

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Three Months Ended March 31, 2018 and 2017 and
Independent Accountants' Review Report

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference interpretation between the two versions, the Chinese language financial statements shall prevail.

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Three Months Ended March 31, 2018 and 2017

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Nanliu Enterprise Company Limited and subsidiaries (the "Company") as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months periods then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International 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 present fairly, in all material respects the financial position of the entity as of March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months 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" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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Shu-Dong Wang

Hsiang-Ning Hu

YANGTZE CPAS & Co.,

May 8, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. 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 auditor's review report and consolidated financial statements shall prevail.

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NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Balance Sheets
(All Amounts Expressed In Thousands of New Taiwan Dollars)

ASSETS		Note	March 31, 2018		December 31, 2017		March 31, 2017	
			(Reviewed)		(Audited)		(Reviewed)	
			Amount	%	Amount	%	Amount	%
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$ 669,379	9.78	\$ 1,015,577	15.04	\$ 797,448	14.49
1150	Notes receivable, net	6(2)	54,411	0.80	68,797	1.02	90,378	1.64
1170	Accounts receivable, net	6(3)	1,410,098	20.60	1,322,011	19.57	1,130,127	20.54
1200	Other receivables		10,329	0.15	29,386	0.44	30,036	0.54
1310	Inventories	6(4)	844,719	12.34	963,804	14.27	867,278	15.76
1410	Prepayments		377,633	5.52	355,947	5.27	252,279	4.59
1470	Other current assets	8	31,542	0.46	40,161	0.59	80,694	1.47
	Total current assets		<u>3,398,111</u>	<u>49.65</u>	<u>3,795,683</u>	<u>56.20</u>	<u>3,248,240</u>	<u>59.03</u>
NONCURRENT ASSETS								
1600	Property , plant and equipment	6(5)	2,257,688	32.99	2,160,933	31.99	1,711,703	31.11
1780	Intangible assets		1,753	0.03	1,819	0.03	1,260	0.02
1840	Deferred income tax assets	4	22,194	0.32	19,604	0.29	24,014	0.44
1915	Prepayments for equipment		947,038	13.85	636,546	9.42	375,730	6.83
1920	Refundable deposit		17,436	0.25	18,031	0.27	19,218	0.35
1985	Prepaid rent		197,105	2.88	118,858	1.76	119,722	2.18
1990	Other assets		2,364	0.03	2,364	0.04	2,364	0.04
	Total noncurrent assets		<u>3,445,578</u>	<u>50.35</u>	<u>2,958,155</u>	<u>43.80</u>	<u>2,254,011</u>	<u>40.97</u>
1xxx	Total assets		<u>\$ 6,843,689</u>	<u>100.00</u>	<u>\$ 6,753,838</u>	<u>100.00</u>	<u>\$ 5,502,251</u>	<u>100.00</u>

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Balance Sheets
(All Amounts Expressed In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)		
		Amount	%	Amount	%	Amount	%	
CURRENT LIABILITIES								
2100	Short-term loans	6(6)	\$ 963,652	14.08	\$ 706,435	10.46	\$ 452,430	8.22
2111	Short-term bills payable , net	6(7)	399,878	5.84	399,858	5.92	159,933	2.91
2130	Current contract liabilities	6(11)	12,873	0.19	-	-	-	-
2150	Notes payable		384,040	5.61	486,140	7.20	590,993	10.74
2170	Accounts payable		473,015	6.91	602,969	8.93	451,975	8.21
2200	Other payable		137,529	2.01	147,956	2.19	142,751	2.59
2213	Payables on equipment		15,050	0.22	80,973	1.20	2,492	0.05
2230	Current tax liabilities	4	62,213	0.91	91,511	1.35	58,350	1.06
2311	Unearned receipts		-	-	9,100	0.13	16,947	0.31
2320	Current portion of long-term bank borrowing	6(8)	11,794	0.17	-	-	37,972	0.69
2399	Other current liabilities		3,588	0.05	4,483	0.07	3,196	0.06
	Total current liabilities		<u>\$ 2,463,632</u>	<u>35.99</u>	<u>2,529,425</u>	<u>37.45</u>	<u>1,917,039</u>	<u>34.84</u>
NONCURRENT LIABILITIES								
2540	Long-term bank borrowing	6(8)	1,268,206	18.53	1,265,510	18.74	790,521	14.37
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.11	7,386	0.11	7,386	0.13
2572	Deferred income tax liabilities-income tax	4	1,072	0.02	1,735	0.03	1,942	0.04
2640	Accrued pension liabilities	4 and 6(9)	72,941	1.07	75,322	1.12	70,078	1.27
2645	Guarantee deposits		1,132	0.02	1,112	0.02	970	0.02
	Total noncurrent liabilities		<u>1,350,737</u>	<u>19.75</u>	<u>1,351,065</u>	<u>20.02</u>	<u>870,897</u>	<u>15.83</u>
	Total liabilities		<u>3,814,369</u>	<u>55.74</u>	<u>3,880,490</u>	<u>57.47</u>	<u>2,787,936</u>	<u>50.67</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Owners equity								
3100	Capital stock	6(10)	726,000	10.61	726,000	10.75	726,000	13.19
3200	Capital surplus	6(10)	453,467	6.63	453,467	6.71	453,467	8.24
3300	Retained earnings	6(10)						
3310	Legal reserve		317,735	4.64	317,735	4.70	259,498	4.72
3320	Special reserve		155,667	2.27	155,667	2.30	44,348	0.81
3350	Unappropriated earnings		1,513,448	22.11	1,413,680	20.93	1,527,583	27.76
3400	Other	6(10)						
3410	Financial statements translation differences for foreign operations		(136,997)	(2.00)	(193,201)	(2.86)	(296,581)	(5.39)
	Equity attributable to shareholders of the parent		<u>3,029,320</u>	<u>44.26</u>	<u>2,873,348</u>	<u>42.53</u>	<u>2,714,315</u>	<u>49.33</u>
	Total liabilities and equity		<u>\$ 6,843,689</u>	<u>100.00</u>	<u>\$ 6,753,838</u>	<u>100.00</u>	<u>\$ 5,502,251</u>	<u>100.00</u>

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Statements of Comprehensive income
(All Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed,Not Audited)

		Three Months Ended March 31			
		2018		2017	
Item	Note	Amount	%	Amount	%
4000	Net Sales	\$ 1,645,612	100.00	\$ 1,502,743	100.00
5000	Cost of goods sold	(1,367,374)	(83.09)	(1,235,649)	(82.23)
5900	Gross profit	278,238	16.91	267,094	17.77
6000	Operating expenses				
6100	Promotion expenses	(54,607)	(3.32)	(63,894)	(4.25)
6200	Management expenses	(53,496)	(3.25)	(53,211)	(3.54)
6300	Research expenses	(7,043)	(0.43)	(11,829)	(0.79)
6000	Total Operating expenses	(115,146)	(7.00)	(128,934)	(8.58)
6900	Operating profit	163,092	9.91	138,160	9.19
7000	Other non-operating income and expenses				
7020	Other income	9,271	0.56	35,564	2.37
7050	Finance costs	(5,438)	(0.33)	(3,315)	(0.22)
7000	Other non-operating income and expenses	3,833	0.23	32,249	2.15
7900	Income before income tax	166,925	10.14	170,409	11.34
7950	Income tax expense	(67,546)	(4.10)	(36,791)	(2.45)
8200	Net Income	99,379	6.04	133,618	8.89
8300	Other comprehensive income (loss)				
8349	Income tax benefit (expense) related items that will not be reclassified subsequently	389	0.02	-	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Financial statements translation differences for foreign operations	56,204	3.42	(140,914)	(9.38)
8300	Other comprehensive income(loss)for the period ,net of income tax	56,593	3.44	(140,914)	(9.38)
8500	Total comprehensive income for the period	\$ 155,972	9.48	\$ (7,296)	(0.49)
8600	Net income attributable to :				
8610	Owners of parent	99,379	6.04	133,618	8.89
8620	Non-controlling interests	-	-	-	-
	Net income	99,379	6.04	133,618	8.89
8700	Comprehensive income attributable to :				
8710	Owners of parent	155,972	9.48	(7,296)	(0.49)
8720	Non-controlling interests	-	-	-	-
	Total comprehensive income for the period	155,972	9.48	(7,296)	(0.49)
9750	Basic earnings per share(NT dollars)	\$ 1.37		\$ 1.84	
9850	Diluted earnings per share(NT dollars)	\$ 1.37		\$ 1.84	

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(All Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent							Total Equity
	Stock		Capital Surplus	Retained Earnings			Other equity items	
	Ordinary shares	Amounts		Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	
Balance as of January 1, 2017	72,600	\$ 726,000	\$ 453,467	\$ 259,498	\$ 44,348	\$ 1,393,965	\$ (155,667)	\$ 2,721,611
Net income for the three months ended March 31, 2017	-	-	-	-	-	133,618	-	133,618
Other comprehensive income for three months ended March 31, 2017	-	-	-	-	-	-	(140,914)	(140,914)
Balance as of March 31, 2017	72,600	\$ 726,000	\$ 453,467	\$ 259,498	\$ 44,348	\$ 1,527,583	\$ (296,581)	\$ 2,714,315
Balance as of January 1, 2018	72,600	\$ 726,000	\$ 453,467	\$ 317,735	\$ 155,667	\$ 1,413,680	\$ (193,201)	\$ 2,873,348
Net income for the three months ended March 31, 2018	-	-	-	-	-	99,379	-	99,379
Other comprehensive income for three months ended March 31, 2018	-	-	-	-	-	389	56,204	56,593
Balance as of March 31, 2018	72,600	\$ 726,000	\$ 453,467	\$ 317,735	\$ 155,667	\$ 1,513,448	\$ (136,997)	\$ 3,029,320

