

**Taisun Int'l (Holding) Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Taisun Int'l (Holding) Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Taisun Int'l (Holding) Corporation and its subsidiaries (the Group) as of March 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. 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 Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 Interim Financial Reporting.

The engagement partners on the reviews resulting in this independent auditors' review report are Yu-Shiou Su and Shuang-Hsiung Kung.

Yu-Shiou Su

Shuang-Hsiung Kung

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 11, 2019

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	March 31, 2019 (Reviewed)			December 31, 2018 (Audited)			March 31, 2018 (Reviewed)		
	NTD	USD	%	NTD	USD	%	NTD	USD	%
CURRENT ASSETS									
Cash and cash equivalents (Note 6)	\$ 409,672	\$ 13,292	19	\$ 373,429	\$ 12,158	18	\$ 393,308	\$ 13,513	23
Financial assets at fair value through other comprehensive income - current (Note 7)	25,022	812	1	15,656	510	1	18,333	630	1
Financial assets at amortized cost - current (Note 8)	652,735	21,179	30	562,574	18,316	28	492,020	16,905	28
Notes receivable	2,096	68	-	400	13	-	351	12	-
Trade receivables (Note 9)	69,660	2,260	3	55,404	1,804	3	37,578	1,291	2
Other receivables	28,832	936	2	21,597	703	1	24,559	844	1
Inventories (Note 10)	265,260	8,607	12	289,115	9,413	14	199,503	6,855	12
Prepayments for leases (Note 14)	-	-	-	1,621	53	-	1,553	53	-
Other current assets (Note 15)	61,575	1,998	3	50,312	1,637	2	29,154	1,002	2
Total current assets	1,514,852	49,152	70	1,370,108	44,607	67	1,196,359	41,105	69
NON-CURRENT ASSETS									
Financial assets at amortized cost - non-current (Note 8)	-	-	-	40,147	1,307	2	22,646	778	1
Property, plant and equipment (Note 12)	426,500	13,839	20	364,389	11,863	18	290,491	9,981	17
Other intangible assets	984	32	-	963	31	-	1,275	43	-
Deferred tax assets	5,370	174	-	4,623	151	-	5,095	175	-
Prepayments for equipment	76,897	2,495	3	137,341	4,471	7	111,588	3,834	7
Long-term prepayments for leases (Note 14)	-	-	-	94,815	3,087	4	91,497	3,144	5
Right-of-use assets (Note 13)	99,998	3,245	5	-	-	-	-	-	-
Other non-current assets (Note 15)	35,814	1,162	2	35,630	1,160	2	16,561	570	1
Total non-current assets	645,563	20,947	30	677,908	22,070	33	539,153	18,525	31
TOTAL	\$ 2,160,415	\$ 70,099	100	\$ 2,048,016	\$ 66,677	100	\$ 1,735,512	\$ 59,630	100
LIABILITIES AND EQUITY									
CURRENT LIABILITIES									
Short-term borrowings (Note 16)	\$ 258,956	\$ 8,402	12	\$ 228,171	\$ 7,429	11	\$ 81,468	\$ 2,799	5
Trade payables	103,124	3,346	5	99,971	3,255	5	76,347	2,623	4
Other payables (Note 17)	61,079	1,982	3	65,151	2,121	3	39,985	1,374	2
Current tax liabilities	8,195	266	-	10,062	328	1	13,754	473	1
Lease liabilities - current (Note 13)	3,657	119	-	-	-	-	-	-	-
Other current liabilities	14,269	463	1	5,017	162	-	17,349	596	1
Total current liabilities	449,280	14,578	21	408,372	13,295	20	228,903	7,865	13
NON-CURRENT LIABILITIES									
Deferred income tax liabilities	-	-	-	223	7	-	170	6	-
Guarantee deposits received	2,807	91	-	2,798	91	-	2,686	93	-
Total non-current liabilities	2,807	91	-	3,021	98	-	2,856	99	-
Total liabilities	452,087	14,669	21	411,393	13,393	20	231,759	7,964	13
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)									
Ordinary shares	392,700	12,667	18	392,700	12,667	19	357,000	11,493	21
Capital surplus	653,216	21,364	30	653,216	21,364	32	653,216	21,364	38
Retained earnings									
Legal reserve	54,177	1,794	3	54,177	1,794	3	28,792	959	2
Special reserve	112,024	3,684	5	112,024	3,684	5	1,346	45	-
Unappropriated earnings	580,840	18,304	27	515,697	16,190	25	612,159	19,375	35
Total retained earnings	747,041	23,782	35	681,898	21,668	33	642,297	20,379	37
Other equity	(84,629)	(2,383)	(4)	(91,191)	(2,415)	(4)	(148,760)	(1,570)	(9)
Total equity	1,708,328	55,430	79	1,636,623	53,284	80	1,503,753	51,666	87
TOTAL	\$ 2,160,415	\$ 70,099	100	\$ 2,048,016	\$ 66,677	100	\$ 1,735,512	\$ 59,630	100

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated balance sheets have been subsequently translated to New Taiwan dollars at an exchange rate of NTS30.82:US\$1, NTS30.715:US\$1 and NT29.105:US\$1 as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively. Since the par value of shares is NTS10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars or U.S. Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31					
	2019			2018		
	NTD	USD	%	NTD	USD	%
SALES	\$ 461,233	\$ 14,961	100	\$ 419,572	\$ 14,320	100
COST OF GOODS SOLD (Note 20)	<u>335,082</u>	<u>10,869</u>	<u>73</u>	<u>285,353</u>	<u>9,739</u>	<u>68</u>
GROSS PROFIT	<u>126,151</u>	<u>4,092</u>	<u>27</u>	<u>134,219</u>	<u>4,581</u>	<u>32</u>
OPERATING EXPENSES (Note 21)						
Selling and marketing expenses	41,545	1,348	9	31,934	1,090	7
General and administrative expenses	22,332	724	5	20,236	691	5
Research and development expenses	<u>3,425</u>	<u>111</u>	<u>-</u>	<u>3,035</u>	<u>104</u>	<u>1</u>
Total operating expenses	<u>67,302</u>	<u>2,183</u>	<u>14</u>	<u>55,205</u>	<u>1,885</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>58,849</u>	<u>1,909</u>	<u>13</u>	<u>79,014</u>	<u>2,696</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES						
Other income (Note 21)	14,327	464	3	10,966	374	2
Other gains and losses (Note 21)	955	31	-	3,992	136	1
Finance costs (Note 21)	<u>(1,801)</u>	<u>(58)</u>	<u>-</u>	<u>(349)</u>	<u>(12)</u>	<u>-</u>
Total non-operating income and expenses	<u>13,481</u>	<u>437</u>	<u>3</u>	<u>14,609</u>	<u>498</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	72,330	2,346	16	93,623	3,194	22
INCOME TAX EXPENSE (Note 22)	<u>7,163</u>	<u>232</u>	<u>2</u>	<u>13,383</u>	<u>457</u>	<u>3</u>
NET PROFIT FOR THE PERIOD	<u>65,167</u>	<u>2,114</u>	<u>14</u>	<u>80,240</u>	<u>2,737</u>	<u>19</u>
OTHER COMPREHENSIVE LOSS						
Items that will not be reclassified subsequently to profit or loss:						
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	1,255	40	1	(78)	(3)	-
Exchange differences on translation to the presentation currency	5,573	-	1	(32,646)	-	(8)
Items that maybe reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	<u>(266)</u>	<u>(8)</u>	<u>-</u>	<u>(4,012)</u>	<u>(136)</u>	<u>(1)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>6,562</u>	<u>32</u>	<u>2</u>	<u>(36,736)</u>	<u>(139)</u>	<u>(9)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 71,729</u>	<u>\$ 2,146</u>	<u>16</u>	<u>\$ 43,504</u>	<u>\$ 2,598</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	<u>\$ 65,167</u>	<u>\$ 2,114</u>	<u>14</u>	<u>\$ 80,240</u>	<u>\$ 2,737</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	<u>\$ 71,729</u>	<u>\$ 2,146</u>	<u>16</u>	<u>\$ 43,504</u>	<u>\$ 2,598</u>	<u>10</u>

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TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars or U.S. Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31					
	2019			2018		
	NTD	USD	%	NTD	USD	%
EARNINGS PER SHARE (Note 23)						
From continuing and discounted operations						
Basic	<u>\$ 1.66</u>	<u>\$ 0.05</u>		<u>\$ 2.04</u>	<u>\$ 0.07</u>	
Diluted	<u>\$ 1.66</u>	<u>\$ 0.05</u>		<u>\$ 2.04</u>	<u>\$ 0.07</u>	

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of comprehensive income have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$30.83:US\$1 and NT\$29.3:US\$1 for the three months ended March 31, 2019 and 2018, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

