has been listed on the Taiwan Stock Exchange since October 1989.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
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
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised 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
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1,'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12,'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28,'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

B. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018 are summarised as below:

In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets and financial assets measured at cost in the amounts of $2,690,116 and $1,586,783, respectively, and make an irrevocable election at initial recognition on equity instruments not held for trading purposes, by increasing financial assets measured at fair value through other comprehensive income by $4,322,044, recognising investments accounted for under the equity method in the amount of $563, decreasing other equity interest by $400,964, increasing retained earnings by $446,671 and increasing non-controlling interest by $1.

C. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheet as follows:

I. Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to $295,363.

II. Under IFRS 15, lia bilities in relation to the customer loyalty programme are recognised as contract liabilities, but were previously presented as deferred revenue in the balance sheet (shown as "Other current liabilities-others"). As of January 1, 2018, the balance amounted to $14,816.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
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
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2019, the Group will have to increase 'right-of-use asset' and lease liability by $471,136, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b)Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c)Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the third quarter of 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Productions and sales of cotton	100.00	100.00	—
Tainan Spinning Co., Ltd.	Nan Fan Housing Development Co., Ltd.	Land development company	100.00	100.00	—
Tainan Spinning Co., Ltd.	Tainan Spinning Holding (Cayman Islands) Ltd.	Investment company	100.00	100.00	—
Tainan Spinning Co., Ltd.	Nan Fan International Investment (Cayman Islands) Co., Ltd.	Investment company	100.00	100.00	—
Tainan Spinning Co., Ltd.	Tainan Spinning Retail and Distribution Co., Ltd.	Department Stores	100.00	100.00	(Note 1)
Tainan Spinning Co., Ltd.	Nan Fan Housing Development Co., Ltd.	Engage in the construction of public housing and the rental and sale of commercial property	99.99	99.99	—

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
Tainan Spinning Co., Ltd.	Tainan Spinning (Singapore) Pte., Ltd.	Investment company	100.00	—	(Note 2)
Tainan Spinning Co., Ltd. (Vietnam)	Tainan Textile Co., Ltd.	Productions and sales of cotton	100.00	100.00	—
Nan Fan Develop -ment Co., Ltd.	Federal Holding Limited	Investment company	100.00	100.00	—
Federal Holding Limited	United Investment Pte. Ltd.	Investment company	100.00	100.00	—
United Investment Pte. Ltd.	Namtex Co., Ltd.	Engage in the integrated knitting, dyeing and finishing operations and the manufacture and sale of cotton yarn	50.00	50.00	(Note 3)

Note 1 : On September 30, 2017, the Company acquired all the shares of the subsidiary, Tainan Spinning Retail and Distribution Co., Ltd., held by non-controlling interests. Please refer to Note 6(27) for the Non-controlling equity trading information.

Note 2 : On November 9, 2018, for the purpose of adjusting the organisational structure of the Group, the Board of Directors resolved to establish Tainan Spinning (Singapore) Pte. Ltd. As of March 18, 2019, the related adjusting of the organisational structure is still in progress.

Note 3 : The Company has control over this entity because if holds half of the board seats and has appointed the Chairman.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period (If the average exchange rate is not a reasonable approximation to the cumulative effect of the exchange rate on the transaction date, the income and expenses items will be converted at the exchange rate on the transaction date.) ; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. The construction projects of the Company and its subsidiaries, Nan Fan Development Co., Ltd. and Nan Fan Housing Development Co., Ltd., have operating cycles that last more than one year. Consequently, the assets and liabilities related to these construction projects are classified as current or non-current based on the length of their project life relative to the operating cycle. The remaining assets and liabilities are classified using one year as the cut-off point.

B. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

C. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits and commercial papers that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

(9) Inventories

A. The Company:

Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. The Group provides allowance for inventory valuation loss if the cost is higher than the net realisable value, which is recognised in operating cost. The Group reverses allowance for inventory valuation loss within the credit balance as a result of reversal of net realisable value, which is recognised as deduction on current operating cost.

B. Subsidiaries:

(1) Tainan Spinning Co., Ltd. (Vietnam), Tainan Textile Co., Ltd. and Namtex Co., Ltd.: Same as the Company.

(2) Nan Fan Development Co., Ltd. and Nan Fan Housing Development Co., Ltd.,: Inventories are initially recorded at cost, and profit or loss is recognised when merchandise is sold. Land used for construction is reclassified to construction in progress when active development commences, and related interest is capitalised during the active development or construction period. The ending balance of inventories is stated at the lower of cost and net realisable value.

(3) Tainan Spinning Holding (Cayman Islands) Ltd., Nan Fan International Investment (Cayman Islands) Co., Ltd., Federal Houlding Limited and United investment Pte., Ltd. ： Not applicable (no inventories).

(4) Tainan Spinning Retail and Distribution Co., Ltd.:

Inventories sold directly by the entity: Recorded initially at cost, which is determined using the weighted-average method.

Inventories held by third-party sales counters: Sales counters are established by third-party vendors at the premises of the entity. Unsold inventories held by these sales counters at the end of the period belong to the third-party vendors and not the entity if all of the following conditions are met: (a) the sales counter has primary responsibilities for the goods or services it provides to customers; (b) the entity earns a fixed percentage or amount of the profits in each transaction; (c) in the case where the sales counter bears credit risk of customers, the entity recognises sales revenue as payment collected from customers, net of payments made to the sales counter. If not all conditions are met, the entity recognises the gross payment amount collected from customers as revenue.

(10) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(11) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(12) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(13) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings and structures	3 ～ 60 years
Machinery and equipment	7 ～ 10 years
Utility equipment	5 ～ 20 years
Office equipment	3 ～ 8 years
Transportation equipment	5 ～ 6 years
Leasehold improvements	8 years
Other equipment	3 ～ 20 years

The Group's buildings and structures that have a significant financing component are including buildings and its related attached facilities, which is derecognised by 35 to 60 years and 3 to 30 years, respectively.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 60 years.

(16) Lease receivables/ operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

The Group's intangible assets are mainly refer to computer software. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells Spinning and chemical fiber products. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Customer loyalty programme

The subsidiary (Tainan Spinning Retail and Distribution Co., Ltd.) operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognised for the transaction price which is allocated to the points and revenue is recognised when the points are redeemed or expire.

C. Sales counter commission revenue

The revenue amount is confirmed when the sales counter completes the sale of goods. In accordance with IFRS 15, 'Revenue from contracts with customers', the subsidiary Tainan Spinning Retail and Distribution Co., Ltd. arranges for goods and services to be provided, and therefore its role meets the definition of an agent. As a result, the net amounts of sales revenue and costs are recognised for goods sold through sales counters.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the good or service before it is provided to a customer include the following:

(a) The Group is primarily responsible for the provision of goods or services;

(b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(c) The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

(a) As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

(b) As of December 31, 2018, the carrying amount of inventories was $6,420,888.

B. Financial assets—fair value measurement of unlisted stocks without active market

(a) The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

(b) As of December 31, 2018, the carrying amount of unlisted stocks without active market was $2,175,631.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash:		
Cash on hand	$ 8,037	$ 6,354
Checking accounts and demand deposits	1,300,799	2,440,234
	1,308,836	2,446,588
Cash equivalents:		
Time deposits	1,299,105	$ 300,396
Commercial paper	472,107	199,891
	1,771,212	500,287
	$ 3,080,048	$ 2,946,875

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2018. and 2017, time deposits with maturity of over three months (shown as "other financial assets-current) amounted to $1,611 and $1,546, respectively.

C. The Group has no cash and cash equivalents pledged to others as of December 31, 2018 and 2017.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 40,263
Beneficiary certificates	30,000
	70,263
Valuation adjustment	(12,206)
	$ 58,057
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	$ 103,275

A. The Group recognised net loss on financial assets mandatorily measured at fair value through profit or loss (shown as "other gains and losses") amounted to $4,094 as of December 31, 2018.

B. The Group has no financial assets at fair value through profit or loss pledged to others as of December 31, 2018.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 409,878	$ 362,252
Accounts receivable	$ 1,625,791	$ 1,675,378

A. The Group has no notes and accounts receivable that were past due as of December 31, 2018 and 2017.

B. The Group does not hold any collateral pledged for notes and accounts receivable as of December 31, 2018 and 2017.

C. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

D. On December 31, 2018, the Group had accounts receivable classified as financial assets at fair value through profit or loss amounting to $40,803. Please refer to Note 6(4) for information on transfer of financial assets.