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(All Amounts Expressed In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2018	2017
Cash flows from operating activities		
Consolidated Profit before income tax	\$ 166,925	\$ 170,409
Adjustments for :		
Depreciation expense	75,847	70,558
Amortization expense	1,896	2,155
Provision (Reversal) for doubtful accounts	(32)	(1,205)
Other expense	97	41
Interest expense	5,438	3,315
Interest income	(2,471)	(606)
Provision for inventory market price decline	987	3,579
Loss on disposal of inventory	9,027	682
Loss on disposal of assets	1,068	1
(Reversal) Impairment of Assets	(321)	(324)
Foreign exchange (gain)	253	2,761
Total adjustments to reconcile profit or loss	91,789	80,957
Changes in operating assets and liabilities		
Decrease in notes receivable	14,386	5,231
(Increase) Decrease in accounts receivable	(89,363)	93,715
Decrease in other receivable	19,031	2,428
Decrease in inventories	109,071	57,391
(Increase) Decrease in prepayments	(21,037)	37,481
(Increase) in other current assets	-	(7,169)
Increase in contract liabilities-current	3,773	-
(Decrease) in notes payable	(103,267)	(1,276)
(Decrease) in accounts payable	(128,872)	(22,543)
(Decrease) in other payable	(10,664)	(23,611)
Increase in unearned receipts	-	3,951
(Decrease) in other current liabilities	(543)	(299)
(Decrease) in accrued pension liabilities	(2,381)	(8,013)
Total Changes in Operating Assets and Liabilities	(209,866)	137,286
Cash generated from operating	48,848	388,652

(Continued)

Three Months Ended March 31

	2018	2017
Interest received	2,497	416
Income taxes paid	(99,708)	(36,802)
Net cash generated by operating activities	<u>(48,363)</u>	<u>352,266</u>
Cash flows from investing activities		
Acquisition of intangible assets	(90)	-
Acquisition of property , plant and equipment	(189,673)	(28,863)
Disposal of property , plant and equipment	10	100
(Increase) in prepayments for equipment	(333,506)	(207,779)
Decrease (Increase) in restricted assets	8,624	(5,867)
(Increase) Decrease in Instead of payment	(5)	286
(Increase) in long-term prepaid rent	(78,322)	-
Net cash used in investing activities	<u>(592,962)</u>	<u>(242,123)</u>
Cash Flows From Financing Activities		
Interest paid	(5,181)	(3,428)
Increase in short-term loans	259,629	98,530
(Decrease) in short-term bills payable	-	(20,000)
Increase in long-term loans	14,490	105,164
Increase in guarantee deposits	-	529
(Decrease) Increase in other current liabilities	(352)	116
Net cash used in financing activities	<u>268,586</u>	<u>180,911</u>
Effect of exchange rate changes on cash and cash equivalents	26,541	(70,756)
Net Increase in cash and cash equivalents	(346,198)	220,298
Cash and cash equivalents, beginning of period	1,015,577	577,150
Cash and cash equivalents, end of period	<u>\$ 669,379</u>	<u>\$ 797,448</u>

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

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Notes to Consolidated financial statements
for the Three Months Ended March 31, 2018 and 2017
(After review, not in accordance with generally accepted auditing standards)
(Except for particular note, the unit is based on NT\$1000)

1. Company history

NAN LIU Enterprise Co., Ltd. (hereinafter referred to as the company) was established in 1973 and approved by the Ministry of Economic Affairs with the registered address of No.88, Bixiu Road, Qiaotou District, Kaohsiung City. NAN LIU Company was listed for trading in the Taiwan Stock Exchange Corporation on May 7th of 2013. The NAN LIU Group consolidated financial statements consist of NAN LIU Company and its Subsidiary, a group of associated enterprises and joint ventures controlled under individual rights (hereinafter referred to as the group), and concluded on March 31st of 2018. NAN LIU Group is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products. The functional currency of the consolidated financial statements is the New Taiwan (NT) dollar.

2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

Consolidated financial statements were approved and authorized for issue by the board of directors on May 8, 2018.

3. Application of new standards, amendments and interpretations

- (1) 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) for application starting from 2017 (collectively, “IFRSs”).

Except for the following, 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 for application starting from 2017 would not have a significant effect on the Company’s accounting policies.

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

Classification, measurement and impairment of financial assets

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

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation and its subsidiaries' financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		Description
	IAS39	IFRS9	IAS39	IFRS9	
<u>Financial Assets</u>					
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 1,015,577	\$ 1,015,577	(1)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	—	—	(1)
Notes and accounts receivable and other receivables	Loans and receivables	Amortized cost	1,420,194	1,420,194	(1)
Refundable deposits and Pledged	Loans and receivables	Amortized cost	57,903	57,903	(1)
<u>Financial Assets</u>					
<u>Financial Liabilities</u>					
Short-term loans, Notes payable and Accounts payable, Payables on equipment, Other payable, long-term bank borrowings and Current portion of long-term bank borrowings	Amortized cost	Amortized cost	3,689,841	3,689,841	
Guarantee deposits	Amortized cost	Amortized cost	1,112	1,112	

(1) Cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost with assessment of future 12-month or lifetime expected credit loss under IFRS 9.

2. IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies. The Corporation and its subsidiaries elected to retrospectively apply IFRS 15 to contracts that were not complete on

January 1, 2018 and elected not to restate prior reporting period with the cumulative effect of the initial application recognized at the date of initial application.

The revenue of contract between the Group and customers major from sales goods and provide services. The Effects of the Group’s revenue recognition under IFRS15 is as follows.

- (1) Detail description of application of Accounting for the Group that is from January 1, 2018 and before January 1, 2018 is as remark 4.
 - (2) Before January 1, 2018, recognition as revenue when sales and delivered goods. After January 1, 2018, above revenue follows IFRS15 rules. The group commit that recognition as goods transfer to customers and satisfy performance obligation. Application of IFRS15 haven’t effects of the Group’s recognition of sales goods revenue. But for apart of contract, take apart of consideration before transfer goods to customers. The Group has the obligation of transaction goods that is recognition of consideration for advance before January 1, 2018 and be recognition of contract liability after January 1, 2018. The reclassification amount of the Group that from revenue received in advance to contract liability is 9,100 thousand on January 1, 2018. For application of IAS18, decrease revenue received in advance amount 12,873 thousand and increase contract liability amount 12,873 thousand on March 31, 2018.
 - (3) Before January 1, 2018, recognition as revenue when the group provide service. After January 1, 2018, above revenue follows IFRS15 rules. The group commit that recognition as service transfer to customers and satisfy performance obligation. Application of IFRS15 haven’t effects of the Group’s recognition of service revenue. But for apart of contract, take apart of consideration before transfer service to customers. The Group has the obligation of transaction service that is recognition of consideration for advance before January 1, 2018 and be recognition of contract liability after January 1, 2018.
 - (4) It’s necessary to increase remark disclosure for following IFRS15 rules. Please refer to remark 4, remark 5 and remark 6
- (2) Effect of the IFRSs issued by IASB but not endorsed by FSC

The Group has not applied the following IFRS, IAS, IFRIC and SIC (collectively as IFRSs) issued by the IASB but not endorsed by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note2)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 16 Leases	January 1, 2019 (Note3)

Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note4)
IFRS 17 Insurance Contracts	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 Uncertainty Over Income Tax Treatments	January 1, 2019

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

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

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

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

1. IFRS 16 “Leases”

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

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

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation and its subsidiaries as lessor.

When IFRS 16 becomes effective, the Corporation and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting period presented or

retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

As of the date the consolidated financial statements were issued by the board of directors, the Corporation and its subsidiaries are in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter "the guidelines") and FSC recognized the 34th International Accounting Standard "interim financial reporting". The consolidated financial report does not contain data in accordance with FSC approved International Financial Reporting Standards, explanations and interpretations (hereinafter "FSC approved International Financial Reporting Standards"). Preparation of the annual consolidated financial statements should reveal all the necessary information.

Apart from the described in the following paragraphs, the consolidated quarterly statements adopted by major accounting policies is incorporated in the same consolidated financial statements of the 2016. Related information refers to consolidated financial statements noted as IV in 2016.

(2) Basis of Consolidation

Consolidated financial quarterly statement principles were consistent with consolidated financial statements in 2017. Please refer to note IV for related information.

Consolidated financial statements of subsidiaries including:

Investment company name	Subsidiary name	Business features	Percentage of ownership		
			2018.3.31	2016.12.31	2016.3.31
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Overseas investment holding company	100	100	100
NANLIU ENTERPRISE (SAMOA) CO., LTD.	Nanliu Enterprises (Pinghu) Ltd.	Production and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100	100	100
NANLIU ENTERPRISE	NANLIU MANUFACTURIN	Production and sales of special textiles,	99.99	99.98	-

CO.,LTD. (SAMOA)	G(INDIA) PRIVATE LIMITED	hair care, skin care, cosmetics and hygiene products
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(3) Other significant accounting policies

Except Financial instruments, Revenue recognition related accounting policies and for the following, please refer to the summary of significant accounting policy and basis of preparation in the consolidated financial statements for the year ended December 31, 2017.