(Concluded)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	(Note 20)				Other				Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings (Note 20)	Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2018	35,700	\$ 357,000	\$ 653,216	\$ 28,792	\$ 1,346	\$ 531,919	\$ 1,064	\$ (113,088)	\$ 1,460,249
Effect of retrospective and retrospective restatement	-	-	-	-	(1,064)	-	1,064	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	35,700	357,000	653,216	28,792	1,346	531,919	1,064	(113,088)	1,460,249
Net profit for the three months ended March 31, 2018	-	-	-	-	-	80,240	-	-	80,240
Other comprehensive loss for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	(78)	(36,658)	(36,736)
Total comprehensive income (loss) the three months ended March 31, 2018	-	-	-	-	-	80,240	(78)	(36,658)	43,504
BALANCE AT MARCH 31, 2018	35,700	357,000	653,216	28,792	1,346	612,159	986	(149,746)	1,503,753
BALANCE AT JANUARY 1, 2019	39,270	392,700	653,216	54,177	112,024	515,697	(1,209)	(89,982)	1,636,623
Net profit for the three months ended March 31, 2019	-	-	-	-	-	65,167	-	-	65,167
Other comprehensive income for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	1,255	5,307	6,562
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	65,167	1,255	5,307	71,729
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(24)	-	-	(24)
BALANCE AT MARCH 31, 2019	39,270	392,700	653,216	54,177	112,024	580,840	46	(84,675)	1,708,328

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of changes in equity have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$30.83:US\$1 and NT\$29.3:US\$1 for the three months ended March 31, 2019 and 2018, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of U.S. Dollars)
(Reviewed, Not Audited)

	(Note 20)				Retained Earnings (Note 20)				Others				Total Equity
	Shares (in Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2018	35,700	\$ 11,493	\$ 21,364	\$ 959	\$ 45	\$ 16,638	\$ 35	\$ -	\$ (1,466)	\$ 49,068			
Effect of retrospective and retrospective restatement	-	-	-	-	-	-	(35)	35	-	-			
BALANCE AT JANUARY 1, 2018 AS RESTATED	35,700	11,493	21,364	959	45	16,638	-	35	(1,466)	49,068			
Net profit for the three months ended March 31, 2018	-	-	-	-	-	2,737	-	-	-	2,737			
Other comprehensive (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	-	(3)	(136)	(139)			
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	2,737	-	(3)	(136)	2,598			
BALANCE AT MARCH 31, 2018	35,700	11,493	21,364	959	45	19,375	\$ -	\$ 32	\$ (1,602)	\$ 51,666			
BALANCE AT JANUARY 1, 2019	39,270	12,667	21,364	1,794	3,684	16,190	\$ -	\$ (39)	\$ (2,376)	\$ 53,284			
Net profit for the three months ended March 31, 2019	-	-	-	-	-	2,114	-	-	-	2,114			
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	-	40	(8)	32			
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	2,114	-	40	(8)	2,146			
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-			
BALANCE AT MARCH 31, 2019	39,270	12,667	21,364	1,794	3,684	18,304	\$ -	\$ 1	\$ (2,384)	\$ 55,430			

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars or U.S. Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	NTD	USD	NTD	USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$ 72,330	\$ 2,346	\$ 93,623	\$ 3,194
Adjustments for:				
Depreciation expenses	20,843	675	11,822	404
Amortization expenses	132	4	116	4
Amortization of prepayments for leases	-	-	391	13
Finance costs	1,801	58	349	12
Interest income	(14,194)	(460)	(10,966)	(374)
Dividend income	(133)	(4)	-	-
Write-downs of inventories	-	-	974	6
Loss on disposal of property, plant and equipment	123	4	-	-
Changes in operating assets and liabilities				
Notes receivable	(1,696)	(55)	(328)	(11)
Trade receivables	(14,058)	(456)	(9,581)	(327)
Other receivables	92	3	59	2
Inventories	24,849	806	30,941	1,056
Other current assets	(11,129)	(361)	(5,919)	(202)
Trade payables	2,806	91	(23,645)	(807)
Other payables	(4,594)	(149)	(2,139)	(73)
Other current liabilities	9,280	301	12,218	417
Cash generated from operations	86,452	2,803	97,915	3,314
Interest paid	(1,512)	(48)	(407)	(14)
Income tax paid	(9,999)	(324)	(3,713)	(127)
Net cash generated from operating activities	<u>74,941</u>	<u>2,431</u>	<u>93,795</u>	<u>3,173</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of financial assets at fair value through other comprehensive income	(8,999)	(292)	(9,947)	(342)
Proceeds from sale of financial assets at fair value through other comprehensive income	925	30	-	-
Purchases of financial assets at amortized cost	(47,971)	(1,556)	(15,031)	(513)
Payments for property, plant and equipment	(14,891)	(482)	(15,742)	(537)
Payments for intangible assets	(149)	(5)	-	-
Increase in other non-current assets	(62)	(2)	(14,679)	(502)
Increase in prepayments for equipment	(6,043)	(196)	(37,035)	(1,264)

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TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars or U.S. Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	NTD	USD	NTD	USD
Dividend received	\$ 133	\$ 4	\$ -	\$ -
Interest received	<u>6,874</u>	<u>224</u>	<u>4,313</u>	<u>147</u>
Net cash used in investing activities	<u>(70,183)</u>	<u>(2,275)</u>	<u>(88,121)</u>	<u>(3,011)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from short-term borrowings	29,998	973	-	-
Repayments of short-term borrowings	-	-	(28,187)	(962)
Repayment of the principal portion of lease liabilities	<u>(926)</u>	<u>(29)</u>	<u>-</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>29,072</u>	<u>944</u>	<u>(28,187)</u>	<u>(962)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES				
	<u>2,413</u>	<u>34</u>	<u>(13,096)</u>	<u>(100)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,243	1,134	(35,609)	(900)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>373,429</u>	<u>12,158</u>	<u>428,917</u>	<u>14,413</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 409,672</u>	<u>\$ 13,292</u>	<u>\$ 393,308</u>	<u>\$ 13,513</u>

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of cash flows have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$30.83:US\$1 and NT\$29.3:US\$1 for the three months ended March 31, 2019 and 2018, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

(Concluded)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars or U.S. Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Taisun Int'l (Holding) Corporation (the "Company") was incorporated in the Cayman Islands in February 2014 for the purpose of organizational restructuring for initial public offering and application for listing on the Taiwan Stock Exchange ("TWSE"). Based on the equity exchange agreement, the Company completed the organizational restructuring on December 31, 2014 and became the holding company of all of the consolidated entities.

The Company and the subsidiaries (collectively, the "Group") mainly manufacture and sell baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes.

The Company's shares have been listed on the TWSE since January 2017.

The functional currency of the Company is the U.S. dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars and U.S. dollars, since the Company's shares are listed on the TWSE.

The exchange rate of NT\$30.82:US\$1, NT\$30.715:US\$1 and NT\$29.105:US\$1 was used for balances as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 11, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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) IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.41%-4.60%. The difference between the lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

(In Thousands of New Taiwan Dollars)

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 4,214
Less: Recognition exemption for short-term leases	<u>(888)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 3,326</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 3,303</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 3,303</u>

(In Thousands of U.S. Dollars)

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 137
Less: Recognition exemption for short-term leases	<u>(28)</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 109</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 107</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 107</u>

The Group as lessor

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

(In Thousands of New Taiwan Dollars)

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets - land	\$ -	\$ 96,436	\$ 96,436
Right-of-use assets - buildings	-	3,303	3,303
Prepayments for leases - current	1,621	(1,621)	-
Prepayments for leases - non-current	94,815	(94,815)	-
Lease liabilities - current	-	2,889	2,889
Lease liabilities - non-current	-	414	414

(In Thousands of U.S. Dollars)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets - land	\$ -	\$ 3,140	\$ 3,140
Right-of-use assets - buildings	-	107	107
Prepayments for leases - current	53	(53)	-
Prepayments for leases - non-current	3,087	(3,087)	-
Lease liabilities - current	-	94	94
Lease liabilities - non-current	-	13	13

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

3) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.

4) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

6) 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 Group will apply the above amendments prospectively.

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

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

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

2) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, biological assets excluding bearer plants which are measured at fair value less costs to sell, 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 an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

Principles for preparing consolidated financial statements

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

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.

See Note 13 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, refer to the significant accounting policies in 2018 consolidated financial report:

1) Leases

2019

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

The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

a) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Contingent rentals are recognized as expenses in the period in which they are incurred.