(4) Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

A. On December 31, 2018 and 2017, the Group entered into a factoring agreement with HSBC to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

December 31, 2018							
Purchaser of accounts receivable		Accounts receivable transferred		Amount derecognised		Amount advanced	Interest rate of amount advanced
HSBC	$	663,350	$	649,895	$	649,895	3.05%~3.67%
E.Sun Bank		615,769		588,421		588,421	3.23%~3.61%
KGI Bank		443,709		443,709		443,709	3.71%~3.74%
CTBC Bank		276,390		276,390		276,390	3.07%~3.58%
DBS		91,790		91,790		91,790	3.12%~3.18%
	$	2,091,008	$	2,050,205	$	2,050,205	

December 31, 2017							
Purchaser of accounts receivable		Accounts receivable transferred		Amount derecognised		Amount advanced	Interest rate of amount advanced
HSBC	$	530,846	$	519,642	$	519,642	0.04%~2.44%
KGI Bank		356,968		342,328		342,328	1.72%~2.92%
CTBC Bank		284,122		281,915		281,915	0.80%~2.45%
E.Sun Bank		109,168		107,426		107,426	0.74%~2.43%
Chang Hwa Bank		29,331		29,331		29,331	1.30%~2.06%
	$	1,310,435	$	1,280,642	$	1,280,642	

B. The Group recognised finance expense (shown as “finance costs”) arising from transferred accounting receivable amounting to $14,133 and $5,542 as of December 31, 2018 and 2017, respectively.

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 28,711	$ -	$ 28,711
Raw materials	2,521,296	(66,139)	2,455,157
Materials in transit	680,770	-	680,770
Supplies	479,351	(4,877)	474,474
Work in progress	458,726	(9,532)	449,194
Finished goods	2,295,657	(93,758)	2,201,899
Land held for construction	129,598	-	129,598
Building and land held for sale	2,451	(1,366)	1,085
	$ 6,596,560	($ 175,672)	$ 6,420,888

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 29,316	$ -	$ 29,316
Raw materials	2,013,167	-	2,013,167
Materials in transit	476,870	-	476,870
Supplies	507,391	(6,171)	501,220
Work in progress	399,196	-	399,196
Finished goods	1,429,183	(16,191)	1,412,992
Land held for construction	129,598	-	129,598
Building and land held for sale	1,667	(1,366)	301
	$ 4,986,388	($ 23,728)	$ 4,962,660

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2018	Year ended December 31, 2017
Cost of goods sold	$ 21,836,986	$ 18,526,106
Underapplied overhead	15,140	23,614
Inventory valuation loss	167,615	8,052
Loss on physical inventory	1,319	53
Revenue from sale of scraps	(113,895)	(93,704)
	$ 21,907,165	$ 18,464,121

(6) Financial assets at fair value through other comprehensive income

Items	December 31, 2018
Equity instruments	
Listed stocks	$ 1,395,679
Unlisted stocks	2,288,407
Beneficiary certificates	545
	3,684,631
Valuation adjustment	47,546
	$ 3,732,177

A. The Group has elected to classify equity investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $3,732,177 as at December 31, 2018.

B. For the year ended December 31, 2018, the change in the fair value of financial assets measured at fair value through other comprehensive income-non-current recognised in other comprehensive income was ($584,167).

C. On May 21, 2018, the Group sold the stock of ANKL Apparel Co., Ltd. it owned to the controlling party of ANKL Apparel Co., Ltd. at the same party's request. The carrying amount and fair value of the stock was $- and $28, respectively. The accumulated loss on disposal was $5,159.

D. On July 31, 2018, the Group sold the stock of Q-Ware Communications Co., Ltd. it owned as it elected not to participate in the share swap designed to consolidate the controlling parties of the company. The carrying amount and fair value of the stock was $- and $2, respectively. The accumulated loss on disposal was $52,751.

E. On December 11, 2018, Tou Itsu Investment, Inc. had gone through its liquidation and there is no remaining assets to allocate. The carrying amount and fair value of the asset was $- and $-, respectively. The accumulated loss on disposal was $6.

F. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 584,167)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	$ 57,916
Dividend income recognised in profit or loss	
Held at end of period	$ 253,905

G. On June 4, 2018, President Energy (Cayman Island) Ltd., an investment measured at fair value through other comprehensive income, reduced its capital by returning share capital of $9,708 to its investors. The Group wrote down the investment cost in proportion to its share of the capital decrease.

H. On May 10, 2018, Q-Ware Communications Co., Ltd., an investment measured at fair value through other comprehensive income, reduced its capital to offset accumulated losses. In proportion to its share of the capital decrease, the number of registered shares owned by the Group decreased by 37,000.

I. The Group has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2018.

J. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

K. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(7) Investments accounted for using equity method

	Year ended December 31, 2018	Year ended December 31, 2017
At January 1	$ 2,119,056	$ 2,133,487
Effects of retrospective application and retrospective restatement (Note)	563	-
At January 1 after retrospective restatement	2,119,619	2,133,487
Addition of investments accounted for using equity method	18,500	-
Share of profit or loss of investments accounted for using equity method	406,286	219,899
Earnings distribution of investments accounted for using equity method	(127,784)	(215,506)
Change in other equity	(2,576)	(18,824)
At December 31	$ 2,414,045	$ 2,119,056

Note: Please refer to the first section in Note (3), 'Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")', for information on the effects of retrospective application and restatement.

A. All investments accounted for under the equity method are associates of the Group. For the years ended December 31, 2018 and 2017, the share of profit (loss) of associates and joint ventures accounted for under the equity method was $406,286 and $219,899, respectively. The share of profit (loss) of associates and joint ventures accounted for under the equity method including Howard Beach Resort Kenting Co., Ltd., T. G. I. Co., Ltd. and Nantai Royal Co., Ltd. were

($10,347) and ($86), respectively. And were recognised based on financial statements that were audited by other independent accountants. As of December 31, 2018 and 2017, the balance of these investments accounted for using the equity method was $222,395 and $213,376, respectively.

B. On February 27, 2018, the Board of Directors approved the contribution to the capital increase of T. G. I. Co., Ltd. in the amount of $13,500 by the subsidiary Nan Fan Housing Development Co., Ltd.

C. On May 2, 2018, the Board of Directors approved the contribution to the capital increase of Nantai Royal Co., Ltd. in the amount of $5,000 by the subsidiary Nan Fan Housing Development Co., Ltd.

D. The basic information of the associates that are material to the Group is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2018	December 31, 2017	Nature of relationship	Methods of measurement
Nantex Industry Co., Ltd.	R.O.C	26.99%	26.99%	Cross-industry investment	Equity method

E. The summarised financial information of the associates that are material to the Group is as follows:

Consolidated balance sheet

	Nantex Industry Co., Ltd. and its subsidiaries	
	December 31, 2018	December 31, 2017
Current assets	$ 6,988,650	$ 5,585,964
Non-current assets	3,168,129	3,236,342
Current liabilities	(1,448,377)	(1,220,276)
Non-current liabilities	(415,423)	(407,888)
Non-controlling interest	(333,843)	(277,873)
Total net assets	$ 7,959,136	$ 6,916,269
Share in associate's net assets	$ 2,148,171	$ 1,866,701
Difference between investment cost and cost of equity	21,185	19,034
Carrying amount of the associate	$ 2,169,356	$ 1,885,735

Consolidated statement of comprehensive income

	Nantex Industry Co., Ltd and its subsidiaries	
	Year end December 31, 2018	Year end December 31, 2017
Revenue	$ 13,809,832	$ 11,516,174
Profit for the period from continuing	$ 1,591,730	$ 877,901
Other comprehensive loss, net of tax	(26,413)	(61,501)
Total comprehensive income	$ 1,565,317	$ 816,400
Divident from the associate	$ 126,584	$ 120,555

F. The summarised financial information of the associates that are material to the Group is as follows: As of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to $244,689 and $233,321, respectively.

	Nantex Industry Co., Ltd. and its subsidiaries	
	Year end December 31, 2018	Year end December 31, 2017
Profit (loss) for the period from continuing operations	($ 37,990)	$ 213
Other comprehensive income (loss), net of tax	4,155	(273)
Total comprehensive loss	($ 33,835)	($ 60)
Divident from the associate	$ 1,200	$ 94,951

G. The Group' s investment, Nantex Industry Co., Ltd., has quoted market prices. As of December 31, 2018 and 2017, the fair value was $3,694,952 and $2,974,696, respectively.