<1> Financial instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiaries become a party to the contractual provisions of the instruments.

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

a) Financial assets

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

i Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i) Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Please refer to Note twelve for the determination of fair value.

ii) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except as the following, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

- (1) Purchased or originated credit-impaired financial asset, credit-adjusted effective interest rate multiply by amortised cost of a financial asset is interest.
- (2) Non-purchased or originated credit-impaired financial asset but become to credit-impaired financial asset, effective interest rate multiply by amortised cost of a financial asset is interest.

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

2017

Financial assets held by the Group include loans and receivables.

- (1) Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net, other receivables and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

<2> Impairment of financial assets

2018

The Corporation and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables).

The Corporation and its subsidiaries always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Corporation and its

subsidiaries recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

2017

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

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation and its subsidiaries' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period,

as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except

unrecoverable trade is written off against the allowance account, the change of allowance account is recognized in profit or loss.

<3> Derecognition of financial assets

The Corporation and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

b) Equity instruments

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

Equity instruments issued by the Corporation and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

c) Financial liabilities

i Subsequent measurement

The Group's all the financial liabilities are measured at amortized cost using the effective interest method.

ii Derecognition of financial liabilities

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

<2> Revenue recognition

2018

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

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

In principle, payment term granted to customers is due 60 to 90 days from the shipment date. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Material processing, the control for the ownership of processing product doesn't transfer. So material processing doesn't recognizes revenue.

2017

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

a) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Material processing, the significant risks and rewards of ownership of processing product doesn't transfer. So material processing doesn't process sales.

b) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services.

c) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

<3> Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would

be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. When tax rate changes during the interim period, the effect of the change in tax rate relating to transactions recognized outside scope of profit or loss is recognized in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is incorporated into estimation of the average annual income tax rate, with corresponding effect recognized throughout the interim periods.

<4> Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

5. Critical accounting judgements and key sources of estimation and uncertainty

Management level have judgement, estimate and assumption that it based on experience and other factors, when accounting policies is not easy to get related information. The result maybe is not same as estimate.

Management level will continue to review estimate and basic assumption. If amendment of estimate only effect current period, recognized in amendment period. If amendment of estimate effect current and future period, recognized in amendment and future period.

Except for the following paragraphs, the same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2017.

(1) Estimate impairment of financial assets (Application in 2018)

The estimate impairment of accounts receivable depend on assumption of default rate and expected losses rate. The Group consider experience, current market and prospect information to make assumption and choose the entry value of impairment evaluation. Please refer to Note 6 and Note 12 for the important assumption and entry value. It maybe has material impairment loss if actual cash flow less than expected cash flow in the future.

(2) Estimate impairment of account receivable (Application in 2018)

The Group consider estimate of cash flow in the future when there is impairment for objective evidence. The amount of impairment loss depends on measurement of difference between initial effective discount rate and current value. (It carve-out impairment loss in the future) It maybe has material impairment loss if actual cash flow less than expected cash flow in the future.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	March 31, 2018	December 31, 2017	March 31, 2017
Cash	\$ 1, 983	\$ 1, 715	\$ 1, 831
Demand deposits	308, 158	410, 950	360, 878
Checking account	132	97	94
Foreign currency deposits	328, 103	361, 829	412, 610
Time deposits	31, 003	240, 986	22, 035
Total	<u>\$ 669, 379</u>	<u>\$ 1, 015, 577</u>	<u>\$ 797, 448</u>

1. NAN LIU Group possesses good credit with financial institutions and interacts with several financial institutions to diversify credit risk. The anticipated possibility of default is very low, and the balance sheet figure for exposure cash amount on maximum credit risks is same as cash equivalents

2. NAN LIU Group's cash and cash equivalents had not been provided to pledge.

(2) Notes receivable, net

Items	March 31, 2018	December 31, 2017	March 31, 2017
Non-related parties	\$ 54, 411	\$ 68, 797	\$ 90, 378
Related parties	—	—	—
Less: Allowance for doubtful receivables	—	—	—
Net	<u>\$ 54, 411</u>	<u>\$ 68, 797</u>	<u>\$ 90, 378</u>

NAN LIU Group does not have collateral as security for receivable notes.

The Group follow IFRS 9 for evaluation of impairment from January 1, 2018. Please refer to Note 6 about accumulated impairment and refer to Note 12 for credit risk related information.

(3) Accounts receivable, net

Items	March 31, 2018	December 31, 2017	March 31, 2017
Non-related parties	\$ 1, 432, 491	\$ 1, 344, 124	\$ 1, 139, 844
Related parties	—	—	—
Less: Allowance for doubtful receivables	(22, 393)	(22, 113)	(9, 717)
Net	<u>\$ 1, 410, 098</u>	<u>\$ 1, 322, 011</u>	<u>\$ 1, 130, 127</u>

<1> Accounts receivable

For the three months ended March 31, 2018

The management level of the Group request a specialty team to make decision of credit line, credit approval and other control procedure to reduce credit risk. Then they have due activity to make sure past due accounts receivable recoverability. The Group review the recoverable amount of receivables on the balance sheet date to ensure that

proper allowances are recognized for unrecoverable receivables. The management level confirm the credit risk of the Group decrease significantly.

The Group use the simple way of IFRS9, lifetime expected credit losses recognize loss allowance for account receivable. Lifetime expected credit losses are estimated 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 GDP and direction of economic conditions at the reporting date.

The Group recognizes loss allowance at full amount when the customers face severe financial situation and the Group can't evaluate expected recoverable amount reasonably.

Aging analysis of Notes receivable, Account receivable, Past due receivables.

	<u>March 31, 2018</u>
Not past due	\$ 1, 250, 393
Past due	
Within 60 days	192, 442
From 61 to 90 days	21, 279
From 91 to 180 days	395
Over 180 days	—
Total	<u>\$ 1, 464, 509</u>

The above aging analysis is based on past due days.

<u>Changes of loss allowance</u>	<u>March 31, 2018</u>
January 1,2018(IAS39)	\$ 22, 757
Effect of Retrospective application for IFRS9	—
January 1,2018 (IFRS9)	<u>22, 757</u>
Current Recognition	—
Current recovery	32
The Effects of Changes in Foreign Exchange Rates	216
March 31, 2018	<u>\$ 23, 005</u>

A. The amount of loss allowance 23,005 thousand on March 31, 2018 is the sum of allowance for uncollectible account receivable 22,393 thousand and past due receivables 612 thousand.

B. Please refer Note 12 for expected credit impairment losses and credit risk related information.

For the three months ended March 31, 2017

The Group's credit policy of 2018 is same as credit policy of 2017.

The Group consider the credit quality changes during initial credit date and end of the balance sheet date when make decision of account receivable recoverability. Allowance for uncollectible account receivable refer to customers' payment record and current financial situation analysis for evaluation of unrecoverable amount.

The Corporation and its subsidiaries had not recognized an allowance for some notes and accounts receivable that are past due at the end of the reporting period because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation and its subsidiaries did not hold any collateral or other credit enhancement for these balances.

<2> Past due but not in impairment of the allowance for doubtful receivables:

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Not past due and not in impairment	\$ 1,280,639	\$ 1,107,697
Past due but not in impairment		
Within 60 days	49,785	37,984
From 61 to 90 days	45,020	28,435
From 91 to 180 days	14,866	45,728
Over 180 days	498	661
Total	<u>\$ 1,390,808</u>	<u>\$ 1,220,505</u>

<3> Movements of the allowance for doubtful receivables

	<u>For the three months ended March 31, 2017</u>		
	<u>Individually assessed for impairment</u>	<u>Collectively assessed for impairment</u>	<u>Total</u>
On January 1st, 2017	\$ 1,274	\$ 11,169	\$ 12,443
Provision (reversal) for impairment	(40)	(1,165)	(1,205)
Write-off	(519)	—	(519)
Exchange difference	—	(287)	(287)
March 31, 2017	<u>\$ 715</u>	<u>\$ 9,717</u>	<u>\$ 10,432</u>

<4> The asset impairment loss assessment of individual accounts receivable is located in the column, "other non-current assets".

<5> NAN LIU Group did not hold collateral for accounts receivable.

