

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Nine Months Ended September 30, 2019 and 2018 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
Nine Months Ended September 30, 2019 and 2018 and
Independent Accountants' Review Report

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揚智聯合會計師事務所
YANGTZE CPAS & CO.



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 September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, as well as the consolidated statements of changes in equity and cash flows for the nine months 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 September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 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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揚智聯合會計師事務所
YANGTZE CPAS & CO.



Hsiang-Ning Hu

Szu-Ning Lin

YANGTZE CPAS & Co.,

November 12, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other 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	September 30, 2019		December 31, 2018		September 30, 2018	
			(Reviewed)		(Audited)		(Reviewed)	
			Amount	%	Amount	%	Amount	%
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$ 1,340,049	14.75	\$ 1,089,253	13.42	\$ 977,915	12.77
1150	Notes receivable, net	6(2)	79,882	0.88	87,049	1.07	73,101	0.95
1170	Accounts receivable, net	6(2)	1,165,887	12.84	1,351,276	16.64	1,347,963	17.60
1200	Other receivables		18,370	0.20	39,533	0.49	17,608	0.23
1310	Inventories	6(3)	825,474	9.09	1,022,120	12.59	923,232	12.06
1410	Prepayments		300,074	3.30	370,426	4.56	402,006	5.25
1470	Other current assets	8	190,239	2.09	70,075	0.86	27,970	0.37
	Total current assets		<u>3,919,975</u>	<u>43.15</u>	<u>4,029,732</u>	<u>49.63</u>	<u>3,769,795</u>	<u>49.23</u>
NONCURRENT ASSETS								
1600	Property , plant and equipment	6(4)	2,475,776	27.27	2,392,496	29.47	2,331,371	30.45
1755	Right-of-use assets	6(5)	685,212	7.54	-	-	-	-
1780	Intangible assets		609	0.01	1,201	0.01	1,388	0.02
1840	Deferred income tax assets	4	27,178	0.30	27,651	0.34	24,577	0.32
1915	Prepayments for equipment		1,885,674	20.76	1,461,965	18.01	1,326,056	17.32
1920	Refundable deposit		15,559	0.17	17,285	0.21	17,240	0.22
1985	Long-term prepaid rents		-	-	186,796	2.30	184,589	2.41
1990	Other assets		73,086	0.80	2,364	0.03	2,364	0.03
	Total noncurrent assets		<u>5,163,094</u>	<u>56.85</u>	<u>4,089,758</u>	<u>50.37</u>	<u>3,887,585</u>	<u>50.77</u>
1xxx	Total assets		<u>\$ 9,083,069</u>	<u>100.00</u>	<u>\$ 8,119,490</u>	<u>100.00</u>	<u>\$ 7,657,380</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	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
			Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES								
2100	Short-term loans	6(6)	\$ 1,705,000	18.77	\$ 1,070,000	13.18	\$ 1,000,000	13.06
2111	Short-term bills payable , net	6(7)	-	-	-	-	179,928	2.35
2130	Current contract liabilities	6(11)	13,206	0.15	22,718	0.28	14,798	0.19
2150	Notes payable		505,119	5.56	563,057	6.93	370,661	4.84
2170	Accounts payable		467,524	5.15	605,212	7.46	485,151	6.34
2200	Other payable		182,341	2.01	163,114	2.01	152,462	1.99
2213	Payables on equipment		39,917	0.44	18,925	0.23	54,215	0.71
2230	Current tax liabilities	4	49,137	0.54	178,443	2.20	124,056	1.62
2280	Lease liabilities	6(5)	1,270	0.01	-	-	-	-
2320	Current portion of long-term bank borrowing	6(8)	372,500	4.10	126,000	1.55	73,000	0.95
2399	Other current liabilities		4,600	0.06	4,823	0.06	3,069	0.05
	Total current liabilities		<u>\$ 3,340,614</u>	<u>36.79</u>	<u>2,752,292</u>	<u>33.90</u>	<u>2,457,340</u>	<u>32.10</u>
NONCURRENT LIABILITIES								
2540	Long-term bank borrowing	6(8)	2,153,915	23.71	2,210,825	27.23	2,217,896	28.96
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.08	7,386	0.09	7,386	0.10
2572	Deferred income tax liabilities-income tax	4	8,521	0.09	5,433	0.07	4,170	0.05
2580	Lease liabilities	6(5)	504,686	5.56	-	-	-	-
2640	Accrued pension liabilities	4 and 6(9)	70,335	0.77	76,567	0.94	73,638	0.96
2645	Guarantee deposits		1,131	0.01	984	0.01	975	0.01
	Total noncurrent liabilities		<u>2,745,974</u>	<u>30.22</u>	<u>2,301,195</u>	<u>28.34</u>	<u>2,304,065</u>	<u>30.08</u>
	Total liabilities		<u>6,086,588</u>	<u>67.01</u>	<u>5,053,487</u>	<u>62.24</u>	<u>4,761,405</u>	<u>62.18</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Owners equity								
3100	Capital stock	6(10)	726,000	7.99	726,000	8.94	726,000	9.48
3200	Capital surplus	6(10)	453,467	4.99	453,467	5.58	453,467	5.92
3300	Retained earnings	6(10)						
3310	Legal reserve		431,149	4.75	371,872	4.58	371,872	4.86
3320	Special reserve		264,937	2.92	193,201	2.38	193,201	2.52
3350	Unappropriated earnings		1,460,673	16.08	1,586,400	19.54	1,445,671	18.88
3400	Other	6(10)						
3410	Financial statements translation differences for foreign operations		(339,745)	(3.74)	(264,937)	(3.26)	(294,236)	(3.84)
	Equity attributable to shareholders of the parent		<u>2,996,481</u>	<u>32.99</u>	<u>3,066,003</u>	<u>37.76</u>	<u>2,895,975</u>	<u>37.82</u>
	Total liabilities and equity		<u>\$ 9,083,069</u>	<u>100.00</u>	<u>\$ 8,119,490</u>	<u>100.00</u>	<u>\$ 7,657,380</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)

	Item	Note	For The Three Months Ended September 30				For The Nine Months Ended September 30			
			2019		2018		2019		2018	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Net Sales	6(11)	1,584,135	100.00	1,600,342	100.00	4,834,714	100.00	4,979,406	100.00
5000	Cost of goods sold	6(3)	(1,266,890)	(79.97)	(1,279,987)	(79.98)	(3,949,438)	(81.69)	(4,045,375)	(81.24)
5900	Gross profit		317,245	20.03	320,355	20.02	885,276	18.31	934,031	18.76
6000	Operating expenses									
6100	Promotion expenses		(54,211)	(3.42)	(54,647)	(3.41)	(174,360)	(3.61)	(163,798)	(3.29)
6200	Management expenses		(54,094)	(3.41)	(49,940)	(3.12)	(190,389)	(3.94)	(166,967)	(3.35)
6300	Research expenses		(8,046)	(0.51)	(7,524)	(0.47)	(27,051)	(0.56)	(22,124)	(0.44)
6450	Expected credit losses		(3,706)	(0.23)	-	-	(5,055)	(0.10)	-	-
6000	Total Operating expenses		(120,057)	(7.57)	(112,111)	(7.00)	(396,855)	(8.21)	(352,889)	(7.08)
6900	Operating profit		197,188	12.46	208,244	13.02	488,421	10.10	581,142	11.68
	Other non-operating income and expenses									
7020	Other income	6(12)	62,121	3.92	28,627	1.79	109,056	2.26	77,421	1.55
7050	Finance costs	6(12)	(8,307)	(0.52)	(4,110)	(0.26)	(21,384)	(0.44)	(11,233)	(0.22)
7000	Other non-operating income and expenses		53,814	3.40	24,517	1.53	87,672	1.82	66,188	1.33
7900	Income before income tax		251,002	15.86	232,761	14.55	576,093	11.92	647,330	13.01
7950	Income tax expense	4 and 6(13)	(89,550)	(5.65)	(55,989)	(3.50)	(207,807)	(4.30)	(197,357)	(3.96)
8200	Net Income		161,452	10.21	176,772	11.05	368,286	7.62	449,973	9.05