H. As of December 31, 2018 and 2017, the Group has no investments accounted for using equity method pledged to others as collateral.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Facility	Office equipment	Miscellaneous equipments	Construction in progress and others	Total
At January 1, 2018								
Cost	$ 8,355,553	$ 7,547,939	$ 15,251,012	$ 3,606,726	$ 282,758	$ 2,329,485	$ 401,147	$ 37,774,620
Accumulated depreciation	-	(2,123,882)	(13,400,787)	(1,788,022)	(212,158)	(1,687,826)	-	(19,212,675)
Accumulated impairment	-	(327,956)	(61,807)	(5,322)	(1,967)	(14,939)	-	(411,991)
	$ 8,355,553	$ 5,096,101	$ 1,788,418	$ 1,813,382	$ 68,633	$ 626,720	$ 401,147	$ 18,149,954
Year ended December 31, 2018								
Opening net book amount as at January 1	$ 8,355,553	$ 5,096,101	$ 1,788,418	$ 1,813,382	$ 68,633	$ 626,720	$ 401,147	$ 18,149,954
Additions	-	30,044	119,669	47,820	6,739	37,456	275,262	516,990
Transferred from prepayment for equipment	-	-	1,133,089	278,842	2,043	225,706	4,210	1,643,890
Transferred from inspection	-	270,552	-	-	-	4,419	(274,971)	-
Reclassifications-cost	-	-	1,331	-	(1,331)	-	-	-
Reclassifications-accumulated depreciation	-	-	(1,331)	-	1,331	-	-	-
Depreciation expense	-	(178,048)	(445,519)	(194,471)	(26,526)	(235,434)	-	(1,079,998)
Disposals-cost	(136)	-	(164,455)	(48,723)	(42,674)	(68,092)	-	(324,080)
Disposals-accumulated depreciation	-	-	162,080	48,558	42,556	64,512	-	317,706
Disposals-accumulated impairment	-	-	2,361	159	-	-	-	2,520
Impairment loss	-	(20,164)	(48,030)	(6,304)	(704)	(26,601)	-	(101,803)
Net exchange differences	-	10,421	18,706	3,144	313	3,417	(204)	35,797
Closing net book amount as at December 31	$ 8,355,417	$ 5,208,906	$ 2,566,319	$ 1,942,407	$ 50,380	$ 632,103	$ 405,444	$ 19,160,976
At December 31, 2018								
Cost	$ 8,355,417	$ 7,863,717	$ 16,395,022	$ 3,889,275	$ 248,519	$ 2,536,169	$ 405,444	$ 39,693,563
Accumulated depreciation	-	(2,306,691)	(13,721,227)	(1,935,401)	(195,468)	(1,862,526)	-	(20,021,313)
Accumulated impairment	-	(348,120)	(107,476)	(11,467)	(2,671)	(41,540)	-	(511,274)
	$ 8,355,417	$ 5,208,906	$ 2,566,319	$ 1,942,407	$ 50,380	$ 632,103	$ 405,444	$ 19,160,976

	Land	Buildings and structures	Machinery	Facility	Office equipment	Miscellaneous equipments	Construction in progress and others	Total
At January 1, 2017								
Cost	$ 8,355,553	$ 7,637,480	$ 15,422,047	$ 3,573,444	$ 260,747	$ 2,310,861	$ 421,906	$ 37,982,038
Accumulated depreciation	-	(1,986,430)	(13,313,733)	(1,633,222)	(182,131)	(1,506,921)	-	(18,622,437)
Accumulated impairment	-	(327,956)	(61,807)	(5,322)	(1,967)	(15,756)	-	(412,808)
	$ 8,355,553	$ 5,323,094	$ 2,046,507	$ 1,934,900	$ 76,649	$ 788,184	$ 421,906	$ 18,946,793
Year ended December 31, 2017								
Opening net book amount as at January 1	$ 8,355,553	$ 5,323,094	$ 2,046,507	$ 1,934,900	$ 76,649	$ 788,184	$ 421,906	$ 18,946,793
Additions	-	8,284	11,861	17,270	22,658	22,149	106,804	189,026
Transferred from prepayment for equipment	-	-	-	-	-	-	174,610	174,610
Transferred from inspection	-	305	237,879	42,257	6,249	55,535	(342,225)	-
Depreciation expense	-	(169,309)	(394,956)	(171,267)	(35,425)	(224,351)	-	(995,308)
Disposals-cost	-	-	(47,459)	(4,994)	(397)	(19,731)	-	(72,581)
Disposals-accumulated depreciation	-	-	38,492	4,992	396	18,428	-	62,308
Disposals-accumulated impairment	-	-	-	-	-	817	-	817
Net exchange differences	-	(66,273)	(103,906)	(9,776)	(1,497)	(14,311)	40,052	(155,711)
Closing net book amount as at December 31	$ 8,355,553	$ 5,096,101	$ 1,788,418	$ 1,813,382	$ 68,633	$ 626,720	$ 401,147	$ 18,149,954
At December 31, 2017								
Cost	$ 8,355,553	$ 7,547,939	$ 15,251,012	$ 3,606,726	$ 282,758	$ 2,329,485	$ 401,147	$ 37,774,620
Accumulated depreciation	-	(2,123,882)	(13,400,787)	(1,788,022)	(212,158)	(1,687,826)	-	(19,212,675)
Accumulated impairment	-	(327,956)	(61,807)	(5,322)	(1,967)	(14,939)	-	(411,991)
	$ 8,355,553	$ 5,096,101	$ 1,788,418	$ 1,813,382	$ 68,633	$ 626,720	$ 401,147	$ 18,149,954

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Amount capitalised	$ 2,410	$ 5,308
Range of the interest rates for capitalisation	1.07%～3.42%	1.11%～2.1%

B. As of December 2018 and 2017, information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Investment property

	Land	Buildings	Total
At January 1, 2018			
Cost	$ 4,811,542	$ 1,606,520	$ 6,418,062
Accumulated depreciation	-	(348,951)	(348,951)
Accumulated impairment	-	(92,095)	(92,095)
	$ 4,811,542	$ 1,165,474	$ 5,977,016
Year ended December 31, 2018			
At January 1	$ 4,811,542	$ 1,165,474	$ 5,977,016
Depreciation expense	-	(28,606)	(28,606)
At December 31	$ 4,811,542	$ 1,136,868	$ 5,948,410
At December 31, 2018			
Cost	$ 4,811,542	$ 1,606,520	$ 6,418,062
Accumulated depreciation	-	(377,557)	(377,557)
Accumulated impairment	-	(92,095)	(92,095)
	$ 4,811,542	$ 1,136,868	$ 5,948,410

	Land	Buildings	Total
At January 1, 2017			
Cost	$ 4,811,542	$ 1,606,520	$ 6,418,062
Accumulated depreciation		(320,344)	(320,344)
Accumulated impairment	-	(92,095)	(92,095)
	$ 4,811,542	$ 1,194,081	$ 6,005,623
Year ended December 31, 2017			
At January 1	$ 4,811,542	$ 1,194,081	$ 6,005,623
Depreciation expense	-	(28,607)	(28,607)
At December 31	$ 4,811,542	$ 1,165,474	$ 5,977,016
At December 31, 2017			
Cost	$ 4,811,542	$ 1,606,520	$ 6,418,062
Accumulated depreciation	-	(348,951)	(348,951)
Accumulated impairment	-	(92,095)	(92,095)
	$ 4,811,542	$ 1,165,474	$ 5,977,016

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31, 2018	Year ended December 31, 2017
Rental income from investment property	$ 210,674	$ 201,073
Direct operating expenses arising from the investment property that generated rental income during the year	$ 141,460	$ 139,727
Direct operating expenses arising from the investment property that did not generate rental income during the year	$ -	$ -

B. The fair value of the investment property held by the Group as at December 31, 2018 and 2017 was $11,622,374 and $9,292,412, respectively, which was valued by independent valuers. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy.

C. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

(10) Impairment of non-financial assets

A. The Group recognised impairment loss for the year ended December 31, 2018 was $101,803. Details of such loss are as follows:

	Year ended December 31, 2018	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss-buildings and structures	$ 20,164	$ -
Impairment loss-machinery	48,030	-
Impairment loss-utilities equipment	6,304	-
Impairment loss-office equipment	704	-
Impairment loss-transportation equipment, leasehold improvements and other equipment	26,601	-
	$ 101,803	$ -

There was no impairment loss for the year ended December 31, 2017.

B. For the years ended December 31, 2018 and 2017, the gain on reversal of impairment loss due to disposal of property, plant and equipment (included in 'other gains and losses') was $2,520 and $817, respectively.

C. The impairment loss and gain on reversal of impairment loss reported by operating segments is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Tainan Spinning Co., Ltd.	($ 99,283)	$ -	$ 817	$ -

D. The Group recognised accumulated impairment on non-financial assets as at December 31, 2018 and 2017 was $603,369 and $504,086, respectively.

E. The impairment losses recognised for the year ended December 31, 2018 were the impairment of non-financial assets, measured as the difference between their recoverable amount and carrying amount, resulting from the Group's capacity planning and the state of the economy. The recoverable amount is calculated by independent appraisers based on replacement costs and the usage of assets.

(11) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured bank borrowings	$ 6,122,185	0.92%～3.61%	None.
Secured bank borrowings	40,000	1.04%	Please refer to Note 8 for details of assets pledged to others.
	$ 6,162,185		

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured bank borrowings	$ 5,598,338	0.92%～2.50%	None.
Secured bank borrowings	80,000	1.09%	Please refer to Note 8 for details of assets pledged to others.
	$ 5,678,338		

Information on interest expense recognised in profit or loss for the years ended December 31, 2018 and 2017 is provided in Note 6(22).