b) Leasehold land and building 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.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
Cash on hand	\$ 897	\$ 817	\$ 822
Checking accounts and demand deposits	31,359	20,572	90,330
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	<u>377,416</u>	<u>352,040</u>	<u>302,156</u>
	<u>\$ 409,672</u>	<u>\$ 373,429</u>	<u>\$ 393,308</u>
<u>U.S. dollars</u>			
Cash on hand	\$ 30	\$ 27	\$ 28
Checking accounts and demand deposits	1,016	669	3,103
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	<u>12,246</u>	<u>11,462</u>	<u>10,382</u>
	<u>\$ 13,292</u>	<u>\$ 12,158</u>	<u>\$ 13,513</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Demand deposits	0.1%-0.8%	0.1%-0.8%	0.1%-0.8%
Time deposits	1.4%-5.5%	1.4%-5.5%	1.05%-5.50%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
<u>Current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 25,022</u>	<u>\$ 15,656</u>	<u>\$ 18,333</u>
<u>Current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - Satitar Co., Ltd.	\$ 2,598	\$ 2,513	\$ 2,893
Ordinary shares - King's Town Bank	4,800	4,327	5,550
Ordinary shares - Formosa Plastics Corporation	-	-	5,200
Ordinary shares - China Steel Corporation	<u>5,060</u>	<u>4,850</u>	<u>4,690</u>
	<u>12,458</u>	<u>11,690</u>	<u>18,333</u>
Foreign investments			
Listed shares and emerging market shares			
Ordinary shares - Bao Minh Insurance Corporation	-	822	-
Ordinary shares - PetroVietnam Technical Services Corporation	-	114	-
Ordinary shares - Viet Nam Engine And Agricultural Machinery Corporation	3,506	1,017	-
Ordinary shares - Tu Liem Urban Development Joint-Stock Company	2,325	2,013	-
Ordinary shares - Pha Lai Thermal Power Joint Stock Company	4,222	-	-
Ordinary shares - PetroVietnam Power Nhon Trach 2 JSC	<u>2,511</u>	<u>-</u>	<u>-</u>
	<u>12,564</u>	<u>3,966</u>	<u>-</u>
	<u>\$ 25,022</u>	<u>\$ 15,656</u>	<u>\$ 18,333</u>
<u>U.S. dollars</u>			
<u>Current</u>			
Investments in equity instruments at FVTOCI	<u>\$ 812</u>	<u>\$ 510</u>	<u>\$ 630</u>
<u>Current</u>			
Domestic investments			
Listed shares and emerging market shares			
Ordinary shares - Satitar Co., Ltd.	\$ 84	\$ 82	\$ 99
Ordinary shares - King's Town Bank	156	140	191
Ordinary shares - Formosa Plastics Corporation	-	-	179
Ordinary shares - China Steel Corporation	<u>164</u>	<u>158</u>	<u>161</u>
	<u>404</u>	<u>380</u>	<u>630</u>

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Foreign investments			
Listed shares and emerging market shares			
Ordinary shares - Bao Minh Insurance Corporation	\$ -	\$ 27	\$ -
Ordinary shares - PetroVietnam Technical Services Corporation	-	4	-
Ordinary shares - Viet Nam Engine And Agricultural Machinery Corporation	114	33	-
Ordinary shares - Tu Liem Urban Development Joint-Stock Company	76	66	-
Ordinary shares - Pha Lai Thermal Power Joint Stock Company	137	-	-
Ordinary shares - PetroVietnam Power Nhon Trach 2 JSC	<u>81</u>	<u>-</u>	<u>-</u>
	<u>408</u>	<u>130</u>	<u>-</u>
	<u>\$ 812</u>	<u>\$ 510</u>	<u>\$ 630</u>
			(Concluded)

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The Group acquired ordinary shares NT\$8,999 thousand (US\$292 thousand) for medium to long-term strategic purposes; at the end of the reporting period the management designated these investments as at FVTOCI.

The Group sold its part shares in order to manage credit concentration risk. The sold shares had a fair value of NT\$925 thousand (US\$30 thousand) and the Group transferred a loss of NT\$24 thousand from other equity to retained earnings.

Dividends of \$133 thousand (US\$4 thousand) were recognized during the year. Those related to investments held at the end of the reporting period were \$2,325 thousand (US\$76 thousand).

8. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
<u>Current</u>			
Time deposits with original maturity of more than 3 months	<u>\$ 652,735</u>	<u>\$ 562,574</u>	<u>\$ 492,020</u>
			(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Non-current</u>			
Time deposits with original maturity of more than 1 years	\$ <u> -</u>	\$ <u> 40,147</u>	\$ <u> 22,646</u>
<u>U.S. dollars</u>			
<u>Current</u>			
Time deposits with original maturity of more than 3 months	\$ <u> 21,179</u>	\$ <u> 18,316</u>	\$ <u> 16,905</u>
<u>Non-current</u>			
Time deposits with original maturity of more than 1 years	\$ <u> -</u>	\$ <u> 1,307</u>	\$ <u> 778</u> (Concluded)

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 5.00%-7.50%, 2.30%-7.30% and 2.00%-7.10% per annum as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

9. TRADE RECEIVABLES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
At amortized cost			
Gross carrying amount	\$ 70,431	\$ 56,172	\$ 38,335
Less: Allowance for impairment loss	<u> (771)</u>	<u> (768)</u>	<u> (757)</u>
	<u>\$ 69,660</u>	<u>\$ 55,404</u>	<u>\$ 37,578</u>
<u>U.S. dollars</u>			
At amortized cost			
Gross carrying amount	\$ 2,285	\$ 1,829	\$ 1,317
Less: Allowance for impairment loss	<u> (25)</u>	<u> (25)</u>	<u> (26)</u>
	<u>\$ 2,260</u>	<u>\$ 1,804</u>	<u>\$ 1,291</u>

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies to providing for expected credit losses prescribed, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

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

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

March 31, 2019

(In Thousands of New Taiwan Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 66,497	\$ 2,921	\$ 288	\$ 725	\$ 70,431
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(17)</u>	<u>(29)</u>	<u>(725)</u>	<u>(771)</u>
Amortized cost	<u>\$ 66,497</u>	<u>\$ 2,904</u>	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ 69,660</u>

(In Thousands of U.S. Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 2,157	\$ 95	\$ 9	\$ 24	\$ 2,285
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(24)</u>	<u>(25)</u>
Amortized cost	<u>\$ 2,157</u>	<u>\$ 95</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 2,260</u>

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 53,724	\$ 1,682	\$ 44	\$ 722	\$ 56,172
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(24)</u>	<u>(22)</u>	<u>(722)</u>	<u>(768)</u>
Amortized cost	<u>\$ 53,724</u>	<u>\$ 1,658</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 55,404</u>

(In Thousands of U.S. Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 1,749	\$ 55	\$ 1	\$ 24	\$ 1,829
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(24)</u>	<u>(25)</u>
Amortized cost	<u>\$ 1,749</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,804</u>

March 31, 2018

(In Thousands of New Taiwan Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 37,499	\$ 77	\$ 6	\$ 753	\$ 38,335
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(1)</u>	<u>(3)</u>	<u>(753)</u>	<u>(757)</u>
Amortized cost	<u>\$ 37,499</u>	<u>\$ 76</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 37,578</u>

(In Thousands of U.S. Dollars)

	Posting Date Less Than 90 Days	Posting Date 91 to 180 Days	Posting Date 181 to 360 Days	Posting Date Over 360 Days	Total
Gross carrying amount	\$ 1,288	\$ 3	\$ -	\$ 26	\$ 1,317
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>(26)</u>
Amortized cost	<u>\$ 1,288</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,291</u>

The Group expected credit loss rate, 180 days of 1%; 180 days to 360 days of 50%; 1 year and above of 50-100%.

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

	For the Three Months Ended March 31	
	2019	2018
<u>New Taiwan dollars</u>		
Balance at January 1	\$ 768	\$ 774
Add: Amounts recovered/Impairment loss	-	-
Foreign exchange gains and losses	<u>3</u>	<u>(17)</u>
Balance at March 31, 2018	<u>\$ 771</u>	<u>\$ 757</u>

(Continued)

	For the Three Months Ended March 31	
	2019	2018
<u>U.S. dollars</u>		
Balance at January 1	\$ 25	\$ 26
Add: Amounts recovered/Impairment loss	-	-
Foreign exchange gains and losses	-	-
Balance at March 31, 2018	<u>\$ 25</u>	<u>\$ 26</u>

(Concluded)

10. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
Merchandise	\$ 2,174	\$ 2,847	\$ 4,873
Finished goods	84,450	105,671	59,249
Raw materials	140,827	144,751	109,455
Inventory in transit	<u>37,809</u>	<u>35,846</u>	<u>25,926</u>
	<u>\$ 265,260</u>	<u>\$ 289,115</u>	<u>\$ 199,503</u>
<u>U.S. dollars</u>			
Merchandise	\$ 71	\$ 93	\$ 167
Finished goods	2,740	3,440	2,036
Raw materials	4,569	4,713	3,761
Inventory in transit	<u>1,227</u>	<u>1,167</u>	<u>891</u>
	<u>\$ 8,607</u>	<u>\$ 9,413</u>	<u>\$ 6,855</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 included NT\$335,082 thousand (US\$10,869 thousand) and NT\$285,353 thousand (US\$9,739 thousand), respectively, which included NT\$974 thousand (US\$6 thousand) for the three months ended March 31, 2018, in write-downs of inventories.