(Continued)

	Item	Note	For The Three Months Ended September 30				For The Nine Months Ended September 30			
			2019		2018		2019		2018	
			Amount	%	Amount	%	Amount	%	Amount	%
8300	Other comprehensive income (loss)									
8349	Income tax benefit (expense) related to items that will not be reclassified subsequently	6(13)	-	-	-	-	-	-	389	0.01
8360	Items that may be reclassified subsequently to profit or loss:									
8361	Financial statements translation differences for foreign operations	6(10)	(117,996)	(7.45)	(120,475)	(7.53)	(74,808)	(1.55)	(101,035)	(2.03)
8300	Other comprehensive income(loss)for the period ,net of income tax		(117,996)	(7.45)	(120,475)	(7.53)	(74,808)	(1.55)	(100,646)	(2.02)
8500	Total comprehensive income for the period		\$ 43,456	2.76	\$ 56,297	3.52	\$ 293,478	6.07	\$ 349,327	7.03
8600	Net income attributable to :									
8610	Owners of parent		161,452	10.21	176,772	11.05	368,286	7.62	449,973	9.05
8620	Non-controlling interests		-	-	-	-	-	-	-	-
	Net income		161,452	10.21	176,772	11.05	368,286	7.62	449,973	9.05
8700	Comprehensive income attributable to :									
8710	Owners of parent		43,456	2.76	56,297	3.52	293,478	6.07	349,327	7.03
8720	Non-controlling interests		-	-	-	-	-	-	-	-
	Total comprehensive income for the period		43,456	2.76	56,297	3.52	293,478	6.07	349,327	7.03
9750	Basic earnings per share(NT dollars)	6(15)	\$ 2.22		\$ 2.43		\$ 5.07		\$ 6.20	
9850	Diluted earnings per share(NT dollars)	6(15)	\$ 2.22		\$ 2.43		\$ 5.07		\$ 6.20	

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

	Stock		Capital Surplus	Retained Earnings			Other equity items	Total Equity
	Ordinary shares	Amounts		Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	
Balance as of January 1, 2018	72,600	\$ 726,000	\$ 453,467	\$ 317,735	\$ 155,667	\$ 1,413,680	\$ (193,201)	\$ 2,873,348
Legal reserve appropriated	-	-	-	54,137	-	(54,137)	-	-
Special reserve appropriated	-	-	-	-	37,534	(37,534)	-	-
Cash dividends of ordinary share	-	-	-	-	-	(326,700)	-	(326,700)
Net income for the nine months ended September 30, 2018	-	-	-	-	-	449,973	-	449,973
Other comprehensive income for nine months ended September 30, 2018	-	-	-	-	-	389	(101,035)	(100,646)
Balance as of September 30, 2018	72,600	\$ 726,000	\$ 453,467	\$ 371,872	\$ 193,201	\$ 1,445,671	\$ (294,236)	\$ 2,895,975
Balance as of January 1, 2019	72,600	\$ 726,000	\$ 453,467	\$ 371,872	\$ 193,201	\$ 1,586,400	\$ (264,937)	\$ 3,066,003
Legal reserve appropriated	-	-	-	59,277	-	(59,277)	-	-
Special reserve appropriated	-	-	-	-	71,736	(71,736)	-	-
Cash dividends of ordinary share	-	-	-	-	-	(363,000)	-	(363,000)
Net income for the nine months ended September 30, 2019	-	-	-	-	-	368,286	-	368,286
Other comprehensive income for nine months ended September 30, 2019	-	-	-	-	-	-	(74,808)	(74,808)
Balance as of September 30, 2019	72,600	\$ 726,000	\$ 453,467	\$ 431,149	\$ 264,937	\$ 1,460,673	\$ (339,745)	\$ 2,996,481

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)

	Nine Months Ended September 30	
	2019	2018
Cash flows from operating activities		
Consolidated Profit before income tax	\$ 576,093	\$ 647,330
Adjustments for :		
Depreciation expense	192,257	217,385
Amortization expense	559	6,105
Reversal of expected credit losses	4,526	10,115
Other expense	-	92
Interest expense	(21,384)	11,233
Interest income	(15,668)	(6,374)
Provision for inventory market price decline	7,900	1,837
(Profit) Loss on physical inventory	(657)	235
Loss on disposal of inventory	9,989	14,776
Loss on disposal of assets	(469)	745
(Reversal) Impairment of Assets	-	(935)
Foreign exchange (gain)	(2,636)	(5,485)
Total adjustments to reconcile profit or loss	174,417	249,729
Changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	3,660	(4,304)
Decrease (Increase) in accounts receivable	202,701	(36,376)
Decrease in other receivable	20,719	11,712
Decrease in inventories	165,545	23,724
Decrease (Increase) in prepayments	65,053	(43,744)
(Increase) in other current assets	(154,050)	(504)
(Decrease) Increase in contract liabilities-current	(9,512)	5,698
(Decrease) in notes payable	(48,529)	(121,891)
(Decrease) in accounts payable	(172,575)	(116,027)
Increase in other payable	18,794	3,896
(Decrease) in accrued pension liabilities	(6,232)	(1,684)
(Decrease) in other current liabilities	-	(543)
Total Changes in Operating Assets and Liabilities	85,574	(280,043)
Cash generated from operating	836,084	617,016

(Continued)

	Nine Months Ended September 30	
	2019	2018
Interest received	13,067	6,440
Income taxes paid	(333,552)	(166,961)
Net cash generated by operating activities	<u>515,599</u>	<u>456,495</u>
Cash flows from investing activities		
Acquisition of intangible assets	-	(183)
Acquisition of property , plant and equipment	(262,377)	(342,149)
Disposal of property , plant and equipment	2,392	387
(Increase) in prepayments for equipment	(433,408)	(799,311)
(Increase) in other assets	(60,000)	-
Decrease in restricted assets	33,603	12,879
Decrease (Increase) in other noncurrent assets	283	(184)
(Increase) in long-term prepaid rent	-	(78,322)
(Increase) Decrease in refundable deposits	(1,000)	558
Net cash used in investing activities	<u>(720,507)</u>	<u>(1,206,325)</u>
Cash Flows From Financing Activities		
Interest paid	21,817	(10,553)
Increase in short-term loans	635,000	293,565
(Decrease) in short-term bills payable	-	(220,000)
Increase in long-term loans	222,501	1,034,085
Cash dividends	(363,000)	(326,700)
Repayment of the principal portion of lease liabilities	(10,975)	-
(Decrease) in guarantee deposits	-	(105)
(Decrease) in other current liabilities	(223)	(871)
Net cash used in financing activities	<u>505,120</u>	<u>769,421</u>
Effect of exchange rate changes on cash and cash equivalents	(49,416)	(57,253)
Net Increase in cash and cash equivalents	250,796	(37,662)
Cash and cash equivalents, beginning of period	1,089,253	1,015,577
Cash and cash equivalents, end of period	<u>\$ 1,340,049</u>	<u>\$ 977,915</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 Nine Months Ended September 30, 2019 and 2018

(All Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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 and moved to No. 699, Silin Rd., Yanchao Dist., Kaohsiung City on January 10, 2019. The NAN LIU Group consolidated financial statements consist of NAN LIU Company and its Subsidiaries, a group of associated enterprises and joint ventures controlled under individual rights (hereinafter referred to as the group), and concluded on September 30st of 2019. NAN LIU Group is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products as shown in appendix 14. 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 November 12, 2019.

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”).

New, revised or amended Standards and Interpretations for application in 2019 endorsed by the Financial Supervisory Commission (FSC) is as follows.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note2)
IFRS 16 Leases	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note3)
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

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 didn't have any material impact on the Company's accounting policies.

1. IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

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

The Group as lessee

Upon initial application of IFRS 16, the Corporation and its subsidiaries will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities will be classified within financing activities.

Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments of Chinese and India for land use rights are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and lease payables are recognized for contracts classified as finance leases.

The Corporation and its subsidiaries anticipate applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Leases agreements classified as operating leases under IAS 17, except for leases of low-value asset and short-term leases, will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Group will apply the following practical expedients to measure right-of-use assets and lease liabilities on January 1, 2019 :

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) Except for lease payment, the Company will exclude incremental costs of obtaining the lease from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will determine lease terms (e.g. lease periods) based on the projected status on January 1, 2019, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 1.1%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	\$	176,332
Less: Recognition exemption for short-term leases		(1,260)
Undiscounted gross amounts on January 1, 2019	\$	<u>175,072</u>
Discounted using the incremental borrowing rate on January 1, 2019	\$	135,391
Add: Adjustments as a result of a different treatment of extension and purchase options		383,480
Lease liabilities recognized on January 1, 2019	\$	<u><u>518,871</u></u>

The Group as lessor

It will not have significant impacts on the Group's accounting process for the Group as lessor.

Impact on assets, liabilities and equity on January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments of lease- current	\$ 8,473	\$ (8,467)	\$ 6
Prepaid rent	186,796	(186,796)	—
Right-of-use assets	—	705,667	705,667
Total effect on assets	<u>\$ 195,269</u>	<u>\$ 510,404</u>	<u>\$ 705,673</u>
Lease liabilities - current	\$ 6,808	\$ 5,347	\$ 12,155
Lease liabilities - noncurrent	—	506,716	506,716
Total effect on liabilities	<u>\$ 6,808</u>	<u>\$ 512,063</u>	<u>\$ 518,871</u>
Retained earnings	\$ —	\$ —	\$ —
Total effect on equity		<u>\$ —</u>	

(2) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” IFRS 17 “Insurance Contracts”	To be determined by IASB January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

As of the date for financial statements approved, it does not have significant impacts on the Group's financial position and financial performance after evaluating above Standards and Interpretations by the Group. Disclosure of related effect will be after evaluating finished.

4. Summary of significant accounting policies

The consolidated financial statements are prepared in conformity with significant accounting policies are as follows. The accounting policies applied consistently during the reporting period unless otherwise stated.

(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.

(2) Basis of preparation

1. The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

2. The preparation of financial statements is in conformity with the IFRS requirement of the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment and complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

Consolidated financial quarterly statement principles were consistent with consolidated financial statements in 2018. Please refer to note IV for related information.

The subsidiaries in the consolidated financial statements:

Investment company name	Subsidiary name	Business features	Percentage of ownership		
			2019.6.30	2018.12.31	2018.6.30
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 CO.,LTD. (SAMOA)	NANLIU MANUFACTURING(IN DIA) PRIVATE LIMITED	Production and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100	100	100
Nan Liu Enterprise Co., Ltd.	CHING-TSUN Biomedical Technology Co., Ltd.	Sales of skin care products, research and development of health care and hygiene products	100	-	-

(4) Other significant accounting policies

Except Leases related accounting policies and for the following, the significant accounting policies is same as the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 4 for related information in the consolidated financial statements for the year ended December 31, 2018.

1. Leases

2019

At the inception of a contract, the Group access whether the contract is , or contain, a lease.

<1> The Group as lessor

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

Lease payments (less any lease incentives payable) from operating lease are recognized as income on a straight-line basis over the terms of the relevant

leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of the element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

<2> The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, payment before lease start date that lease payment less any lease incentives payable, estimated costs of initial direct cost and underlying restoration. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective

interest method, with interest expense recognized over the lease terms. Because of changing for lease period, lease payment occurred change in the future. Remeasurement lease liabilities of the Group adjusted right-of-use assets relatively. When balance amount of right-of-use assets is less to zero, the rest of remeasurement amount is recognized in income statement. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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

<1> The Group as lessor

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

<2> The Group as lessee

Payment of operating leases is recognized as expenses on a straight-line basis over the term of the relevant lease.

2. 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.

3. 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, 2018.

(1) Estimate impairment of financial assets

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) Lease terms (Application in 2019)

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Group occurs.

(3) Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, the Group mainly takes into account the market risk-free rates, the estimated lessee's credit spreads and secured status in a similar economic environment.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	September 30, 2019	December 31, 2018	September 30, 2018
Cash	\$ 2, 139	\$ 2,385	\$ 2, 338
Demand deposits	708, 710	549,219	488, 942
Checking account	251	269	153
Foreign currency deposits	160, 306	253,548	251, 617
Time deposits	468, 643	283,832	234, 865
Total	\$ 1, 340, 049	\$ 1,089,253	\$ 977, 915

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) Net notes receivable, net accounts receivable, and overdue receivable

Amortised cost of account receivable

Notes receivable, net

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-related parties	\$ 83,389	\$ 87,049	\$ 73,101
Related parties	—	—	—
Less: Allowance for doubtful receivables	(3,507)	—	—
Net	\$ 79,882	\$ 87,049	\$ 73,101

Accounts receivable, net

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-related parties	\$ 1,197,993	\$ 1,383,004	\$ 1,379,488
Related parties	—	—	—
Less: Allowance for doubtful receivables	(32,106)	(31,728)	(31,525)
Net	\$ 1,165,887	\$ 1,351,276	\$ 1,347,963

Overdue receivable

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-related parties	\$ 479	\$ 509	\$ 589
Related parties	—	—	—
Less: Allowance for doubtful receivables	(479)	(509)	(589)
Net	\$ —	\$ —	\$ —

<1> Accounts receivable

The management level of the Group requests 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 confirms 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. The Group prepare matrix to measure loss allowance for accounts receivable as follows.

	Not past due (Note)	Past due within 60 days	Past due within 90 days	Past due within 180 days	Past due over 181 days	Total
<u>2019/09/30</u>						
Expected credit losses rate	0%	5.00%	28.00%	90.00%	100.00%	
Total book value	\$ 1,191,566	\$ 41,200	\$ 17,554	\$ 24,241	\$ 7,300	\$ 1,281,861
loss allowance	—	(2,060)	(4,915)	(21,817)	(7,300)	(36,092)
Book value	\$ 1,191,566	\$ 39,140	\$ 12,639	\$ 2,424	\$ —	\$ 1,245,769

	Not past due (Note)	Past due within 60 days	Past due within 90 days	Past due within 180 days	Past due over 181 days	Total
<u>2018/12/31</u>						
Expected credit losses rate	0%	5.00%	28.00%	90.00%	100.00%	
Total book value	\$ 1,148,714	\$ 292,843	\$ 14,717	\$ 8,137	\$ 6,151	\$ 1,470,562
loss allowance	—	(14,642)	(4,121)	(7,323)	(6,151)	(32,237)
Book value	<u>\$ 1,148,714</u>	<u>\$ 278,201</u>	<u>\$ 10,596</u>	<u>\$ 814</u>	<u>\$ —</u>	<u>\$ 1,438,325</u>
<u>2018/09/30</u>						
Expected credit losses rate	0%	5.00%	28.00%	90.00%	100.00%	
Total book value	\$ 1,307,274	\$ 108,141	\$ 12,553	\$ 20,176	\$ 5,034	\$ 1,453,178
loss allowance	—	(5,407)	(3,515)	(18,158)	(5,034)	(32,114)
Book value	<u>\$ 1,307,274</u>	<u>\$ 102,734</u>	<u>\$ 9,038</u>	<u>\$ 2,018</u>	<u>\$ —</u>	<u>\$ 1,421,064</u>

On December 31, 2019 and September 30, 2019, all notes receivable of the Group are not past due.

<2> The changes of loss allowance for notes receivable and accounts receivable of the Group.