(12) Short-term notes and bills payable

Type of borrowings	Year ended December 31, 2018	Interest rate range	Collateral
Commercial paper payable	$ 1,020,000	0.95%～0.98%	None.

Type of borrowings	Year ended December 31, 2017	Interest rate range	Collateral
Commercial paper payable	$ 400,000	1.06%～1.08%	None.

A. The Group issues commercial paper guaranteed by financial institutions such as the International Bills Finance Corporation.

B. Information on interest expense recognised in profit or loss for the years ended December 31, 2018 and 2017 is provided in Note 6(22).

(13) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2018
Long-term bank borrowings				
Secured borrowings	2014.1.17～2022.12.21	1.22% ~1.37%	Please refer to Note 8 for more	$ 2,528,572
Unsecured borrowings	2014.11.20～2021.9.21	1.06% ~3.50%	None.	1,406,074
				3,934,646
Less: Current portion				(452,197)
				$ 3,482,449

Type of borrowings	Borrowing period	Interest rate range	Collateral		December 31, 2017
Long-term bank borrowings					
Secured borrowings	2014.1.27～ 2021.12.21	1.14% ~1.23%	Please refer to Note 8 for more information.	$	2,316,428
Unsecured borrowings	2014.11.20～ 2020.6.16	1.07% ~1.35%	None.		1,483,334
					3,799,762
Less: Current portion				(	517,857)
				$	3,281,905

Information on interest expense recognised in profit or loss for the years ended December 31, 2018 and 2017 is provided in Note 6(22).

(14) Pensions

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2018		December 31, 2017	
Present value of defined benefit obligations	($	1,259,938)	($	1,331,240)
Fair value of plan assets		1,057,059		1,008,255
Net defined benefit liability	($	202,879)	($	322,985)

(b) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 1,331,240)	$ 1,008,255	($ 322,985)
Current service cost	(18,551)	-	(18,551)
Interest (expense) income	(13,093)	10,137	(2,956)
	(1,362,884)	1,018,392	(344,492)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	30,955	30,955
Experience adjustments	(12,079)	-	(12,079)
	(12,079)	30,955	18,876
Pension fund contribution	-	117,033	117,033
Paid pension	115,025	(109,321)	5,704
Balance at December 31	($ 1,259,938)	$ 1,057,059	($ 202,879)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 1,375,812)	$ 995,004	($ 380,808)
Current service cost	(20,886)	-	(20,886)
Interest (expense) income	(16,897)	12,503	(4,394)
	(1,413,595)	1,007,507	(406,088)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(3,317)	(3,317)
Experience adjustments	(31,341)	-	(31,341)
	(31,341)	(3,317)	(34,658)
Pension fund contribution	-	115,179	115,179
Paid pension	113,696	(111,114)	2,582
Balance at December 31	($ 1,331,240)	$ 1,008,255	($ 322,985)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and

Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	1.00%	1.00%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 32,967)	$ 34,209	$ 33,783	($ 32,728)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 35,964)	$ 37,372	$ 36,907	($ 35,704)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plans of the Group for the year ending

December 31, 2019 amounts to $117,033.

(f) As of December 31, 2018, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	40,254
1-2 year(s)		39,372
2-5 years		118,106
Over 5 years		1,192,488
	$	1,390,220

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. For the aforementioned pension plan, the Group recognised pension costs of $26,986 and $25,695 for the years ended December 31, 2018 and 2017, respectively.

(15) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows:
(Units: in thousand shares)

	Year ended December 31, 2018	Year ended December 31, 2017
Shares at January 1 and December 31	1,656,816	1,656,816

B. As of December 31, 2018, the Company's authorized capital and the paid-in capital were both $16,568,159 with a par value of NT$10 per share, consisting of 1,656,816 thousand shares of ordinary stock. All proceeds from shares issued have been collected.

(16) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Please refer to Note 6(6) for information on the difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount.

(17) Retained earnings

A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. In accordance with the Articles of Incorporation, as the Company operates in a mature industry with intense competition, the Board of Directors must determine the amount of earnings to be distributed and cash dividends to be paid, taking into account future capital expenditure budgets and financing needs, as well as the necessity of using earnings to boost the Company's capital. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses. 10% of the remaining earnings is set aside as legal reserve, and a special reserve is set aside or reversed in accordance with relevant laws and regulations. The remaining balance along with the unappropriated earnings at the beginning of the period constitute the accumulated distributable earnings, of which at least 50% shall be paid as dividends. Cash dividends must account for at least 30% of total dividends distributed. Dividend payments are proposed by the Board of Directors and resolved by the stockholders. According to the amendments to the Articles of Incorporation resolved in the stockholders' meeting held on June 22, 2018, total dividends shall account for at least 20% of the distributable earnings of the current year.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

D. For the years ended December 31, 2018 and 2017, the cash dividends distributed to owners were $596,454 ($0.36 (in dollars) per share) and $530,181 ($0.32(in dollars) per share), respectively. On March 18, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2018 was $662,726 ($0.4 (in dollars) per share).

(18) Other equity items

	Year ended December 31, 2018		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 591,925)	$ 970,234	$ 378,309
Effects of retrospective application and retrospective restatement (Note)	-	(400,964)	(400,964)
At January 1 after retrospective restatement	(591,925)	569,270	(22,655)
Revaluation-gross			
–Group	-	(584,155)	(584,155)
–Associates	-	9,668	9,668
–Disposal transferred to retained earnings	-	57,916	57,916
Currency translation differences:			-
–Group	56,130	-	56,130
–Associates	(13,844)	-	(13,844)
At December 31	($ 549,639)	$ 52,699	($ 496,940)

	Year ended December 31, 2017		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 107,772)	$ 730,951	$ 623,179
Revaluation-gross			
–Group	-	231,272	231,272
–Associates	-	8,011	8,011
Currency translation differences:			-
–Group	(456,483)	-	(456,483)
–Associates	(27,670)	-	(27,670)
At December 31	($ 591,925)	$ 970,234	$ 378,309

(Note) For more information on effects off retrospective application, please refer to Note 3(1) 'Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

(19) Operating revenue

A. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

		Year ended December 31, 2018
Sales revenue from textile products	$	23,773,729
Rental income from leasing commercial building and retail counters		739,305
Department stores revenue		330,714
Revenue from managing public area		102,346
	$	24,946,094

B. The Group has recognised the following revenue-related contract liabilities:

		December 31, 2018
Contract liabilities:		
Receipt in advance	$	256,818

Revenue recognised that was included in the contract liability balance at the beginning of the year:

		Year ended December 31, 2018
Receipt in advance	$	295,363
Customer loyalty programmes		14,816
	$	310,179

C. Related disclosures on operating revenue for the year ended December 31, 2017 are provided in Note 12(5). 'Effect of initial application if IFRS 15 and information on application of IAS 11 and IAS 18 for the year ended December 31, 2017'.

(20) Other income

		Year ended December 31, 2018		Year ended December 31, 2017
Dividend income	$	253,905	$	189,308
Interest income		37,730		5,770
Rent income		381		593
Insurance claim receipt		-		24,816
Others		145,007		141,248
	$	437,023	$	361,735

(21) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Net (losses) gains on financial assets at fair value through profit or loss	($ 4,094)	$ 4,893
Net currency exchange gains (losses)	40,695	(53,507)
Impairment loss (qain on reversal of impairment loss)on non-financial assets	(99,283)	817
Gains on disposals of property, plant and equipment	11,442	4,791
Others	8,984	5,944
	($ 42,256)	($ 37,062)

(22) Finance costs

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expense	$ 171,545	$ 110,737
Other finance expenses	14,133	5,542
Less: Capitalisation of qualifying assets	(2,410)	(5,308)
	$ 183,268	$ 110,971

(23) Expenses by nature

	Year ended December 31, 2018		
	Recognised in operating cost	Recognised in operating expenses	Total
Employee benefit expense	$ 2,025,097	$ 600,571	$ 2,625,668
Depreciation expense	841,570	267,034	1,108,604
Amortisation charge	-	3,434	3,434
	$ 2,866,667	$ 871,039	$ 3,737,706

	Year ended December 31, 2017		
	Recognised in operating cost	Recognised in operating expenses	Total
Employee benefit expense	$ 1,744,233	$ 620,482	$ 2,364,715
Depreciation expense	738,760	285,155	1,023,915
Amortisation charge	-	7,412	7,412
	$ 2,482,993	$ 913,049	$ 3,396,042

(24) Employee benefit expense

	Year ended December 31, 2018					
		Recognised in operating cost		Recognised in operating expenses		Total
Salary expenses	$	1,716,392	$	519,385	$	2,235,777
Labour and health insurancefees		172,235		38,369		210,604
Pension costs		33,406		15,087		48,493
Other personnel expenses		103,064		27,730		130,794
	$	2,025,097	$	600,571	$	2,625,668

