

Les Enphants Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

LES ENPHANTS CO., LTD.



ALEX LIN
Chairman

March 22, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Les Enphants Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of Inventories

As of December 31, 2017, the balance of inventories amounted to NT\$1,869,622 thousand. It's significant as it comprises 29% of the Group's consolidated total assets. Refer to Notes 4, 5 and 12 the accompanying consolidated financial statements for the related accounting policies, estimation uncertainty, and detailed disclosures.

Inventories are stated at the lower of cost or net realizable value. The net realizable value was based on major judgments and accounting estimates made by management, so the valuation of inventories has been identified as a key audit matter in the audit for the year ended December 31, 2017.

Our main audit procedures performed in respect of above key audit matter included obtaining the estimated data of inventories stated at the lower of cost or net realizable value by management; sampling recent sales data to verify the rationality of the net realizable value; observing the annual physical count of inventory; and obtaining the inventory aging report provided by management to assess the reasonableness of the allowance for inventory impairment.

Disposal of Property, Plant and Equipment and Investment Properties

For the medium-term to long-term development strategy, the Group disposed property, plant and equipment and investment properties for NT\$414,518 thousand and recognized a disposal gain of NT\$872,200 thousand. It's significant as it comprises 153.53% of the Group's income before income tax, so the disposal of property, plant and equipment and investment properties has been identified as a key audit matter in the audit for the year ended December 31, 2017. Refer to Note 4, 5 and 13 the accompanying consolidated financial statements for the related accounting policies, estimation uncertainty, and detailed disclosures.

We performed the following audit procedures:

1. Obtaining the Group's minutes of Board of Directors meeting and confirmed that the resolution has been approved. We also confirmed whether the management complied with the procedure of acquisition and disposal of assets of the company.
2. Obtaining sale contracts, real estate transfer documents and tax documents. Verifying the certificate of transferring ownership and recalculating the disposal gain to confirm that it has been properly calculated and recognized.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ming-hsing Cho and Ching-pin Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,105,435	17	\$ 833,839	12
Financial assets at fair value through profit or loss - current (Notes 7)	-	-	733	-
Available-for-sale financial assets - current (Note 8 and 30)	133	-	282	-
Debt investments with no active market - current (Note 10)	13,471	-	13,671	-
Notes receivable (Note 11)	55,782	1	49,332	1
Accounts receivable, net (Note 11)	744,845	12	807,024	12
Trade receivables from related parties (Note 38)	90	-	36	-
Other receivables, net (Notes 11 and 39)	411,679	6	97,501	1
Current tax assets (Note 31)	4,458	-	4,663	-
Inventories (Note 12)	1,869,622	29	2,248,643	32
Prepayments for leases (Note 20)	3,465	-	3,494	-
Prepayments	104,321	2	151,459	2
Other current assets	8,209	-	6,082	-
Total current assets	<u>4,321,510</u>	<u>67</u>	<u>4,216,759</u>	<u>60</u>
NONCURRENT ASSETS				
Financial assets measured at cost - noncurrent (Note 9)	1,088	-	7,838	-
Investments accounted for using the equity method (Note 15)	86,613	1	91,762	1
Property, plant and equipment (Notes 16 and 39)	817,950	13	1,256,225	18
Investment properties (Notes 17 and 39)	791,386	12	928,426	13
Goodwill (Note 18)	11,423	-	11,423	-
Other intangible assets (Note 19)	24,632	1	19,799	-
Deferred tax assets (Note 31)	173,345	3	250,374	4
Prepayments for equipments	2,839	-	-	-
Refundable deposits	85,426	1	100,673	2
Prepayments for investments (Note 9)	5,478	-	-	-
Long-term prepayments for leases (Note 20)	117,740	2	122,571	2
Total noncurrent assets	<u>2,117,920</u>	<u>33</u>	<u>2,789,091</u>	<u>40</u>
TOTAL	<u>\$ 6,439,430</u>	<u>100</u>	<u>\$ 7,005,850</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 21)	\$ 593,287	9	\$ 1,292,564	19
Short-term bills payable (Note 22)	19,998	-	19,988	-
Financial liabilities at fair value through profit of loss-current (Note 7)	432	-	-	-
Notes payable (Note 24)	3,496	-	12,282	-
Accounts payable (Note 24)	907,506	14	829,835	12
Trade payables to related parties (Note 38)	3,938	-	6,955	-
Other payables (Note 25)	555,832	9	539,531	8
Current tax liabilities (Note 31)	8,066	-	2,853	-
Provisions - current (Note 26)	54,092	1	17,266	-
Deferred revenue (Note 25)	8,934	-	10,188	-
Advance receipts (Note 25)	156,583	2	144,153	2
Current portion of long-term borrowings (Notes 23 and 39)	33,333	1	-	-
Other current liabilities (Note 25)	2,773	-	3,122	-
Total current liabilities	<u>2,348,270</u>	<u>36</u>	<u>2,878,737</u>	<u>41</u>
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 23 and 39)	283,334	4	650,000	9
Deferred tax liabilities (Note 31)	93,114	2	154,063	2
Net defined benefit liability - noncurrent (Note 27)	251,225	4	237,927	4
Guarantee deposits received	54,676	1	51,770	1
Other noncurrent liabilities (Note 25)	4,148	-	2,362	-
Total noncurrent liabilities	<u>686,497</u>	<u>11</u>	<u>1,096,122</u>	<u>16</u>
Total liabilities	<u>3,034,767</u>	<u>47</u>	<u>3,974,859</u>	<u>57</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,043,248	32	2,043,248	29
Capital surplus	891,306	14	891,306	13
Retained earnings				
Legal reserve	177,552	3	177,552	2
Special reserve	63,206	1	63,206	1
Unappropriated Earning (Accumulated deficits)	203,142	3	(199,096)	(3)
Total retained earnings	443,900	7	41,662	-
Other equity	(109,317)	(2)	(83,302)	(1)
Total equity attributable to owners of the Company	3,269,137	51	2,892,914	41
NONCONTROLLING INTERESTS	135,526	2	138,077	2
Total equity	<u>3,404,663</u>	<u>53</u>	<u>3,030,991</u>	<u>43</u>
TOTAL	<u>\$ 6,439,430</u>	<u>100</u>	<u>\$ 7,005,850</u>	<u>100</u>

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 29 and 38)	\$ 6,826,622	100	\$ 8,083,329	100
OPERATING COSTS (Notes 12, 30 and 38)	<u>3,815,189</u>	<u>56</u>	<u>4,286,515</u>	<u>53</u>
GROSS PROFIT	<u>3,011,433</u>	<u>44</u>	<u>3,796,814</u>	<u>47</u>
OPERATING EXPENSES (Notes 30 and 38)				
Selling and marketing expenses	2,669,528	39	3,148,273	39
General and administrative expenses	<u>717,076</u>	<u>11</u>	<u>866,700</u>	<u>11</u>
Total operating expenses	<u>3,386,604</u>	<u>50</u>	<u>4,014,973</u>	<u>50</u>
LOSS FROM OPERATIONS	<u>(375,171)</u>	<u>(6)</u>	<u>(218,159)</u>	<u>(3)</u>
NONOPERATING INCOME AND EXPENSES (Notes 30 and 38)				
Other income	167,786	3	145,160	2
Other gains and losses	819,918	12	60,239	1
Finance costs	(44,290)	(1)	(57,634)	(1)
Share of profit or loss of associates	<u>(154)</u>	<u>-</u>	<u>9,289</u>	<u>-</u>
Total nonoperating income and expenses	<u>943,260</u>	<u>14</u>	<u>157,054</u>	<u>2</u>
PROFIT (LOSS) BEFORE INCOME TAX	568,089	8	(61,105)	(1)
INCOME TAX (EXPENSE) BENEFIT (Note 31)	<u>(139,169)</u>	<u>(2)</u>	<u>49,357</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>428,920</u>	<u>6</u>	<u>(11,748)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 27, 28 and 31)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(29,564)	-	16,828	-
Share of the other comprehensive loss of associates accounted for using the equity method	(86)	-	(76)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>5,026</u>	<u>-</u>	<u>(2,861)</u>	<u>-</u>
	<u>(24,624)</u>	<u>-</u>	<u>13,891</u>	<u>-</u>

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LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(34,394)	(1)	(187,540)	(2)
Unrealized (loss) gain on available-for-sale financial assets	(149)	-	979	-
Share of the other comprehensive loss of associates accounted for using the equity method	(30)	-	(192)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>5,278</u>	<u>-</u>	<u>31,688</u>	<u>-</u>
	<u>(29,295)</u>	<u>(1)</u>	<u>(155,065)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(53,919)</u>	<u>(1)</u>	<u>(141,174)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 375,001</u>	<u>5</u>	<u>\$ (152,922)</u>	<u>(2)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 425,649	6	\$ (21,327)	-
Noncontrolling interests	<u>3,271</u>	<u>-</u>	<u>9,579</u>	<u>-</u>
	<u>\$ 428,920</u>	<u>6</u>	<u>\$ (11,748)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 376,223	5	\$ (161,566)	(2)
Noncontrolling interests	<u>(1,222)</u>	<u>-</u>	<u>8,644</u>	<u>-</u>
	<u>\$ 375,001</u>	<u>5</u>	<u>\$ (152,922)</u>	<u>(2)</u>
EARNINGS (LOSS) PER SHARE (NEW TAIWAN DOLLARS; Note 32)				
Basic	<u>\$ 2.08</u>		<u>\$ (0.10)</u>	
Diluted	<u>\$ 2.07</u>		<u>-</u>	

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

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
	Share Capital	Capital Surplus	Retained Earnings (Notes 28, 30 and 31)			Other Equity (Note 28)		Treasury Shares	Total	Noncontrolling Interests (Notes 28 and 33)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earning (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	(Note 28)	(Note 28)						(Note 28)			
BALANCE AT JANUARY 1, 2016	\$ 2,053,778	\$ 894,188	\$ 177,552	\$ 63,206	\$ (191,873)	\$ 74,427	\$ (3,386)	\$ (13,412)	\$ 3,054,480	\$ 127,575	\$ 3,182,055
Net (loss) profit in 2016	-	-	-	-	(21,327)	-	-	-	(21,327)	9,579	(11,748)
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	14,104	(155,322)	979	-	(140,239)	(935)	(141,174)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(7,223)	(155,322)	979	-	(161,566)	8,644	(152,922)
Cancellation of treasury shares	(10,530)	(2,882)	-	-	-	-	-	13,412	-	-	-
Share-based payment arrangements	-	-	-	-	-	-	-	-	-	1,858	1,858
BALANCE AT DECEMBER 31, 2016	2,043,248	891,306	177,552	63,206	(199,096)	(80,895)	(2,407)	-	2,892,914	138,077	3,030,991
Appropriation of the 2016 earnings Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(1,584)	(1,584)
Net profit in 2017	-	-	-	-	425,649	-	-	-	425,649	3,271	428,920
Other comprehensive income (loss) in 2017, net of income tax	-	-	-	-	(23,411)	(25,866)	(149)	-	(49,426)	(4,493)	(53,919)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	402,238	(25,866)	(149)	-	376,223	(1,222)	375,001
Share-based payment arrangements	-	-	-	-	-	-	-	-	-	255	255
BALANCE AT DECEMBER 31, 2017	<u>\$ 2,043,248</u>	<u>\$ 891,306</u>	<u>\$ 177,552</u>	<u>\$ 63,206</u>	<u>\$ 203,142</u>	<u>\$ (106,761)</u>	<u>\$ (2,556)</u>	<u>\$ -</u>	<u>\$ 3,269,137</u>	<u>\$ 135,526</u>	<u>\$ 3,404,663</u>

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	\$ 568,089	\$ (61,105)
Adjustments for:		
Depreciation expenses	159,415	215,089
Amortization expenses	13,550	16,844
Impairment loss recognized on accounts receivable	12,701	4,589
Net loss (gain) on fair value change of financial assets designated as at fair value through profit or loss	1,165	(209)
Finance costs	44,290	57,634
Interest income	(4,164)	(2,872)
Dividend income	-	(211)
Compensation cost of employee share options	255	1,858
Share of loss (profit) of associates	154	(9,289)
Gain on disposal of property, plant and equipment	(839,664)	(136,763)
Net loss on disposal of investments	-	492
Amortization of prepayments for leases	3,419	3,653
Changes in operating assets and liabilities		
Financial assets held for trading	-	20,546
Notes receivable	(6,450)	(1,951)
Accounts receivable	50,346	120,270
Trade receivables from related parties	(54)	(10)
Other receivables	3,974	(30,670)
Inventories	379,021	386,568
Prepayments	47,138	64,314
Other current assets	(2,127)	(2,388)
Notes payable	(8,786)	(731)
Accounts payable	77,671	17,198
Trade payables to related parties	(3,017)	(5,813)
Other payables	41,916	(112,544)
Provisions	37,198	(7,591)
Advance receipts	12,430	21,289
Other current liabilities	(349)	87
Net defined benefit liability	(16,266)	(134,558)
Deferred revenue	(1,254)	(6,378)
Other Operating activities liabilities	1,318	-
Cash generated from operations	571,919	417,348
Interest received	4,164	2,805
Interest paid	(45,132)	(56,841)
Income tax paid	(109,798)	(25,427)
Net cash generated from operating activities	<u>421,153</u>	<u>337,885</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	706
Purchase of debt investments with no active market	(49,667)	(13,935)