11. SUBSIDIARIES

Subsidiary Included in Consolidated Financial Statements

The detailed information on the Company's subsidiaries at the end of the reporting period was as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2019	December 31, 2018	March 31, 2018	
Taisun Int'l (Holding) Corporation	Taisun Vietnam Co., Ltd. (VN)	Manufacture and sale of baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes	100%	100%	100%	a
	Taipoly (Far East) Corporation (Mauritius)	Trading	100%	100%	100%	b
	Winsun (Cambodia) Co., Ltd. (Cambodia)	Manufacture and sale of baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes	100%	100%	100%	c
Winsun (Cambodia) Co., Ltd. (Cambodia)	Winsun Trade Co., Ltd. (VN)	Trading	100%	100%	-	d

- Taisun Vietnam Co., Ltd. (VN) was incorporated in 2001 in Vietnam.
- Taipoly (Far East) Corporation (Mauritius) was incorporated in 2006 in Mauritius.
- Winsun (Cambodia) Co., Ltd. (Cambodia) was incorporated in 2005 in Cambodia.
- Winsun Trade Co., Ltd. was incorporated in December 2018 in Vietnam.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Finance Leases	Property in Construction	Total
<u>New Taiwan dollars</u>								
<u>Cost</u>								
Balance at January 1, 2018	\$ 66,909	\$ 449,197	\$ 24,088	\$ 3,030	\$ 11,440	\$ 167	\$ 58,382	\$ 613,213
Additions	-	-	-	-	-	-	15,742	15,742
Effect of foreign currency exchange differences	(1,740)	(10,494)	(626)	(50)	(298)	-	(1,405)	(14,613)
Balance at March 31, 2018	<u>\$ 65,169</u>	<u>\$ 438,703</u>	<u>\$ 23,462</u>	<u>\$ 2,980</u>	<u>\$ 11,142</u>	<u>\$ 167</u>	<u>\$ 72,719</u>	<u>\$ 614,342</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ 22,532	\$ 271,596	\$ 15,183	\$ 1,799	\$ 8,044	\$ 58	\$ -	\$ 319,212
Depreciation expense	1,187	9,374	820	126	285	30	-	11,822
Effect of foreign currency exchange differences	(596)	(5,920)	(402)	(46)	(212)	(7)	-	(7,183)
Balance at March 31, 2018	<u>\$ 23,123</u>	<u>\$ 275,050</u>	<u>\$ 15,601</u>	<u>\$ 1,879</u>	<u>\$ 8,117</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 323,851</u>
Carrying amounts at March 31, 2018	<u>\$ 42,046</u>	<u>\$ 163,653</u>	<u>\$ 7,861</u>	<u>\$ 1,101</u>	<u>\$ 3,025</u>	<u>\$ 86</u>	<u>\$ 72,719</u>	<u>\$ 290,491</u>
<u>U.S. dollars</u>								
<u>Cost</u>								
Balance at January 1, 2018	\$ 2,248	\$ 15,093	\$ 809	\$ 103	\$ 385	\$ 6	\$ 1,962	\$ 20,606
Additions	-	-	-	-	-	-	537	537
Effect of foreign currency exchange differences	(9)	(20)	(3)	-	(2)	-	-	(34)
Balance at March 31, 2018	<u>\$ 2,239</u>	<u>\$ 15,073</u>	<u>\$ 806</u>	<u>\$ 103</u>	<u>\$ 383</u>	<u>\$ 6</u>	<u>\$ 2,499</u>	<u>\$ 21,109</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ 756	\$ 9,127	\$ 510	\$ 60	\$ 271	\$ 2	\$ -	\$ 10,726
Depreciation expense	41	320	28	4	10	1	-	404
Effect of foreign currency exchange differences	(3)	3	(2)	-	-	-	-	(2)
Balance at March 31, 2018	<u>\$ 794</u>	<u>\$ 9,450</u>	<u>\$ 536</u>	<u>\$ 64</u>	<u>\$ 281</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 11,128</u>
Carrying amounts at March 31, 2018	<u>\$ 1,445</u>	<u>\$ 5,623</u>	<u>\$ 270</u>	<u>\$ 39</u>	<u>\$ 102</u>	<u>\$ 3</u>	<u>\$ 2,499</u>	<u>\$ 9,981</u>

(Continued)

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Finance Leases	Property in Construction	Total
<u>New Taiwan dollars</u>								
<u>Cost</u>								
Balance at January 1, 2019	\$ 139,658	\$ 512,914	\$ 28,573	\$ 34,460	\$ 11,695	\$ 167	\$ 19,034	\$ 746,501
Additions	-	6,397	689	1,055	287	-	6,463	14,891
Disposals	-	(217)	-	-	-	-	-	(217)
Reclassifications	-	43	-	-	-	-	(43)	-
Transfer from prepaid equipment	-	61,074	5,887	-	-	-	-	66,961
Effect of foreign currency exchange differences	462	1,627	90	116	37	-	59	2,391
Balance at March 31, 2019	<u>\$ 140,120</u>	<u>\$ 581,838</u>	<u>\$ 35,239</u>	<u>\$ 35,631</u>	<u>\$ 12,019</u>	<u>\$ 167</u>	<u>\$ 25,513</u>	<u>\$ 830,527</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ 29,170	\$ 319,012	\$ 19,103	\$ 5,494	\$ 9,193	\$ 140	\$ -	\$ 382,112
Disposals	-	(94)	-	-	-	-	-	(94)
Depreciation expense	2,108	14,273	1,119	1,689	277	32	-	19,498
Effect of foreign currency exchange differences	93	2,318	60	21	29	(10)	-	2,511
Balance at March 31, 2019	<u>\$ 31,371</u>	<u>\$ 335,509</u>	<u>\$ 20,282</u>	<u>\$ 7,204</u>	<u>\$ 9,499</u>	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ 404,027</u>
Carrying amounts at March 31, 2019	<u>\$ 108,749</u>	<u>\$ 246,329</u>	<u>\$ 14,957</u>	<u>\$ 28,427</u>	<u>\$ 2,520</u>	<u>\$ 5</u>	<u>\$ 25,513</u>	<u>\$ 426,500</u>
<u>U.S. dollars</u>								
<u>Cost</u>								
Balance at January 1, 2019	\$ 4,547	\$ 16,702	\$ 930	\$ 1,119	\$ 381	\$ 5	\$ 620	\$ 24,304
Additions	-	207	22	34	9	-	210	482
Disposals	-	(7)	-	-	-	-	-	(7)
Reclassifications	-	1	-	-	-	-	(1)	-
Transfer from prepaid equipment	-	1,981	191	-	-	-	-	2,172
Effect of foreign currency exchange differences	(1)	(5)	-	3	-	-	(1)	(4)
Balance at March 31, 2019	<u>\$ 4,546</u>	<u>\$ 18,879</u>	<u>\$ 1,143</u>	<u>\$ 1,156</u>	<u>\$ 390</u>	<u>\$ 5</u>	<u>\$ 828</u>	<u>\$ 26,947</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ 949	\$ 10,387	\$ 622	\$ 178	\$ 300	\$ 5	\$ -	\$ 12,441
Disposals	-	(3)	-	-	-	-	-	(3)
Depreciation expense	68	463	36	55	9	1	-	632
Effect of foreign currency exchange differences	-	39	-	-	(1)	-	-	38
Balance at March 31, 2019	<u>\$ 1,017</u>	<u>\$ 10,886</u>	<u>\$ 658</u>	<u>\$ 233</u>	<u>\$ 308</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 13,108</u>
Carrying amounts at March 31, 2019	<u>\$ 3,529</u>	<u>\$ 7,993</u>	<u>\$ 485</u>	<u>\$ 923</u>	<u>\$ 82</u>	<u>\$ (1)</u>	<u>\$ 828</u>	<u>\$ 13,839</u>

(Concluded)

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

Buildings	
Industrial building	20-50 years
Engineering systems	14-15 years
Other	5-7 years
Machinery and equipment	2-10 years
Transportation equipment	3-8 years
Office equipment	2-6 years
Other equipment	3-10 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

March 31, 2019

Carrying amounts

In thousand of New Taiwan dollars

Land	\$ 96,352
Buildings	<u>3,646</u>
	<u>\$ 99,998</u>

In thousand of U.S. dollars

Land	\$ 3,126
Buildings	<u>119</u>
	<u>\$ 3,245</u>

**For the Three
Months Ended
March 31, 2019**

In thousand of New Taiwan dollars

Additions to right-of-use assets	<u>\$ 1,272</u>
Depreciation charge for right-of-use assets	
Land	\$ 407
Buildings	<u>938</u>
	<u>\$ 1,345</u>

In thousand of U.S. dollars

Additions to right-of-use assets	<u>\$ 41</u>
Depreciation charge for right-of-use assets	
Land	\$ 13
Buildings	<u>30</u>
	<u>\$ 43</u>

b. Lease liabilities - 2019

March 31, 2019

Carrying amounts

In thousand of New Taiwan dollars

Current \$ 3,657

In thousand of U.S. dollars

Current \$ 119

Range of discount rate for lease liabilities was as follows:

March 31, 2019

Buildings 1.41%-4.60%

c. Material lease-in activities and terms

The Group leases certain buildings for the use of office with lease terms of 2 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The Group also leases land and buildings for the use of product manufacturing with lease terms of 34 to 50 years in Vietnam and Cambodia, and the land in Cambodia can be renewed for another period of 50 years upon expiration of the lease period. Lease payment is paid in whole one lump sum at the time of contract, the Group does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

2019

**For the Three
Months Ended
March 31, 2019**

New Taiwan dollars

Expenses relating to short-term leases \$ 751

Total cash outflow for leases \$ (1,677)

U.S. dollars

Expenses relating to short-term leases \$ 24

Total cash outflow for leases \$ (53)

The Group leases certain buildings which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>		
Not later than 1 year	\$ 3,815	\$ 2,561
Later than 1 year and not later than 5 years	399	2,212
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 4,214</u>	<u>\$ 4,773</u>
<u>U.S. dollars</u>		
Not later than 1 year	\$ 124	\$ 88
Later than 1 year and not later than 5 years	13	76
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 137</u>	<u>\$ 164</u>

14. PREPAYMENTS FOR LEASES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
Current assets	\$ -	\$ 1,621	\$ 1,553
Non-current assets	<u>-</u>	<u>94,815</u>	<u>91,497</u>
	<u>\$ -</u>	<u>\$ 96,436</u>	<u>\$ 93,050</u>
<u>U.S. dollars</u>			
Current assets	\$ -	\$ 53	\$ 53
Non-current assets	<u>-</u>	<u>3,087</u>	<u>3,144</u>
	<u>\$ -</u>	<u>\$ 3,140</u>	<u>\$ 3,197</u>

The Group obtained land use rights certificates in Cambodia in 2016. The useful lives of the rights are 50 years, and they can be renewed for another 50 years upon the expiration date.