	Year ended December 31, 2017					
		Recognised in operating cost		Recognised in operating expenses		Total
Salary expenses	$	1,499,353	$	514,642	$	2,013,995
Labour and health insurancefees		150,649		49,045		199,694
Pension costs		36,280		14,695		50,975
Other personnel expenses		57,951		42,100		100,051
	$	1,744,233	$	620,482	$	2,364,715

A. In accordance with the Articles of Incorporation, 2% of the current year's distributable profit, after covering accumulated losses, shall be distributed as employees' compensation. Directors' and supervisors' remuneration cannot exceed 3% of the current year's distributable profit, after covering accumulated losses.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $25,898 and $16,290, respectively; while directors' and supervisors' remuneration was accrued at $38,847 and $24,434, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 3% of distributable profit of current year as of the end of reporting period. For 2017, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors amounted to $16,242 and $24,363, respectively, and the amounts recognised in the 2017 financial statements amounted to $16,290 and $24,434, respectively. The difference of $119 between the amounts resolved by the Board of Directors and the amounts recognised in the 2017 financial statements, mainly resulting from estimation difference, had been adjusted in the profit or loss of 2018. The employees' compensation for 2017 will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 191,842	$ 199,328
Tax on undistributed surplus earnings	5,262	672
Prior year income tax (over) underestimation	4,008	(23,230)
Total current tax	201,112	176,770
Deferred tax:		
Origination and reversal of temporary differences	9,768	(113,169)
Effect from taxable loss	5,008	(435)
Impact of change in tax rate	22,683	-
Total deferred tax	37,459	(113,604)
Income tax expense	$ 238,571	$ 63,166

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Gains (losses) on remeasurements of defined benefit plans	$ 3,776	($ 5,892)
Impact of change in tax rate	(3,101)	-
	$ 675	($ 5,892)

(c) Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 339,889	$ 214,162
Expenses disallowed by tax regulation	(138,279)	(44,361)
Temporary differences not recognised as deferred tax assets	-	(83,642)
Tax on undistributed earnings	5,262	672
Prior year income tax (over) undere stimation	4,008	(23,230)
Tax effect off loss carryforward	5,008	(435)
Impact of change in tax rate	22,683	-
Income tax expense	$ 238,571	$ 63,166

B. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	Year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Unrealised loss on inventory	$ 2,098	$ 17,570	$ -	$ 19,668
Unrealised sales allowance	2,009	(2,009)	-	-
Unrealised expense estimate	7,743	5,476	-	13,219
Unrealised exchange loss	-	1,512	-	1,512
Pension	69,485	4,341	(675)	73,151
Tax losses	5,648	(5,008)	-	640
	$ 86,983	$ 21,882	($ 675)	$ 108,190
Deferred tax liabilities:				
Temporary differences:				
Investment income	($ 618,503)	($ 55,224)	$ -	($ 673,727)
Depreciation expense	(36,677)	(5,361)	-	(42,038)
Advance rent receipts	(6,317)	1,244	-	(5,073)
Reserve for land revaluation Tax	(3,358,571)	-	-	(3,358,571)
	($ 4,020,068)	($ 59,341)	$ -	($ 4,079,409)
	($ 3,933,085)	($ 37,459)	($ 675)	($ 3,971,219)

	Year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Unrealised loss on inventory	$ 2,098	$ -	$ -	$ 2,098
Unrealised sales allowance	2,009	-	-	2,009
Unrealised expense estimate	7,743	-	-	7,743
Pension	63,593	-	5,892	69,485
Tax losses	5,213	435	-	5,648
	$ 80,656	$ 435	$ 5,892	$ 86,983
Deferred tax liabilities:				
Temporary differences:				
Investment income	($ 727,728)	$ 109,225	$ -	($ 618,503)
Depreciation expense	(37,622)	945	-	(36,677)
Advance rent receipts	(8,251)	1,934	-	(6,317)
Reserve for land revaluation Tax	(3,358,571)	-	-	(3,358,571)
Unrealised exchange gain	(1,065)	1,065	-	-
	($ 4,133,237)	$ 113,169	$ -	($ 4,020,068)
	($ 4,052,581)	$ 113,604	$ 5,892	($ 3,933,085)

C. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 80,679	$ 80,679

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018			
Legal basis	Unused amount	Unrecognised deferred tax assets	Expiry year
Income Tax Act of Taiwan	$ 158,442	$ 158,442	2028
Income Tax Act of Vietnam	$ 6,401	$ -	2022

December 31, 2017			
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry year
Income Tax Act of Taiwan	$ 114,570	$ 114,570	2027
Income Tax Act of Vietnam	$ 72,717	$ -	2022

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 18, 2019.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,071,003	1,656,816	$ 0.65
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,071,003	1,656,816	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2,326	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,071,003	1,659,142	$ 0.65

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 752,227	1,656,816	$ 0.45
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 752,227	1,656,816	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,426	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 752,227	1,658,242	$ 0.45

(27) Transactions with non-controlling interest

In September 2017, the Group acquired an additional 50% of shares of its subsidiary, Tainan Spinning Retail and Distribution Co., Ltd., for a total cash consideration of $202,628. The carrying amount of non-controlling interest in Tainan Spinning Retail and Distribution Co., Ltd. was $192,166 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $192,166 and a decrease in the equity attributable to owners of the parent by $10,462. The effect of changes in interests in Tainan Spinning Retail and Distribution Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2017 is shown below:

	Year ended December 31, 2017
Carrying amount of non-controlling interest acquired	$ 192,166
Consideration paid to non-controlling interest	(202,628)
Difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount (Capital surplus)	($ 10,462)

(28) Operating leases

A. The Group leases investment property to others under operating lease agreements. For the years ended December 31, 2018 and 2017, the Group recognised rental income (shown as "operating revenue") amounting to $210,674 and $201,073, respectively. The Group leases investment property based on lease agreements, and these leases have terms expiring between 2005 and 2035. The future aggregate minimum lease payments receivable are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 201,704	$ 190,259
Later than one year but not later than five years	588,196	629,561
Later than five years	592,877	610,889
	$ 1,382,777	$ 1,430,709

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2018	Year ended December 31, 2017
Purchase of property, plant and	$ 516,990	$ 189,026
Add: Opening balance of payable on equipment (shown as "other payables")	158,491	190,588
Less: Ending balance of payable on equipment (shown as "other payables")	(174,113)	(158,491)
Capitalised interest	(2,410)	(5,308)
Cash paid during the year	$ 498,958	$ 215,815

B. Financing activities with no cash flow effects

	Year ended December 31, 2018	Year ended December 31, 2017
(a) Write-offs of allowance for bad debts	$ 1,052	$ -

	Year ended December 31, 2018	Year ended December 31, 2017
(b) Prepayments transferred to property, plant and equipment	$ 1,643,890	$ 174,610

(30) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes payable	Long-term borrowings (inculding current portion)	Guarantee deposits received	Liabilities from financing activities-gross
January 1, 2018	$ 5,678,338	$ 400,000	$ 3,799,762	$ 62,470	$ 9,940,570
Changes in cash flow from financing activities	422,012	620,000	134,747	580	1,177,339
Impact of changes in foreign exchange rate	61,835	-	137	-	61,972
December 31, 2018	$ 6,162,185	$1,020,000	$ 3,934,646	$ 63,050	$ 11,179,881

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Nantex Industry Co., Ltd.	Associate
T. G. I. Co., Ltd	Associate
Nantai Royal Co., Ltd.	Associate

(2) Significant related party transactions

A. Operating revenue: other rental income

	Year ended December 31, 2018	Year ended December 31, 2017
Associates	$ 3,677	$ 3,660

The Company has leased office space to the related party at the following address: 7th & 8th Floor, 398, Section 1, Zhonghua East Road, East District, Tainan City. The lease agreement is effective from January 1, 2015 to February 28, 2035. The lease payments, whose amounts are specified in the agreement, are collected at the beginning of every month.

B. Directors' remuneration (shown as "other income")

	Year ended December 31, 2018	Year ended December 31, 2017
Nantex Industry Co., Ltd.	$ 10,516	$ 10,367

C. Equity transactions

(a) In February 2018, the Group contributed to the capital increase of its associate, T. G. I. Co., Ltd., in the amount of $13,500.

(b) In May 2018, the Group contributed to the capital increase of its associate, Nantai Royal Co., Ltd, in the amount of $5,000, ending with a 50% ownership stoke in the company.

(3) Key management compensation

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and other short-term employee benefits	$ 80,637	$ 67,306

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Land (Note)	$ 4,034,213	$ 4,034,213	Guarantee for short-term and long-term borrowings
Buildings and structures, net	32,249	37,014	Guarantees for long-term borrowings
	$ 4,066,462	$ 4,071,227	

Note: It was including "property, plant and equipment" and "investment property, net".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. As of December 31, 2108 and 2017, payments promised under issued letters of credit that were not yet made were $539,866 and $585,201, respectively.