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LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2017	2016
Proceeds from disposal of debt investments with no active market	50,056	-
Capital return of financial assets measured at cost	6,750	2,109
Increase in prepayments for investments	(5,435)	-
Proceeds from disposal of non-current assets held for sale	1,286,718	-
Payments for property, plant and equipment	(78,222)	(87,060)
Proceeds from disposal of property, plant and equipment	6,740	185,967
Decrease in refundable deposits	15,247	17,534
Payments for intangible assets	(18,403)	(8,432)
Payments for investment properties	(1,411)	(262)
Increase in prepayments for equipment	(2,839)	-
Dividends received	<u>4,879</u>	<u>2,086</u>
Net cash generated from investing activities	<u>1,214,413</u>	<u>98,713</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	241,910
Repayments of short-term borrowings	(699,277)	-
Proceeds from short-term bills payable	179,825	99,874
Repayments of short-term bills payable	(180,000)	(110,000)
Repayments of bonds payable	-	(600,000)
Proceeds from long-term borrowings	50,000	1,250,000
Repayments of long-term borrowings	(383,333)	(1,199,638)
Proceeds from guarantee deposits received	2,906	-
Refund of guarantee deposits received	-	(1,355)
Increase in other noncurrent liabilities	468	92
Dividends paid to noncontrolling interests	(1,584)	-
Other financing activity-restricted assets	<u>(319,075)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,350,070)</u>	<u>(319,117)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(13,900)</u>	<u>61,616</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	271,596	179,097
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>833,839</u>	<u>654,742</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,105,435</u>	<u>\$ 833,839</u>

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

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Les Enphants Co., Ltd. (the “Company”) was established in 1971. The Company’s shares have been listed on the Taiwan Stock Exchange. The Company mainly manufactures and sells clothes and toys for children and infants.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 22, 2018.

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

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

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

- 1) Amendment to IAS 36 “Impairment of Assets”

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

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

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 38 for the related disclosures.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the application of IFRSs had no material effect on the consolidated assets, liabilities, equity, comprehensive income, and cash flows.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS) endorsed by the FSC for application starting from 2018

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

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

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

IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

transaction.

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

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables.

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through other comprehensive income - current	\$ -	\$ 133	\$ 133
Available-for-sale financial assets - current	133	(133)	-
Financial assets measured at amortized cost - current	-	13,471	13,471
Financial assets at fair value through other comprehensive income - noncurrent	-	4,333	4,333
Financial assets measured at cost - noncurrent	1,088	(1,088)	-
Debt investments with no active market - current	<u>13,471</u>	<u>(13,471)</u>	<u>-</u>
Total effect on assets	<u>\$ 14,692</u>	<u>\$ 3,245</u>	<u>\$ 17,937</u>
Retained earnings	<u>\$ -</u>	<u>\$ 3,245</u>	<u>\$ 3,245</u>

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that there is no possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

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

Note 3: On December 31, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

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

1) IFRS 16 “Leases”

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

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

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

When IFRS 16 becomes effective, the Group elects to apply this standard with the cumulative effect of the initial application of this standard recognized at the date of initial application.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

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

See Note 14, Tables 7 and 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and noncontrolling interests as appropriate).

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

f. Inventories

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

g. Investment in associates

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

i. Investment properties

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

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

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

j. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

m. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 37.

ii. Available-for-sale financial assets

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities are classified as at fair value through profit or loss when such financial liabilities is designated as at fair value through profit or loss.

Financial liabilities is designated as at fair value through profit or loss are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 37.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to interest rate and foreign exchange rate risks.

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

o. Provisions

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

p. Revenue recognition

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

1) Sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group;
and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

The sales of goods that result in award credits for customers under the Group's award scheme is accounted for as multiple element revenue transactions, and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

2) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

3) Dividend and interest income

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

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

q. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as reduction of rental expenses on a straight-line basis.

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case, the entire lease is classified as an operating lease.

r. Borrowing costs

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

Shanghai Les Enphants Children Articles Co., Ltd., Beijing Les Enphants Children Articles Co., Ltd., Suzhou Les Enphants Logist Co., Ltd., Shanghai L.E. Genius Co., Ltd., and Shanghai Lead Han Trading Co., Ltd. follow their local statute to set defined contribution retirement benefit plans. PT Les Enphants (Indonesia) Co., Ltd., Les Enphants (Thailand) Co., Ltd., and Les Enphants Thailand Marketing Co., Ltd. do not have any employee retirement plans because they do not reach the standard for establishment of employees' retirement plan of their local statutes.

t. Share-based payment arrangements

Employee share options granted to employee by the Group

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in non-controlling interests. It is recognized as an expense in full at the grant date if vesting immediately.

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

u. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Valuation of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 30,348	\$ 26,854
Checking accounts and demand deposits	1,064,026	802,451
Cash equivalents		
Time deposits	<u>11,061</u>	<u>4,534</u>
	<u>\$ 1,105,435</u>	<u>\$ 833,839</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 733</u>
<u>Financial liabilities held for trading - current</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u> 432</u>	\$ <u> -</u>

At the ended of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2017</u>		
Sell NTD/Buy USD	2018.01.02	NTD572/USD19
Sell NTD/Buy USD	2018.01.04	NTD6,104/USD203
Sell NTD/Buy USD	2018.01.05	NTD428/USD14
Sell NTD/Buy USD	2018.01.09	NTD1,111/USD37
Sell NTD/Buy USD	2018.01.10	NTD229/USD8
Sell NTD/Buy USD	2018.01.11	NTD3,923/USD130
Sell NTD/Buy USD	2018.01.11	NTD125/USD4
Sell NTD/Buy USD	2018.01.16	NTD558/USD19
Sell NTD/Buy USD	2018.01.22	NTD142/USD5
Sell NTD/Buy USD	2018.01.23	NTD97/USD3
Sell NTD/Buy USD	2018.01.23	NTD144/USD5
Sell NTD/Buy USD	2018.01.29	NTD172/USD6
Sell NTD/Buy USD	2018.01.29	NTD168/USD6
Sell NTD/Buy USD	2018.02.08	NTD5,678/USD190
Sell NTD/Buy USD	2018.02.09	NTD111/USD4
Sell NTD/Buy USD	2018.02.09	NTD8,524/USD285
Sell NTD/Buy USD	2018.02.12	NTD868/USD29
Sell NTD/Buy USD	2018.02.12	NTD372/USD12
Sell NTD/Buy USD	2018.02.12	NTD1,051/USD35
Sell NTD/Buy USD	2018.02.21	NTD209/USD7
Sell NTD/Buy USD	2018.02.21	NTD620/USD21
Sell NTD/Buy USD	2018.02.22	NTD7,382/USD248
Sell NTD/Buy USD	2018.03.01	NTD1,343/USD45

(Continued)

	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2016</u>		
Sell NTD/Buy USD	2017.01.03	NTD656/USD21
Sell NTD/Buy USD	2017.01.18	NTD4,537/USD144
Sell NTD/Buy USD	2017.01.23	NTD281/USD9
Sell NTD/Buy USD	2017.01.23	NTD6,438/USD202
Sell NTD/Buy USD	2017.01.23	NTD1,688/USD53
Sell NTD/Buy USD	2017.02.01	NTD1,776/USD56
Sell NTD/Buy USD	2017.02.13	NTD3,085/USD96
Sell NTD/Buy USD	2017.02.17	NTD3,811/USD121
Sell NTD/Buy USD	2017.02.20	NTD642/USD20
Sell NTD/Buy USD	2017.02.20	NTD1,215/USD38
Sell NTD/Buy USD	2017.02.20	NTD637/USD20
Sell NTD/Buy USD	2017.03.06	NTD1,417/USD44
Sell NTD/Buy USD	2017.03.13	NTD6,757/USD213
Sell NTD/Buy USD	2017.03.13	NTD795/USD25
Sell NTD/Buy USD	2017.03.20	NTD9,380/USD299
Sell NTD/Buy USD	2017.03.20	NTD1,013/USD32
Sell NTD/Buy USD	2017.04.12	NTD7,470/USD236
		(Concluded)

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	2017	2016
<u>Domestic investments</u>		
Depository receipts	\$ 2,689	\$ 2,689
Unrealized loss on financial assets	<u>(2,556)</u>	<u>(2,407)</u>
	<u>\$ 133</u>	<u>\$ 282</u>

9. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	2017	2016
Domestic unlisted ordinary shares	<u>\$ 1,088</u>	<u>\$ 7,838</u>

On May 3, 2016, the capital reduction of WK Technology Fund (WKTF) was approved at the meeting of the shareholders, and the Company received a capital return of \$2,109 thousand in June 2016.

On May 10, 2017, the capital reduction of WK Technology Fund (WKTF) was approved at the meeting of the shareholders, and the Company received a capital return of \$6,750 thousand in July 2017.

Shanghai Les Enphants Children Articles Co., Ltd. investmented Shanghai Def Group Co., Ltd. for

RMB\$1,200 thousand in March 2017. Until December 31, 2017, the share transfer registration has not been completed and it is presented under prepayments for investments.

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

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ <u>13,471</u>	\$ <u>13,671</u>

As of December 31, 2017 and 2016, the market interest rates of the time deposits with original maturities of more than 3 months were 1.15%~1.40% and 1.15%~1.20%.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>55,782</u>	\$ <u>49,332</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 767,064	\$ 817,422
Allowance for impairment loss	<u>(22,219)</u>	<u>(10,398)</u>
	<u>\$ 744,845</u>	<u>\$ 807,024</u>
<u>Other receivables</u>		
Restricted assets	\$ 348,483	\$ 32,173
Others	<u>67,946</u>	<u>69,207</u>
	416,429	101,380
Allowance for impairment loss	<u>(4,750)</u>	<u>(3,879)</u>
	<u>\$ 411,679</u>	<u>\$ 97,501</u>
a. Accounts receivable		

The average credit period of sales of goods was 60-90 days. In determining the recoverability of a accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized against accounts receivable based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit

quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivable was as follows:

	December 31	
	2017	2016
0-60 days	\$ 654,166	\$ 714,785
61-180 days	86,378	76,408
181 days -1 year	18,023	11,690
Over 1 year	<u>8,497</u>	<u>14,539</u>
	<u>\$ 767,064</u>	<u>\$ 817,422</u>

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

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

	December 31	
	2017	2016
0-60 days	\$ 45	\$ 226
61-180 days	34,293	8,907
181 days-1 year	7,447	10,070
Over 1 year	<u>-</u>	<u>7,047</u>
	<u>\$ 41,785</u>	<u>\$ 26,250</u>

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

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 3,889	\$ 2,320	\$ 6,209
Impairment losses recognized on receivables	3,955	589	4,544
Amounts written off during the year as uncollectable	-	(3)	(3)
Impairment losses reversed	(132)	-	(132)
Foreign exchange translation gains and losses	<u>(220)</u>	<u>-</u>	<u>(220)</u>
Balance at December 31, 2016	7,492	2,906	10,398
Impairment losses recognized on receivables	11,174	568	11,742
Amounts written off during the year as uncollectable	(12)	-	(12)
Foreign exchange translation gains and losses	<u>91</u>	<u>-</u>	<u>91</u>
Balance at December 31, 2017	<u>\$ 18,745</u>	<u>\$ 3,474</u>	<u>\$ 22,219</u>

The Group recognized an impairment loss on accounts receivable amounting to \$18,745 thousand and \$7,492 thousand as of December 31, 2017 and 2016, respectively. The Group did not hold any collateral over these balances.

The age of individually impaired accounts receivable was as follows:

	<u>December 31</u>	
	2017	2016
181 days-1 year	\$ 10,248	\$ -
Over 1 year	<u>8,497</u>	<u>7,492</u>
	<u>\$ 18,745</u>	<u>\$ 7,492</u>

The above aging of accounts receivable before deducting the allowance for impairment loss was presented based on the past due days from invoice date.

b. Other receivables

The aging of other receivables was as follows:

	<u>December 31</u>	
	2017	2016
0-60 days	\$ 34,077	\$ 64,048
61-90 days	26,096	100
91-150 days	1,634	1,342
151 days-1 year	498	83
Over 1 year	<u>5,641</u>	<u>3,634</u>
	<u>\$ 67,946</u>	<u>\$ 69,207</u>

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

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

	<u>December 31</u>	
	2017	2016
61-90 days	\$ -	\$ 100
91-150 days	1,634	1,180
151-1 year	271	-
Over 1 year	<u>1,118</u>	<u>-</u>
	<u>\$ 3,023</u>	<u>\$ 1,280</u>

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 3,576	\$ 397	\$ 3,973
Impairment losses recognized on receivables	121	56	177
Foreign exchange translation gains and losses	<u>(271)</u>	<u>-</u>	<u>(271)</u>
Balance at December 31, 2016	3,426	453	3,879
Impairment losses recognized on receivables	959	-	959
Amounts written off during the year as uncollectable	-	(52)	(52)

Foreign exchange translation gains and losses	<u>(36)</u>	<u>-</u>	<u>(36)</u>
Balance at December 31, 2017	<u>\$ 4,349</u>	<u>\$ 401</u>	<u>\$ 4,750</u>

The Group recognized impairment loss on other receivables amounting to \$4,349 thousand and \$3,426 thousand as of December 31, 2017 and 2016, respectively. The Group did not hold any collateral over these balances.