(4) Net inventories

	<u>March 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for price decline of inventories</u>	<u>Book value</u>
Raw materials	\$ 387,053	\$ 8,522	\$ 378,531
Supplies	78,040	3,133	74,907
Work in process	12,645	1,969	10,676

Finished goods	377,336	11,576	365,760
Merchandise inventory	9,284	3,397	5,887
Inventory in transit	8,958	—	8,958
Total	<u>\$ 873,316</u>	<u>\$ 28,597</u>	<u>\$ 844,719</u>

December 31, 2017

	Cost	Allowance for price decline of inventories	Book value
Raw material	\$ 376,549	\$ 6,586	\$ 369,963
Supplies	82,914	3,210	79,704
Work in process	17,995	2,823	15,172
Finished goods	495,602	11,428	484,174
Merchandise inventory	13,836	3,563	10,273
Inventory in transit	4,518	—	4,518
Total	<u>\$ 991,414</u>	<u>\$ 27,610</u>	<u>\$ 963,804</u>

March 31, 2017

	Cost	Allowance for price decline of inventories	Book value
Raw material	\$ 322,927	\$ 6,209	\$ 316,718
Supplies	79,103	2,455	76,648
Work in process	24,125	1,872	22,253
Finished goods	419,142	17,926	401,216
Merchandise inventory	9,068	1,500	7,568
Inventory in transit	42,875	—	42,875
Total	<u>\$ 897,240</u>	<u>\$ 29,962</u>	<u>\$ 867,278</u>

- Inventories are provided without guarantee or pledge as of March 31, 2018, December 31, 2017 and March 31, 2017.
- Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	For the three months ended March 31, 2018	For the three months ended March 31, 2017
Cost of goods sold	\$ 1,359,106	\$ 1,237,611
Idle capacity cost	6,152	2,701
Revenue from sale of scraps	(7,898)	(8,924)
Provision for inventory market price decline	987	3,579
Loss on disposal of inventory	9,027	682
Total	<u>1,367,374</u>	<u>1,235,649</u>

(5) Property, plant and equipment

Value added	Land	Land revaluation	Building and construction	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1, 2018	\$ 46,046	\$ 11,264	\$ 395,330	\$ 1,025,112	\$ 70,951	\$ 10,781	\$ 1,477	\$ 28,205	\$ 571,767	\$ 2,160,933
Added	—	—	1,647	14,519	235	—	—	4,082	104,434	124,917
Disposals or retirements	—	—	—	(1,043)	(35)	—	—	—	—	(1,078)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	—	12,648	—	—	—	10,558	177	23,383
Annual depreciation	—	—	(9,181)	(58,655)	(4,263)	(962)	(149)	(2,637)	—	(75,847)
Reversal of impairment	—	—	321	—	—	—	—	—	—	321
Effect of exchange rate changes	—	—	6,097	16,294	1,140	86	10	332	1,100	25,059
Balance on March 31, 2018	\$ 46,046	\$ 11,264	\$ 394,214	\$ 1,008,875	\$ 68,028	\$ 9,905	\$ 1,338	\$ 40,540	\$ 677,478	\$ 2,257,688

Carrying value:

On March 31, 2018:

Cost	\$ 46,046	\$ 11,264	\$ 692,805	\$ 2,864,638	\$ 197,378	\$ 48,332	\$ 20,299	\$ 102,609	\$ 677,478	\$ 4,660,849
Less: Accumulated depreciation and impairment	—	—	(298,591)	(1,855,763)	(129,350)	(38,427)	(18,961)	(62,069)	—	(2,403,161)
Balance on March 31, 2018	\$ 46,046	\$ 11,264	\$ 394,214	\$ 1,008,875	\$ 68,028	\$ 9,905	\$ 1,338	\$ 40,540	\$ 677,478	\$ 2,257,688

Carrying value:

On March 31, 2017:

Cost	\$ 46,046	\$ 11,264	\$ 682,589	\$ 2,820,601	\$ 195,198	\$ 49,732	\$ 20,175	\$ 87,183	\$ 571,767	\$ 4,484,555
Less: Accumulated depreciation and impairment	—	—	(287,259)	(1,795,489)	(124,247)	(38,951)	(18,698)	(58,978)	—	(2,323,622)
Balance on March 31, 2017	\$ 46,046	\$ 11,264	\$ 395,330	\$ 1,025,112	\$ 70,951	\$ 10,781	\$ 1,477	\$ 28,205	\$ 571,767	\$ 2,160,933

Value added	Land	Land revaluation	Building and construction	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1, 2017	\$ 46,046	\$ 11,264	\$ 399,286	\$ 1,166,603	\$ 85,398	\$ 14,994	\$ 1,984	\$ 25,757	\$ 58,476	\$ 1,809,808
Added	—	—	2,836	6,438	410	—	53	194	16,910	26,841
Disposals or retirements	—	—	—	(101)	—	—	—	—	—	(101)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	1,217	12,578	—	—	—	133	(159)	13,769
Annual depreciation	—	—	(7,745)	(55,109)	(4,297)	(1,481)	(188)	(1,738)	—	(70,558)
Reversal of impairment	—	—	324	—	—	—	—	—	—	324
Effect of exchange rate changes	—	—	(16,868)	(46,333)	(3,488)	(252)	(29)	(723)	(687)	(68,380)
Balance on March 31, 2017	\$ 46,046	\$ 11,264	\$ 379,050	\$ 1,084,076	\$ 78,023	\$ 13,261	\$ 1,820	\$ 23,623	\$ 74,540	\$ 1,711,703

Carrying value:

On March 31, 2017:

Cost	\$ 46,046	\$ 11,264	\$ 636,610	\$ 2,690,350	\$ 187,244	\$ 54,131	\$ 19,819	\$ 76,245	\$ 74,540	\$ 3,796,249
Less: Accumulated depreciation and impairment	—	—	(257,560)	(1,606,274)	(109,221)	(40,870)	(17,999)	(52,622)	—	(2,084,546)
Balance on March 31, 2017	\$ 46,046	\$ 11,264	\$ 379,050	\$ 1,084,076	\$ 78,023	\$ 13,261	\$ 1,820	\$ 23,623	\$ 74,540	\$ 1,711,703

1. For the information regarding the Group's property, plant and equipment weren't pledged to others as collateral.
2. In the three months ended March 31 of 2018 and 2017, capitalized interest is NT\$ 1,355 thousand and 0 thousand.

(6) Short-term borrowings

March 31, 2018		
Items	Amount	Interest rate
Credit loans	\$ 963,652	0.84%~1.12%
Total	\$ 963,652	
December 31, 2017		
Items	Amount	Interest rate
Credit loans	\$ 706,435	0.84%~1.12%
Total	\$ 706,435	
March 31, 2017		
Items	Amount	Interest rate
Credit loans	\$ 452,430	0.83%~1.11%
Total	\$ 452,430	

For short-term loans, NAN LIU Group assign Huang Chin-San and Huang Ho-Chun as joint guarantors.

(7) Short-term notes and bills payable, net

March 31, 2018				
Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Dah Chung Bills	2018/03/14~2018/04/30	0.551%	\$ 70,000
Short-term notes and bills payable	China Bills	2018/03/31~2018/04/20	0.540%	100,000
Short-term notes and bills payable	Mega Bills	2018/03/23~2018/04/20	0.560%	50,000
Short-term notes and bills payable	International Bills	2018/03/23~2018/04/20	0.660%	100,000
Short-term notes and bills payable	Wan tong Bills	2018/03/23~2018/04/20	0.540%	80,000
Total				400,000
Less: discount on short-term notes and bills				(122)
Short-term net notes and bills				\$ 399,878
December 31, 2017				
Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Dah Chung Bills	2017/12/08~2018/01/19	0.551%	\$ 70,000
Short-term notes and bills payable	China Bills	2017/12/28~2018/01/26	0.540%	100,000
Short-term notes and bills payable	Mega Bills	2017/12/29~2018/01/26	0.560%	50,000

Short-term notes and bills payable	International Bills	2017/12/28~2018/01/26	0.660%	100,000
Short-term notes and bills payable	Wan tong Bills	2017/12/29~2018/01/26	0.540%	80,000
Total				400,000
Less: discount on short-term notes and bills				(142)
Short-term net notes and bills				\$ 399,858

March 31, 2017

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Mega Bills	2017/03/03~2017/05/02	0.55%	\$ 80,000
Short-term notes and bills payable	Dah Chung Bills	2017/03/31~2017/04/28	0.66%	30,000
Short-term notes and bills payable	China Bills	2017/03/22~2017/04/21	0.53%	50,000
Total				160,000
Less: discount on short-term notes and bills				(67)
Short-term net notes and bills				\$ 159,933

(8) Long-term bank borrowing and current portion of long-term bank borrowing

	March 31, 2018	December 31, 2017	March 31, 2017
Credit loans	\$ 1,280,000	\$ 1,265,510	\$ 828,493
Secured bank borrowings	—	—	—
Subtotal	1,280,000	1,265,510	828,493
Less: current portion of long-term bank borrowings	(11,794)	—	(37,972)
Total	\$ 1,268,206	\$ 1,265,510	\$ 790,521
Range of maturity dates	2016/08~2025/01	2016/08~2020/10	2015/01~2022/03
Range of interest rates	1.10% ~1.33%	1.10%~2.26%	1.10% ~1.43%

1. NAN LIU Group assigned Huang Chin-San and Huang Ho-Chun as guarantors.
2. NAN LIU Group's Subsidiary borrowed money from Mega Bank. Aside from other regulations affecting company operation of its financial ratio, the first half and annual consolidated financial statements is limited that a cash flow management account, in

that the loaning bank and this Group should remit payment, receivable notes or other cash flows to the cash flow management account. Please review the Group's parent company half-year remittances from the next month of the contract approved date. If the total amount does not exceed NT\$400 million dollars, the interest rates shall be raised by 0.1%. The Group prepaid the loan in May 2017.

(9) Pensions

1. Defined benefit plan;

(1) There were no major market fluctuations, significant reductions, liquidations or other significant events. Thus, NAN LIU Group adopted the actuarial cost method to measure and report the pension costs during the period of 2017 and December 31st, 2016.

(2) NAN LIU Group recognized the cost and details of each item in the statements of comprehensive income areas follows:

	2018/01/01~ 2018/03/31	2017/01/01~ 2017/03/31
Cost of goods sold	\$ 202	\$ 254
Selling expenses	—	—
General and administrative expenses	164	191
Research and development expenses	71	81
Total	<u>\$ 437</u>	<u>\$ 526</u>

2. Contribution plans

The pension costs (including pension insurance) under the Group's defined contribution pension plans for the three months ending on March 31, 2018 and 2017 were \$4,852 thousand and \$4,309 thousand, respectively.