B. As of December 31, 2018 and 2017, payments for unfinished construction projects and prepayments for equipment specified in signed agreements that were not yet made amounted to $1,888,435 and $2,421,520, respectively.

C. As of December 31, 2018 and 2017, the amount of the endorsements and guarantees provided by the Group is as follows:

Guarantor	Guaranteed	December 31, 201	December 31, 201	Purpose
Tainan Spinning Holding (Cayman Islands) Ltd.	Bao Minh Textile & Garment	$ 98,232	$ 95,162	Guarantee for finance

As of December 31, 2018 and 2017, the actual amounts of the endorsements and guarantees provided by the Group that were used by related parties were $71,808 and $69,564, respectively.

D. The subsidiaries, Tainan Spinning Co., Ltd. (Vietnam), Tainan Textile Co., Ltd., and Namtex Co., Ltd., entered into a land lease agreement with the local government in Vietnam for the purpose of constructing plants. The lease period is between 30 and 35 years. Under the terms of the agreement, a portion of the lease payments have to be made in advance. The future aggregate minimum lease payments are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 25,247	$ 25,046
Later than one year but not later than five years	100,988	100,184
Later than five years	457,776	468,018
	$ 584,011	$ 593,248

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of each category of financial instruments are provided in Notes 6 and 12(4).

B. Financial risk management policies

(a)The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b)Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a)Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and VND. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. However, the foreign currency assets and liabilities positions held by the Group were equal to the collection period, the Group adopted natural hedging to hedge foreign exchange risk.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:VND	$ 11,548	23,215	$ 354,754
USD:NTD	73,614	30.72	2,261,435
EUR:NTD	1,443	35.20	50,779
Financial liabilities			
Monetary items			
USD:VND	$ 113,146	$ 23,215	$ 3,475,845

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:VND	$ 22,416	22,710	$ 670,370
USD:NTD	82,139	29.76	2,441,276
EUR:NTD	2,225	35.57	79,130
Financial liabilities			
Monetary items			
USD:VND	$ 87,983	$ 22,710	$ 2,618,374

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If New Taiwan dollar had appreciated/depreciated 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by ($9,592) and $26,732, respectively.

v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $40,695 and ($53,507), respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group meticulously assesses its investment activities and sets stop-loss points accordingly. As a result, the Group does not expect to incur significant losses from price fluctuations in the market.

ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $464 and $514, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $23,675 and $25,503, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's borrowings are financial instruments at floating rates. Thus, future cash flows is fluctuates due to changes in market interest rates and further changes in effective rates of debt instruments. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates.

ii. As at December 31, 2018 and 2017, if the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $6,162 and $6,689, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs then the contract payments are past due over 90 days.

v. The Group classifies customers accounts receivable in accordance with customer types. The Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Year ended December 31, 2018	
	Notes receivable	Accounts receivable
At January 1	$ -	$ -
Provision for impairment	-	1,052
Write-offs	-	(1,052)
At December 31	$ -	$ -

vi. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group has sufficient financial flexibility.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits, notes sold under repurchase agreements and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts, and they are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	$ 8,883,026	$ 6,457,003
Expiring beyond one year	4,495,330	2,880,000
Fixed rate:		
Expiring within one year	-	1,567,104
Expiring beyond one year	-	600,000
	$ 13,378,356	$ 11,504,107

Notes: The facilities expiring within one year are annual facilities subject to review at various dates during 2018. The other facilities have been arranged to help finance the proposed operating activities and plants building of the Group.

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 6,183,666	$ -	$ -	$ -
Short-term notes and bills payable	1,020,000	-	-	-
Notes payable	63,400	-	-	-
Accounts payable	2,097,686	-	-	-
Other payables	1,059,566	-	-	-
Long-term borrowings	466,894	1,949,985	1,591,858	-
Guarantee deposits received	25,640	-	23,410	14,000

December 31, 2017	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 5,688,262	$ -	$ -	$ -
Short-term notes and bills payable	400,000	-	-	-
Notes payable	75,267	-	-	-
Accounts payable	1,949,361	-	-	-
Other payables	917,781	-	-	-
Long-term borrowings	529,607	1,464,455	1,869,072	-
Guarantee deposits received	25,300	52	822	36,296

v. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2:Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in stocks of unlisted bills finance companies is included in Level 2.

Level 3:Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables and guarantee deposits received) are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 58,057	$ 103,275	$ -	$ 161,332
Carrying amount of accounts receivable factoring	-	40,803	-	40,803
Financial assets at fair value through other comprehensive income	1,556,546	492,283	1,683,348	3,732,177
	$1,614,603	$ 636,361	$1,683,348	$3,934,312

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ 61,964	$ -	$ -	$ 61,964
Available-for-sale financial assets	2,034,563	516,400	139,153	2,690,116
	$ 2,096,527	$ 516,400	$ 139,153	$ 2,752,080

E. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Closed-end fund	Open-end fund
Market quoted price	Closing price	Closing price	Net asset value

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(e) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

F. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the year ended December 31, 2018:

		Equity instrument
Balance at January 1, 2018	$	139,153
Effects of retrospective application and retrospective restatement		1,631,928
Balance at January 1, 2018 after retrospective adjustments		1,771,081
Acquired in the period		7,201
Sold in the period	(	57,949)
Recognised in other comprehensive income (Note)	(	86,030)
Adjustment valuation of sold in the period transfred to retained earnings		57,916
Proceeds from capital reduction of investee	(	9,708)
Effect of exchange rate changes		837
Balance at December 31, 2018	$	1,683,348

Note: Shown as unrealised gain or loss on financial assets at fair value through other comprehensive income.

H. Accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	$ 1,664,275	Discounted cash flow	The weighted average cost of capital	2.68%～7.87%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	$ 132,012	Discounted cash flow	The weighted average cost of capital	3.11%～9.27%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	The weighted average cost of capital	±10%	$ -	$ -	$ 5,494	($ 5,338)
	Discount for lack of marketability	±10%	-	-	30,255	(30,255)
			$ -	$ -	$ 35,749	($ 35,593)

	Input	Change	December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	The weighted average cost of capital	±10%	$ -	$ -	$ 1,176	($ 1,135)
	Discount for lack of marketability	±10%	-	-	5,409	(5,409)
			$ -	$ -	$ 6,585	($ 6,544)

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(c) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(iv) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii)Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii)Financial assets at amortised cost

The amount of the impairment loss is measured as 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, and is recognised in profit or loss. 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliation of carrying amount of financial assets from December 31, 2017 as under IAS 39 to January 1, 2018 as under IFRS9 were provided in Note 3(1).

C. The significant accounts as of December 31, 2017, are as follows:

(a) Financial assets at fair value through profit or loss- current

	December 31, 2017
Financial assets held for trading	
Unlisted stocks	$ 39,878
Beneficiary certificates	30,000
	69,878
Financial assets held for trading	
Valuation adjustment	(7,914)
	$ 61,964

i. The Group recognised net profit (recorded in "other gains and losses") amounting to $4,893 on financial assets held for trading for the year ended December 31, 2017.

ii. As of December 31, 2017, the Group has no financial assets at fair value through profit or loss pledged to others as collateral.

(b)Available-for-sale financial assets- noncurrent

	December 31, 2017
Listed stocks	$ 1,184,721
Unlisted stocks	649,847
Beneficiary certificates	4,548
	1,839,116
Adjustments for change in value of available-for-sale financial assets	972,893
	2,812,009
Accumulated impairment on available-for-sale financial assets	(121,893)
	$ 2,690,116

i. The Group recognised $231,281 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii.On July 19, 2017, ANKL Apparel Co., Ltd., an investment included in available-for-sale financial assets, reduced its capital by cancelling 975 shares for every one thousand shares. In proportion to its share of the capital decrease, the number of registered shares owned by the Group decreased by 1,097,000 shares.

iii. As of December 31, 2017, the Group has no available-for-sale financial assets pledged to others as collateral.