The age of individually impaired other receivables was as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Over 1 year	<u>\$ 4,349</u>	<u>\$ 3,426</u>

The above aging of other receivables before deducting the allowance for impairment loss was presented based on the past due days from invoice date.

Refer to Note 39 for information relating to other receivables pledged as collateral or security.

12. INVENTORIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Merchandise	\$ 1,711,881	\$ 2,075,625
Finished goods	106,057	110,815
Work in progress	19,653	19,439
Raw materials	13,772	16,217
Supplies	<u>18,259</u>	<u>26,547</u>
	<u>\$ 1,869,622</u>	<u>\$ 2,248,643</u>

The costs of inventories recognized as cost of goods sold were \$3,779,620 thousand for the year ended December 31, 2017 and \$4,264,996 thousand for the year ended December 31, 2016.

The cost of goods sold for the year ended December 31, 2017 included \$7,740 thousand arising from inventory disposal, \$79,499 thousand arising from inventories write-downs, and a loss of \$825 thousand on physical inventory.

The cost of goods sold for the year ended December 31, 2016 included \$14,158 thousand arising from inventory disposal, \$2,068 thousand arising from reversal of inventory write-downs, and a loss of \$1,404 thousand on physical inventory.

13. NON-CURRENT ASSETS HELD FOR SALE

Book value of non-current assets held for sale

	<u>December 31, 2017</u>
Land held for sale	\$ 279,875
Buldings held for sale	130,177
Other assets held for sale	<u>4,526</u>
	414,518

Disposal

(414,518)

\$ -

On May 11, 2017, the board of directors approved to dispose the land and buildings of Neihu headquarters by way of leaseback for the medium-term to long-term development strategy. The land and buildings were originally used for the operation and rental. No impairment loss was recognized while reclassifying the land and buildings to non-current assets held for sale,

The Company signed a sale contract with nonrelated party on September 29, 2017. The Company recognized a disposal gain of \$872,200 thousand, which was the disposal proceeds of \$1,296,685 thousand, after deducting the book value of land held for sale of \$279,875 thousand, building held for sale of \$130,117 thousand, and other assets held for sale of \$4,526 thousand and related direct expenses and taxes of \$9,967 thousand.

The transfer procedure was completed on October 25, 2017, and the payment was received on November 15, 2017. In addition, the Company signed a lease contract with the buyer. The lease period is 20 years. The Company can notify the owner to terminate the lease contract 12 months in advance after the 6th month in the 15th lease year.

14. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Percentage of Ownership	
			2017	2016
Les Enphants Co., Ltd.	L.E. Capital Enterprise Co., Ltd.	Holding company	100.00	100.00
	Mike and Friends Co., Ltd.	Distribution of children's clothes and supplies	100.00	100.00
L.E. Capital Enterprise Co., Ltd.	L.E. Cayman Co., Ltd.	Holding company	100.00	100.00
	L.E. International Co., Ltd.	Holding company	100.00	100.00
L.E. Cayman Co., Ltd.	L.E. Venture Co., Ltd.	Holding company	100.00	100.00
L.E. Venture Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	Distribution of children's clothes and supplies	100.00	100.00
	Les Enphants Retail Group Co. Limited (Note 3)	Holding company	100.00	-
Shanghai Les Enphants Children Articles Co., Ltd.	Suzhou Les Enphants Children Articles Co., Ltd. (Note 3)	Warehousing, transportation and distribution	100.00	100.00
	Shanghai Lead Han Trading Co., Ltd. (Note 3)	Distribution of children's clothes and supplies	100.00	100.00
L.E. International Co., Ltd.	Beijing Les Enphants Children Articles Co., Ltd. (Note 3)	Distribution of children's clothes and supplies	100.00	100.00
	PT Les Enphants (Indonesia) Co., Ltd.	Manufacture and distribution of children's clothes and supplies	100.00	100.00
PT Les Enphants (Indonesia) Co., Ltd.	Les Enphants (Thailand) Co., Ltd.	Manufacture and distribution of children's clothes and supplies	49.00	49.00
	Les Enphants Thailand Marketing Co., Ltd.	Distribution of children's clothes and supplies	49.00	49.00
Les Enphants (Thailand) Co., Ltd.	Les Enphants (S) Marketing Pte. Ltd. (Note 1)	Distribution of children's clothes and supplies	-	26.08
	PT Les Enphants Mitraprima	Distribution of children's clothes and supplies	98.45	98.45
Mike and Friends Co., Ltd.	Les Enphants (S) Marketing Pte. Ltd. (Note 1)	Distribution of children's clothes and supplies	-	73.92
	Les Enphants Thailand Marketing Co., Ltd.	Distribution of children's clothes and supplies	41.00	41.00
Les Champions Co., Ltd.	Les Champions Co., Ltd. (Note 2)	Distribution of children's clothes and supplies	34.59	34.59
L.E. Genius Co., Ltd.	L.E. Genius Co., Ltd.	Holding company	51.00	51.00
L.E. Genius Co., Ltd.	Shanghai L.E. Genius Co., Ltd.	Distribution of children's toys	100.00	100.00

(Concluded)

Note1: Les Enphants Singapore Marketing Pte. Ltd. was liquidated on March 17, 2017 and completed dissolution proceedings in June 2017.

Note2: Although the holding of Mike and Friends Co., Ltd. in LCCL was only 34.59% and the Group did not have a majority interest in LCCL, the Company had 50% representation in LCCL's board. Thus, LCCL was one of the consolidated entities.

Note3: L.E. Venture Co., Ltd. holds 100% interest in Les Enphants Retail Group Co. Limited, a subsidiary which was established in August 2017. On November 14, 2017, the board of directors approved the resolution of equity restructuring. Before the restructuring, Les Enphants Retail Group Co. Limited and Suzhou Les Enphants Children Articles Co., Ltd. (Suzhou Les Enphants Logist Co., Ltd. was renamed Suzhou Les Enphants Children Articles Co., Ltd. in November 2017) are both subsidiaries of L.E. Venture Co., Ltd. After the restructuring, 100% interest of Suzhou Les Enphants Children Articles Co. Ltd. is directly held by Les Enphants Retail Group Co. Limited and indirectly held by L.E. Venture Co., Ltd.

On March 22, 2018, the board of directors approved the resolution of proposing to sell interests of Beijing Les Enphants Children Articles Co., Ltd. and Shanghai Lead Han Trading Co., Ltd., which were held by Shanghai Les Enphants Children Articles Co., Ltd., to Suzhou Les Enphants Children Articles Co., Ltd.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	<u>December 31</u>	
	2017	2016
Material associate		
Genius Toy Taiwan Co., Ltd.	\$ 71,837	\$ 65,362
Komphort Royal of Life Co., Ltd.	<u>14,776</u>	<u>26,400</u>
	<u>\$ 86,613</u>	<u>\$ 91,762</u>
	<u>Percentage of Ownership and Voting Rights</u>	
	<u>December 31</u>	
Associate	2017	2016
Genius Toy Taiwan Co., Ltd.	20.00%	20.00%
Komphort Royal of Life Co., Ltd.	48.00%	48.00%

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

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 was based on the associates' financial statements audited by the auditors for the same years. The Group measured the above associates by using the equity method.

Summarized financial information in respect of each of the Group's material associates is set out below:

Genius Toy Taiwan Co., Ltd.

	December 31	
	2017	2016
Current assets	\$ 196,148	\$ 166,456
Noncurrent assets	85,243	78,287
Current liabilities	(78,475)	(77,600)
Noncurrent liabilities	<u>(24,661)</u>	<u>(23,368)</u>
Equity	<u>\$ 178,255</u>	<u>\$ 143,775</u>
Percentage of the Group's ownership	20.00%	20.00%
Equity attributable to the Group	\$ 35,651	\$ 28,755
Unrealized loss on the investment in associates	(1,663)	(1,516)
Goodwill	26,376	26,376
Other adjustments	<u>11,473</u>	<u>11,747</u>
Carrying amount	<u>\$ 71,837</u>	<u>\$ 65,362</u>

	For the Year Ended December 31	
	2017	2016
Operating revenue	<u>\$ 454,251</u>	<u>\$ 408,710</u>
Net profit for the year	\$ 59,416	\$ 51,329
Other comprehensive loss	<u>(579)</u>	<u>(1,344)</u>
Total comprehensive income for the year	<u>\$ 58,837</u>	<u>\$ 49,985</u>
Dividends received	<u>\$ 4,879</u>	<u>\$ 1,875</u>

Komphort Royal of Life Co., Ltd.

	December 31	
	2017	2016
Current assets	\$ 36,466	\$ 44,977
Noncurrent assets	17,674	21,627
Current liabilities	(22,555)	(10,805)
Noncurrent liabilities	<u>(800)</u>	<u>(800)</u>
Equity	<u>\$ 30,785</u>	<u>\$ 54,999</u>
Percentage of the Group's ownership	48.00%	48.00%
Equity attributable to the Group	<u>\$ 14,776</u>	<u>\$ 26,400</u>
Carrying amount	<u>\$ 14,776</u>	<u>\$ 26,400</u>

	For the Year Ended December 31	
	2017	2016
Operating revenue	<u>\$ 26,515</u>	<u>\$ 30,567</u>
Net profit (loss) for the year	\$ (24,316)	\$ (3,022)
Other comprehensive income	<u> -</u>	<u> -</u>
Total comprehensive income (loss) for the year	<u>\$ (24,316)</u>	<u>\$ (3,022)</u>

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Other Equipment	Property Under Construction	Total
<u>Cost</u>						
Balance at January 1, 2016	\$ 427,766	\$ 952,539	\$ 1,483,031	\$ 274,502	\$ 28,633	\$ 3,166,471
Additions	-	4,851	54,383	27,000	17,373	103,607
Disposals	(28,249)	(18,134)	(138,185)	(22,986)	-	(207,554)
Reclassified	(19,591)	(55,357)	9,713	-	(30,553)	(95,788)
Effect of foreign currency exchange differences	<u>31</u>	<u>(43,808)</u>	<u>(93,552)</u>	<u>(15,779)</u>	<u>(1,201)</u>	<u>(154,309)</u>
Balance at December 31, 2016	<u>\$ 379,957</u>	<u>\$ 840,091</u>	<u>\$ 1,315,390</u>	<u>\$ 262,737</u>	<u>\$ 14,252</u>	<u>\$ 2,812,427</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2016	\$ -	\$ 256,951	\$ 1,186,433	\$ 204,046	\$ -	\$ 1,647,430
Depreciation expense	-	26,925	133,570	22,993	-	183,488
Disposals	-	(9,376)	(130,158)	(18,816)	-	(158,350)
Reclassified	-	(7,280)	(5,376)	-	-	(12,656)
Effect of foreign currency exchange differences	<u>-</u>	<u>(11,110)</u>	<u>(80,237)</u>	<u>(12,363)</u>	<u>-</u>	<u>(103,710)</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 256,110</u>	<u>\$ 1,104,232</u>	<u>\$ 195,860</u>	<u>\$ -</u>	<u>\$ 1,556,202</u>
Carrying amounts at December 31, 2016	<u>\$ 379,957</u>	<u>\$ 583,981</u>	<u>\$ 211,158</u>	<u>\$ 66,877</u>	<u>\$ 14,252</u>	<u>\$ 1,256,225</u>
<u>Cost</u>						
Balance at January 1, 2017	\$ 379,957	\$ 840,091	\$ 1,315,390	\$ 262,737	\$ 14,252	\$ 2,812,427
Additions	-	1,079	28,766	8,716	15,073	53,634
Disposals	-	-	(721,684)	(19,262)	-	(740,946)
Reclassified as held for sale	(223,900)	(158,214)	(13,142)	-	-	(395,256)
Reclassified	-	2,330	21,422	(43)	(20,278)	3,431
Effect of foreign currency exchange differences	<u>-</u>	<u>(6,243)</u>	<u>(18,338)</u>	<u>(1,877)</u>	<u>(55)</u>	<u>(26,513)</u>
Balance at December 31, 2017	<u>\$ 156,057</u>	<u>\$ 679,043</u>	<u>\$ 612,414</u>	<u>\$ 250,271</u>	<u>\$ 8,992</u>	<u>\$ 1,706,777</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	\$ -	\$ 256,110	\$ 1,104,232	\$ 195,860	\$ -	\$ 1,556,202
Depreciation expense	-	22,454	76,110	28,185	-	126,749
Disposals	-	-	(696,869)	(17,568)	-	(714,437)
Reclassified as held for sale	-	(54,121)	(8,616)	-	-	(62,737)
Reclassified	-	768	1,024	-	-	1,792
Effect of foreign currency exchange differences	<u>-</u>	<u>(1,395)</u>	<u>(15,953)</u>	<u>(1,394)</u>	<u>-</u>	<u>(18,742)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 223,816</u>	<u>\$ 459,928</u>	<u>\$ 205,083</u>	<u>\$ -</u>	<u>\$ 888,827</u>
Carrying amounts at December 31, 2017	<u>\$ 156,057</u>	<u>\$ 455,227</u>	<u>\$ 152,486</u>	<u>\$ 45,188</u>	<u>\$ 8,992</u>	<u>\$ 817,950</u>

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	9-60 years
Leasehold improvements	3-5 years
Other equipment	3-15 years

In December 2016, the Company sold land and buildings for \$169,681 thousand and recognized a disposal gain of \$127,408 thousand after deducting the cost of \$34,795 thousand and related direct expenses and taxes of \$7,478 thousand.