As of March 31 and December 31 of 2018, the prepayments for leases are for the land use rights in Vietnam and Cambodia.

The above land use rights were originally accounted for in the prepaid lease payments. The information on the reclassification of the accounts on January 1, 2019 and the information on March 31, 2019, please refer to Notes 3 and 13.

15. OTHER ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
<u>Current</u>			
Prepayments	\$ 7,533	\$ 4,688	\$ 10,231
Business tax carry forward	38,874	34,333	-
Others	<u>15,168</u>	<u>11,291</u>	<u>18,923</u>
	<u>\$ 61,575</u>	<u>\$ 50,312</u>	<u>\$ 29,154</u>
<u>Non-current</u>			
Refundable deposits	\$ 2,133	\$ 2,123	\$ 2,004
Prepayment for buildings and land	33,614	33,507	-
Others	<u>67</u>	<u>33,507</u>	<u>14,557</u>
	<u>\$ 35,814</u>	<u>\$ 35,630</u>	<u>\$ 16,561</u>
<u>U.S. dollars</u>			
<u>Current</u>			
Prepayments	\$ 244	\$ 153	\$ 352
Business tax carry forward	1,261	1,118	-
Prepayments and others	<u>493</u>	<u>366</u>	<u>650</u>
	<u>\$ 1,998</u>	<u>\$ 1,637</u>	<u>\$ 1,002</u>
<u>Non-current</u>			
Refundable deposits	\$ 69	\$ 69	\$ 69
Prepayment for buildings and land	1,091	1,091	-
Others	<u>2</u>	<u>-</u>	<u>501</u>
	<u>\$ 1,162</u>	<u>\$ 1,160</u>	<u>\$ 570</u>

The Group signed an agreement to acquire ownership of lands and buildings in Vietnam with non-related parties in September 2018. Because the transferring process had not completed on March 31, 2019, it was recorded as prepayment for buildings and land.

16. BORROWINGS

Short-term Borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
Unsecured borrowings			
Line of credit borrowings	<u>\$ 258,956</u>	<u>\$ 228,171</u>	<u>\$ 81,468</u>
<u>U.S. dollars</u>			
Unsecured borrowings			
Line of credit borrowings	<u>\$ 8,402</u>	<u>\$ 7,429</u>	<u>\$ 2,799</u>

The range of weighted average effective interest rates on bank loans was 1.41%-4.60%, 1.41%-4.50% and 1.45%-2.00% per annum as of March 31, 2019, December 31, 2018 and March 31, 2018.

17. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
Other payables			
Payables for salaries or bonuses	\$ 12,637	\$ 14,140	\$ 10,948
Payables for bonuses for employees and directors	4,080	9,149	2,714
Payables for purchases of equipment	17,396	17,336	-
Payables for services	3,550	5,941	7,987
Payables for retention from construction	5,746	5,727	5,426
Others	<u>17,670</u>	<u>12,858</u>	<u>12,910</u>
	<u>\$ 61,079</u>	<u>\$ 65,151</u>	<u>\$ 39,985</u>
<u>U.S. dollars</u>			
Other payables			
Payables for salaries or bonuses	\$ 410	\$ 460	\$ 376
Payables for bonuses for employees and directors	132	298	93
Payables for purchases of equipment	564	564	-
Payables for services	115	193	274
Payables for retention from construction	186	186	186
Others	<u>575</u>	<u>420</u>	<u>445</u>
	<u>\$ 1,982</u>	<u>\$ 2,121</u>	<u>\$ 1,374</u>

18. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

Taisun Int'l (Holding) Corporation Taiwan Branch of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, Taisun Int'l (Holding) Corporation Taiwan Branch makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary, Taisun Vietnam Co., Ltd. (VN), in Vietnam are members of a state-managed retirement benefit plan operated by the government of Vietnam. 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. The other related expenses are included in employee benefits expense.

19. EQUITY

a. Share capital

Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>39,270</u>	<u>39,270</u>	<u>35,700</u>
Shares issued (in New Taiwan dollars)	<u>\$ 392,700</u>	<u>\$ 392,700</u>	<u>\$ 357,000</u>
Shares issued (in U.S. dollars)	<u>\$ 12,667</u>	<u>\$ 12,667</u>	<u>\$ 11,493</u>

The appropriation of earnings for 2017 was approved in the shareholder's meetings on June 29, 2018. The distribution of share dividends were NT\$35,700 thousand (US\$1,174 thousand), with a par value of NT\$10, which increased the share capital issued and fully paid to NT\$392,700 thousand (US\$12,667 thousand). Above transaction was approved by the FSC, and the related corporate registration was updated at September 11, 2018.

b. Capital surplus

Capital surplus which is generated from the issuance of ordinary shares 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).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21-f.

When the Company issues shares and the Company's board of directors proposes a plan for the distribution of dividends, the profit shall first be utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings which are more than 20% of the net profit shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends to shareholders according to their shareholding percentage. The distribution of dividends to shareholders is made by the issuance of share dividends and the payment of cash dividends. In principle, cash dividends should be more than 50% of the total dividends distributed.

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

The appropriations of earnings for 2018 and 2017 were proposed by the board of directors on March 8, 2019 and approved in the shareholders' meetings on June 29, 2018. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash dividends	\$ 208,131	\$ 142,800	\$5.3	\$6.0
Share dividend	-	35,700	-	-
Legal reserve	29,869	25,385	-	-
Special reserve	(20,831)	110,678	-	-

d. Special reserve

	<u>For the Three Months Ended</u>	
	<u>2019</u>	<u>2018</u>
<u>New Taiwan dollars</u>		
Beginning at January 1	\$ 112,024	\$ 1,346
Appropriation in respect of:		
Debit to other equity items	-	-
Balance at March 31	<u>\$ 112,024</u>	<u>\$ 1,346</u>
<u>U.S. dollars</u>		
Beginning at January 1	\$ 3,684	\$ 45
Appropriation in respect of:		
Debit to other equity items	-	-
Balance at March 31	<u>\$ 3,684</u>	<u>\$ 45</u>

20. REVENUE

	For the Three Months Ended March 31	
	<u>2019</u>	<u>2018</u>
<u>New Taiwan dollars</u>		
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 461,233</u>	<u>\$ 419,572</u>
<u>U.S. dollars</u>		
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 14,961</u>	<u>\$ 14,320</u>

a. Contract information

Revenue from sale of goods

The Group mainly sell baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes to the retailer, the dealer, the self-operated stores and the online sales. As sales discounts are provided when the sales to certain retailers reach the pre-agreed amount, revenue is reduced by the estimated sales discounts which are forecasted based on past experience. The rest of the goods are sold at a fixed price per the contract.

b. Contract balances

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
Trade receivables (Note 9)	<u>\$ 69,660</u>	<u>\$ 55,404</u>	<u>\$ 37,578</u>
Contract assets			
Sale of goods	<u>\$ 8,973</u>	<u>\$ 409</u>	<u>\$ 10,392</u>
<u>U.S. dollars</u>			
Trade receivables (Note 9)	<u>\$ 2,260</u>	<u>\$ 1,804</u>	<u>\$ 1,291</u>
Contract assets			
Sale of goods	<u>\$ 291</u>	<u>\$ 13</u>	<u>\$ 357</u>

The Group makes the collection in advance and account for contract liabilities based on the contracts.

21. NET PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Other income

	For the Three Months Ended March 31	
	2019	2018
<u>New Taiwan dollars</u>		
Interest income		
Bank deposits	\$ 14,194	\$ 10,966
Licensing		
Dividends		
Investments in equity instruments at FVTOCI	<u>133</u>	<u>-</u>
	<u>\$ 14,327</u>	<u>\$ 10,966</u>
<u>U.S. dollars</u>		
Interest income		
Bank deposits	\$ 460	\$ 374
Licensing		
Dividends		
Investments in equity instruments at FVTOCI	<u>4</u>	<u>-</u>
	<u>\$ 464</u>	<u>\$ 374</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2019	2018
<u>New Taiwan dollars</u>		
Net foreign exchange gains	\$ 1,024	\$ 4,033
Loss on disposal of property, plant and equipment	(123)	-
Other expenses	<u>54</u>	<u>(41)</u>
	<u>\$ 955</u>	<u>\$ 3,992</u>
<u>U.S. dollars</u>		
Net foreign exchange gains	\$ 33	\$ 137
Loss on disposal of property, plant and equipment	(4)	-
Other expenses	<u>2</u>	<u>(1)</u>
	<u>\$ 31</u>	<u>\$ 136</u>

c. Finance costs

	For the Three Months Ended March 31	
	<u>2019</u>	<u>2018</u>
<u>New Taiwan dollars</u>		
Interest on bank loans	\$ 1,791	\$ 349
Interest on lease liabilities	<u>10</u>	<u>-</u>
	<u>\$ 1,801</u>	<u>\$ 349</u>
<u>U.S. dollars</u>		
Interest on bank loans	\$ 58	\$ 12
Interest on lease liabilities	<u>-</u>	<u>-</u>
	<u>\$ 58</u>	<u>\$ 12</u>

d. Depreciation and amortization

	For the Three Months Ended March 31	
	<u>2019</u>	<u>2018</u>
<u>New Taiwan dollars</u>		
Property, plant and equipment	\$ 19,498	\$ 11,822
Right-of-use assets	1,345	-
Intangible assets	132	116
Prepayments for leases	<u>-</u>	<u>391</u>
	<u>\$ 20,975</u>	<u>\$ 12,329</u>
<u>U.S. dollars</u>		
Property, plant and equipment	\$ 632	\$ 404
Right-of-use assets	43	-
Intangible assets	4	4
Prepayments for leases	<u>-</u>	<u>13</u>
	<u>\$ 679</u>	<u>\$ 421</u>