(10) Capital and other equity

1. Common stock

Up to March 31, 2017, the nominal capital of NAN LIU Group's parent company is NT\$ 1,000,000 thousand, and paid-in stock capital is NT\$ 726,000 thousand.

2. Additional paid-in capital

	March 31, 2018	December 31, 2017	March 31, 2017
Additional paid-in capital	\$ 439,404	\$ 439,404	\$ 439,404
Employee stock options	14,063	14,063	14,063
Total	<u>\$ 453,467</u>	<u>\$ 453,467</u>	<u>\$ 453,467</u>

According to the provisions of the Company Act concerning the face value of share premiums, gifts of assets donated to additional paid-in capital are to be used for covering any deficit. If there is no accumulated deficit in the company, the company

shall issue new shares with the existing shares or cash ratio to shareholders. According to the relevant provisions of the Securities Exchange Act, allocated capital from additional paid-in capital, its maximum not exceeding the limit of 10% of the paid-up capital each year and the company in surplus reserves filling the capital loss still remaining insufficient, may not be complemented by additional paid-in capital.

3. Retained earnings and dividend policy

(1) According to the Company's Articles of Incorporation:

- a. Over 1% of the current year's earnings, if there were earnings, shall be distributed as employee bonuses and less than 2% as director and supervisor remuneration. However, if the Company still has accumulated loss, the compensation shall be kept.
- b. Remuneration of employees shall be paid by stock or cash, including employees of affiliated companies who meet certain criteria. Remuneration of directors and supervisors may be paid in cash.
- c. 10% of the annual net income, after offsetting any loss from prior years and paying all taxes and dues, shall be set aside as legal reserve. Then, special reserve is set aside or reserved according to laws or competent authority. The appropriation of the remaining amount, along with any unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders to be distributed as dividends. Cash dividends, however, shall be no less than 20% of total dividends.
- d. Aforementioned distribution of earnings shall be resolved and recognized in the shareholders' meeting held in the following year.

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

(3) The Company accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period, which amounted to NT\$1,788 thousand and 1,695 thousand for the three months ended March 31, 2018 and March 31, 2017, respectively. Compensation to directors was expensed based

on estimated amount payable, which amounted to NT\$114 thousand and NT\$1,695 thousand for the three months ended March 31, 2018 and March 31, 2017, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

- (4) The bonus to employees and remuneration of directors and supervisors were NT\$7,368 thousand and NT\$4,715 thousand, respectively proposed by the Board of Directors on March 13, 2018. There was no difference between the actual amounts of bonus to employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017. The distribution of the 2017 will be approved in the shareholders' meeting on May 29, 2018.
- (5) The distributions of profit for 2016 and 2015 were approved by the shareholders' meeting on May 31, 2017 and June 13, 2016, respectively. The appropriations and dividends per share were as follows:

	2016		2015	
	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)	Amount
Cash	4.8	\$ 348,480	3.9	\$ 283,140
Shares	—	—	—	—
		<u>\$ 348,480</u>		<u>\$ 283,140</u>
Bonus to employees - cash		\$ 8,142		\$ 8,448
Remuneration to directors and supervisors		5,226		4,224
		<u>\$ 13,368</u>		<u>\$ 12,672</u>

The appropriations of Earnings of 2016 were as follows:

	2016		
	The amount to be allocated by the Board of Directors allotment case	Estimated annual cost recognized in the estimated amount	Differences
1. Distribution			
Cash bonus to employees	\$ 8,142	\$ 8,142	\$ —
Remuneration of directors and supervisors	\$ 5,226	\$ 5,226	\$ —

Distribution of 2016 retained earnings was the same as proposal by the Board of Directors on March 14, 2017 and the shareholder resolution made on May

31, 2017. Please refer to the Taiwan Stock Exchange website under “Market Observation Post System” for the resolutions of the Board of Directors and shareholders’ meeting.

4. Special reserve

	March 31, 2018	December 31, 2017	March 31, 2017
Opening balance	\$ 155,667	\$ 44,348	\$ 44,348
Special reserve appropriated- deduction item in other equity appropriated	—	111,319	—
Reversal Special reserve	—	—	—
Ending balance	<u>\$ 155,667</u>	<u>\$ 155,667</u>	<u>\$ 44,348</u>

Financial statements translation differences for foreign operations recognize special reserve, it reverses by the Group Pro rata disposal. It reverses all when the Group lose significant influence. The dividend distribution, it recognizes additional special reserve by difference of deduction item of other equity on the year end date and the special reserve of first-time adopters for IFRS. If deduction item of other equity reverses, it could be dividend distribution by reversal part.

5. Other equity

	Foreign Currency Translation Difference
On January 1, 2018	\$ (193,201)
Currency translation differences (after tax)	56,204
On March 31, 2018	<u>\$ (136,997)</u>
On January 1, 2017	\$ (155,667)
Currency translation differences (after tax)	(140,914)
On March 31, 2017	<u>\$ (296,581)</u>

The conversion of foreign-operating agency net assets to company currency will cause exchange differences. This can be recognized as other comprehensive income and accumulated in the conversion of financial statements due to the foreign operating agency exchange differences.

(11) Net Sales

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Sale of goods	<u>\$ 1,645,612</u>	<u>\$ 1,502,743</u>

- a. The detail item of customers' contracts.

Item	Three Months Ended March 31, 2018
Biotechnology	\$ 657,795
Spunlace Nonwoven	404,680
Air Through & Thermal Bond Nonwoven	375,736
Disposable Surgical gowns Fabrics	207,401
Total	<u>\$ 1,645,612</u>

- b. The outstanding of contracts

	March 31, 2018	January 1, 2018
Contract liability	<u>\$ 12,873</u>	<u>\$ 9,100</u>

The changes of contract liability majorly satisfy performance obligation and payment difference of customers. For the three months ended March 31, 2018, initial contract liability recognize 5,760 thousand under revenue.

(12) Non-operating income and expenses

1. Others

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Interest income	\$ 2,471	\$ 606
Impairment or reversal of assets	321	324
gain on disposal of assets	(1,068)	(1)
Foreign exchange gain, net	(21,600)	5,694
Other income	29,147	28,941
Total	<u>\$ 9,271</u>	<u>\$ 35,564</u>

2. Finance costs

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Interest expense (Bank loans)	<u>\$ 5,438</u>	<u>\$ 3,315</u>

(13) Income taxes

NAN LIU Group is in compliance with the 34th International Accounting Standard "interim financial reporting". Paragraph B12 provides the measurement and disclosure of income tax expenses during the period.

1. Income tax expense

- (1) Components of income tax expense:

Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Current income tax		
Income tax incurred in current period	\$ 41,340	\$ 35,937
10% tax on unappropriated earnings	—	—
Income tax adjustments on prior years	29,070	—
Deferred income tax expense		
Recognition and reversal of temporary differences	(130)	854
Effect of tax rate change	(2,734)	
Income tax expense	<u>\$ 67,546</u>	<u>\$ 36,791</u>

- (2) The income tax expense related to components of other comprehensive income (loss) is as follows:

Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Currency translation differences	\$ —	\$ —
Actuarial gains/losses on defined benefit obligations	—	—
Total	<u>\$ —</u>	<u>\$ —</u>

2. Reconciliation between income tax expense and accounting profit:

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Effect of tax rate changes	<u>\$ (389)</u>	<u>\$ —</u>

In February 2018, it was announced that the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%. The effect of the change in tax rate on deferred tax income had been recognized in profit or loss. In addition, the tax rate of the corporate unappropriated earnings in 2018 will be reduced from 10% to 5%.

2. NAN LIU Group's parent company annual profit-seeking enterprise income tax for last year had been approved by Tax Collection agency in 2014.
3. NAN LIU Group's subsidiary income tax was calculated according to the local income tax rates approved by the Tax Collection agency in 2016.

- (14) Additional information on expenses by nature and employee benefit expense:

	Three Months Ended March 31, 2018		
	Operating cost	Operating expenses	Total

Employee benefit expense\$	83,690	\$ 30,532	\$ 114,222
Wages and salaries	69,094	26,038	95,132
Labor and health insurance costs	8,232	2,176	10,408
Pension and severance expenses	1,435	855	2,290
Other personnel expenses-food expenses	4,929	1,463	6,392
Depreciation	73,515	2,332	75,847
Amortization	175	1,721	1,896

Three Months Ended March 31, 2017

	Operating cost	Operating expenses	Total
Employee benefit expense\$	73,105	\$ 33,150	\$ 106,255
Wages and salaries	60,962	29,377	90,339
Labor and health insurance costs	7,368	1,997	9,365
Pension and severance expenses	1,268	872	2,140
Other personnel expenses-food expenses	3,507	904	4,411
Depreciation	68,392	2,166	70,558
Amortization	69	2,086	2,155

There were 884 and 823 workers in the Company on March 31, 2018 and 2017, respectively.

(15) Earnings per share

1. Basic earnings per share

Earnings per share were attributed to the common equity holders of NAN LIU Group parent company's profit and losses and divided by the weighted average number of shares for the calculations for the current period.

2. Dilute earnings per share

The effect of diluted earnings per share indicates the number of adjustments to all diluted potential common shares, and was attributable to the equity holders of the parent company's common stock profit and loss calculation and the weighted average number of shares outstanding.