Refer to Note 39 for property, plant and equipment pledged as collateral for bank borrowings.

17. INVESTMENT PROPERTIES

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2016	\$ 1,032,448
Additions	262
Reclassified	95,788
Effect of foreign currency exchange differences	<u>(74,544)</u>
Balance at December 31, 2016	<u>\$ 1,053,954</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2016	\$ 88,883
Depreciation expense	31,601
Reclassified	12,656
Effect of foreign currency exchange differences	<u>(7,612)</u>
Balance at December 31, 2016	<u>\$ 125,528</u>
Carrying amounts at December 31, 2016	<u>\$ 928,426</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 1,053,954
Additions	1,411
Disposals	(20,864)
Reclassified	(3,431)
Reclassified as held for sale	(95,529)
Effect of foreign currency exchange differences	<u>(10,165)</u>
Balance at December 31, 2017	<u>\$ 925,376</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2017	\$ 125,528
Depreciation expense	32,666
Disposals	(8,097)
Reclassified	(1,792)
Reclassified as held for sale	(13,530)
Effect of foreign currency exchange differences	<u>(785)</u>

Balance at December 31, 2017	<u>\$ 133,990</u>
Carrying amounts at December 31, 2017	<u>\$ 791,386</u>

The investment properties were depreciated using the straight-line method over 10 to 60 years of their estimated useful lives.

The fair values of the investment property in R.O.C of December 31, 2017 was \$11,461 thousand. The fair values was not performed by independent qualified professional valuers. It was determined by the Company's management by reference to rentals of similar properties in the vicinity. The fair values of the investment property of December 31, 2016 was performed by independent qualified professional valuers and the fair value was measured by using Level 3 inputs; and then a calculation was made to determine the ratio of the assessment amount to the total rental of all the investment properties. The sales comparison approach and the income approach were used in investment properties in R.O.C.

The determination of fair value in China was performed by independent qualified professional valuers and the fair value was measured by using Level 3 inputs; and then a calculation was made to determine the ratio of the assessment amount to the total rental of all the investment properties. The replacement cost approach was used in investment properties in China.

The significant assumptions and fair value as appraised were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>China</u>		
Fair value	<u>\$ 266,558</u>	<u>\$ 230,617</u>

All of the Group's investment properties were held under freehold interests. The carrying amounts of investment properties pledged by the Group to secure borrowings were shown in Note 39.

18. GOODWILL

	2017	2016
<u>Cost</u>		
Beginning and end of the year	<u>\$ 11,423</u>	<u>\$ 11,423</u>

For the years ended December 31, 2017 and 2016, there was no indication that goodwill will be impaired after reviewing the recoverable amount of goodwill.

19. INTANGIBLE ASSETS

	Patents	Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2016	\$ 28,383	\$ 70,276	\$ 98,659
Additions	2,204	6,228	8,432
Derecognition	(13,216)	(22,635)	(35,851)
Effect of foreign currency exchange differences	<u>-</u>	<u>(3,333)</u>	<u>(3,333)</u>

	Patents	Computer Software	Total
Balance at December 31, 2016	<u>\$ 17,371</u>	<u>\$ 50,536</u>	<u>\$ 67,907</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2016	\$ 20,242	\$ 49,705	\$ 69,947
Amortization expense	1,704	15,140	16,844
Derecognition	(13,216)	(22,635)	(35,851)
Effect of foreign currency exchange differences	<u>-</u>	<u>(2,832)</u>	<u>(2,832)</u>
Balance at December 31, 2016	<u>\$ 8,730</u>	<u>\$ 39,378</u>	<u>\$ 48,108</u>
Carrying amounts at December 31, 2016	<u>\$ 8,641</u>	<u>\$ 11,158</u>	<u>\$ 19,799</u>
<u>Cost</u>			
Balance at January 1, 2017	\$ 17,371	\$ 50,536	\$ 67,907
Additions	1,049	17,354	18,403
Derecognition	(2,270)	(14,207)	(16,477)
Effect of foreign currency exchange differences	<u>-</u>	<u>(216)</u>	<u>(216)</u>
Balance at December 31, 2017	<u>\$ 16,150</u>	<u>\$ 53,467</u>	<u>\$ 69,617</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2017	\$ 8,730	\$ 39,378	\$ 48,108
Amortization expense	1,652	11,898	13,550
Derecognition	(2,270)	(14,207)	(16,477)
Effect of foreign currency exchange differences	<u>-</u>	<u>(196)</u>	<u>(196)</u>
Balance at December 31, 2017	<u>\$ 8,112</u>	<u>\$ 36,873</u>	<u>\$ 44,985</u>
Carrying amounts at December 31, 2017	<u>\$ 8,038</u>	<u>\$ 16,594</u>	<u>\$ 24,632</u>

The above items of intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

Patents	10 years
Computer software	3-5 years

20. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Current asset	\$ 3,465	\$ 3,494
Noncurrent asset	<u>117,740</u>	<u>122,571</u>
	<u>\$ 121,205</u>	<u>\$ 126,065</u>

Shanghai Les Enphants Children Articles Co., Ltd. signed a contract with Shanghai Qi Bao Industry Co., Ltd. and Shanghai Municipal Housing Land and Resource Administrative Bureau to get land use rights amounting to RMB26,325 thousand which are valid from August 20, 2007 to August 19, 2057.

In September 2008, Suzhou Les Enphants Logist Co., Ltd. acquired the rights to use state-owned land at RMB6,739 thousand from September 2008 to September 2058.

21. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2017	2016
Unsecured bank loans	<u>\$ 593,287</u>	<u>\$ 1,292,564</u>

At the end of the reporting period, the interest rates on the short-term loans were as follows:

	<u>December 31</u>	
	2017	2016
Unsecured bank loans	3.640%-4.586%	1.23%-4.60%

22. SHORT-TERM BILLS PAYABLE

	<u>December 31</u>	
	2017	2016
Commercial paper	\$ 20,000	\$ 20,000
Less: Unamortized discount on bills payable	<u>2</u>	<u>12</u>
	<u>\$ 19,998</u>	<u>\$ 19,988</u>

December 31, 2017

	Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
<u>Commercial paper</u>							
International Bills Finance		\$ 10,000	\$ -	\$ 10,000	0.59%	None	\$ -
International Bills Finance		<u>10,000</u>	<u>2</u>	<u>9,998</u>	0.59%	None	<u>-</u>
		<u>\$ 20,000</u>	<u>\$ 2</u>	<u>\$ 19,998</u>			<u>\$ -</u>

December 31, 2016

	Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
<u>Commercial paper</u>							
International Bills Finance		\$ 10,000	\$ 6	\$ 9,994	0.60%	None	\$ -

Mega Bills Finance	<u>10,000</u>	<u>6</u>	<u>9,994</u>	0.70%	None	<u>-</u>
	<u>\$ 20,000</u>	<u>\$ 12</u>	<u>\$ 19,988</u>			<u>\$ -</u>

23. LONG-TERM BORROWINGS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unsecured bank loans	\$ 116,667	\$ 200,000
Secured bank loans	<u>200,000</u>	<u>450,000</u>
	316,667	650,000
Less: Current portion	<u>33,333</u>	<u>-</u>
	<u>\$ 283,334</u>	<u>\$ 650,000</u>

At the end of the reporting periods, the interest rates on long-term loans were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unsecured bank loans	1.38%-1.57%	1.38%-1.69%
Secured bank loans	1.57%	1.57%-1.95%

The secured bank loans of the Company from First Bank, secured by land and buildings, the borrowing period is from January 2016 to January 2019. Refer to Note 39.

The balances of bank loans as of December 31, 2017 and 2016 were \$316,667 thousand and \$650,000 thousand, respectively. The Company signed medium and long-term loan contracts with financial institutions, which allowed the extension of the repayment deadlines for these loans; thus, these loans were recognized as long-term loans.

24. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes payable</u>		
Notes payable - operating	<u>\$ 3,496</u>	<u>\$ 12,282</u>
<u>Accounts payable</u>		
Accounts payable - operating	<u>\$ 907,506</u>	<u>\$ 829,835</u>

25. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Other payables		

Payable for salaries	\$ 178,386	\$ 184,485
Payable for business tax	139,508	144,578
Payable for purchases of equipment	13,318	37,906
Payables for employees' compensation	12,864	-
Payables for remuneration of directors	2,573	-
Payable for interest	1,885	2,774
Others	<u>207,298</u>	<u>169,788</u>
	<u>\$ 555,832</u>	<u>\$ 539,531</u>
Advance Receipts		
Advance Receipts (gift certificate)		
— Securities of Cathay United Bank	2,497	-
Others	<u>154,086</u>	<u>144,153</u>
	<u>\$ 156,583</u>	<u>\$ 144,153</u>
Deferred revenue		
Arising from customer loyalty program	<u>\$ 8,934</u>	<u>\$ 10,188</u>
Other current liabilities		
Others	<u>\$ 2,773</u>	<u>\$ 3,122</u>
<u>Noncurrent</u>		
Other liabilities		
Lease incentives	\$ 1,318	\$ -
Others	<u>2,830</u>	<u>2,362</u>
	<u>\$ 4,148</u>	<u>\$ 2,362</u>

26. PROVISIONS

	<u>December 31</u>	
	2017	2016
<u>Current</u>		
Customer returns and rebates	<u>\$ 54,092</u>	<u>\$ 17,266</u>
		Customer Returns and Rebates
Balance at January 1, 2016		\$ 25,062
Additional provisions recognized		45,602
Usage		(53,193)
Effect of foreign currency exchange differences		<u>(205)</u>
Balance at December 31, 2016		17,266
Additional provisions recognized		94,953
Usage		(57,755)
Effect of foreign currency exchange differences		<u>(372)</u>
Balance at December 31, 2017		<u>\$ 54,092</u>

The provision of customer returns and rebates was estimated on the basis of historical experience, management's judgment and other known reasons. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Company and Les Champions Co., Ltd. of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Les Champions Co., Ltd. contribute amounts equal to 10% and 2%, separately, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31			
	2017		2016	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Present value of defined benefit obligation	\$ 336,405	\$ 17,062	\$ 324,813	\$ 14,242
Fair value of plan assets	<u>(99,508)</u>	<u>(2,734)</u>	<u>(100,020)</u>	<u>(1,108)</u>
Net defined benefit liability	<u>\$ 236,897</u>	<u>\$ 14,328</u>	<u>\$ 224,793</u>	<u>\$ 13,134</u>

Movements in net defined benefit liability were as follows:

<u>Present Value of the Defined Benefit Obligation</u>		<u>Fair Value of the Plan Assets</u>		<u>Net Defined Benefit Liability</u>	
The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.