For the nine months ended September 30, 2019

	Notes receivable	Accounts receivable	Overdue receivable	Total
Initial balances	\$ —	\$ 31,728	\$ 509	\$ 32,237
Impairment loss(reversal)	3,507	1,548	—	5,055
Write off	—	(499)	(30)	(529)
Effects of Changes in Foreign Exchange Rates	—	(671)	—	(671)
Ending balances	<u>\$ 3,507</u>	<u>\$ 32,106</u>	<u>\$ 479</u>	<u>\$ 36,092</u>

For the nine months ended September 30, 2018

	Notes receivable	Accounts receivable	Overdue receivable	Total
Initial balances	\$ —	\$ 22,113	\$ 644	\$ 22,757
Impairment loss(reversal)	—	10,170	—	10,170
Write off	—	—	(55)	(55)
Effects of Changes in Foreign Exchange Rates	—	(758)	—	(758)
Ending balances	<u>\$ —</u>	<u>\$ 31,525</u>	<u>\$ 589</u>	<u>\$ 32,114</u>

<3> The asset impairment loss assessment of individual accounts receivable is located in the column, "other non-current assets".

<4> The Group did not hold collateral for accounts receivable.

(3) Net inventories

	September 30, 2019		
	Cost	Loss allowance	Balance
Raw materials	\$ 393,678	\$ 20,505	\$ 373,173
Supplies	61,574	2,690	58,884
Work in process	14,123	2,081	12,042
Finished goods	365,118	16,858	348,260
Merchandise inventory	9,484	2,976	6,508
Inventory in transit	26,607	—	26,607
Total	\$ 870,584	\$ 45,110	\$ 825,474

	December 30, 2018		
	Cost	Loss allowance	Balance
Raw materials	\$ 406,928	\$ 15,713	\$ 391,215
Supplies	71,097	2,478	68,619
Work in process	12,259	1,650	10,609
Finished goods	521,001	10,347	510,654
Merchandise inventory	21,075	7,022	14,053
Inventory in transit	26,970	—	26,970
Total	\$ 1,059,330	\$ 37,210	\$ 1,022,120

	September 30, 2019		
	Cost	Loss allowance	Balance
Raw materials	\$ 395,548	\$ 12,639	\$ 382,909
Supplies	70,417	3,473	66,944
Work in process	10,206	1,140	9,066
Finished goods	441,185	11,007	430,178
Merchandise inventory	21,317	1,188	20,129
Inventory in transit	14,006	—	14,006
Total	\$ 952,679	\$ 29,447	\$ 923,232

- Inventories are provided without guarantee or pledge as of September 30, 2019, December 31, 2018 and September 30, 2018.
- Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Cost of goods sold	\$ 1,273,651	\$ 1,279,019	\$ 3,948,444	\$ 4,046,228
Idle capacity cost	5,546	3,488	13,688	11,676
Revenue from sale of scraps	(12,946)	(11,007)	(29,926)	(29,377)
Provision for inventory market price decline	—	4,763	7,900	1,837

Loss on disposal of inventory	639	3,724	9,989	14,776
Loss(gain) on physical inventory	—	—	(657)	235
合 計	<u>\$ 1,266,890</u>	<u>\$ 1,279,987</u>	<u>\$ 3,949,438</u>	<u>\$ 4,045,375</u>

(4) Property, plant and equipment

	<u>Land</u>	<u>Land revaluation</u>	<u>Building/ Structure</u>	<u>Machinery and equipment</u>	<u>Hydropower equipment</u>	<u>Transport equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1st, 2019	\$ 46,046	\$ 11,264	\$ 410,294	\$ 882,499	\$ 55,038	\$ 24,954	\$ 1,306	\$ 41,873	\$ 919,222	\$ 2,392,496
Added	—	—	10,382	16,916	2,610	48	200	3,012	253,296	286,464
Disposals or retirements	—	—	—	(1,842)	—	—	(17)	—	—	(1,859)
Deconsolidation	—	—	—	(64)	—	—	—	—	—	(64)
Other changes	—	—	748,756	17,141	5,040	8,053	—	93,489	(857,872)	14,607
Annual depreciation	—	—	(27,764)	(128,329)	(7,127)	(6,012)	(422)	(10,757)	—	(180,411)
Effect of exchange rate changes	—	—	(9,299)	(21,343)	(1,343)	(468)	(17)	(589)	(2,398)	(35,457)
Balance on September 30, 2019	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 1,132,369</u>	<u>\$ 764,978</u>	<u>\$ 54,218</u>	<u>\$ 26,575</u>	<u>\$ 1,050</u>	<u>\$ 127,028</u>	<u>\$ 312,248</u>	<u>\$ 2,475,776</u>

Book value :

On September 30, 2019

Cost	\$ 46,046	\$ 11,264	\$ 1,479,623	\$ 2,846,007	\$ 194,579	\$ 64,531	\$ 19,793	\$ 205,098	\$ 312,248	\$ 5,179,189
Less: Accumulated depreciation and impairment	—	—	(347,254)	(2,081,029)	(140,361)	(37,956)	(18,743)	(78,070)	—	(2,703,413)
Balance on September 30, 2019	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 1,132,369</u>	<u>\$ 764,978</u>	<u>\$ 54,218</u>	<u>\$ 26,575</u>	<u>\$ 1,050</u>	<u>\$ 127,028</u>	<u>\$ 312,248</u>	<u>\$ 2,475,776</u>

Book value :

On December 31, 2018

Cost	\$ 46,046	\$ 11,264	\$ 729,056	\$ 2,854,868	\$ 193,480	\$ 58,331	\$ 20,190	\$ 110,653	\$ 919,222	\$ 4,943,110
Less: Accumulated depreciation and impairment	—	—	(318,762)	(1,972,369)	(138,442)	(33,377)	(18,884)	(68,780)	—	(2,550,614)
Balance on December 31, 2018	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 410,294</u>	<u>\$ 882,499</u>	<u>\$ 55,038</u>	<u>\$ 24,954</u>	<u>\$ 1,306</u>	<u>\$ 41,873</u>	<u>\$ 919,222</u>	<u>\$ 2,392,496</u>

	<u>Land</u>	<u>Land revaluation</u>	<u>Building/ Structure</u>	<u>Machinery and equipment</u>	<u>Hydropower equipment</u>	<u>Transport equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1st, 2018	\$ 46,046	\$ 11,264	\$ 395,330	\$ 1,025,112	\$ 70,951	\$ 10,781	\$ 1,477	\$ 28,205	\$ 571,767	\$ 2,160,933
Added	—	—	2,271	24,911	1,721	—	443	4,579	287,878	321,803
Disposals or retirements	—	—	—	(1,025)	(34)	(59)	(11)	(3)	—	(1,132)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	—	63,170	—	23,374	—	19,354	(258)	105,640
Annual depreciation	—	—	(26,460)	(166,315)	(12,331)	(3,973)	(434)	(7,872)	—	(217,385)
Reversal of impairment	—	—	935	—	—	—	—	—	—	935
Effect of exchange rate changes	—	—	(9,589)	(25,635)	(1,793)	(134)	(17)	(523)	(1,732)	(39,423)
Balance on September 30, 2018	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 362,487</u>	<u>\$ 920,218</u>	<u>\$ 58,514</u>	<u>\$ 29,989</u>	<u>\$ 1,458</u>	<u>\$ 43,740</u>	<u>\$ 857,655</u>	<u>\$ 2,331,371</u>

Book value :

On September 30, 2018

Cost	\$ 46,046	\$ 11,264	\$ 671,380	\$ 2,837,266	\$ 192,363	\$ 69,732	\$ 20,184	\$ 109,648	\$ 857,655	\$ 4,815,538
Less: Accumulated depreciation and impairment	—	—	(308,893)	(1,917,048)	(133,849)	(39,743)	(18,726)	(65,908)	—	(2,484,167)
Balance on September 30, 2018	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 362,487</u>	<u>\$ 920,218</u>	<u>\$ 58,514</u>	<u>\$ 29,989</u>	<u>\$ 1,458</u>	<u>\$ 43,740</u>	<u>\$ 857,655</u>	<u>\$ 2,331,371</u>

1. For the information regarding the Group's property, plant and equipment weren't pledged to others as collateral.
2. Capitalized interest for the years 2018 and for the nine months ended September 30, 2019 were 7,278 and 4,826 thousand, respectively.