(c) Financial assets at cost

	December 31, 2017
Unlisted stocks	$ 1,586,783

i. According to the Group's intention, its investment in unlisted stocks should be classified as 'available-for-sale financial assets'. However, as unlisted stocks are not traded in active market, and no sufficient industry information of company's similar company's financial information cannot be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. On June 20, 2017, President Energy Development (Cayman Island) Ltd., an investment measured at cost, reduced its capital by returning share capital to its investors. For the year ended December 31, 2017, the Group wrote down its investment cost by $26,938 in proportion to its share of the capital decrease.

iii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

D. Credit risk

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their clients. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors, and monitor the credit limit regularly. Credit risk arises from cash and cash equivalents and credit exposures to customer, including outstanding receivables and committed transactions. For financial insitution, the Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The Group' s accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

(d) As of December 31, 2017, no collateral held by the Group as security for accounts receivable.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

i. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

ii. Customer loyalty programmes

The Group has customer loyalty programmes where the Group grants loyalty award credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Group recognises the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

iii. Sales counter commission revenue

The revenue amount is confirmed when the sales counter completes the sale of goods. The transaction type of the subsidiary, Tainan Spinning Retail and Distribution Co., Ltd., did not exceed the significant risk and reward arising from providing goods or service, and therefore its role meets the definition of an agent. As a result, the net amounts of sales revenue and costs are recongised for goods sold through sales counters in accordance with IAS 18, 'Revenue'.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017	
Sales revenue, net	$	20,245,375
Sales revenue from retail counters		417,537
Rental income from leasing retail counters		88,658
Other rental income		201,073
Revenue from managing public area		110,490
	$	21,063,133

C. The effects and description of current balance sheet items if the Group continues adopting above accounting policies are as follows:

	December 31, 2018		
Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities - current	$ 256,818	$ -	$ 256,818
Advance sales receipts	-	256,818	(256,818)

Explanation:

Advance sales receipts in relation to the contract were previously presented in accordance with previous R.O.C. GAAP. Under IFRS 15 'Revenue from contracts with customers', the advance sales receipts are recognized as contract liabilities.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, information related only to the year ended December 31, 2018 is disclosed.)

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

As of December 31, 2018, the Group did not invest in Mainland China through any investment method.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group's chief operating decision-maker considers the business from a company type perspective

(2) Measurement of segment information

The chief operating decision-maker, evaluates the performance of the operating segments based on a measure of income before tax. The accounting policy of the operation segment is the same as Note 4.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2018					
	Spinning Co., Ltd.	Tainan Spinning Co., Ltd (Vietnam)	Nan Fan Housing Development Co., Ltd.	Tainan Spinning Retail and Distribution Co., Ltd.	Others	Total
Total segment revenue	$ 15,638,743	$ 10,331,827	$ 885	$ 961,691	$ -	$ 26,933,146
Inter-segment revenue	1,499,766	486,401	885	-	-	1,987,052
External revenue, net	14,138,977	9,845,426	-	961,691	-	24,946,094
Interest income	35,238	941	663	666	222	37,730
Depreciation and amortisation	473,580	413,580	96	224,782	-	1,112,038
Interest expense	92,752	90,516	-	-	-	183,268
Segment income (loss), before tax	801,678	498,117	136,052	(146,849)	5,955	1,294,953
Segment assets	31,792,776	9,722,549	1,725,988	884,813	430,026	44,556,152
Capital expenditure for non-current assets	500,073	436,994	34	32,082	-	969,183
Segment liabilities	14,251,782	4,458,613	5,525	697,542	38	19,413,500

	Year ended December 31, 2017					
	Spinning Co., Ltd.	Tainan Spinning Co., Ltd (Vietnam)	Nan Fan Housing Development Co., Ltd.	Tainan Spinning Retail and Distribution Co., Ltd.	Others	Total
Total segment revenue	$ 12,437,227	$ 9,603,531	$ -	$ 913,888	$ -	$ 22,954,646
Inter-segment revenue	1,294,385	270,466	-	326,662	-	1,891,513
External revenue, net	11,142,842	9,333,065	-	587,226	-	21,063,133
Interest income	2,435	2,009	818	334	174	5,770
Depreciation and amortisation	432,885	352,257	74	246,111	-	1,031,327
Interest expense	82,056	28,915	-	-	-	110,971
Segment income (loss), before tax	386,287	434,493	104,717	(174,992)	16,779	767,284
Segment assets	31,735,310	8,230,661	1,810,453	966,442	313,624	43,056,490
Capital expenditure for non-current assets	364,511	637,943	352	20,831	-	1,023,637
Segment liabilities	13,841,280	3,427,541	1,401	632,322	37	17,902,581

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is provided as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Reportable segments profit before tax	$ 1,288,998	$ 750,505
Other segments income	5,955	16,779
Write-offs of inter-segment income	6,312	(18,863)
Income before tax	$ 1,301,265	$ 748,421

B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Assets of reportable segments	$ 44,126,126	$ 42,742,866
Other segments assets	430,026	313,624
Write-offs of inter-segment assets	(404,644)	(246,666)
Total assets	$ 44,151,508	$ 42,809,824

C. The amounts provided to the chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Liabilities of reportable segments	$ 19,413,462	$ 17,902,544
Other segments liabilities	38	37
Write-offs of inter-segment liabilities	(394,312)	(221,848)
Total liabilities	$ 19,019,188	$ 17,680,733

(5) Information on products and services

Revenue from external customers is mainly from manufacture, processing, and sale of textile products and synthetic fiber materials. For details of revenue, please refer to Note 6 (19) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
Taiwan	$ 7,162,779	$ 21,741,772	$ 5,770,000	$ 21,943,959
Vietnam	2,962,883	3,910,841	2,091,024	3,838,129
Mainland China	2,429,369	-	2,946,303	-
Others	12,391,063	-	10,255,806	-
	$ 24,946,094	$ 25,652,613	$ 21,063,133	$ 25,782,088

Note: Revenue is categorised based on the location of the customers.

(7) Major customer information

Revenue from each customer of the Group for the years ended December 31, 2018 and 2017 didn't reach 10% of the revenue from the consolidated income statement.

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee	Outstanding endorsement/ guarantee	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
1	Tainan Spinning Holding (Cayman Islands) Ltd.	Bao Miinh Textile & Garment	6	$ 130,411	$ 98,999	$ 98,232	$ 71,808	$ -	75%	$ 130,411	N	N	N	-

Note 1: The following code represents the relationship with Company :

1. Trading partner.
2. Majority owned subsidiary.
3. The Company and subsidiary owns over 50% ownership of the investee company.
4. A subsidiary jointly owned over 50% by the Company and the Company's directly-owned subsidiary.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

Note 2: The total amount of transactions of endorsement equals to 100% of the Company's net worth, the limit of endorsement for any single entity is 100% of the Company's net worth, and all of the related transactions are to be submitted to the Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 3: Foreign currencies are translated into New Taiwan Dollars. Exchange rates of foreign currencies indicated as of report date were as follows: USD:NTD 1:30.72

Table 2

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2018

Expressed in thousands of NTD

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote (Note 4)
				Number of shares	Book value	Ownership (%)	Fair value	
Tainan Spinning Co., Ltd.	Fine Point Finance Ltd. Stock	-	Financial assets at fair value through other comprehensive income- non-current	-	$ 41,239	11.76%	$ 21,111	-
	T.Y. President Corp. Stock	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	-	13,746	11.76%	13,746	-
	President International Development Corp.	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	119,070	1,101,154	9.00%	1,101,154	-
	Grand Bills Finance Corp.	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	43,999	492,283	8.14%	492,283	-
	Universal venture capital investment corporation Stock	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	4,300	44,600	3.57%	44,600	-
	Uni-President Assets Management Corp.	-	Financial assets at fair value through other comprehensive income- non-current	1,171	10,010	3.34%	10,010	-
	ScinoPharm Taiwan Ltd.	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	23,606	570,083	2.99%	570,083	-
	President Securities Corp.	-	Financial assets at fair value through other comprehensive income- non-current	32,142	369,632	2.31%	369,632	-
	ChinaTrust Investment Co. Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	2,088	927	0.66%	927	-
	Qware Systems & Services Corp.	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	172	1,722	0.61%	1,922	-
	Taian Insurance Co., Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	686	-	0.23%	-	-

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote (Note 4)
				Number of shares	Book value	Ownership (%)	Fair value	
Tainan Spinning Holding (Cayman Islands) Ltd.	Bao Minh Textile & Garment	-	Financial assets at fair value through other comprehensive income- non-current	-	79,145	8.50%	79,145	-
	President Energy Development (Cayman Islands) Ltd. Stock	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	354	10,878	7.08%	10,878	-
Nan Fan International Investment (Cayman Islands) Co., Ltd.	Uni-President China Holdings Ltd. Stock	-	Financial assets at fair value through profit and loss- current	1,304	34,775	0.00%	34,775	-
	Goldman Sachs (Asia) L.L.C.Liberty Harbor Spv II Ltd 100% Of Funds Assets In Illiquid Investments (ii)	-	Financial assets at fair value through other comprehensive income- non-current	-	126	0.00%	126	-
	All-Stars Investment Private Partners Fund L. P.	-	Financial assets at fair value through profit and loss- non-current	-	103,275	0.00%	103,275	-
Nan Fan Housing Development Co., Ltd.	PAMC DynaStrategy Global Multi-Asset Fund A TWD	-	Financial assets at fair value through profit and loss- current	3,000	23,282	0.00%	23,282	-
	Eten Technologies Inc.	Subsidiary of the company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	3,159	5,885	19.29%	5,885	-
	Prince Housing & Development Corp.	The chairman of the company is the director	Financial assets at fair value through other comprehensive income- non-current	59,185	603,692	3.65%	603,692	-
	President International Development Corp.	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	39,690	367,051	3.00%	367,051	-
	Qware Systems & Services Corp.	Subsidiary of the company is the juristic controller	Financial assets at fair value through other comprehensive income- non-current	699	6,991	2.49%	7,846	-
	ScinoPharm Taiwan Ltd.	The company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	539	13,013	0.07%	13,013	-