Balance at January 1, 2016	<u>\$ 383,769</u> <u>\$ 13,304</u>		<u>\$ (6,739)</u> <u>\$ (1,021)</u>		<u>\$ 377,030</u> <u>\$ 12,283</u>	
	Present Value of the Defined Benefit Obligation		Fair Value of the Plan Assets		Net Defined Benefit Liability	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Service cost						
Current service cost	7,993	356	-	-	7,993	356
Past service cost and loss (gain) on settlements	(190)	-	-	-	(190)	-
Net interest expense (income)	<u>4,733</u>	<u>199</u>	<u>(53)</u>	<u>(16)</u>	<u>4,680</u>	<u>183</u>
Recognized in profit or loss	<u>12,536</u>	<u>555</u>	<u>(53)</u>	<u>(16)</u>	<u>12,483</u>	<u>539</u>
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	-	(573)	8	(573)	8
Actuarial (gain) loss - changes in demographic assumptions	(1)	70	-	-	(1)	70
Actuarial (gain) loss - experience adjustments	<u>(16,645)</u>	<u>313</u>	<u>-</u>	<u>-</u>	<u>(16,645)</u>	<u>313</u>
Recognized in other comprehensive income	<u>(16,646)</u>	<u>383</u>	<u>(573)</u>	<u>8</u>	<u>(17,219)</u>	<u>391</u>
Contributions from the employer	-	-	(145,856)	(79)	(145,856)	(79)
Benefits paid	<u>(54,846)</u>	<u>-</u>	<u>53,201</u>	<u>-</u>	<u>(1,645)</u>	<u>-</u>
Balance at December 31, 2016	<u>324,813</u>	<u>14,242</u>	<u>(100,020)</u>	<u>(1,108)</u>	<u>224,793</u>	<u>13,134</u>
Service cost						
Current service cost	6,587	370	-	-	6,587	370
Past service cost and loss (gain) on settlements	(502)	-	-	-	(502)	-
Net interest expense (income)	<u>4,005</u>	<u>213</u>	<u>(1,214)</u>	<u>(17)</u>	<u>2,791</u>	<u>196</u>
Recognized in profit or loss	<u>10,090</u>	<u>583</u>	<u>(1,214)</u>	<u>(17)</u>	<u>8,876</u>	<u>566</u>
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	-	252	(2)	252	(2)
Actuarial (gain) loss - changes in demographic assumptions	(47)	-	-	-	(47)	-
Actuarial (gain) loss - changes in financial assumptions	9,736	2,426	-	-	9,736	2,426
Actuarial (gain) loss - experience adjustments	<u>17,388</u>	<u>(189)</u>	<u>-</u>	<u>-</u>	<u>17,388</u>	<u>(189)</u>
Recognized in other comprehensive income	<u>27,077</u>	<u>2,237</u>	<u>252</u>	<u>(2)</u>	<u>27,329</u>	<u>2,235</u>
Contributions from the employer	-	-	(20,811)	(1,607)	(20,811)	(1,607)
Benefits paid	<u>(25,575)</u>	<u>-</u>	<u>22,285</u>	<u>-</u>	<u>(3,290)</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 336,405</u>	<u>\$ 17,062</u>	<u>(\$ 99,508)</u>	<u>(\$ 2,734)</u>	<u>\$ 236,897</u>	<u>\$ 14,328</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the

mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31			
	2017		2016	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Discount rate(s)	1.00%	1.25%	1.25%	1.50%
Expected rate(s) of salary increase	2.00%	3.00%	2.00%	2.00%
Turnover rate	0.55%	0.27%	0.59%	0.25%

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

	December 31			
	2017		2016	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Discount rate(s)				
0.25% increase	<u>\$ (9,698)</u>	<u>\$ (526)</u>	<u>\$ (9,646)</u>	<u>\$ (458)</u>
0.25% decrease	<u>\$ 10,110</u>	<u>\$ 548</u>	<u>\$ 10,067</u>	<u>\$ 478</u>
Expected rate(s) of salary increase				
0.25% increase	<u>\$ 9,984</u>	<u>\$ 537</u>	<u>\$ 9,967</u>	<u>\$ 474</u>
0.25% decrease	<u>\$ (9,628)</u>	<u>\$ (519)</u>	<u>\$ (9,599)</u>	<u>\$ (457)</u>
Turnover rate				
110% of default turnover rate	<u>\$ (199)</u>	<u>\$ -</u>	<u>\$ (269)</u>	<u>\$ -</u>
90% of default turnover rate	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ -</u>

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

	December 31			
	2017		2016	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
The expected contributions to the plan for the next year	<u>\$ 14,053</u>	<u>\$ 124</u>	<u>\$ 2,906</u>	<u>\$ 126</u>
The average duration of the defined benefit obligation	11 years	12 years	11 years	13 years

28. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>204,325</u>	<u>204,325</u>
Share issued	<u>\$ 2,043,248</u>	<u>\$ 2,043,248</u>

The issued shares decreased by 1,053 thousand shares (\$10,530 thousand) because of the cancellation of treasury shares in February 2016.

Ordinary shares issued had a par value of NT\$10, and holders have the right to vote and receive dividends.

Of the Company's authorized shares, 30,000 thousand shares and 5,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options, respectively.

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Arising from issuance of ordinary shares	\$ 837,196	\$ 837,196
Arising from treasury share transactions	25,003	25,003
Other	<u>29,107</u>	<u>29,107</u>
	<u>\$ 891,306</u>	<u>\$ 891,306</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

On the cancellation of 1,053 thousand treasury shares in February 2016, the Company wrote off a capital surplus of \$4,314 thousand arising from the issuance of ordinary shares and recognized a capital surplus of \$1,432 thousand arising from treasury share transactions, which is the difference between the carrying amount of treasury shares and the sum of par value and capital surplus arising from the issuance of ordinary shares.

c. Retained earnings and dividend policy

In accordance with the amendment to the Company Act in May 2015, the recipient of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 22, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the amendment of the Company's Articles of Incorporation, the Company should make appropriations from its net income in the following order:

- 1) Offset of prior years' deficit against the current year's net income;
- 2) Legal reserve at 10% of the earnings balance;
- 3) Special reserve based on a directive by the Securities and Futures Bureau;
- 4) From any remaining balance, an appropriation based on a resolution passed at the shareholders' meeting.

For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 30f.

The Company prefers to balance the distribution of share dividends and cash dividends, and share dividends are issued only when the Company has no earnings available for distribution. For cash dividends, the Company considers its operating scale and future cash capital requirements; for cash

dividends, the amount should be at least 10% of total dividends.

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

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

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

The offset of the deficit for the years ended December 31, 2016 and 2015 was approved in the shareholders' meetings on June 22, 2017 and June 22, 2016.

The appropriation of earnings for 2017 had been proposed by the Company's board of directors on March 22, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 20,314	
Special reserve	46,111	
Cash dividends	102,162	\$ 0.5

The appropriation of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 14, 2018.

d. Special reserve

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Balance at January 1 and December 31	<u>\$ 63,206</u>	<u>\$ 63,206</u>

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Company appropriated for special reserve an amount of \$63,206 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

A proportionate share of the special reserve relating to exchange differences arising from the translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Group's disposal of foreign operations; on the Group's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

e. Other equity items

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (80,895)	\$ 74,427
Exchange differences on translating the financial statements of foreign operations	(31,344)	(186,818)
Related income tax	5,278	31,688
Share of exchange difference of associates accounted for using equity method	(30)	(192)
Loss reclassified to profit or loss on disposal of foreign operations	<u>230</u>	<u>-</u>
Balance at December 31	<u>\$ (106,761)</u>	<u>\$ (80,895)</u>

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (2,407)	\$ (3,386)
Unrealized loss on revaluation of available-for-sale financial assets	(149)	(59)
Cumulative loss reclassified to profit or loss on sale of available-for-sale financial assets	<u>-</u>	<u>1,038</u>
Balance at December 31	<u>\$ (2,556)</u>	<u>\$ (2,407)</u>

f. Noncontrolling interests

	2017	2016
Balance at January 1	\$ 138,077	\$ 127,575
Attributable to noncontrolling interests:		
Share of profit for the year	3,271	9,579
Cash dividends of subsidiaries	(1,584)	-
Exchange differences on translating the financial statements of foreign operations	(3,280)	(722)
Remeasurement on defined benefit plans	(1,462)	(256)
Related income tax	249	43
Noncontrolling interests arising from options issued by subsidiaries (Note 33)	<u>255</u>	<u>1,858</u>
Balance at December 31	<u>\$ 135,526</u>	<u>\$ 138,077</u>

g. Treasury shares

Purpose of Buyback	Maintaining the Credibility of the Company (In thousands)
Number of shares at January 1, 2016	1,053
Decrease during the year	<u>(1,053)</u>
Number of shares at December 31, 2016 and 2017	<u><u>-</u></u>

On February 18, 2016, the board of directors approved the cancellation of 1,053 thousand shares, and the record date used for this reduction was February 19, 2016.

Under the Securities and Exchange Act, the Company should neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

29. REVENUE

	2017	2016
Revenue from the sale of goods	\$ 6,793,641	\$ 8,051,633
Revenue from the warehouse storage	<u>32,981</u>	<u>31,696</u>
	<u>\$ 6,826,622</u>	<u>\$ 8,083,329</u>

30. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

Net profit (loss)

a. Other income

	For the Year Ended December 31	
	2017	2016
Rental income		
Operating lease rental income		
Investment properties	\$ 163,622	\$ 142,077
Interest income	4,164	2,872
Dividends	<u>-</u>	<u>211</u>
	<u>\$ 167,786</u>	<u>\$ 145,160</u>

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of property, plant and equipment	\$ 839,664	\$ 136,763
Net foreign exchange gains (losses)	29,248	(35,441)
Direct operating expenses from investment properties	(37,688)	(34,474)
Depreciation expenses from investment properties	(32,666)	(31,601)
Net gain (loss) on financial assets designated as at FVTPL	(1,165)	209
Loss on disposal of investments	-	(492)
Other revenue	28,767	29,166
Other expenses	<u>(6,242)</u>	<u>(3,891)</u>
	<u>\$ 819,918</u>	<u>\$ 60,239</u>

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans and short-term bills payable	\$ 44,276	\$ 57,223
Interest on convertible bonds	-	262
Other interests expense	<u>14</u>	<u>149</u>
Total interest expense for financial liabilities measured at amortized cost	<u>\$ 44,290</u>	<u>\$ 57,634</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	\$ 126,749	\$ 183,488
Investment properties	32,666	31,601
Intangible assets	13,550	16,844
Prepayments for leases	<u>3,419</u>	<u>3,653</u>
	<u>\$ 176,384</u>	<u>\$ 235,586</u>
An analysis of deprecation by function		
Operating costs	\$ 1,700	\$ 2,360
Operating expenses	125,049	181,128
Other gains and losses	<u>32,666</u>	<u>31,601</u>
	<u>\$ 159,415</u>	<u>\$ 215,089</u>
An analysis of amortization by function		
Operating costs	\$ 337	\$ 437
Operating expenses	<u>16,632</u>	<u>20,060</u>
	<u>\$ 16,969</u>	<u>\$ 20,497</u>

e. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2017	2016
Short-term benefits	\$ 1,185,596	\$ 1,300,712
Post-employment benefits		
Defined contribution plans	138,572	167,590
Defined benefit plans (Note 27)	<u>9,442</u>	<u>13,022</u>
	<u>148,014</u>	<u>180,612</u>
Share-based payments		
Equity-settled	<u>255</u>	<u>1,858</u>
Other employee benefits	<u>128,620</u>	<u>153,703</u>
Total employee benefits expense	<u>\$ 1,462,485</u>	<u>\$ 1,636,885</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 77,654	\$ 75,532
Operating expenses	<u>1,384,831</u>	<u>1,561,353</u>
	<u>\$ 1,462,485</u>	<u>\$ 1,636,885</u>

f. Employees' compensation and remuneration of directors for 2017 and 2016

The Company accrued employees' compensation and remuneration of directors at the rates of 5%-7% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, the Company should offset a deficit first when the Company has accumulated a deficit. The employees' compensation and remuneration of directors for the years ended December 31, 2017, which have been approved by the Company's board of directors on March 22, 2018, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>
	2017
Employees' compensation	5%
Remuneration of directors	1%

Amount

	<u>For the Year Ended December 31</u>
	2017
Employees' compensation	\$12,864
Remuneration of directors	2,573

For the years ended December 31, 2016, the accumulated deficit of the Company was \$199,096 thousand. The Company had no earnings available for distribution, so the employee's compensation and remuneration of directors were not estimated.

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

There was no difference between the actual amounts of employees' compensation and remuneration of

directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

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

31. INCOME TAXES

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 15,949	\$ 8,134
Land value increment tax	99,152	8,172
Adjustments for prior periods	<u>50</u>	<u>157</u>
	<u>115,151</u>	<u>16,463</u>
Deferred tax		
In respect of the current year	23,427	(67,858)
Adjustments for prior periods	<u>591</u>	<u>2,038</u>
	<u>24,018</u>	<u>(65,820)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 139,169</u>	<u>\$ (49,357)</u>

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

	For the Year Ended December 31	
	2017	2016
Profit (loss) before tax from continuing operations	<u>\$ 568,089</u>	<u>\$ (61,105)</u>
Income tax expense (benefit) calculated at the statutory rate	\$ 77,692	\$ (28,665)
Nondeductible expenses in determining taxable income	3,243	6,622
Tax-exempt income	(161,864)	(24,028)
Deferred tax effect of earnings of subsidiaries	(55,866)	(30,190)
Land value increment tax	99,152	8,172
Foreign income tax expense	1,957	1,899
Unrecognized deductible temporary differences/loss carryforwards	174,214	14,638
Adjustments for prior years' current tax	50	157
Adjustments for prior years' deferred tax	<u>591</u>	<u>2,038</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 139,169</u>	<u>\$ (49,357)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in the R.O.C., while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by 10,583 thousand and 16,432 thousand, respectively, in 2018.