(5)Lease arrangement

<1> Right-of-use assets

The cost, depreciation and impairment loss of the land and transport equipment rented by the Group. The change detail is as follows.

	Land	Transport equipment	Total
Cost of right-of use assets :			
Balance on January 1st, 2019	\$ —	\$ —	\$ —
Effects of retrospective application for IFRS16	704, 575	1, 092	705, 667
Restatement balance on January 1st, 2019	704, 575	1, 092	705, 667
Lease payment change adjustment of addition and future	(1, 734)	(206)	(1, 940)
Effects of Changes in Foreign Exchange	—	—	—
Balance on September 30, 2019	\$ 702, 841	\$ 886	\$ 703, 727
	Land	Transport equipment	Total
Depreciation and impairment loss of right-of use assets:			
Balance on January 1st, 2019	\$ —	\$ —	\$ —
Effects of retrospective application for IFRS16	—	—	—
Restatement balance on January 1st, 2019	—	—	—
Depreciation	11, 481	365	11, 846
Transfer to cost of prepayment for equipment	4, 246	—	4, 246
Effects of Changes in Foreign Exchange	2, 423	—	2, 423
Balance on September 30, 2019	\$ 18, 150	\$ 365	\$ 18, 515
Book value:			
Balance on June 30, 2019	\$ 694, 982	\$ 643	\$ 695, 625

<2> Lease liabilities

Items	Lease period	Discount rate	Amount
Land	January 2019 to January 2064	1. 1%	\$ 505, 432
Transport equipment	January 2019 to March 2021	1. 1%	524
Total			505, 956
Less: lease liabilities-current			(1, 270)

lease liabilities- noncurrent	\$ 504,686
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<3> Major lease activities and provision

The Group rent lands to build plants, warehouses and offices use. The rent period is from one year to ninety nine years. The leases payment will be adjusted by change of published land price and others reasons for R.O.C. land leases contracts. When till the end of leases, the Group hasn't discounted prices right for leases lands. If the Group doesn't get agreement by lessor, the Group shouldn't rent or transfer right for all or parts of lands to others.

<4> Others leases information

2019

	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
Short term leases fees	\$ 306	\$ 918
Leases fees for low value assets	\$ 63	\$ 144
Total cash(out) of leases		\$ (10,975)

For the land and buildings which qualify as short-term leases and some office and transportation equipment which qualify as low-value asset leases, the Group has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

2018

The lowest payment amount for non-cancellable lease is as follows.

	December 31, 2018	September 30, 2018
Less than one year	\$ 10,699	\$ 16,904
More than one year and less than five years	25,905	7,855
More than five years	139,728	—
Total	\$ 176,332	\$ 24,759

(6)Short-term borrowings

September 30, 2019		
Items	Amount	Interest rate
Credit loans	\$ 1,705,000	0.81%~1.08%
Total	\$ 1,705,000	
December 31, 2018		
Items	Amount	Interest rate
Credit loans	\$ 1,070,000	0.77%~0.90%
Total	\$ 1,070,000	
September 30, 2018		
Items	Amount	Interest rate
Credit loans	\$ 1,000,000	0.75%~0.95%
Total	\$ 1,000,000	

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

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

September 30, 2019: None.

December 31, 2018: None.

September 30, 2018				
Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	China Bills	2018/09/20~2018/10/19	0.530%	\$ 80,000
Short-term notes and bills payable	MEGA Bills	2018/09/28~2018/10/26	0.750%	100,000
Total				180,000
Less: discount on short-term notes and bills				(72)
Short-term net notes and bills				<u>\$ 179,928</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Credit loans	\$ 2,259,651	\$ 1,961,886	\$ 1,878,618
Secured bank borrowings	266,764	374,939	412,278
Subtotal	2,526,415	2,336,825	2,290,896
Less: current portion of long-term bank borrowings	(372,500)	(126,000)	(73,000)
Total	<u>\$ 2,153,915</u>	<u>\$ 2,210,825</u>	<u>\$ 2,217,896</u>
Range of maturity dates	2017/05~2025/09	2017/04~2025/09	2016/08~2025/01
Range of interest rates	1.05% ~1.15%	1.05%~1.15%	1.10% ~1.33%

1. NAN LIU Group assigned Huang Chin-San and Huang Ho-Chun as guarantors.

2. The machines of secured loan is installing. The lending bank will have the first priority ranking mortgage.

(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 2018 and December 31st, 2017.

<2> The Group recognized the cost and details of each item in the statements of comprehensive income areas follows:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Cost of goods sold	\$ 155	\$ 201	\$ 469	\$ 605
Selling expenses	—	—	—	—
General and administrative expenses	146	163	433	492
Research and development expenses	69	73	207	215
Total	<u>\$ 370</u>	<u>\$ 437</u>	<u>\$ 1,109</u>	<u>\$ 1,312</u>

2. Contribution plans

The pension costs (including pension insurance) under the Group's defined contribution pension plans for the three months ending on September 30, 2019 and 2018 were \$14,229 thousand and \$15,147 thousand, respectively.

(10) Capital and other equity

1. Common stock

As of September 30, 2019, the Company's authorized capital was \$1,000,000 thousand, and issued capital was \$726,000 thousand.

2. Capital surplus

Item	September 30, 2019	December 31, 2018	September 30, 2018
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\$7,399 thousand and 8,207 thousand for the nine months ended September 30, 2019 and September 30, 2018, respectively. Compensation to directors was expensed based on estimated amount payable, which amounted to NT\$5,122 thousand and NT\$5,252 thousand for the nine months ended September 30, 2019 and September 30, 2018, 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\$8,663 thousand and NT\$5,997 thousand, respectively proposed by the Board

of Directors on March 6, 2019. 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, 2018. The distribution of the 2018 will be approved by the shareholders' meeting on May 29, 2019.

- (5) The distributions of profit for 2018 and 2017 were approved by the shareholders' meeting on May 29, 2019 and May 29, 2018, respectively. The appropriations and dividends per share were as follows:

	2018		2017	
	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)	Amount
Cash	5	\$ 363,000	4.5	\$ 326,700
Shares	—	—	—	—
		<u>\$ 363,000</u>		<u>\$ 326,700</u>
Bonus to employees - cash		\$ 8,663		\$ 7,368
Remuneration to directors and supervisors		5,997		4,715
		<u>\$ 14,660</u>		<u>\$ 12,083</u>

The appropriations of Earnings of 2018 were as follows:

	2018		
	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	\$ 8,663	\$ 8,663	\$ —
Remuneration of directors and supervisors	\$ 5,997	\$ 5,997	\$ —

Distribution of 2018 retained earnings was the same as proposal by the Board of Directors on March 6, 2019 and the shareholder resolution made on May 29, 2019. 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

	September 30, 2019	December 31, 2018	September 30, 2018
Opening balance	\$ 193,201	\$ 155,667	\$ 155,667

Special reserve appropriated- deduction item in other equity appropriated	71, 736	37,534	37, 534
Reversal Special reserve	—	—	—
Ending balance	<u>\$ 264, 937</u>	<u>\$ 193, 201</u>	<u>\$ 193, 201</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, 2019	\$ (264,937)
Currency translation differences (after tax)	(74,808)
On September 30, 2019	<u>\$ (339,745)</u>
On January 1, 2018	\$ (193,201)
Currency translation differences (after tax)	(101,035)
On September 30, 2018	<u>\$ (294,236)</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

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Sale of goods	<u>\$ 1, 584, 135</u>	<u>\$ 1, 600, 342</u>	<u>\$ 4, 834, 714</u>	<u>\$ 4, 979, 406</u>

a. The detail item of customers' contracts.