	For the Three Months Ended March 31	
	2019	2018
<u>New Taiwan dollars</u>		
An analysis of depreciation by function		
Operating costs	\$ 18,373	\$ 11,565
Operating expenses	<u>2,470</u>	<u>257</u>
	<u>\$ 20,843</u>	<u>\$ 11,822</u>
<u>U.S. dollars</u>		
An analysis of depreciation by function		
Operating costs	\$ 596	\$ 395
Operating expenses	<u>79</u>	<u>9</u>
	<u>\$ 675</u>	<u>\$ 404</u>
<u>New Taiwan dollars</u>		
An analysis of amortization by function		
Operating costs	<u>\$ 132</u>	<u>\$ 507</u>
<u>U.S. dollars</u>		
An analysis of amortization by function		
Operating costs	<u>\$ 4</u>	<u>\$ 17</u>
e. Employee benefits expense		
	For the Three Months Ended March 31	
	2019	2018
<u>New Taiwan dollars</u>		
Other employee benefits		
Others (including post-employment benefits, see Note 18)	<u>\$ 49,513</u>	<u>\$ 44,244</u>
<u>U.S. dollars</u>		
Other employee benefits		
Others (including post-employment benefits, see Note 18)	<u>\$ 1,606</u>	<u>\$ 1,510</u>
<u>New Taiwan dollars</u>		
An analysis of employee benefits expense by function		
Operating costs	\$ 19,854	\$ 18,254
Operating expenses	<u>29,659</u>	<u>25,990</u>
	<u>\$ 49,513</u>	<u>\$ 44,244</u>

(Continued)

**For the Three Months Ended
March 31**

2019	2018
-------------	-------------

U.S. dollars

An analysis of employee benefits expense by function

Operating costs	\$ 644	\$ 623
Operating expenses	962	887
	\$ 1,606	\$ 1,510

(Concluded)

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

**For the Three Months Ended
March 31**

2018	2017
-------------	-------------

Employees' compensation	3.7%	2.0%
Remuneration of directors	-	-

Amount

For the Three Months Ended March 31

2018		2017	
-------------	--	-------------	--

	Cash	Shares	Cash	Shares
--	-------------	---------------	-------------	---------------

New Taiwan dollars

Employees' compensation	\$ 2,783	\$	\$ 1,914	\$	-
Remuneration of directors	-		-		-

U.S. dollars

Employees' compensation	90		66		-
Remuneration of directors	-		-		-

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

The appropriations of employees' compensation and remuneration of directors for 2018 and 2017 having been resolved by the board of directors on March 8, 2019 and March 13, 2018, respectively, were as below:

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
<u>New Taiwan dollars</u>				
Employees' compensation	\$ 9,240	\$ -	\$ 6,968	\$ -
Remuneration of directors	800	-	800	-
<u>U.S. dollars</u>				
Employees' compensation	300	-	234	-
Remuneration of directors	26	-	27	-

Because of the future operational needs, the Company held board of directors' meetings on March 8, 2019, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2018 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2018, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2018.

	For the Year Ended December 31, 2018	
	Employees' Compensation	Remuneration of Directors and Supervisors
<u>New Taiwan dollars</u>		
Amounts approved in the board of directors' meeting	<u>\$ 9,240</u>	<u>\$ 800</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 7,948</u>	<u>\$ 1,200</u>
<u>U.S. dollars</u>		
Amounts approved in the board of directors' meeting	<u>\$ 300</u>	<u>\$ 26</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 259</u>	<u>\$ 39</u>

Information on the employees' compensation and remuneration of directors and supervisors 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.

22. INCOME TAXES RELATING TO CONTINUING

a. The major components of tax expense (benefit) were as follows:

	For the Three Months Ended March 31	
	2019	2018
<u>New Taiwan dollars</u>		
Current tax		
In respect of the current period	\$ 8,119	\$ 13,559
Deferred tax		
In respect of the current period	<u>(956)</u>	<u>(176)</u>
Income tax expense recognized in profit or loss	<u>\$ 7,163</u>	<u>\$ 13,383</u>
<u>U.S. dollars</u>		
Current tax		
In respect of the current period	\$ 263	\$ 462
Deferred tax		
In respect of the current period	<u>(31)</u>	<u>(5)</u>
Income tax expense recognized in profit or loss	<u>\$ 232</u>	<u>\$ 457</u>

b. Income tax assessments

The Company and subsidiaries disagreed with the tax authorities' assessment of its tax return and applied for a re-examination.

23. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Three Months Ended March 31	
	2019	2018
Basic earnings per share	<u>\$ 1.66</u>	<u>\$ 2.04</u>
Diluted earnings per share	<u>\$ 1.66</u>	<u>\$ 2.04</u>
	Unit: US\$ Per Share	
	For the Three Months Ended March 31	
	2019	2018
Basic earnings per share	<u>\$ 0.05</u>	<u>\$ 0.07</u>
Diluted earnings per share	<u>\$ 0.05</u>	<u>\$ 0.07</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 5, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended March 31, 2018 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 2.25</u>	<u>\$ 2.04</u>
Diluted earnings per share	<u>\$ 2.24</u>	<u>\$ 2.04</u>

Unit: US\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 0.08</u>	<u>\$ 0.07</u>
Diluted earnings per share	<u>\$ 0.08</u>	<u>\$ 0.07</u>

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

Net Profit for the Year

	For the Three Months Ended March 31	
	2019	2018
<u>New Taiwan dollars</u>		
Profit attributable to owners of the Company	<u>\$ 65,167</u>	<u>\$ 80,240</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 65,167</u>	<u>\$ 80,240</u>
<u>U.S. dollars</u>		
Profit attributable to owners of the Company	<u>\$ 2,114</u>	<u>\$ 2,737</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,114</u>	<u>\$ 2,737</u>

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

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of ordinary shares in the computation of basic earnings per share	39,270	39,270
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>73</u>	<u>57</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>39,343</u>	<u>39,327</u>

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

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

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

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.

25. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>New Taiwan dollars</u>				
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 12,458	\$ -	\$ -	\$ 12,458
Foreign listed shares and emerging market shares	<u>12,564</u>	<u>-</u>	<u>-</u>	<u>12,564</u>
	<u>\$ 25,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,022</u>
<u>U.S. dollars</u>				
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 404	\$ -	\$ -	\$ 404
Foreign listed shares and emerging market shares	<u>408</u>	<u>-</u>	<u>-</u>	<u>408</u>
	<u>\$ 812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>New Taiwan dollars</u>				
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 11,690	\$ -	\$ -	\$ 11,690
Foreign listed shares and emerging market shares	<u>3,966</u>	<u>-</u>	<u>-</u>	<u>3,966</u>
	<u>\$ 15,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,656</u>

U.S. dollars

Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 380	\$ -	\$ -	\$ 380
Foreign listed shares and emerging market shares	<u>130</u>	<u>-</u>	<u>-</u>	<u>130</u>
	<u>\$ 510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510</u>

March 31, 2018

	Level 1	Level 2	Level 3	Total
<u>New Taiwan dollars</u>				
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 18,333	\$ -	\$ -	\$ 18,333
<u>U.S. dollars</u>				
Financial assets at FVTOCI				
Equity instruments				
Domestic listed shares and emerging market shares	\$ 630	\$ -	\$ -	\$ 630

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

b. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,162,995	\$ 1,053,551	\$ 970,462
Financial assets at FVTOCI			
Equity instruments	25,022	15,656	18,333
Financial liabilities			
Amortized cost (2)	426,816	393,293	197,800
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Financial assets at amortized cost (1)	37,735	34,301	33,343
Financial assets at FVTOCI			
Equity instruments	812	510	630
Financial liabilities			
Amortized cost (2)	13,849	12,805	6,796

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

c. Financial risk management objectives and policies

The Group's propose of financial risk management is to manage the foreign currency risk, interest rate risk, credit risk and liquidity risk that related to its management and operating activities. To reduce the relevant financial risk, the Group not only judges and assesses the uncertainty of the market, it also uses conservative principles as the highest guidelines and will not utilize derivative financial instruments or other instruments which possess higher risk. Based on the above principles, the Group reduces the potential risk of market variations affecting its financial performance.