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

b. Income tax recognized directly in equity

	<u>For the Year Ended December 31</u>	
	2017	2016
Deferred tax		
Equity component of convertible bonds	\$ <u> -</u>	\$ <u> (1)</u>

c. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2017	2016
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ 5,278	\$ 31,688
Remeasurement on defined benefit plans	<u>5,026</u>	<u>(2,861)</u>
Total income tax recognized in other comprehensive income	<u>\$ 10,304</u>	<u>\$ 28,827</u>

d. Current tax assets and liabilities

	<u>December 31</u>	
	2017	2016
Current tax assets		
Tax refund receivable	<u>\$ 4,458</u>	<u>\$ 4,663</u>
Current tax liabilities		
Income tax payable	<u>\$ 8,066</u>	<u>\$ 2,853</u>

e. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Reclassified from Equity to Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Defined benefit obligation	\$ 40,800	(\$ 1,073)	\$ 5,026	\$ -	\$ -	\$ 44,753
Accrued salaries	21,236	(4,435)	-	-	(305)	16,496
Unrealized gross profit on sales	6,285	(1,468)	-	-	(97)	4,720
Provisions	5,625	12,587	-	-	(13)	18,199
Payable for annual leave	2,336	720	-	-	-	3,056
Provision for loss on inventories	4,853	17,736	-	-	2	22,591
Deferred revenue	2,115	(237)	-	-	(16)	1,862
Allowance for impaired receivables	2,198	2,644	-	-	11	4,853

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Reclassified from Equity to Profit or Loss	Exchange Differences	Closing Balance
Unrealized exchange loss	\$ 130	(55)	\$ -	\$ -	\$ -	\$ 75
Others	<u>31</u>	<u>164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195</u>
	85,609	26,583	5,026	-	(418)	116,800
Loss carryforwards	<u>164,765</u>	<u>(106,272)</u>	<u>-</u>	<u>-</u>	<u>(1,948)</u>	<u>56,545</u>
	<u>\$ 250,374</u>	<u>(\$ 79,689)</u>	<u>\$ 5,026</u>	<u>\$ -</u>	<u>(\$ 2,366)</u>	<u>\$ 173,345</u>

Deferred tax liabilities

Temporary differences						
Share of profit or loss of associates	\$ 140,462	(\$ 55,739)	\$ -	\$ -	\$ -	\$ 84,723
Exchange differences on translating foreign operations	13,477	-	(5,278)	-	-	8,199
Unrealized exchange gain	-	192	-	-	-	192
Others	<u>124</u>	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 154,063</u>	<u>(\$ 55,671)</u>	<u>(\$ 5,278)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,114</u>

(Concluded)

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Reclassified from Equity to Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Defined benefit obligation	\$ 66,495	\$ (22,834)	\$ (2,861)	\$ -	\$ -	\$ 40,800
Accrued salaries	22,030	471	-	-	(1,265)	21,236
Unrealized gross profit on sales	9,299	(2,555)	-	-	(459)	6,285
Provisions	5,615	71	-	-	(61)	5,625
Payable for annual leave	4,906	(2,356)	-	-	(214)	2,336
Provision for loss on inventories	4,744	382	-	-	(273)	4,853
Deferred revenue	3,645	(1,395)	-	-	(135)	2,115
Allowance for impaired receivables	1,866	410	-	-	(78)	2,198
Unrealized exchange loss	82	48	-	-	-	130
Liability component of convertible bonds issued	7	(7)	-	-	-	-
Equity component of convertible bonds issued	1	-	-	(1)	-	-
Others	<u>4,888</u>	<u>(4,824)</u>	<u>-</u>	<u>-</u>	<u>(33)</u>	<u>31</u>
	123,578	(32,589)	(2,861)	(1)	(2,518)	85,609
Loss carryforwards	<u>115,360</u>	<u>62,332</u>	<u>-</u>	<u>-</u>	<u>(12,927)</u>	<u>164,765</u>
	<u>\$ 238,938</u>	<u>\$ 29,743</u>	<u>\$ (2,861)</u>	<u>\$ (1)</u>	<u>\$ (15,445)</u>	<u>\$ 250,374</u>

Deferred tax liabilities

Temporary differences						
Share of profit or loss of associates	\$ 176,368	\$ (35,906)	\$ -	\$ -	\$ -	\$ 140,462
Exchange differences on translating foreign operations	45,165	-	(31,688)	-	-	13,477
Others	<u>296</u>	<u>(172)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124</u>
	<u>\$ 221,829</u>	<u>\$ (36,078)</u>	<u>\$ (31,688)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,063</u>

- f. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2017	2016
Loss carryforwards	\$ 792,343	\$ 105,185
Deductible temporary differences	<u>\$ 30,371</u>	<u>\$ 35,781</u>

- g. Information about unused loss carryforwards

Loss carryforwards of the Company as of December 31, 2017 were comprised of:

Unused Amount	Expiry Year
\$ 70,599	2026
<u>113,822</u>	2027
<u>\$ 184,421</u>	

Loss carryforwards of Mike and Friends Co., Ltd. as of December 31, 2017 were comprised of:

Unused Amount	Expiry Year
\$ 5,755	2019
212	2020
<u>28</u>	2027
<u>\$ 5,995</u>	

Loss carryforwards of Shanghai Les Enphants Children Articles Co., Ltd. as of December 31, 2017 were comprise of:

Unused Amount (RMB in Thousands)	Expiry Year
\$ 33,980	2018
32,632	2019
26,532	2020
45,176	2021
<u>42,090</u>	2022
<u>\$ 181,410</u>	

- h. Integrated income tax

	<u>December 31</u>	
	2017	2016
Imputation credits accounts (ICAs)		
The Company	<u>\$ -</u>	<u>\$ 30,461</u>
Mike and Friends Co., Ltd.	<u>\$ -</u>	<u>\$ 840</u>
Les Champions Co., Ltd.	<u>\$ -</u>	<u>\$ 14,467</u>
	(Note)	

a. Employee share option plan

Qualified employees of the Company and its subsidiaries were granted 2,830 options of L.E. Cayman Co., Ltd. on August 21, 2012. Each option entitles the holder to subscribe for one ordinary share of L.E. Cayman Co., Ltd. The options granted are valid for 9.59 years and exercisable at certain percentages after the first anniversary year from the grant date. The options were granted at an exercise price equal to US\$0.296 per ordinary share. For any subsequent changes in L.E. Cayman Co., Ltd.'s share capital, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (US\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (US\$)
Balance at January 1	\$ 2,228	\$0.296	\$ 2,254	\$0.296
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Options expired	<u>(368)</u>	-	<u>(26)</u>	-
Balance at December 31	<u>1,860</u>	0.296	<u>2,228</u>	0.296
Options exercisable, end of period	<u>558</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ -</u>	

(Concluded)

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

	December 31	
	2017	2016
Range of exercise price (US\$)	\$0.296	\$0.296
Weighted-average remaining contractual life (years)	4.64	5.64

Options granted in August 2012 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Grant-date share price (US\$)	\$0.282
Exercise price (US\$)	\$0.296
Expected volatility	43.84%
Expected life (years)	8.15
Expected dividend yield	0.00%
Risk-free interest rate	1.46%

Compensation costs recognized were \$255 thousand for the year ended December 31, 2017 and \$1,858 thousand for the year ended December 31, 2016.

b. Restricted share plan for employees

On March 26, 2015, the board of directors' meeting approved a restricted share plan for employees with

a total amount of \$20,000 thousand, consisting of 2,000 shares, whose par value and issue price were \$10 and \$0, respectively. Until March 23, 2017, the Company does not issue any restricted shares for employees.

34. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of land and buildings with lease terms between 1 and 20 years. The Group does not have a bargain purchase option to acquire the leased land and buildings at the expiration of the lease periods.

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

	December 31	
	2017	2016
Not later than 1 year	\$ 264,562	\$ 332,907
Later than 1 year and not later than 5 years	520,741	645,609
Later than 5 years	<u>454,699</u>	<u>-</u>
	<u>\$1,240,002</u>	<u>\$ 978,516</u>

The lease payments and sublease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	<u>\$ 420,231</u>	<u>\$ 491,425</u>

b. The Group as lessor

Operating leases relate to investment properties owned by the Group with lease terms between 1 to 14 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

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

	December 31	
	2017	2016
Not later than 1 year	\$ 137,173	\$ 129,137
Later than 1 year and not later than 5 years	232,799	255,081
Later than 5 years	<u>303,611</u>	<u>349,022</u>
	<u>\$ 673,583</u>	<u>\$ 733,240</u>

35. SEASONAL OPERATIONS

The Company mainly manufactures and sells apparel for children. Spring and summer apparel sells from April to August, and fall and winter apparel sells from September to March. Usually, the second quarter is generally a low season. The Company's inventory quantities at year-end are higher than those at

quarter-end because of the high demand during the Chinese New Year.

36. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in recent year.

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

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

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

37. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ <u>133</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>133</u>
Available-for-sale financial assets				
Depository receipts	\$ <u>-</u>	\$ <u>432</u>	\$ <u>-</u>	\$ <u>432</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ <u>-</u>	\$ <u>733</u>	\$ <u>-</u>	\$ <u>733</u>
Available-for-sale financial assets				

Depository receipts	\$ 282	\$ -	\$ -	\$ 282
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There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ -	\$ 733
Loans and receivables		
Cash and cash equivalents	1,105,435	833,839
Debt investments with no active market - current	13,471	13,671
Notes receivable	55,782	49,332
Accounts receivable - net	744,845	807,024
Trade receivables from related parties	90	36
Other receivables - net	411,679	97,501
Refundable deposits	85,426	100,673
Available for sale financial assets	133	282
Financial assets measured at cost	1,088	7,838
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	432	-
Amortized cost		
Short-term borrowing	593,287	1,292,564
Short-term bills payable	19,998	19,988
Notes payable	3,496	12,282
Accounts payable	907,506	829,835
Trade payables to related parties	3,938	6,955
Other payables	555,832	539,531
Provisions	54,092	17,266
Long-term borrowing (included current portion)	316,667	650,000
Guarantee deposits receivable	54,676	51,770
Lease incentives (presented under noncurrent liabilities)	1,318	-

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivables, accounts payables, bonds payable, borrowings and bills payable. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include

market risk (primarily to the, interest rate risk), credit risk and liquidity risk.

The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports to the Group's risk management committee, and the internal auditors also review the implementation of the policies constantly.

1) Market risk

The Group's activities expose the Group primarily to the financial risk of changes in interest rates (see (a) below). The risk is managed by the Group by maintaining an appropriate mix of fixed- and floating-rate borrowings.

There had been no change in the Group's exposure to market risks or the manner in which these risks were measured and managed.

a) Interest rate risk

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

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

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets	\$ 24,532	\$ 18,205
Financial liabilities	613,285	1,312,552
Cash flow interest rate risk		
Financial assets	1,066,709	627,112
Financial liabilities	316,667	650,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of a 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's per-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by \$10,667 thousand and \$6,277 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its variable-rate financial assets.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's per-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by \$3,167 thousand and \$6,500 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its variable-rate financial liabilities.

The Group's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate debt instruments.

b) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and beneficiary certificate.

Sensitivity analysis

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

If equity prices had been 5% lower, the fair value of FVTPL and available for sale financial assets for the years ended December 31, 2017 and 2016 would have decreased by \$7 thousand and \$51 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group adopted a policy of dealing only with creditworthy counterparties, which were mostly reputable department stores and shopping malls; the Group's exposure and the operating performance of its counterparties are continuously monitored. From historical experience, the Group considers that the possibility of facing a credit-related risk is low.

The Group provided endorsements/guarantees only to subsidiaries within the Group to help them get loans from financial institutions. The loans is evaluated on the basis of their actual needs, and this evaluation and all related procedures and processes are in accordance with the policies and regulations of the Group. Further approval of the loans by the Group's board of directors is also required. Under this approval system, the possibility of default on endorsed/guaranteed loans is rather limited/low.

3) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate cash, reserves and using variety of equity and liability instruments, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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

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

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2017

	Less Than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Non-interest bearing	\$ 1,524,864	\$ 55,994
Variable interest rate liabilities	37,773	284,532
Fixed interest rate liabilities	<u>632,223</u>	<u>-</u>
	<u>\$ 2,194,860</u>	<u>\$ 340,526</u>

December 31, 2016

	Less Than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Non-interest bearing	\$ 1,405,869	\$ 51,770
Variable interest rate liabilities	10,196	662,296
Fixed interest rate liabilities	<u>1,322,679</u>	<u>-</u>
	<u>\$ 2,738,744</u>	<u>\$ 714,066</u>

The amounts included above for variable interest rate instruments under non-derivative financial liabilities are subject to change if changes in variable interest rates differ from the interest rates estimated at the end of the reporting period.