Item	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Biotechnology	\$ 497, 759	\$ 571, 550	\$ 1, 594, 657	\$ 1, 968, 563
Spunlace Nonwoven	430, 111	386, 278	1, 364, 123	1, 136, 524

Air Through & Thermal Bond Nonwoven	445,304	419,218	1,280,825	1,233,166
Disposable Surgical gowns Fabrics	210,961	223,296	595,109	641,153
Total	<u>\$ 1,584,135</u>	<u>\$ 1,600,342</u>	<u>\$ 4,834,714</u>	<u>\$ 4,979,406</u>

b. The balance of contracts

	September 30, 2019	December 31, 2018	September 30, 2018
Contract liability	<u>\$ 13,206</u>	<u>\$ 22,718</u>	<u>\$ 14,798</u>

<1> The changes of contract liability majorly satisfy performance obligation and payment difference of customers.

<2> For the nine months ended September 30, 2019 and 2018, initial contract liability recognize 19,244 thousand and 7,312 thousand under revenue.

(12) Non-operating income and expenses

1. Others

Items	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Interest income	\$ 6,969	\$ 2,212	\$ 15,668	\$ 6,374
Impairment or reversal of property, plant and equipment	—	295	—	935
gain on disposal of assets	584	10	469	(745)
Foreign exchange gain, net	34,943	21,874	34,654	35,138
Other income	19,625	4,236	58,265	35,719
Total	<u>\$ 62,121</u>	<u>\$ 28,627</u>	<u>\$ 109,056</u>	<u>\$ 77,421</u>

2. Finance costs

Items	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Interest expense (Bank loans)	\$ 9,782	\$ 5,932	\$ 25,605	\$ 16,059
Interest of leased liabilities	1,011	—	3,057	—
Less: the amount of capitalization of assets that eligible for condition	(2,486)	(1,822)	(7,278)	(4,826)

Total	\$	8,307	\$	4,110	\$	21,384	\$	11,233
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(13) Income taxes

The 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:

Item	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Current income tax				
Income tax incurred in current period	\$ 52,762	\$ 58,119	\$ 137,627	\$ 158,135
Addition expropriation of undistributed earnings	(84)	—	4,854	11,938
Tax adjustments of prior financial period	—	(2)	(45)	363
10% tax on unappropriated earnings	31,020	—	61,810	29,070
Deferred income tax expense				
Recognition and reversal of temporary differences	5,852	(2,128)	3,561	585
Effects of changes in tax rate	—	—	—	(2,734)
Income tax expense	\$ 89,550	\$ 55,989	\$ 207,807	\$ 197,357

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

Items	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Effects of changes in tax rate	\$ —	\$ —	\$ —	\$ (389)

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. The Group's parent company annual profit-seeking enterprise income tax for last year had been approved by Tax Collection agency in 2017.

3. The Group's subsidiary income tax was calculated according to the local income tax rates approved by the Tax Collection agency in 2017.

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

	For the three months ended September 30, 2019		
	Operating cost	Operating expenses	Total
Employee benefit expense \$	96,366	\$ 34,371	\$ 130,737
Wages and salaries	78,447	26,965	105,412
Labor and health insurance costs	9,276	2,181	11,457
Pension and severance expenses	1,875	1,039	2,914
Compensation of directors	—	2,421	2,421
Other personnel expenses-food expenses	6,768	1,765	8,533
Depreciation	53,016	5,206	58,222
Amortization	165	2	167
	For the three months ended September 30, 2018		
	Operating cost	Operating expenses	Total
Employee benefit expense \$	87,667	\$ 31,697	\$ 119,364
Wages and salaries	71,728	25,257	96,985
Labor and health insurance costs	8,967	2,088	11,055
Pension and severance expenses	1,709	866	2,575
Compensation of directors	—	2,087	2,087
Other personnel expenses-food expenses	5,263	1,399	6,662
Depreciation	65,689	2,238	67,927
Amortization	339	1,659	1,998
	For the nine months ended September 30, 2019		
	Operating cost	Operating expenses	Total
Employee benefit expense \$	272,304	\$ 98,167	\$ 370,471
Wages and salaries	224,864	79,250	304,114
Labor and health insurance costs	24,205	5,963	30,168
Pension and severance expenses	5,227	2,605	7,832
Compensation of directors	—	5,612	5,612
Other personnel expenses-food expenses	18,008	4,737	22,745
Depreciation	175,141	17,116	192,257
Amortization	537	22	559
	For the nine months ended September 30, 2018		
	Operating cost	Operating expenses	Total

Employee benefit expense	\$ 263,865	\$ 93,994	\$ 357,859
Wages and salaries	217,648	75,137	292,785
Labor and health insurance costs	25,988	6,306	32,294
Pension and severance expenses	4,628	2,545	7,173
Compensation of directors	—	5,742	5,742
Other personnel expenses-food expenses	15,601	4,264	19,865
Depreciation	210,522	6,863	217,385
Amortization	1,016	5,089	6,105

There were 916 and 969 workers in the Group on September 30, 2019 and 2018, respectively. It's include Non employees Directors 4 persons.

(15) Earnings per share

1. Basic earnings per share

Earnings per share were attributed to the common equity holders of the 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.

	For the three months ended September 30, 2019		
	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	\$ 161,452	72,600	\$ 2.22
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	26	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 161,452	72,626	\$ 2.22
	For the three months ended September 30, 2018		
	After-tax amount	Weighted average number of	Earnings per share (NT\$)

		outstanding shares (thousand shares)	
Basic earnings per share			
Profit attributable to common stock holders of the parent	\$ 176,772	72,600	\$ 2.43
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	22	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 176,772	72,622	\$ 2.43
For the nine months ended September 30, 2019			
	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	\$ 368,286	72,600	\$ 5.07
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	52	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 368,286	72,652	\$ 5.07
For the nine months ended September 30, 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	\$ 449,973	72,600	\$ 6.20
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	52	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 449,973	72,652	\$ 6.19

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 change 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
Balance on January 1, 2019	\$ 1,070,000	\$ 518,871	\$ 2,336,825	\$ 984	\$ 3,926,680
Cash folw	635,000	(10,975)	222,501	—	846,526
Changes of Exchange rate	—	—	(32,911)	147	(32,764)
Others(Note1)	—	(1,940)	—	—	(1,940)
Balance on September 30, 2019	\$ 1,705,000	\$ 505,956	\$ 2,526,415	\$ 1,131	\$ 4,738,502

	Short term loan	Short-term bills payable , net	Long term loan (include Current portion)	Guarantee deposits	The total of liabilities from Financing Activities
Balance on January 1, 2018	\$ 706,435	\$ 399,858	\$ 1,265,510	\$ 1,112	\$ 2,372,915
Cash folw	293,565	(220,000)	1,034,085	(105)	1,107,545
Changes of Exchange rate	—	—	(8,699)	(32)	(8,731)
Others(Note2)	—	70	—	—	70
Balance on September 30, 2018	\$ 1,000,000	\$ 179,928	\$ 2,290,896	\$ 975	\$ 3,471,799

Note1: others include change adjustments of leases in the future.

Note2: 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 the Group's parent company
Huang Ho-Chun	Director of the 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: None.
7. Others:

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

Items	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Salary	\$ 8,467	\$ 7,890	\$ 13,406	\$ 13,136
Bonus	—	—	2,464	2,534
Service allowance	270	190	570	490
Total	<u>\$ 8,737</u>	<u>\$ 8,080</u>	<u>\$ 16,440</u>	<u>\$ 16,160</u>

(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	September 30, 2019	December 31, 2018	September 30, 2018
Restricted bank deposits	\$ 12,231	\$ 45,834	\$ 26,993
Total	<u>\$ 12,231</u>	<u>\$ 45,834</u>	<u>\$ 26,993</u>

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) Amounts of unused letters of credit and deposits were as follows.