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar/U.S. dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and which represents management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign-currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the VND/RMB strengthening 5% against the relevant currency. For a 5% weakening of the VND/RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	VND Impact		RMB Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31		March 31	
	2019	2018	2019	2018
<u>New Taiwan dollars</u>				
Profit or loss	\$ (5,553)	\$ (2,008)	\$ -	\$ 6,287
<u>U.S. dollars</u>				
Profit or loss	(180)	(69)	-	216

- i. This was mainly attributable to the exposure outstanding on USD receivables and payables which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure outstanding on RMB payables which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

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

	March 31,	December 31,	March 31,
	2019	2018	2018
<u>New Taiwan dollars</u>			
Fair value interest rate risk			
Financial assets	\$ 1,030,151	\$ 954,761	\$ 816,822
Financial liabilities	-	-	-
Cash flow interest rate risk			
Financial assets	30,486	19,723	90,029
Financial liabilities	258,956	228,171	81,468

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
<u>U.S. dollars</u>			
Fair value interest rate risk			
Financial assets	\$ 33,425	\$ 31,085	\$ 28,065
Financial liabilities	-	-	-
Cash flow interest rate risk			
Financial assets	988	641	3,093
Financial liabilities	8,402	7,429	2,799
			(Concluded)

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% 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 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2019 and 2018 would have decreased by NT\$143 thousand (US\$5 thousand) and increased by NT\$5 thousand, which would be mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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 would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and continuously monitored such transactions to ensure that the aggregate value of concluded transactions is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually by the risk management committee.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized short-term bank loan facilities which are set out in the following section (b).

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

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

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

March 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>New Taiwan dollars</u>					
Trade payables	\$ 103,124	\$ -	\$ -	\$ -	\$ -
Lease liabilities	312	721	2,624	-	-
Variable interest rate liabilities	<u>44,689</u>	<u>68,727</u>	<u>145,540</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,125</u>	<u>\$ 69,448</u>	<u>\$ 148,164</u>	<u>\$ -</u>	<u>\$ -</u>
<u>U.S. dollars</u>					
Trade payables	\$ 3,346	\$ -	\$ -	\$ -	\$ -
Lease liabilities	10	23	86	-	-
Variable interest rate liabilities	<u>1,413</u>	<u>2,267</u>	<u>4,722</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,769</u>	<u>\$ 2,290</u>	<u>\$ 4,808</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>New Taiwan dollars</u>					
Trade payables	\$ 99,971	\$ -	\$ -	\$ -	\$ -
Variable interest rate liabilities	<u>327</u>	<u>138,521</u>	<u>89,323</u>	<u>-</u>	<u>-</u>
	<u>\$ 100,298</u>	<u>\$ 138,521</u>	<u>\$ 89,323</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>U.S. dollars</u>					
Trade payables	\$ 3,255	\$ -	\$ -	\$ -	\$ -
Variable interest rate liabilities	<u>11</u>	<u>4,510</u>	<u>2,908</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,266</u>	<u>\$ 4,510</u>	<u>\$ 2,908</u>	<u>\$ -</u>	<u>\$ -</u>
					(Concluded)

March 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>New Taiwan dollars</u>					
Trade payables	\$ 72,028	\$ 1,670	\$ 2,649	\$ -	\$ -
Variable interest rate liabilities	<u>21,468</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 93,496</u>	<u>\$ 61,670</u>	<u>\$ 2,649</u>	<u>\$ -</u>	<u>\$ -</u>
<u>U.S. dollars</u>					
Trade payables	\$ 2,475	\$ 57	\$ 91	\$ -	\$ -
Variable interest rate liabilities	<u>737</u>	<u>2,062</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,212</u>	<u>\$ 2,119</u>	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	March 31, 2019	December 31, 2018	March 31, 2018
<u>New Taiwan dollars</u>			
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 258,956	\$ 228,171	\$ 81,468
Amount unused	<u>619,892</u>	<u>387,889</u>	<u>271,124</u>
	<u>\$ 878,848</u>	<u>\$ 616,060</u>	<u>\$ 352,592</u>
			(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
<u>U.S. dollars</u>			
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 8,402	\$ 7,429	\$ 2,799
Amount unused	<u>20,113</u>	<u>12,629</u>	<u>9,315</u>
	<u>\$ 28,515</u>	<u>\$ 20,058</u>	<u>\$ 12,114</u> (Concluded)

26. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

a. Related party name and relationship

<u>Name</u>	<u>Relationship</u>
Tai, Chao-Rong	Key management personnel (chairman of the Company)

b. Endorsements and guarantees provided by related parties

	<u>For the Three Months Ended March 31</u>	
	2019	2018
<u>New Taiwan dollars</u>		
Key management personnel		
Amount endorsed	<u>\$ 613,180</u>	<u>\$ 352,592</u>
Amount utilized (accounted for borrowings)	<u>\$ 258,956</u>	<u>\$ 81,468</u>

U.S. dollars

Key management personnel		
Amount endorsed	<u>\$ 19,896</u>	<u>\$ 12,114</u>
Amount utilized (accounted for borrowings)	<u>\$ 8,402</u>	<u>\$ 2,799</u>

c. Compensation of key management personnel

	<u>For the Three Months Ended March 31</u>	
<u>New Taiwan dollars</u>		
Short-term benefits	<u>\$ 7,125</u>	<u>\$ 9,680</u>
<u>U.S. dollars</u>		
Short-term benefits	<u>\$ 231</u>	<u>\$ 333</u>

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

27. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
VND	\$ 2,126	23,201 (USD:VND)	\$ 65,521
<u>Financial liabilities</u>			
Monetary items			
VND	5,730	23,201 (USD:VND)	176,584
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Monetary items			
VND	2,126	23,201 (USD:VND)	2,126
<u>Financial liabilities</u>			
Monetary items			
VND	5,730	23,201 (USD:VND)	5,730

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
VND	\$ 1,342	23,198 (USD:VND)	\$ 41,211
RMB	1,117	0.1457 (RMB:USD)	4,998
(Continued)			

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
VND	\$ 5,502	23,198 (USD:VND)	\$ 168,990
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Monetary items			
VND	1,342	23,198 (USD:VND)	1,342
RMB	1,117	0.1457 (RMB:USD)	163
<u>Financial liabilities</u>			
Monetary items			
VND	5,502	23,198 (USD:VND)	5,502 (Concluded)
<u>March 31, 2018</u>			
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
VND	\$ 2,025	22,748 (USD:VND)	\$ 58,946
RMB	27,164	0.1590 (RMB:USD)	125,731
<u>Financial liabilities</u>			
Monetary items			
VND	3,405	22,748 (USD:VND)	99,098
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Monetary items			
VND	2,025	22,748 (USD:VND)	2,025
RMB	27,164	0.1590 (RMB:USD)	4,320
<u>Financial liabilities</u>			
Monetary items			
VND	3,405	22,748 (USD:VND)	3,405

For the three months ended March 31, 2019 and 2018, unrealized net foreign exchange gains were NT\$1,024 thousand (US\$33 thousand) and NT\$4,033 thousand (US\$137 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.

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 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 (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)
- 11) Information on investees (Table 4)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (None)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

- c) The amount of property transactions and the amount of the resultant gains or losses
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
- e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

29. SEGMENT INFORMATION

a. Segment revenue and results

The chief operating decision maker views the segment directly selling baby and adult diapers and feminine products in Asia and Africa as one individual operating segment. Though the Group considers the following elements in decision-making, management views the segment mentioned above as a single operating segment when preparing the consolidated financial statements:

- 1) Whether operating units have similar long-term gross margins.
- 2) Whether the nature of products and production processes are similar.
- 3) Whether the delivery of products to customers is the same.