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

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2017

On Demand or 1 Month to 1

	Less than 1 Month	Year
<u>Gross settled</u>		
Foreign exchange forward contracts		
Inflows	\$ 13,576	\$ 25,923
Outflows	<u>(13,773)</u>	<u>(26,158)</u>
	<u>\$ (197)</u>	<u>\$ (235)</u>

December 31, 2016

	On Demand or Less than 1 Month	1 Month to 1 Year
<u>Gross settled</u>		
Foreign exchange forward contracts		
Inflows	\$ 13,807	\$ 38,524
Outflows	<u>(13,600)</u>	<u>(37,998)</u>
	<u>\$ 207</u>	<u>\$ 526</u>

38. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party Category/Name

<u>Related Party Name</u>	<u>Related Party Category</u>
Genius Toy Taiwan Co., Ltd.	Associates
Komphort Royal of Life Co., Ltd.	Associates

b. Sales of goods

Line Item	Related-Party Type	<u>For the Year Ended December 31</u>	
		2017	2016
Revenue from sale of goods	Associates	<u>\$ 176</u>	<u>\$ 115</u>

The Group sold its own products to related parties at 55% of retail price. The collection periods were 60 days.

c. Purchases of goods

Related-Party Type	<u>For the Year Ended December 31</u>	
	2017	2016
Associates	<u>\$ 50,376</u>	<u>\$ 35,000</u>

The Group bought products from L.E. Genius Toy (Taiwan) Co., Ltd. at 35% to 60% of retail price.

- The payment period was 60 to 90 days.
- d. Rental income

Related-Party Type	For the Year Ended December 31	
	2017	2016
Associates	<u>\$ -</u>	<u>\$ 171</u>

The rent was based on the local average rent and was paid by month.

- e. Other income

Related-Party Type	For the Year Ended December 31	
	2017	2016
Associates	<u>\$ 241</u>	<u>\$ 193</u>

- f. Receivables from related parties (excluding loans to related parties)

Line Item	Related-Party Type	December 31	
		2017	2016
Trade receivables from related parties	Associates	<u>\$ 90</u>	<u>\$ 36</u>

The outstanding trade receivables from related parties were unsecured. No expense was recognized for the years ended December 31, 2017 and 2016 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

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

Line Item	Related-Party Type	December 31	
		2017	2016
Trade payables to related parties	Associates	\$ <u>3,938</u>	\$ <u>6,955</u>

The outstanding trade payables to related parties were unsecured.

Except for those transactions described above, the related-party transactions were conducted under normal terms.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 51,085	\$ 54,596
Post-employment benefits	3,624	5,351
Share-based payments	<u>210</u>	<u>1,335</u>
	\$ <u>54,919</u>	\$ <u>61,282</u>

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

39. ASSETS PLEDGED AS COLLATERALS OR FOR SECURITY

The Group's assets pledged as collateral for electronic gift certificates and long-term liabilities were as follows:

	December 31	
	2017	2016
Other receivables - restricted deposits	\$ 348,483	\$ 32,173
Property, plant and equipment	261,350	593,671
Investment properties	<u>6,262</u>	<u>88,662</u>
	\$ <u>616,095</u>	\$ <u>714,506</u>

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- The Company signed a brand licensing contract with Oshkosh Co., Ltd., effective until December 31, 2017. Under this agreement, the Company should pay the higher of a percentage of net sales of certain licensed products or minimum royalty fees. Royalty fees were \$301 thousand for the year ended December 31, 2017 and \$1,240 thousand for the year ended December 31, 2016.

- b. The Company signed a brand licensing agreement with Familiar Ltd., effective until January 31, 2019, and should pay royalty fees at a percentage of net sales of certain licensed products (basic royalty fees were ¥10,000 thousand every year). Royalty fees ¥19,955 thousand each for the year ended December 31, 2017 and ¥12,714 thousand each for the year ended December 31, 2016.
- c. The Company signed a brand licensing contract with The Walt Disney Company (Taiwan) Ltd. (“Walt Disney”) for Disney and PE logo, effective until March 31, 2019. Under those agreement, the Company should pay royalty fees at a percentage of net sales of certain licensed products. Royalty fees were \$16,069 thousand for the year ended December 31, 2017 and \$18,326 thousand for the year ended December 31, 2016.
- d. As of December 31, 2017, unused letters of credit of L.E. Champions Co., Ltd. amounted to US\$18 thousand.
- f. Unrecognized commitments are as follow:

	<u>December 31</u>
	<u>2017</u>
Purchase Property, plant and equipment	
The Company	<u>\$ 3,633</u>
Shanghai Les Enphants Children Articles Co., Ltd (RMB)	<u>\$ 3,545</u>
Purchase Intangible assets	<u>\$ 1,069</u>

41. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In the meeting on March 22, 2018, the board of directors approved the 8th treasury shares buyback of the Company’s shares in the open market to maintain the Company’s credibility. The Company is scheduled to buy within the buyback period from March 23, 2018 to May 22, 2018, and is scheduled to buy back 6,000 thousand shares.

42. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands)

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,904	29.67 (USD:NTD)	\$ 56,481
USD	638	6.537 (USD:RMB)	19,031
USD	65	32.4342 (USD:THB)	1,934
USD	689	13,345.29 (USD:IDR)	20,505
RMB	2,244	4.565 (RMB:NTD)	10,245
<u>Financial liabilities</u>			

Monetary items			
USD	2,737	29.76 (USD:NTD)	81,462
USD	15,000	6.9497 (USD:RMB)	475,881

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 703	32.2462 (USD:NTD)	\$ 22,663
USD	32	6.956 (USD:RMB)	1,030
USD	145	35.566 (USD:THB)	4,682
USD	1	13,436 (USD:IDR)	29
RMB	2,041	4.617 (RMB:NTD)	9,423

Financial liabilities

Monetary items			
USD	1,151	32.25 (USD:NTD)	37,128
USD	15,221	6.9475 (USD:RMB)	488,229
USD	4	36.0025 (USD:THB)	146

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) were \$29,248 thousand and \$(35,441) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

43. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others. (Table 1).
- 2) Endorsements/guarantees provided. (Table 2).
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint venture). (Table 3).
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital. None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4).
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in

capital. None.

9) Trading in derivative instruments. (Note 7).

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

11) Information on investees. (Table 7).

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8).

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - The amount of property transactions and the amount of the resultant gains or losses.
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

44. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Taiwan area.
- China area.
- Other area.

a. Segment revenues and results

The analysis of the Group's revenue and results by reportable segment was as follows:

	Segment Revenue		Segment Profit (Loss)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Taiwan area	\$ 3,151,875	\$ 3,283,989	\$ (92,021)	\$ 2,018
China area	3,572,790	4,684,831	(280,650)	(217,324)
Other area	101,957	114,509	(2,500)	(2,853)
Total for operations	<u>\$ 6,826,622</u>	<u>\$ 8,083,329</u>	(375,171)	(218,159)
Other income			167,786	145,160
Share of profit or loss of associates accounted for using equity method			(154)	9,289
Financial cost			(44,290)	(57,634)
Other gains and losses			<u>819,918</u>	<u>60,239</u>
Profit (loss) before tax			<u>\$ 568,089</u>	<u>\$ (61,105)</u>

Segment revenue reported above was from external customers. The intersegment sales for the years ended December 31, 2017 and 2016 have not been presented because they pertained to transactions

between the Company and subsidiaries, which have not been included in the consolidated financial statements.

Segment profit represents the profit earned by each segment without the investment income or loss recognized under the equity method, interest income, finance costs, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, gain or loss on disposal of properties, other income, other expense and income tax expense. This was the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2017	2016
Taiwan area	\$ 2,739,648	\$ 2,653,418
China area	3,594,339	4,234,606
Other area	<u>105,443</u>	<u>117,826</u>
Total consolidated segment assets	<u>\$ 6,439,430</u>	<u>\$ 7,005,850</u>
Taiwan area	\$ 1,332,329	\$ 1,985,132
China area	1,694,184	1,978,644
Other area	<u>8,254</u>	<u>11,083</u>
Total consolidated segment liabilities	<u>\$ 3,034,767</u>	<u>\$ 3,974,859</u>

c. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and other.

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

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	\$ 3,151,875	\$ 3,283,989	\$ 371,404	\$ 803,670
China	3,572,790	4,684,831	1,390,092	1,528,205
Other	<u>101,957</u>	<u>114,509</u>	<u>4,474</u>	<u>6,569</u>
	<u>\$ 6,826,622</u>	<u>\$ 8,083,329</u>	<u>\$ 1,765,970</u>	<u>\$ 2,338,444</u>

Noncurrent assets include property, plant and equipment, investment properties, intangible assets and other noncurrent assets.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both years ended December 31, 2017 and 2016.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 2)	Ending Balance (Note 2)	Actual Borrowing Amount (Note 2)	Interest Rate (%)	Nature of Financing (Note 1)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 3)	Note
													Item	Value			
1	Shanghai Les Enphants Children Articles Co., Ltd.	Shanghai Lead Han Trading Co., Ltd.	Other receivables from related parties	Yes	\$ 68,475 (RMB\$15,000 thousand)	\$ 68,475 (RMB \$15,000 thousand)	\$ 68,475 (RMB \$15,000 thousand)	4.35	(2)	\$ -	Operational needs	\$ -	-	\$ -	\$ 591,023	\$ 591,023	

Note 1: Nature of financing was as follows:

- a. Business dealings
- b. Necessity of short-term financing

Note 2: The amount was calculated by exchange rate at December 31, 2017.

Note 3: Aggregate financing limits should not exceed 40% of Shanghai Les Enphants Children Articles Co., Ltd.'s net worth. The limit of necessity of short-term financing for each counterparty should not exceed 40% of Shanghai Les Enphants Children Articles Co., Ltd.'s net worth as shown in the latest audited or reviewed financial statements.

Note 4: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017

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

No.	Endorsement/ Guarantee Provider	Counterparty		Limit on Each Counter-party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)
		Name	Nature of Relationship							
0	Les Enphants Co., Ltd. (the "Company")	Shanghai Les Enphants Children Articles Co., Ltd.	Subsidiary of L.E Venture Co., Ltd.	\$ 1,634,568	US\$ 15,000 thousand	US\$ 14,000 thousand	\$ 416,640 (US\$ 14,000 thousand)	\$ -	12.75%	\$ 1,634,568
		Les Enphants (Thailand) Co., Ltd.	Subsidiary of L.E. International Co., Ltd.	1,634,568	US\$ 720 thousand	-	-	-	-	1,634,568
		Souzhou Les Enphants Children Articles Co., Ltd.	Subsidiary of L.E Venture Co., Ltd.	1,634,568	US\$ 1,000 thousand	US\$ 1,000 thousand	-	-	1.00%	1,634,568

Note 1: The maximum endorsement/guarantee amount should not exceed 50% of the Company's net worth as shown in the latest financial statements.

Note 2: Original name Suzhou Les Enphants Logist Co., Ltd. was renamed Suzhou Les Enphants Children Articles Co., Ltd. in November 2017.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

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

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Les Enphants Co., Ltd.	<u>Depository receipts</u> Dukang Distillers Holdings Limited	-	Available for sale financial assets - current	143,000	\$ 133	-	\$ 133	(Note 1)
	<u>Stocks</u> WK Technology Fund	-	Financial assets measured at cost - noncurrent	168,755	1,088	0.85	-	
Shanghai Les Enphants Children Articles Co., Ltd.	<u>Stock warrants</u> Shanghai Holyca E-Business Co., Ltd.	-	Financial assets measured at cost - noncurrent	-	-	13.92	-	(Note 2)

Note 1: The fair values of the investment were determined at the net asset value of the mutual funds on the last trading day or the closing price on December 31, 2017.

Note 2: The carrying amount shown above is net of impairment loss.

Note 3: Refer to Tables 7 and 8 for information relating to investments in subsidiaries and associate.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Property	Event Date (Note 1)	Original Acquisition Date (Note 2)	Carrying Amount	Transaction Amount (Note 3)	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Les Enphants Co., Ltd.	Plant and buildings	2017/9/29	1997/9/30	\$ 414,518	\$1,286,718	Collected	\$ 872,200	Fubon Life Insurance Co., Ltd.	Non-related party	Long-term development strategy and improvement of financial structure	Price negotiation based on professional valuation report	Sale-and-leaseback

Note 1: It was the transfer completed date.

Note 2: The acquisition date of the land was September 30, 1997 and the acquisition date of the building was December 31, 1999.