September 30, 2019		December 31, 2018		September 30, 2018	
Letter of credit	Security deposit	Letter of credit	Security deposit	Letter of credit	Security deposit
USD —	\$ —	USD 635	\$ —	USD —	\$ —
EUR 457	\$ —	EUR 689	\$ —	EUR 689	\$ —

(2) The Group unrecognized commitments are as follows.

	September 30, 2019	December 31, 2018	September 30, 2018
Payment of Property , plant and equipment	\$ 391,502	\$ 273,941	\$ 191,032

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	September 30, 2019	December 31, 2018	September 30, 2018
Total liabilities	\$ 6,086,588	\$ 5,053,487	\$ 4,761,405
Total equity	2,996,481	3,066,003	2,895,975
Debt to equity ratio	203.12%	164.82%	164.41%

(2) Financial instruments

1. The kinds of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
Financial assets measured at amortized costs :			
Cash and cash equivalents	\$ 1,340,049	\$ 1,089,253	\$ 977,915
Notes receivable	79,882	87,049	73,101
Accounts receivable	1,165,887	1,351,276	1,347,963
Other receivables	18,370	39,533	17,608
Deposit of period over three months	177,813	23,762	—
Refundable deposit and pledged financial assets	27,790	63,119	44,233
	<u>\$ 2,809,791</u>	<u>\$ 2,653,992</u>	<u>\$ 2,460,820</u>

Financial liabilities

Financial liabilities measured at amortized costs:

Short term loan	\$ 1,705,000	\$ 1,070,000	\$ 1,000,000
Short-term bills payable , net	—	—	179,928
Accounts payable	1,194,901	1,350,308	1,062,489

Long term loan(include Current portion)	2,526,415	2,336,825	2,290,896
Leases liabilities	505,956	—	—
Guarantee deposits	1,131	984	975
	<u>\$ 5,933,403</u>	<u>\$ 4,758,117</u>	<u>\$ 4,534,288</u>

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.

Item	September 30, 2019			December 31, 2018			September 30, 2018		
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets									
Monetary items									
USD	\$ 33,237	31.04	\$ 1,031,670	\$ 37,145	30.715	\$ 1,140,900	\$ 33,674	30.525	\$ 1,027,897
RMB	7,378	4.3498	32,093	7,243	4.472	32,389	1,010	4.436	4,480
EUR	69	34.04	2,349	38	35.421	1,346	16	35.480	579
INR	835,322	0.4395	367,124	—	—	—	—	—	—
Financial liabilities									
Monetary items									
USD	11,327	31.04	351,587	11,404	30.715	350,280	9,870	30.525	301,271
EUR	14,581	33.95	495,024	14,589	35.200	513,542	15,896	35.480	563,984

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 the nine months ended September 30, 2019 and 2018, if the NTD/USD, NTD/RMB, NTD/EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, As of the nine months ended September 30, 2019 and 2018, the company's income before income tax would increase/decrease by \$5,862 thousand and \$1,674thousand 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 \$31,736 thousand and \$26,031 thousand for the nine months ended September 30, 2019 and 2018, 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 customer 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 increases. 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 for nine months ended September 30, 2019 and 2018 is as Note 6(2).

(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	September 30, 2019				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	\$ 1,705,000	\$ —	\$ —	\$ —	\$ 1,705,000
Short-term notes and bills payable	—	—	—	—	—
Notes payable	505,119	—	—	—	505,119
Accounts payable	467,524	—	—	—	467,524
Other accounts payable	182,341	—	—	—	182,341
Payables on equipment	39,917	—	—	—	39,917
Leases Liabilities(includes noncurrent)	1,270	44,858	39,400	420,428	505,956
Long-term loans (including due within one year or one operating cycle)	372,500	1, 195, 000	359,720	599,195	2, 526, 415

Items	December 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	\$ 1, 070, 000	\$ —	\$ —	\$ —	\$ 1, 070, 000
Short-term notes and bills payable	—	—	—	—	—
Notes payable	563, 057	—	—	—	563, 057
Accounts payable	605, 212	—	—	—	605, 212
Other accounts payable	163, 114	—	—	—	163, 114
Payables on equipment	18, 925	—	—	—	18, 925
Long-term loans (including due within one year or one operating cycle)	126, 000	1, 105, 000	512, 825	593, 000	2, 336, 825

Items	September 30, 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	\$ 1, 000, 000	\$ —	\$ —	\$ —	\$ 1, 000, 000
Short-term notes and bills payable	179, 928	—	—	—	179, 928
Notes payable	370, 661	—	—	—	370, 661
Accounts payable	485, 151	—	—	—	485, 151
Other accounts payable	152, 462	—	—	—	152, 462
Payables on equipment	54,215	—	—	—	54,215
Long-term loans (including due within one year or one operating cycle)	73, 000	1, 235, 000	563,896	419,000	2, 290, 896

(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 Company provide guarantee to subsidiaries by 'Procedures for Making of Endorsements/Guarantees'. Because we can control the risk, we don't request any collateral. Maybe the loss amount is equal to guarantee amount if the subsidiaries can't performance the contract.
2. Financial instruments with off-balance sheet credit risk is as Note 13 and Note II.

(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	September 30, 2019				
	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	\$ 1,340,049	\$ —	\$ —	\$ —	\$ —
Notes receivable and accounts receivable	1,245,769	—	—	—	—
Restricted assets	12,231	—	—	—	—
other current assets	177,813	—	—	—	—
Refundable deposit	15,559	—	—	—	—
Financial liabilities:					
Amortised cost of a financial liabilities					
Short term loan	1,705,000	—	—	—	—
short-term notes and bills payable	—	—	—	—	—
Notes payable and accounts payable	972,643	—	—	—	—
Payables on equipment	39,917	—	—	—	—
Current portion of long-term liabilities	372,500	—	—	—	—
long-term liabilities	2,153,915	—	—	—	—
Leases liabilities	505,956	—	—	—	—
guarantee deposit received	1,131	—	—	—	—

December 31, 2018

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	\$ 1,089,253	\$ —	\$ —	\$ —	\$ —
Notes receivable and accounts receivable	1,477,858	—	—	—	—
Restricted assets	45,834	—	—	—	—
other current assets	23,763	—	—	—	—
Refundable deposit	17,285	—	—	—	—
Financial liabilities:					
Amortised cost of a financial liabilities					
Short term loan	1,070,000	—	—	—	—
short-term notes and bills payable	—	—	—	—	—
Notes payable and accounts payable	1,331,383	—	—	—	—
Payables on equipment	18,925	—	—	—	—
Current portion of long-term liabilities	126,000	—	—	—	—
long-term liabilities	2,210,825	—	—	—	—
guarantee deposit received	984	—	—	—	—

September 30, 2018

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	\$ 977,915	\$ —	\$ —	\$ —	\$ —
Notes receivable and accounts receivable	1,438,672	—	—	—	—
Restricted assets	26,993	—	—	—	—
other current assets	504	—	—	—	—
Refundable deposit	17,240	—	—	—	—
Financial liabilities:					
Amortised cost of a financial liabilities					
Short term loan	1,000,000	—	—	—	—
short-term notes and bills payable	179,928	—	—	—	—
Notes payable and accounts payable	1,008,274	—	—	—	—
Payables on equipment	54,215	—	—	—	—
Current portion of long-term liabilities	73,000	—	—	—	—
long-term liabilities	2,217,896	—	—	—	—
guarantee deposit received	975	—	—	—	—

(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 Group 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 Group currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transactions for six months ended September 30, 2019 and 2018.