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

	Taisun Vietnam Co., Ltd. (VN)		Winsum (Cambodia) Co., Ltd (Cambodia)		Other Subsidiaries		Internal Transfer Pricing		Total	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
New Taiwan dollars										
Revenue	\$ 374,425	\$ 395,961	\$ 84,666	\$ -	\$ 11,610	\$ 28,055	\$ (9,468)	\$ (4,444)	\$ 461,233	\$ 419,572
Expenditures	(331,886)	(312,842)	(63,555)	(965)	(16,237)	(31,506)	9,794	4,755	(402,384)	(340,558)
Operating profit	42,539	83,119	21,111	(965)	(5,127)	(3,451)	326	311	58,849	79,014
Interest revenue	11,790	8,736	965	705	1,439	1,525	-	-	14,194	10,966
Financial costs	(1,196)	(125)	(231)	-	(374)	(224)	-	-	(1,801)	(349)
Other gains or losses	775	(23)	76	71	67,551	78,280	(67,314)	(74,336)	1,088	3,992
Profit before tax	\$ 53,908	\$ 91,707	\$ 21,921	\$ (189)	\$ 63,489	\$ 76,130	\$ (66,988)	\$ (74,025)	\$ 72,330	\$ 93,623
Recognizable assets										
Notes receivable	\$ -	\$ -	\$ -	\$ -	\$ 2,096	\$ 351	\$ -	\$ -	\$ 2,096	\$ 351
Trade receivables	65,972	23,939	-	-	8,932	7	(5,244)	13,632	69,660	37,578
Inventories	211,576	197,450	52,655	-	1,029	1,481	-	572	265,260	199,503
Property, plant and equipment	279,375	228,544	150,622	66,352	91	217	(3,588)	(4,622)	426,500	290,491
General assets	\$ 556,923	\$ 449,933	\$ 203,277	\$ 66,352	\$ 12,148	\$ 2,056	\$ (8,832)	\$ 9,582	763,516	527,923
Total assets									\$ 1,396,899	\$ 1,207,589
Recognizable liabilities										
Short-term loans	\$ 148,956	\$ 21,468	\$ -	\$ -	\$ 110,000	\$ 60,000	\$ -	\$ -	\$ 258,956	\$ 81,468
Accounts payable	80,777	71,113	22,870	-	4,626	8,159	(5,149)	(2,925)	103,124	76,347
General liabilities	\$ 229,733	\$ 92,581	\$ 22,870	\$ -	\$ 114,626	\$ 68,159	\$ (5,149)	\$ (2,925)	362,080	157,815
Total liabilities									\$ 90,007	\$ 73,944
Depreciation and amortization	\$ 15,433	\$ 12,414	\$ 5,468	\$ 172	\$ 377	\$ 44	\$ (303)	\$ (301)	\$ 20,975	\$ 12,329
Capital expenditures (increase in fixed assets)	\$ 19,407	\$ 6,245	\$ 155	\$ 46,215	\$ 54	\$ -	\$ 1,467	\$ 317	\$ 21,083	\$ 52,777
U.S. dollars										
Revenue	\$ 12,145	\$ 13,514	\$ 2,746	\$ -	\$ 377	\$ 957	\$ (307)	\$ (151)	\$ 14,961	\$ 14,320
Expenditures	(10,765)	(10,677)	(2,062)	(33)	(543)	(1,075)	318	161	(13,052)	(11,624)
Operating profit	1,380	2,837	684	(33)	(166)	(118)	11	10	1,909	2,696
Interest revenue	382	298	31	24	47	52	-	-	460	374
Financial costs	(39)	(4)	(8)	-	(12)	(8)	1	-	(58)	(12)
Other gains or losses	25	(1)	2	2	2,192	2,672	(2,184)	(2,527)	35	136
Profit before tax	\$ 1,748	\$ 3,130	\$ 709	\$ (7)	\$ 2,061	\$ 2,598	\$ (2,122)	\$ (2,527)	\$ 2,346	\$ 3,194

(Continued)

	Taisun Vietnam Co., Ltd. (VN)		Winsun (Cambodia) Co., Ltd (Cambodia)		Other Subsidiaries		Internal Transfer Pricing		Total	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Recognizable assets										
Notes receivable	\$ -	\$ -	\$ -	\$ -	\$ 68	\$ 12	\$ -	\$ -	\$ 68	\$ 12
Trade receivables	2,141	823	-	-	290	-	(171)	468	2,260	1,291
Inventories	6,865	6,784	1,708	-	33	51	1	20	8,607	6,855
Property, plant and equipment	9,065	7,852	4,887	2,280	3	7	(116)	(158)	13,839	9,981
	<u>\$ 18,071</u>	<u>\$ 15,459</u>	<u>\$ 6,595</u>	<u>\$ 2,280</u>	<u>\$ 394</u>	<u>\$ 70</u>	<u>\$ (286)</u>	<u>\$ 330</u>	<u>45,325</u>	<u>41,491</u>
General assets										
Total assets									<u>\$ 70,099</u>	<u>\$ 59,630</u>
Recognizable liabilities										
Short-term loans	\$ 4,833	\$ 738	\$ -	\$ -	\$ 3,569	\$ 2,062	\$ -	\$ (1)	\$ 8,402	\$ 2,799
Accounts payable	2,621	2,443	742	-	150	281	(167)	(101)	3,346	2,623
	<u>\$ 7,454</u>	<u>\$ 3,181</u>	<u>\$ 742</u>	<u>\$ -</u>	<u>\$ 3,719</u>	<u>\$ 2,343</u>	<u>\$ (167)</u>	<u>\$ (102)</u>	<u>11,748</u>	<u>5,422</u>
General liabilities									<u>2,921</u>	<u>2,542</u>
Total liabilities									<u>\$ 14,669</u>	<u>\$ 7,964</u>
Depreciation and amortization	<u>\$ 501</u>	<u>\$ 424</u>	<u>\$ 177</u>	<u>\$ 6</u>	<u>\$ 12</u>	<u>\$ 1</u>	<u>\$ (11)</u>	<u>\$ (7)</u>	<u>\$ 679</u>	<u>\$ 421</u>
Capital expenditures (increase in fixed assets)	<u>\$ 630</u>	<u>\$ 211</u>	<u>\$ 5</u>	<u>\$ 1,588</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 683</u>	<u>\$ 1,801</u>

(Concluded)

The Group measures the financial information by overall operating condition and the key management personnel formulate decisions based on that information. Thus, the segment information is disclosed from the consolidated perspective.

Segment revenue reported above represents revenue generated from external customers.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Taisun Int'l (Holding) Corporation	Winsun (Cambodia) Co., Ltd. (Cambodia)	Other receivables	Yes	\$ 154,100 (US\$ 5,000)	\$ 154,100 (US\$ 5,000)	\$ 46,230 (US\$ 1,500)	2	The need for short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ 341,666 (US\$ 11,086)	\$ 683,331 (US\$ 22,172)	1	

Note 1: The total amount for lending to a company for funding for a short-term period shall not exceed twenty percent 20% of the net worth of the Company, and the aggregate amount for lending purpose shall not exceed forty percent 40% of the net worth of the Company.

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2019

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2019			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
Tausun Int'l (Holding) Corporation	Stock-listed company (domestic) Sanitar Co., Ltd.	None	Financial assets at fair value through other comprehensive income - current	68	\$ 2,598	-	\$ 2,598
	King's Town Bank	None	Financial assets at fair value through other comprehensive income - current	150	(US\$ 84) 4,800	-	(US\$ 84) 4,800
	China Steel Corporation	None	Financial assets at fair value through other comprehensive income - current	200	(US\$ 156) 5,060	-	(US\$ 156) 5,060
Taisun Vietnam Co., Ltd. (VN)	Stock-listed company (foreign) Viet Nam Engine And Agricultural Machinery Corporation	None	Financial assets at fair value through other comprehensive income - current	50	3,506	-	3,506
	Tu Liem Urban Development Joint-Stock Company	None	Financial assets at fair value through other comprehensive income - current	100	(US\$ 114) 2,325	-	(US\$ 114) 2,325
	Pha Lai Thermal Power Joint Stock Company	None	Financial assets at fair value through other comprehensive income - current	130	(US\$ 76) 4,222	-	(US\$ 76) 4,222
	PetroVietnam Power Nhon Trach 2 JSC	None	Financial assets at fair value through other comprehensive income - current	70	(US\$ 137) 2,511	-	(US\$ 137) 2,511
					(US\$ 164)		(US\$ 164)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

(In Thousands of New Taiwan Dollars or U.S. Dollars)

No.	Company Name	Counterparty	Natural of Relationship (Note)	Financial Statement Account	Intercompany Transactions		
					Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
1	Taisun Vietnam Co., Ltd. (VN)	Taipoly (Far East) Corporation (Mauritius)	3	Sales	\$ 5,608 (US\$ 182)	No significant difference from those with third parties	1
				Trade receivables	3,949 (US\$ 128)	No significant difference from those with third parties	-
				Sales	4,737 (US\$ 154)	No significant difference from those with third parties	1
				Trade receivables	1,735 (US\$ 56)	No significant difference from those with third parties	1
2	Tausun Int'l (Holding) Corporation	Winsun (Cambodia) Co., Ltd. (Cambodia)	1	Other receivables	46,230 (US\$ 1,500)	Financing provided and the term of each loan for funding is one year.	2
				Purchases	887 (US\$ 29)	No significant difference from those with third parties	-

Note: The following numerals indicate the respective nature of relationship between the two parties in the transaction:

1. Transactions from parent company to subsidiary.
2. Transactions from subsidiary to parent company.
3. Transactions between subsidiaries.

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTEEES

MARCH 31, 2019

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2019			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				March 31, 2019	December 31, 2018	Number of Shares (In Thousands)	Percentage Ownership (%)	Carrying Amount			
The Company	Taisun Vietnam Co., Ltd. (VN)	Vietnam	Manufacture and sale of baby diapers, adult diapers, feminine products and wipes Trading	\$ 246,585 (US\$ 7,791)	\$ 246,585 (US\$ 7,791)	-	100	\$ 46,784 (US\$ 1,518)	\$ 46,784 (US\$ 1,518)		
	Taipoly (Far East) Corporation (Mauritius)	Mauritius	Manufacture and sale of baby diapers, adult diapers, feminine products and wipes Trading	5,450 (US\$ 180)	5,450 (US\$ 180)	-	100	(1,869) (US\$ (61))	(1,543) (US\$ (50))	Difference from side stream transactions of US\$11 thousand	
	Winsun (Cambodia) Co., Ltd. (Cambodia)	Cambodia	Manufacture and sale of baby diapers, adult diapers, feminine products and wipes Trading	365,343 (US\$ 11,690)	365,343 (US\$ 11,690)	-	100	21,920 (US\$ 711)	21,920 (US\$ 711)		
Winsun (Cambodia) Co., Ltd. (Cambodia)	WINSUN Trade Co., Ltd. (VN)	Vietnam	Trading	14,773 (US\$ 500)	14,773 (US\$ 500)	-	100	155 (US\$ 5)	155 (US\$ 5)		