Note 3: It is based on the contract price of 1,300,000 thousand, after deducting the related direct expenses of 9,967 thousand and the output tax of 3,315 thousand.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Company Name	Related Party	Nature of Relationship	Transaction				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Les Enphants Co., Ltd. (the "Company")	Les Champions Co., Ltd.	Subsidiary	Sale	\$ 204,093	7.13	Monthly 90 days	At 40%-45% of retail prices	Monthly 90 days	Accounts receivables 89,962	27.70	-
Les Champions Co., Ltd.	Les Enphants Co., Ltd.	Parent company	Purchase	204,093	48.59	Monthly 90 days	At 40%-45% of retail prices	Monthly 90 days	Accounts payables (89,962)	(61.99)	-
Shanghai Les Enphants Children Articles Co., Ltd.	Beijing Les Enphants Children Articles Co., Ltd.	Subsidiary	Sale	289,298	12.92	60-90 days	At 110% of cost	60-90 days	Accounts receivables 77,270	21.73	-
Beijing Les Enphants Children Articles Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	Parent company	Purchase	289,298	80.77	60-90 days	At 110% of cost	60-90 days	Accounts payables (77,270)	(98.29)	-
Shanghai Les Enphants Children Articles Co., Ltd.	Beijing Les Enphants Children Articles Co., Ltd.	Subsidiary	Sale	133,937	6.05	60-90 days	At 110% of cost	60-90 days	Accounts receivables 1,576	0.44	(Note 1)
Beijing Les Enphants Children Articles Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	Parent company	Purchase	133,937	43.36	60-90 days	At 110% of cost	60-90 days	Accounts payables (1,576)	(1.19)	(Note 1)

Note 1: Original name Suzhou Les Enphants Logist Co., Ltd. was renamed Suzhou Les Enphants Children Articles Co., Ltd. in November 2017.

Note 2: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

No.	Name	Counterparty	Transaction Flow (Note 1)	Eliminated Accounts			% to Consolidated Total Assets or Total Revenues
				Accounts	Amount	Note	
0	Les Enphants Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	a	Other receivables	\$ 8,907	Note 2	-
		Shanghai Les Enphants Children Articles Co., Ltd.	a	Nonoperating income	18,020	Note 6	-
		Les Champions Co., Ltd.	a	Accounts receivable	89,962	Note 3	1%
		Les Champions Co., Ltd.	a	Accounts payable	17,251	Note 3	-
		Les Champions Co., Ltd.	a	Operating revenues	204,093	Note 5	3%
		Les Champions Co., Ltd.	a	Operating revenues - warehouse revenue	41,961	Note 4	1%
		Les Champions Co., Ltd.	a	Operating cost	38,626	Note 5	1%
		Les Champions Co., Ltd.	a	Nonoperating income	2,311	Note 4	-
1	Suzhou Les Enphants Children Articles Co., Ltd (Note 10)	Shanghai Les Enphants Children Articles Co., Ltd.	b	Accounts receivable	4,794	Note 2	-
		Shanghai Les Enphants Children Articles Co., Ltd.	b	Accounts payable	1,576	Note 2	-
		Shanghai Les Enphants Children Articles Co., Ltd.	b	Other payable	3,921	Note 4	-
		Shanghai Les Enphants Children Articles Co., Ltd.	b	Operating revenues	57,508	Note 6	1%
		Shanghai Les Enphants Children Articles Co., Ltd.	b	Operating cost	133,937	Note 8	2%
		Beijing Les Enphants Children Articles Co., Ltd.	b	Accounts receivable	1,344	Note 2	-
		Beijing Les Enphants Children Articles Co., Ltd.	b	Operating revenues	19,385	Note 6	-
		Shanghai Lead Han Trading Co., Ltd.	b	Operating revenues	5,657	Note 6	-
2	Shanghai Les Enphants Children Articles Co., Ltd.	Beijing Les Enphants Children Articles Co., Ltd.	b	Accounts receivable	77,270	Note 9	1%
		Beijing Les Enphants Children Articles Co., Ltd.	b	Other receivables	52,734	Note 2	1%
		Beijing Les Enphants Children Articles Co., Ltd.	b	Operating revenues	289,298	Note 6	4%
		Beijing Les Enphants Children Articles Co., Ltd.	b	Other receivables	26,754	Note 6	-
		Shanghai Lead Han Trading Co., Ltd.	b	Other payable	69,913	Note 2	1%
		Shanghai Lead Han Trading Co., Ltd.	b	Operating costs	3,410	Note 6	-
		Shanghai Lead Han Trading Co., Ltd.	b	Nonoperating income	11,925	Note 6	-
		Shanghai L.E. Genius Co., Ltd.	b	Nonoperating income	6,328	Note 6	-
3	Les Enphants (Thailand) Co., Ltd.	Les Enphants Thailand Marketing Co., Ltd.	b	Accounts receivable	17,286	Note 7	-
		Les Enphants Thailand Marketing Co., Ltd.	b	Operating revenues	33,005	Note 4	-

Note 1: Following are the two types of transaction flows:

- From the Company to the direct subsidiary.
- Between subsidiaries.

(Continued)

Note 2: Account settlement was based on certain agreements.

Note 3: The collection period and payment period were 90 days each.

Note 4: The related-party transactions were conducted under normal terms.

Note 5: The amount was at 40% to 45% of the unit price for sales and at 45% to 60% for purchases.

Note 6: The amount was based on intercompany transaction price negotiations.

Note 7: The collection period was 60 days.

Note 8: The amount was at 40% to 50% of the unit price for purchases.

Note 9: The collection period was 60-90 days.

Note 10: Original name Suzhou Les Enphants Logist Co., Ltd was renamed to Suzhou Les Enphants Children Articles Co., Ltd. in November 2017.

Note 11: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

Note 12: Only an intercompany transaction amounting to more than \$1,000 thousand is shown in this table.

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
Les Enphants Co., Ltd. (the "Company")	L.E. Capital Enterprise Co., Ltd.	British Virgin Islands	Holding company	\$ 1,411,298	\$ 1,411,298	41,562,373	100.00	\$ 1,908,878	\$ (329,954)	\$ (329,954)	Subsidiary
	Mike and Friends Co., Ltd.	Taipei, Taiwan	Manufacture and distribution of children's clothes and supplies	70,000	70,000	4,500,000	100.00	41,251	1,722	1,722	Subsidiary
	Genius Toy Taiwan Co., Ltd.	Taichung, Taiwan	Distribution of children's clothes and supplies	50,000	50,000	625,000	20.00	71,837	59,416	11,470	Equity-method investee (Note 1)
	Komphort Royal of Life Co., Ltd.	Taipei, Taiwan	Postpartum care center	43,200	43,200	4,320,000	48.00	14,776	(24,316)	(11,624)	Equity-method investee
L.E. Capital Enterprise Co., Ltd.	L.E. Cayman Co., Ltd.	Cayman Islands	Holding company	1,107,084	1,107,084	383,024,450	100.00	1,859,692	RMB (73,730) thousand		Subsidiary
	L.E. International Co., Ltd.	British Virgin Islands	Holding company	180,323	180,323	5,555,700	100.00	79,076	33		Subsidiary
Mike and Friends Co., Ltd.	Les Champions Co., Ltd.	Taipei, Taiwan	Distribution of children's clothes and supplies	32,657	32,657	3,592,248	34.59	48,415	5,134		Subsidiary
Les Champions Co., Ltd.	L.E. Genius Co., Ltd.	British Virgin Islands	Holding company	15,150	15,150	510,000	51.00	17,885	4,075		Subsidiary
L.E. Cayman Co., Ltd.	L.E. Venture Co., Ltd.	British Virgin Islands	Holding company	1,107,084	1,107,084	38,302,445	100.00	RMB 408,932 thousand	RMB (73,730) thousand		Subsidiary
L.E. Venture Co., Ltd.	Les Enphants Retail Group Co. Ltd	Hong Kong	Holding company	-	-	10,000	100.00	-	-		Subsidiary (Note 4)
L.E. International Co., Ltd.	PT Les Enphants (Indonesia) Co., Ltd.	Bandung, Indonesia	Manufacture and distribution of children's clothes and supplies	153,131	153,131	3,250	100.00	18,910	IDR 18,710 thousand		Subsidiary
	Les Enphants (Thailand) Co., Ltd.	Bangkok, Thailand	Manufacture and distribution of children's clothes and supplies	19,085	19,085	166,600	49.00	33,732	THB (4,174) thousand		Subsidiary
	Les Enphants Thailand Marketing Co., Ltd.	Bangkok, Thailand	Distribution of children's clothes and supplies	7,436	7,436	98,000	49.00	23,432	THB (925) thousand		Subsidiary
	Les Enphants (S) Marketing Pte. Ltd.	Singapore	Distribution of children's clothes and supplies	-	21,553	-	-	-	SGD (12) thousand		Subsidiary
PT Les Enphants (Indonesia) Co., Ltd.	PT Les Enphants Mitraprma	Jakarta, Indonesia	Distribution of children's clothes and supplies	41,805	41,805	-	98.45	IDR (691,571) thousand	IDR (212,300) thousand		Subsidiary
	Les Enphants (S) Marketing Pte. Ltd.	Singapore	Distribution of children's clothes and supplies	-	36,781	-	-	-	SGD (12) thousand		(Note 3)
Les Enphants (Thailand) Co., Ltd.	Les Enphants Thailand Marketing Co., Ltd.	Bangkok, Thailand	Distribution of children's clothes and supplies	6,687	6,687	82,000	41.00	THB 21,367 thousand	THB 925 thousand		Subsidiary

Note 1: The difference between an investee's net income and the Company's net income from investment was a deferred unrealized gain (loss) from upstream and downstream transactions of the investee.

Note 2: Refer to Table 7 for information relating to investment in mainland China.

Note 3: Les Enphants (S) Marketing Pte. Ltd. was liquidated on March 17, 2017 and completed the dissolution proceedings on June 17, 2017.

Note 4: Les Enphants Retail Group Co. Ltd was established in August 2017.

Note 5: The investment gain (loss) on transactions between the Company's indirect equity-method investees, the equity-method investment of investees, and the investee's net equity were excluded from the consolidated financial statements.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 7)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow	Inflow						
Shanghai Les Enphants Children Articles Co., Ltd.	a. Manufacture and distribution of children's clothes, toys, bedding and pillows, etc.	\$ 1,315,392 (US\$ 44,200 thousand)	Indirect	\$ 975,828	\$ -	\$ -	\$ 975,828	\$ (365,114) (RMB (80,966) thousand)	100% indirect investment	\$ (365,114) (RMB (80,966) thousand)	\$ 1,477,557 (RMB 323,671 thousand)	\$ -
	b. Development of business in mainland China											
Shanghai Lead Han Trading Co., Ltd.	Distribution of children's clothes and supplies	146,080 (RMB 32,000 thousand)	Indirect	-	-	-	-	(3,700) (RMB (807) thousand)	100% indirect investment	(2,011) (RMB (432) thousand)	38,490 (RMB 8,431 thousand)	-
Beijing Les Enphants Children Articles Co., Ltd.	Distribution of children's clothes and supplies	45,650 (RMB 10,000 thousand)	Indirect	-	-	-	-	(95,769) (RMB (21,240) thousand)	100% indirect investment	(89,418) (RMB (19,822) thousand)	45,924 (RMB 10,061 thousand)	-
Suzhou Les Enphants Children Articles Co., Ltd. (Note 2)	Manufacture and distribution of children's clothes, toys, bedding and pillows, etc.	297,600 (US\$ 10,000 thousand)	Indirect	131,256	-	-	131,256	33,901 (RMB 7,519 thousand)	100% indirect investment	33,901 (RMB 7,519 thousand)	370,337 (RMB 81,125 thousand)	-
Shanghai L.E. Genius Co., Ltd. (Note 3)	Distribution of children's toys and supplies	29,760 (US\$ 1,000 thousand)	Indirect	15,101	-	-	15,101	4,075 (RMB 889 thousand)	27.44% indirect investment	1,118 (RMB 244 thousand)	9,623 (RMB 2,108 thousand)	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amount Approved by the Investment Commission, MOEA	Maximum Allowable Investment
\$1,107,084	\$1,479,142	\$ - (Note 4)

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: The investment by Les Enphants Co., Ltd. (the "Company") of \$131,256 thousand in Suzhou Les Enphants Children Articles Co., Ltd. was made through a company located in a third area, and the other investments by the Company in Suzhou Les Enphants Children Articles Co., Ltd. were through the Company's investees based in the mainland. Original name Suzhou Les Enphants Logist Co., Ltd. was renamed Suzhou Les Enphants Children Articles Co., Ltd. in November 2017.

Note 3: The investment in Shanghai L.E. Genius Co., Ltd. was made through the subsidiary, L.E. Champions Co., Ltd.

Note 4: There was no limit on the amounts of the Company's investments in China, and these investments had been approved by the Investment Commission (as shown in approval reference No. 10620423180) under Taiwan's Ministry of Economic Affairs.

Note 5: The exchange rates for US\$1 and RMB1 were NT\$29.76 and NT\$4.565, respectively.

Note 6: The investment gain (loss) on transactions between the Company's indirect equity-method investees, the equity-method investment of investees, and the investee's net equity were excluded from the consolidated financial statements.