Three Months Ended March 31, 2018

	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
Basic earnings per share			

Profit attributable to common stock holders of the parent	\$	99,379	72,600	\$	1.37
Diluted earnings per share					
Assumed conversion of all dilutive potential common stocks		—	11		
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$	99,379	72,611	\$	1.37

Three Months Ended March 31, 2017

	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
Basic earnings per share			
Profit attributable to common stock holders of the parent	\$ 133,618	72,600	\$ 1.84
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	11	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 133,618	72,611	\$ 1.84

If enterprises choose to offer employees remuneration or profits in the way of shares or cash, in order to calculate the diluted earnings per share, employee remuneration (or employee profits issued with stock that has a dilution effect on potential ordinary shares) should be included in the weighted average number of outstanding shares. Calculating diluted earnings per share is based on the closing price reported on the end period date of potential ordinary shares (taking into account the ex-right and ex-dividend effect) as a basis for judging the number of shares. The following year of resolution staff remuneration or issuance of profit shares will continue to take into account the dilution effects to potential ordinary shares when calculating the diluted earnings per share.

(16) Cash flow supplement information

The changes of liabilities from Financing Activities:

	Short term loan	Short-term bills payable, net	Long term loan (include Current portion)	Guarantee deposits	The total of liabilities from Financing Activities
January 1, 2018	\$ 706,435	\$ 399,858	\$ 1,265,510	\$ 1,112	\$ 2,372,915
Cash folw	259,629	—	14,490	—	274,119

Changes of Exchange rate	(2,412)	—	—	20	(2,392)
Others(Note)	—	20	—	—	20
March 31, 2018	<u>\$ 963,652</u>	<u>\$ 399,878</u>	<u>\$ 1,280,000</u>	<u>\$ 1,132</u>	<u>\$ 2,644,662</u>

Note: others include amortization of short-term bills payable.

7. Related party transactions

(1) Name of related parties and relationship

Name of related party	Relationship with the company
Huang Chin-San	Chairman of NAN LIU Group's parent company
Huang Hsieh Mei-Yun	Spouse, Chairman of NAN LIU Group's parent company
Huang Ho-Chun	Director of NAN LIU Group's parent company

(2) Significant transactions and balances with related parties:

1. Purchasing: None.
2. Sales: None.
3. Notes and accounts payable: None.
4. Notes and accounts receivable: None.
5. Property transactions: None.
6. Rent expenses:

(1) NAN LIU Company rented the house located in Loung-Shua Lane, No.11 and No.19 in Bixiu Road, Qiaotou District, Kaohsiung City from the related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in February, 2008 as a staff dormitory. The lease time was in February 2008 and the rent was NT 8000 per month. Three months ended March 31 of rent was NT\$ 50 thousand in 2018 and 2017. As of March 31, 2018 and 2017, the above amounts were settled.

(2) NAN LIU Company rented the land in Bixiu No 613, Qiaotou District, Kaohsiung City with NT\$ 10 thousand per month from related parties, Huang Hsieh Mei-Yun and Huang Ho-Chun in July of 2011. Three months ended March 31 of rent was NT\$ 60 thousand in 2018 and 2017. As of March 31, 2018 and 2017, the above amounts were settled.

7. Others:

(1) The main management remuneration information is as follows:

Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Salary	\$ 2,624	\$ 3,529
Bonus	2,534	2,641

Service allowance		100		100
Total	\$	6,270	\$	5,488

(2) The Company assigned related party Huang Chin-San and Huang Ho-Chun as guarantors

8. Pledged Assets

The Groups assets pledged as collateral were as follows:

Items	March 31, 2018	December 31, 2017	March 31, 2017
Restricted assets	\$ 31,248	\$ 39,872	\$ 48,543
Total	\$ 48,543	\$ 42,676	\$ 87,816

9. Significant contingent liabilities and unrecognized commitments

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting date, excluding those disclosed in other notes, were as follows:

(1) Significant commitments

1. Amounts of unused letters of credit and deposits were as follows:

March 31, 2018		December 31, 2017		March 31, 2017	
Letter of credit	L/C deposit	Letter of credit	L/C deposit	Letter of credit	L/C deposit
USD 1,300	\$ —	USD 523	\$ —	USD 104	\$ —
EUR 7,121	\$ —	EUR 14,369	\$ —	EUR 98	\$ —

2. Unrecognized commitments of the Company and subsidiaries were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Purchase property, plant and equipment	\$ 304,782	\$ 516,890	\$ 293,914

3. Operating lease agreement.

The companies significant operating lease agreements are land lease.

Minimum non-cancellable lease total payments in the future are as follows.

	March 31, 2018	December 31, 2017	March 31, 2017
Less than one year	\$ 7,706	\$ 16,943	\$ 16,911
More than one year and less than five years	2,694	10,378	10,349
More than five years	—	—	—
Total	\$ 10,400	\$ 27,321	\$ 27,260

10. Major damage losses: None.

11. Major subsequent events: None.

12. Others:

(1) Capital risk management

The main goal of the Group's capital management is to maintain integrated and positive capital ratios in order to support business operations and maximize shareholders' equity. The Group manages and adjusts its capital structure based on economic conditions and debt ratios. It may adjust dividends or issue new shares to achieve the goal of maintaining and adjusting the capital structure. The Group controls finance by reviewing its debt equity ratio, and the debt equity ratio for reporting is as follows:

Items	March 31, 2018	December 31, 2017	March 31, 2017
Total liabilities	\$ 3,814,369	\$ 3,880,490	\$ 2,787,936
Total equity	3,029,320	2,873,348	2,714,315
Debt to equity ratio	125.91%	135.05%	102.71%

(2) Financial instruments

1. The kinds of financial instruments

	March 31, 2018	December 31, 2017(Note)	March 31, 2017(Note)
<u>Financial assets</u>			
Financial assets measured at amortized costs :			
Cash and cash equivalents	\$ 669,379		
Notes receivable	54,411		
Accounts receivable	1,410,098		
Other receivables	10,329		
Refundable deposit and pledged financial assets	48,684		
	<u>\$ 2,192,901</u>		

Loan and accounts receivable:

Cash and cash equivalents	\$ 1,015,577	\$ 797,448
Notes receivable	68,797	90,378
Accounts receivable	1,322,011	1,130,127
Other receivables	29,386	30,036
Refundable deposit and pledged financial assets	57,903	67,761
	<u>\$ 2,493,674</u>	<u>\$ 2,115,750</u>

Financial liabilities

Financial liabilities measured at amortized costs:

Short term loan	\$ 963,652	706,435	452,430
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Short-term bills payable , net	399, 878	399, 858	159, 933
Accounts payable	1, 009, 634	1, 318, 038	1, 188, 211
Long term loan(include Current portion)	1, 280, 000	1, 265, 510	828, 493
Guarantee deposits	1, 132	1, 112	970
	<u>\$ 3, 654, 296</u>	<u>3, 690, 953</u>	<u>2, 630, 037</u>

Note: The Group apply IFRS9 from January 1, 2018 and doesn't restate Comparative statement of financial position by related transition rules.

2. Financial risk management policies

The Group uses a comprehensive risk management and control system to clearly and effectively identify, measure and control all of its risks (including market, credit, liquidity and cash flow risk).

The Group's management evaluates economic conditions and the effects of market value risks to control the related risks effectively, optimize its risk position, and maintain proper liquidity and central control of market risks.

3. Market risk

Market risk refers to the result of changes in market prices, such as exchange rates, interest rates, and equity instrument price changes that will affect the Company's risk-benefit or value of financial instruments. The objective of market risk management is to control the degree of market risk within bearable range and to maximize the return on investment.

(1) Foreign exchange risk:

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

A. Exchange rate risk exposures

At the balance sheet date, the book value of monetary assets and liabilities that denominated in non-functional currency were as follows. This includes offset currency items denominated in non-functional monetary items of consolidated financial statements.

Items	March 31, 2018			December 31, 2017			March 31, 2017		
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets									
Monetary items									
USD	\$ 25,706	29.105	\$ 748,182	\$ 32,758	29.760	\$ 974,887	\$ 28,811	30.33	\$ 873,848

RMB	7,417	4,647	34,469	8,159	4,565	37,248	7,553	4,407	33,285
Euro	41	35,870	1,463	37	35,570	1,330	120	32.43	3,901
Financial liabilities									
Monetary items									
USD	8,624	29,105	251,001	19,020	29,760	566,041	9,987	30.33	302,892
Euro	9,583	35,870	343,758	11,633	35,570	413,782	7,768	32.43	251,910
Yen	9,450	0,2739	2,588	—	—	—	—	—	—

B. Sensitivity analysis

The Group's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. As of three months ended March 31, 2018 and 2017, if the NTD/USD, NTD/RMB, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, As of three months ended March 31, 2018 and 2017, the company's income before income tax would increase/decrease by \$1,867 thousand and \$3,561 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

The Group's loans are based on a floating rate and do not have interest rate swap contracts to change from a floating to a fixed rate. In response to interest rate risk, the Group assesses the bank and currency borrowing rates regularly and maintains good relations between financial institutions to decrease financing costs, strengthen the management of working capital, reduce its reliance on banks and diversify the risk of interest rate changes.

The Group's exposure to interest risk to its financial liabilities is described in the liquidity risk of the Note. The following sensitivity analysis is according to the non-derivative instrument's interest risk at the reporting date. The analysis assumed that the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period. When reporting interest rate to top management of the Group, the floating interest rate used should increase or decrease by 1%, which also represents a reasonable possible change assessment by management.

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Group's net income by approximately \$6,609 thousand and \$3,602 thousand for three months ended March 31, 2018 and 2017, mainly due to floating rate loans.