13. Disclosure items

(1) Significant transactions and (2) Business investments

1. Offer loans to others: As note I.
 2. The endorsement for others: As note II .
 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 III .
 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 IV .
 11. Investee company name/location related information: As note V .
- (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 VI.
 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 III .
 - (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: none.
 - (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
 Financings Provided
 For the nine months ended September 30, 2019

Note I

Unit: Thousand NT\$

No. (Note1)	Financing Company	Counter-party	Financial Statement Account (Note2)	Related party	Maximum Balance for the period (Note3)	Ending Balance (Note8)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note4)	Transaction Amount (Note5)	Reason for Financing (Note6)	Allowance for Bad Debt	Collateral		Financing Limits for each borrowing company (Note7)	Financing Company's total Financing amount Limits (Note7)	remarks
													Item	Value			
1	NANLIU ENTERPRISE(SAMOA) CO., LTD.	Nan liu Enterprise Co., Ltd	Receivables from related parties	Yes	\$ 270,222	\$ 270,222	\$ 270,222	3.5%	The need for financing	\$ -	Repayment of loans	\$ -	-	\$ -	\$ -	NTD 1,526,458 The Company's Equity NTD 3,816,144×40% =1,526,458	-
1	NANLIU ENTERPRISE(SAMOA) CO., LTD.	NANLIU MANUFACTURING(IN DIA) PRIVATE LIMITED	Receivables from related parties	Yes	\$ 465,900	\$ 465,900	\$ 465,900	3.75%	The need for financing	-	Construction and purchase machines	\$ -	-	\$ -	\$ -	NTD 1,526,458 The Company's Equity NTD 3,816,144×40% =1,526,458	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) Enter '0' for the Issuer.

(2) The investees are numbered in serial order starting from '1'.

Note 2: Financing provided need to fill the field, including of related parties receivables, stockholders' current account, prepayments, temporary payments and so on.

Note 3: Maximum Balance for the ending of current year.

Note 4: The financing activities include trading partner and short term financing.

Note 5: It need to fill transaction amount if the financing activities is trading partner. The transaction amount is the transaction amount for the nearest year between financing company and counter party.

Note 6: It need to describe reason for financing and counter party if it's short term loan. For example, repayment of loans, payment for equipment, working capital and so on.

Note 7: It should fill Financing Limits for each borrowing company and total Financing amount Limits and follow the Company's "Procedures for Loaning of Funds". It's necessary to describe calculation method in remark field

Note 8: Public Companies follow item 1 Article 14 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies". Each financing provided need to be approved by board of directors and announce the amount, risk even the Financing Company doesn't borrow money to the counter party. It need to announce the amount after repay. It need to announce the highest lending limit for announcement application amount even the board of directors approved the loan can borrow several times during one year or roll over.

NAN LIU Enterprise Co., Ltd. and Subsidiary
ENDORSEMENTS/GUARANTEES PROVIDED
 For the nine months ended September 30, 2019

Note II

Unit: Thousand NT\$

No	Endorsement guarantor Company name	Guarantee object by endorsement		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance of Endorsement/Guarantee for the Period	Ending Balance of Endorsement/Guarantee	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Endorsement/Guarantee Maximum Amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Company name	Nature of Relationship											
0	Nan Liu Enterprise Co., Ltd.	NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED	Directly possesses more than 50% shares of common stock of the subsidiary	\$ 5,992,962	\$ 335,750	\$ 335,750	\$ —	\$ —	11.20%	\$ 5,992,962	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(3) Enter '0' for the Issuer.

(4) The investees are numbered in serial order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the Company is classified into the following six categories (just mark the category number):

(1) Companies with business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) More than 50% voting shares of the subsidiary directly held by the endorser/guarantor parent company or indirectly held by subsidiary.

(5) Companies which guarantee each other according to contract based on contractor relationship.

(6) Joint venture endorsed/guaranteed by shareholders based on their holding ratio.

NAN LIU Enterprise Co., Ltd. and Subsidiary
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the nine months ended September 30, 2019

Note III

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	\$ 790,636	20.89%	With the same general terms and conditions	—	—	\$ (199,675)	20.53%	—

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 Subsidiary
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
For the nine months ended September 30, 2019

Note IV

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	Purchase	\$ 790,636	The same as other companies	16.35%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	\$ 199,675	The same as other companies	2.20%

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 Subsidiary
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 For the nine months ended September 30, 2019

Note V

Unit: Thousand NT\$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2019			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				September 30, 2019	December 31, 2018	Shares	Percentage	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	\$ 1,643,224	\$ 1,643,224	52,948	100.00%	\$ 3,808,183	\$ 268,561	\$ 268,561	
Nan Liu Enterprise Co., Ltd.	CHING-TSUN biomedical technology Co., Ltd.	Taiwan	Sales of skin care products, research and development of health care and hygiene products	\$ 30,000	\$ —	3,000	100.00%	\$ 29,999	\$ (1)	\$ (1)	
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	India	Manufacturing and processing of nonwovens fabric	\$ 153,774	\$ 153,774	34,570	100.00%	\$ 129,492	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.

Note 3: The income of Investee Company is included in income of Investment Company. It doesn't to describe to reduce confusion.

NAN LIU Enterprise Co., Ltd. and Subsidiary
Information on Investment in Mainland China
For nine months ended September 30, 2019

Note VI

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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	\$ 1,846,701	2	\$ 1,487,607	\$ —	\$ —	\$ 1,487,607	\$ 328,517	100.00%	\$ 328,517	\$ 2,839,383	\$ —	
Accumulated Investment in Mainland China as of September 30, 2019		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 three months ended September 30, 2019

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	\$ 776,406	\$ 807,729	\$ —	\$ 1,584,135
Net revenue from sales among intersegments	2,155	256,906	(259,061)	—
Segment revenue	\$ 778,561	\$ 1,064,635	\$ (259,061)	\$ 1,584,135
Segment income	\$ 55,380	\$ 141,808	\$ —	\$ 197,188
Segment assets	\$ 3,417,390	\$ 1,629,272	\$ —	\$ 5,046,662

For three months ended June 30, 2018

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	\$ 802,456	\$ 797,886	\$ —	\$ 1,600,342
Net revenue from sales among intersegments	—	348,131	(348,131)	—
Segment revenue	\$ 802,456	\$ 1,146,017	\$ (348,131)	\$ 1,600,342
Segment income	\$ 55,069	\$ 153,175	\$ —	\$ 208,244

Segment assets	\$ 2,286,443	\$ 1,370,984	\$ —	\$ 3,657,427
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For nine months ended September 30, 2019

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	\$ 2,243,495	\$ 2,591,219	\$ —	\$ 4,834,714
Net revenue from sales among intersegments	2,457	790,636	(793,093)	—
Segment revenue	\$ 2,245,952	\$ 3,381,855	\$ (793,093)	\$ 4,834,714
Segment income	\$ 120,172	\$ 368,249	\$ —	\$ 488,421
Segment assets	\$ 3,417,390	\$ 1,629,272	\$ —	\$ 5,046,662

For nine months ended September 30, 2018

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	\$ 2,343,190	\$ 2,636,216	\$ —	\$ 4,979,406
Net revenue from sales among intersegments	21	875,206	(875,227)	—
Segment revenue	\$ 2,343,211	\$ 3,511,422	\$ (875,227)	\$ 4,979,406
Segment income	\$ 174,504	\$ 406,638	\$ —	\$ 581,142
Segment assets	\$ 2,286,443	\$ 1,370,984	\$ —	\$ 3,657,427

(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	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Reportable segments income	\$ 197,188	\$ 208,244	\$ 488,421	\$ 581,142

Unallocated amounts:

Non-operating income and expense	53,814	24,517	87,672	66,188
Income before income tax	<u>\$ 251,002</u>	<u>\$ 232,761</u>	<u>\$ 576,093</u>	<u>\$ 647,330</u>