Note: Foreign currencies are translated into New Taiwan Dollars. Exchange rates of foreign currencies indicated as of report date were as follows: USD:NTD 1:30.72 ; HKD:NTD 1:3.921

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the year ended December 31,2018

Table 3

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions: Unit price	Differences in transaction terms compared to third party transactions: Credit term	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Subsidiary	(sales)	($ 956,648)	-6%	Note 1	-	Acquire 1 to 5 months term bill after sale	$ 224,882	17%	-
Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Subsidiary	Purchases	208,925	2%	60 days after monthly-closing, T/T.	-	60 days after arrival, T/T.	(17,634)	-1%	-
Tainan Spinning Co., Ltd.	Tainan Textile Co., Ltd.	Subsidiary	(sales)	(203,789)	-1%	Note 2	-	Acquire 1 to 5 months term bill after sale	68,964	5%	-
Tainan Spinning Co., Ltd. (Vietnam)	Tainan Spinning Co., Ltd.	The company	Purchases	956,648	15%	Note 3	-	Issue 30 days term bill	(224,882)	-68%	-
Tainan Spinning Co., Ltd. (Vietnam)	Tainan Spinning Co., Ltd.	The company	(sales)	(208,925)	-3%	60 days after monthly-closing, T/T.	-	Acquire sight L/C after sale	17,634	3%	-
Tainan Spinning Co., Ltd. (Vietnam)	Namtex Co., Ltd.	Subsidiary	(sales)	(252,463)	-4%	60 days after shipment, T/T.	-	Acquire sight L/C after sale	74,234	15%	-
Tainan Textile Co., Ltd.	Tainan Spinning Co., Ltd.	The company	Purchases	203,789	11%	Note 4	-	Issue 90 days sight L/C	(68,964)	-50%	-
Namtex Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Subsidiary	Purchases	252,463	24%	60 days after arrival, T/T.	-	Prepayment for purchases	(74,234)	-47%	-

Note 1: The transaction terms of sales to Tainan Spinning Co., Ltd. (Vietnam) was 60 days T/T after shipment, but change to 180 days L/C after the cargo arrival at port since December, 2018.
Note 2: The transaction terms of sales to Tainan Textile Co., Ltd. was 90 days after the cargo arrival at port, but change to 180 days L/C after the cargo arrival at port since December, 2018.
Note 3: The transaction terms of purchase from Tainan Spinning Co., Ltd. was 60 days T/T after arrival, but change to 180 days L/C after arrival since December, 2018.
Note 4: The transaction terms of purchase from Tainan Spinning Co., Ltd. was 90 days T/T after the cargo arrival at port, but change to 180 days L/C after arrival since December, 2018.

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2018

Table 4

Expressed in thousands of NTD

The name of the Company	Name of the counter-party	Relationship	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Subsidiary	$ 224,882	5.96	$ -	-	$ 43,097	$ -

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	1	Sales	$ 956,648	(Note 6)	4%
			1	Purchases	208,925	60 days after monthly-closing, T/T.	1%
			1	Accounts receivable	224,882	-	1%
			1	Accounts payable	17,634	-	-
			1	Administrative service income	21,495	According to cantract	-
		Tainan Textile Co., Ltd.	1	Sales	203,789	(Note 7)	-
			1	Purchases	48,066	60 days after monthly-closing, T/T.	-
			1	Accounts receivable	68,964	-	-
		Tainan Spinning Retail and Distribution Co., Ltd.	1	rent income	339,015	According to cantract	1%
1	Tainan Spinning Co., Ltd. (Vietnam)	Namtex Co., Ltd.	3	Sales	252,463	60 days after shipment, T/T.	1%
			3	Accounts receivable	74,234	-	-
2	Tainan Textile Co., Ltd.	Namtex Co., Ltd.	3	Sales	51,893	60 days after shipment, T/T.	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: The relationships among the transaction parties are as follows:
(1)Parent company to subsidiary.
(2)Subsidiary to parent company.
(3)Subsidiary to subsidiary.

Note 3: The percentage of transaction amount over consolidated total revenues or total assets is as follows: Assets and liabilities are calculated using the ending balance over the consolidated total assets at period end; Sales is calculated using the amount of the mid-term over the consolidated total revenue of the period.

Note 4: Transactions among the company and subsidiaries with amount over NTD$100,000 and one side of them are disclosed.

Note 5: Foreign currencies are translated into New Taiwan Dollars. Exchange rates of foreign currencies indicated as of report date were as follows: USD:NTD 1:30.72

Note 6: The transaction terms of sales to Tainan Spinning Co., Ltd. (Vietnam) was 60 days T/T after shipment, but change to 180 days L/L after the cargo arrival at port since December, 2018.

Note 7: The transaction terms of sales to Tainan Textile Co., Ltd. was 90 days after the cargo arrival at port, but change to 180 days L/L after the cargo arrival at port since December, 2018.

Table 6

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Vietnam	Productions and sales of cotton yarn	$ 2,910,166	$ 2,910,166	145,000,000	100.00	$ 4,946,366	$ 425,409	$ 431,722	Subsidiary
	Nan Fan Housing Development Co., Ltd.	Taiwan	Land development company	130,000	130,000	13,000,000	100.00	128,798	(220)	(220)	Subsidiary
	Tainan Spinning Holding (Cayman Islands) Ltd.	Cayman island	Investment company	104,447	104,447	3,337,380	100.00	129,412	4,276	4,276	Subsidiary
	Nan Fan International Investment (Cayman Islands) Co., Ltd.	Cayman island	Investment company	194,528	89,327	6,350,000	100.00	170,777	1,899	1,899	Subsidiary
	Nan Fan Development Co., Ltd.	Taiwan	Engage in the construction of public housing and the rental and sale of commercial property	189,793	189,793	131,038,690	99.99	1,874,869	127,717	127,717	Subsidiary
	Tainan Spinning Retail and Distribution Co., Ltd.	Taiwan	Department Stores	702,628	702,628	50,000,000	100.00	187,271	(146,849)	(146,849)	Subsidiary
	Nantex Industry Co., Ltd.	Taiwan	Manufacturing, processing and trading of lotions and rubber	156,000	156,000	105,549,052	21.43	1,706,386	1,534,951	328,940	-
	Ken Ting Hsing Yeh Co., Ltd.	Taiwan	Room and rental	80,000	80,000	12,000,000	20.00	191,528	(39,265)	(7,853)	-
Tainan Spinning Co., Ltd. (Vietnam)	Tainan Textile Co., Ltd.	Vietnam	Productions and sales of cotton yarn	3,072,000	3,072,000	100,000,000	100.00	2,838,940	169,757	-	Subsidiary (Note1)
Nan Fan Housing Development Co., Ltd.	Federal Holding Limited	Samoa	Investment company	204,288	193,536	6,650,000	100.00	172,631	(10,743)	-	Subsidiary (Note1)
	T. G. I. Co., Ltd.	Taiwan	Department stores	27,000	13,500	2,700,000	45.00	25,985	(5,279)	-	(Note1)
	Mean Time Enterprise Co., Ltd	Taiwan	Development of residential building, real estate business, etc	65,410	65,410	350,000	35.00	22,294	6,715	-	(Note1)
	Nantex Industry Co., Ltd.	Taiwan	Manufacturing, processing and trading of lotions and rubber	195,102	195,102	27,326,884	5.56	462,970	1,534,951	-	(Note1)
	Nantai Royal Co., Ltd.	Taiwan	Room and rental	5,000	-	500,000	50.00	4,882	(238)	-	(Note1)
Federal Holding Limited	United investment Pte. Ltd.	Singapore	Investment company	201,216	190,464	6,550,000	100.00	169,824	(10,817)	-	Subsidiary (Note1)
United investment Pte. Ltd.	Namtex Co., Ltd.	Vietnam	Engage in the integrated knitting, dyeing and finishing operations	182,568	182,568	10,121,316	50.00	154,514	(16,037)	-	Subsidiary (Note1)

Note 1: According to the related regulations, it is not required to disclose income (loss) recognized by the Company.
Note 2: Foreign currencies are translated into New Taiwan Dollars. Exchange rates of foreign currencies indicated as of report date were as follows: USD:NTD 1:30.72 ; VND:NTD 1:0.001323