(3) Credit risk:

The Group's primary credit risk is the collection of receivables. Consequently, the Group has continuously assessed the collectability of accounts and notes receivable, and reserved provision for doubtful accounts. Therefore, the Group's credit risk is very low.

- A. Because customers or counterparty of financial instruments can't execute contracts' obligation, the Group has financial losses risk. The major reason is counterparty can't follow the payment term.
- B. The Group follow the internal credit policy, the Company has to manage and analysis credit risk before the Company set the payment term. The internal risk control considers financial situation, trade experience and others reason to evaluate customers' credit risk. The limit of personal risk, the management level assigns the team by evaluation of internal or external. The management level monitor regularly usage of credit.
- C. The Group provide presumption for amendment of IFRS 9. When payment of contract over due date for 90 days, the credit risk of financial assets increases prominently. The overdue 30 days of account receivables haven't losses of doubtful debts for recent two years, the overdue 30 days of account receivables haven't relation of credit default actually. Most of the Group's customers are brand distributor of international companies. These customers take care their goodwill, default risk is low. They have enough ability to complete the cash flow of contract obligation during short period. It will not decrease executing contract ability for customers even maybe long term economic or operation unfavorable situation appear. Apart of customers have foreign exchange control or difference of reconciliation timing, even there are over due date account receivable but credit risk not increase. To amend presumption by the actually account receivable situation, the credit risk of customers significantly increasement is overdue 90 days.
- D. The Group provide presumption to amend IFRS 9, it is recognized for credit default when the contract payment is overdue 180 days. It uses actual default period to calculate and analysis for recent two years for the Group's customers.
- E. The Group use simple method and use preparing matrix for base to evaluate expected credit losses from grouping of account receivable by customers' type.

- F. The Group uses the losses rate for specific historical period and current information by Taiwan Institute of Economic Research Prosperity forecast report to evaluate loss allowance of account receivable.

The preparing matrix of March 31, 2018 is as follows.

	Not overdue day (Note)	Overdue during 60 days	Overdue during 90 days	Overdue during 180 days	Overdue 180 days	Total
March 31, 2018						
Expected credit losses rate	0%	5.00%	28.00%	90.00%	100.00%	
Total book value	\$ 1,250,393	\$ 202,571	\$ 29,554	\$ 3,955	\$ 1,041	\$ 1,487,514
Loss allowance	—	(10,129)	(8,275)	(3,560)	(1,041)	(23,005)
Book value	\$ 1,250,393	\$ 192,442	\$ 21,279	\$ 395	\$ —	\$ 1,464,509

Note: the Note receivables all are not overdue day.

(4) Liquidity risk:

The Group manages and maintains sufficient cash and cash equivalents to support its operations and ease the effects of fluctuations in cash flows. The Group's management supervises the utilization of bank facilities to ensure compliance with loan agreements.

Bank loans are an important source of liquidity for the Group. The following table analyzes non-derivative financial liabilities based on the earliest possible repayment date.

Items	March 31, 2018				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	\$ 963,652	\$ —	\$ —	\$ —	\$ 963,652
Short-term notes and bills payable	399,878	—	—	—	399,878
Notes payable	384,040	—	—	—	384,040
Accounts payable	473,015	—	—	—	473,015
Other accounts payable	137,529	—	—	—	137,529
Payables on equipment	15,050	—	—	—	15,050
Long-term loans (including due within one year or one operating cycle)	11,794	1,128,206	—	140,000	1,280,000

Items	December 31, 2017				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows

	years									
Short-term loans	\$	706,435	\$	—	\$	—	\$	—	\$	706,435
Short-term notes and bills payable		399,859		—		—		—		399,859
Notes payable		486,140		—		—		—		486,140
Accounts payable		602,969		—		—		—		602,969
Other accounts payable		147,956		—		—		—		147,956
Payables on equipment		80,973		—		—		—		80,973
Long-term loans (including due within one year or one operating cycle)		—		1,265,510		—		—		1,265,510

		March 31, 2017								
Items	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows					
Short-term loans	\$	452,430	\$	—	\$	—	\$	—	\$	452,430
Short-term notes and bills payable		159,933		—		—		—		159,933
Notes payable		590,993		—		—		—		590,993
Accounts payable		451,975		—		—		—		451,975
Other accounts payable		142,751		—		—		—		142,751
Payables on equipment		2,492		—		—		—		2,492
Long-term loans (including due within one year or one operating cycle)		37,972		790,281		—		240		828,493

(5) The cash flow risk of changes in interest rate:

Changes in the Group's cash flow risk primarily comes from floating rate bank loans. The Group's bank loans are based on a long-term floating rate. When interest rates rise, the Group negotiates to decrease interest rates or borrow short-term loans to manage its interest rate risk. Overall, the Group's cash flow risk from changes in interest rates is low.

(3) Financial instruments with off-balance sheet credit risk

(1) The Group provides endorsement and guarantees commitment to subsidiaries in accordance with “Regulations Governing Endorsements and Guarantees”. Because the Group has full control over the subsidiaries’ credit status, no collateral was

requested. In case of the default of subsidiaries, the possible loss is the same amount as the guarantee or endorsement provided.

(2) Financial instruments with off-balance sheet credit risk

Items	March 31, 2017	December 31, 2016	March 31, 2016
Endorsements / guarantees provided to subsidiaries	USD —	USD —	USD 2,029

(4) Fair value estimation

The book value and fair value of Financial assets and Financial Liabilities of the Group is as follows.(It includes fair value level information, the book value of unfair value evaluation of financial instruments is closed fair value. Equity instruments investment of no offer price in active market and evaluation of fair value unreliably is not necessary to disclose fair value information)

Item	March 31, 2018				
	Book value	Fair value			Total
		The First level	The second level	The third level	
Financial Assets :					
Amortised cost of a financial asset					
Cash and cash equivalents	\$ 669,379	\$ —	\$ —	\$ —	\$ —
Notes receivable and accounts receivable	1,474,838	—	—	—	—
Restricted assets	31,248	—	—	—	—
other current assets	—	—	—	—	—
Refundable deposit	17,436	—	—	—	—
Financial liabilities:					
Amortised cost of a financial liabilities					
Short term loan	963,652	—	—	—	—
short-term notes and bills payable	399,878	—	—	—	—
Notes payable and accounts payable	994,584	—	—	—	—
Payables on equipment	15,050	—	—	—	—
Current portion of long-term liabilities	11,794	—	—	—	—
long-term liabilities	1,268,206	—	—	—	—
guarantee deposit received	1,132	—	—	—	—
December 31, 2017					
fair value					
Item	Book value	The First level	The second level	The third level	Total

Financial Assets :								
Amortised cost of a financial asset								
Cash and cash equivalents	\$	1,015,577	\$	—	\$	—	\$	—
Notes receivable and accounts receivable		1,420,194		—		—		—
Restricted assets		39,872		—		—		—
other current assets		—		—		—		—
Refundable deposit		18,031		—		—		—
Financial liabilities:								
Amortised cost of a financial liabilities								
Short term loan		706,435		—		—		—
short-term notes and bills payable		399,859		—		—		—
Notes payable and accounts payable		1,237,065		—		—		—
Payables on equipment		80,973		—		—		—
Current portion of long-term liabilities		—		—		—		—
long-term liabilities		1,265,510		—		—		—
guarantee deposit received		1,112		—		—		—

March 31, 20187

Item	Book value	fair value			Total			
		The First level	The second level	The third level				
Financial Assets :								
Amortised cost of a financial asset								
Cash and cash equivalents	\$	797,448	\$	—	\$	—	\$	—
Notes receivable and accounts receivable		1,250,541		—		—		—
Restricted assets		48,543		—		—		—
other current assets		31,951		—		—		—
Refundable deposit		19,218		—		—		—
Financial liabilities:								
Amortised cost of a financial liabilities								
Short term loan		452,430		—		—		—
short-term notes and bills payable		159,933		—		—		—
Notes payable and accounts payable		1,185,719		—		—		—
Payables on equipment		2,492		—		—		—
Current portion of long-term liabilities		37,972		—		—		—
long-term liabilities		790,521		—		—		—
guarantee deposit received		970		—		—		—

(2) Fair value evaluation technique for financial instruments not measured at fair value.

The methods and assumptions adopted by the combined company to estimate financial instruments not measured at fair value are as follows:

If financial liabilities measured at amortized costs have transactions or quote data within market makers, then the most recent closing price and quote price data are the basis for assessment of fair value. If there is no market price as the reference, the evaluation method is then used for estimation. Estimates and assumptions reached through the evaluation method are discounted cash flows used to estimate the fair value.

(3) Fair value evaluation techniques for financial instruments measured at fair value

a. Non-derivative financial instruments

If financial instruments have open quotes in active markets, these quotes represent the fair value. The market prices of major exchanges and notes considered popular in over-the-counter market government bonds are all used as the basis of the fair value for the equity instruments of listed companies and debt instruments with open quotes in active markets. If open quotes of financial instruments can regularly be obtained in a timely fashion from exchanges, brokers, underwriters, industry associations, pricing service institutions or competent authorities, and the prices actually and regularly foster fair market trading, then the financial instrument has open quotation in an active market. If the aforementioned conditions are not met, the market is considered not active. In General, wide bid/offer spread, significant increase of trading spreads, or slim trading volume are indicators of an inactive market.

The combined company holds financial assets that have standard terms and conditions and are trading in active markets, such as shares from listed companies, mutual funds and bonds, their fair value is determined by market price quotes.

Fair value for other financial instruments other than the aforementioned financial instruments with active markets is obtained through evaluation techniques or quotes made by counterparties.

b. Derivative financial instruments

The combined company currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transfer in the three months ended March 31, 2018 and 2017.

13. Disclosure items

(1) Significant transactions and (2) Business investments

1. Offer loans to others: none.
2. The endorsement for others: none.
3. Final marketable securities: none.
4. Accumulated to buy or sell the same marketable securities amount to NT \$300 million or more than 20% of the paid-up capital: none.
5. Real estate amounting to NT \$300 million or more than 20% of the paid-up capital: none.
6. Disposal real estate amounting to NT \$300 million or more than 20% of the paid-up capital: none.
7. Purchase and sale with related parties amounting to NT \$100 million or more than 20% of the paid-up capital: As note II.
8. Receivables from related parties amounting to NT \$100 million or more than 20% of the paid-up capital: none.
9. Engaging in derivatives transactions: none.
10. Others: Business relations between parent company and subsidiaries, important dealing conditions and amounts: As note III.
11. Investee company name/location related information: As note IV.

(2) Investment information in China:

1. China investee company name, business items, amount of paid-up capital, investment methods, capital transaction conditions, shareholding ratio, investment gains and losses, final investment book value, investment income repatriation and China investment limits: As note V
2. Significant transactions with China investee company through direct or indirect third regions and their prices, terms of payment, unrealized gains and losses:
 - (1) Purchase amount percentage and the final balance percentage of payment: As note II
 - (2) Sales amount percentage and the final balance percentage of receivables: none.
 - (3) Property transaction amount and the amount of profits and losses: none
 - (4) The note endorsement guarantee or collateral providing balance and purpose: As note I
 - (5) The highest of the financing balance, ending balance, interest rate range and total amount of current interests: none

(6) Other statement or financial condition that has a significant impact on transactions, such as providing or receiving services: none

NAN LIU Enterprise Co., Ltd. and Subsidiaries
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE Three Months Ended March 31, 2018

Note II

Unit: Thousand NT\$

Purchase (sales) company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Nan Liu Enterprise Corporation limited	Nan Liu Enterprise (Pinghu) Corporation limited	Indirect subsidiary	Purchase	\$ 247,128	20.34%	With the same general terms and conditions	0	0	\$ (162,701)	18.98%	0

Note 1: If related party transaction terms are different from general terms, situations and reasons for the differences should be specified in the unit price and credit period columns.

Note 2: In case of advance payment (prepayment), reasons, terms of the contract agreement, amount and differences from the general situation shall be specified in the note column.

Note 3: Paid-in capital refers to the parent company's paid-in capital. When the issuer's shares have no denomination, or its denomination is not NT \$10, regarding a maximum transaction amount on 20% of paid-in capital, the amount is calculated based on 10% of ownership's equity attributable to the parent company in the balance sheet.

NAN LIU Enterprise Co., Ltd. and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE Three Months Ended March 31, 2018

Note III

Unit: Thousand NT\$

No	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial statements item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Sales	\$ 21	The same as other companies	0.00%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	21	The same as other companies	0.00%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	247,128	The same as other companies	15.02%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	162,701	The same as other companies	2.38%

Note 1: Business operating information between the parent company and subsidiary shall be indicated in the column number and number shall be filled in as follows:

1. The parent company fills out 0.
2. The subsidiary company starting from the Arabic number 1 in the sequence.

Note 2: There are three types of relations with dealers. They are marked as follows:

1. The parent company to subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to subsidiary.

Note 3: In employing the ratio of trading conditions for combined revenue or assets, if it belongs as an asset liability item, the balance calculation includes the consolidated total assets. If it belongs as a profit and loss item, the balance is calculated considering the interim cumulative amount in total.

Note 4: Whether important transactions are listed in table shall be decided by the company according to the major principles.

NAN LIU Enterprise Co., Ltd. and Subsidiaries
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE Three Months Ended March 31, 2018

Note IV

Unit: Thousand NT\$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				March 31, 2018	December 31, 2017	Shares	Percentage of ownership	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	\$ 1,581,872	\$ 1,488,208	50,948	100.00%	\$ 3,324,287	\$ 54,449	\$ 54,449	
NANLIU ENTERPRISE (SAMOA) CO., LTD.	NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED	India	Nonwoven manufacturing and processing	\$ 92,465	\$ 48	20,170	99.99%	\$ 88,689	Note3	Note3	

Note 1: If a public company has a foreign holding company and considers consolidated financial statements as its primary financial statements in accordance with local laws and regulations, for information on foreign investee companies, the company may only disclose relevant information at the holding company level.

Note 2: For situations not specified in Note 1, please complete according to the following rules:

(1) "Investee company name", "Area", "Main Business", "The original investment amount" and "Ending shareholding situation", etc., should be filled in according to the Company's (public) reinvestment situation and reinvestment of directly or indirectly controlled Investment. The relationship (if they are subsidiaries or subsidiaries of subsidiaries) between investee companies and the Company (public) should be specified in Note column.

(2) In the "Investee company's current profit and loss" B column, the investee company's profit and loss for the period should be entered.

(3) In the "Investment gains and losses recognized for the period" B column, only the gains and losses of subsidiaries and investee companies with the equity method recognized by the Company (public) must be indicated here, and others may not be included. When filling in "gains and losses of subsidiaries recognized for the period", the Company should ensure that profits or losses of subsidiaries for the period already include the gains and losses of reinvestment recognized in accordance with rules.

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Information on Investment in Mainland China
FOR Three Months Ended March 31, 2018

Note v

Unit: Thousand NT\$

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	\$ 1,846,701	2	\$ 1,487,607	\$ —	\$ —	\$ 1,487,607	\$ 90,075	100.00%	\$ 90,075	\$ 3,231,065	\$ —	
Accumulated Investment in Mainland China as of September 30, 2016		Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment by Investment Commission, MOEA									
\$ 1,487,607		\$ 1,877,537		\$ —									

Note 1: Investments are divided into the following three categories (Please enter the category number):

- (1) Direct investment in mainland China.
- (2) Investments in mainland China through companies in the third region (please specify the investment company in the third region).
- (3) Other methods

Note 2: Investment gains and losses recognized in the current period column:

- (1) In case of preparation, it should be specified if there is no investment income.
- (2) The recognition basis of investment gains and losses is divided into the following three categories and should be specified:
 - (a) Certified financial statements audited by CPA firms in the Republic of China that have partnership with international CPA firms.
 - (b) Financial statements audited by the CPA firm of Taiwan's parent company.
 - (c) Others.

Note 3: The amounts in this table should be shown in New Taiwan Dollars.

14. Operating segments information:

(1) General information:

The Group has four reportable segments, including Thermal-bonded nonwovens fabrics, Spunlace nonwovens fabrics, Biotechnology, and B2 Post-processing. They are mainly engaged in manufacturing and subcontracting thermal-bonded nonwoven fabrics, wet wipes, facial masks and skin care products. The segments are classified based on the nature of the products.

In accordance with SFAS 8 "Segments", operating and reporting segments are identified. If operating segments reach the quantitative thresholds, core principles of the compilation should be taken into account to determine whether to separately or collectively disclose reportable segments. If the operating segments do not reach the quantitative thresholds, they are included in other segments. The measured amount is provided to major decision makers to allocate resources to segments and assess performance. In addition, accounting policies adopted by operating segments and a summary of significant accounting policies is described in Note 2. There are no significant inconsistencies.

(2) Measurement of segment information:

The Group's segments use the same accounting policy as the Group. The Group uses the net income from operations as the measurement for segment profit and the basis for performance assessment.

(3) Segment profit/losses and asset information:

For the three months ended March 31, 2018

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	\$ 760,399	\$ 885,213	\$ —	\$ 1,645,612
Net revenue from sales among intersegments	21	247,128	(247,149)	—
Segment revenue	\$ 760,420	\$ 1,132,341	\$ (247,149)	\$ 1,645,612
Segment income	\$ 77,675	\$ 85,417	\$ —	\$ 163,092
Segment assets	\$ 1,736,219	\$ 1,468,507	\$ —	\$ 3,204,726

For the three months ended March 31, 2017

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	\$ 768,716	\$ 734,027	\$ —	\$ 1,502,743
Net revenue from sales among intersegments	10,695	341,261	(351,956)	—

Segment revenue	\$ 779,411	\$ 1,075,288	\$ (351,956)	\$ 1,502,743
Segment income	\$ 42,063	\$ 96,097	\$ —	\$ 138,160
Segment assets	\$ 640,957	\$ 1,446,476	\$ —	\$ 2,087,433

(4) Reconciliation for segment income (loss):

(a). Measurement of segments gain or loss:

The Group's segments use the same accounting policy as the Group. The Group uses income from operations as its measurement for segment profit and the basis for performance assessment.

(b) Reconciliation for segment income (loss):

The segment's operating income reported to the chief operating decision-maker was measured in a manner consistent with revenue and expenses in the income statement. The Group did not provide the amount of total assets and total liabilities to the chief operating decision-maker for decision making. The reconciliation of reportable segment income or loss and income before tax for operating segments is provided as follows:

Item	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Reportable segments income	\$ 163,092	\$ 138,160
Unallocated amounts:		
Non-operating income and expense	3,833	32,249
Income before income tax	\$ 166,925	\$ 170,409