Stock code: 6504

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Parent Company Only Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

Company Address: No. 699, Silin Rd., Yanchao Dist., Kaohsiung City

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

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Parent Company Only Financial Statements for the
Years Ended December 31, 2019 and 2018
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Nanliu Enterprise Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Financial Supervisory Commission Letter No.1090360805 of February 25,2020 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

<u>Valuation of accounts receivable</u>

Please refer to Notes 4 and 6(2) to the parent company only financial statements for detail information and accounting policy of valuation of accounts receivable. As of December 31, 2019, net accounts and notes receivable of the Company amounted to NT$ 510,829 thousand dollars, accounted for 5.79% of total assets, has significant impact to financial statements of the Company, and the provision for impairment of accounts and notes receivable is inherently judgmental, therefore, we have identified valuation of accounts receivable as a key audit matter.

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Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Performed internal control test on top 10 customers and other major customers, surveyed these customers' background and randomly checked to confirm whether the receivables arising from these customer sales are in line with the Company's credit policy. We inspected how the Company processed breach of the credit policy.
2. Performed internal control test by randomly vouching from sales documents to accounts receivable aging report to test accuracy of accounts receivable aging.
3. Performed analytical review procedures by comparing the difference in turnover and accounts receivable balance for reasonableness of variances.
4. Reviewed subsequent collection of significant receivables after the balance sheet date.
5. For the preparation matrix provided by the company, evaluate whether the expected loss rate is reasonable.
6. According to accounts receivable statement, accounts receivable aging and overdue accounts receivable statement provided by the client, whether the credit period of the accounts receivable customer is consistent with the system login. Perform relevant decimation calculations to confirm that the aging and overdue vesting periods are correct.

<u>Valuation of inventories</u>

Please refer to Notes 4, 5 and 6(3) to the parent company only financial statements for the detail information and accounting policy , uncertainty of valuation of inventories; As of December 31, 2019, inventories of the Company amounted to NT$ 407,500 thousand dollars, accounted for 4.62% of total assets, has significant impact to financial statements of the Company, in addition, the principal operating activities of the Company include Air-Through/Thermal-Bonded Nonwovens Fabrics、Spunlace Nonwovens Fabrics、High-tech woodpulp spunlace Fabrics、Wet Wipes、Facial Mask and care product, etc., the selling price of these products fluctuates from the supply of upstream suppliers and changes in the market competition, resulted risk of book value exceeding its net realizable value, therefore, we have identified valuation of inventories as a key audit matter.

Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Understood inventory valuation process by the management.
2. Understood the Company's warehousing management process, reviewed the Company's annual physical inventory count plan and observed the annual inventory count to assess the reasonableness of methods used by the management to identify and monitor obsolescent inventories.
3. Randomly checked the inventory movement report for consumption of inventories and compared inventory aging report to that of prior year for reasonableness and accuracy of inventory aging report.
4. Conducted analytical review process for inventory balances, turnover and gross margin by products, compared differences to prior year for any unusual variance.
5. Compared historical inventory provision and actual write-down to analyze the appropriateness of the accounting policies of the management for inventory provision.

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6. Verified the reasonableness of the net realizable value of inventory by randomly vouching sales and purchase orders to evaluate adequacy of inventory provision.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including Supervisors or members of Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going

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concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsiang-Ning Hu

Szu-Ning Lin

YANGTZE CPAS & Co.,
March 10, 2020

Notice to Readers

The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 auditors 'report and financial statements shall prevail.

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NANLIU ENTERPRISE CO., LTD
Parent Company Only Balance Sheets
December 31,2019 and December 31,2018
(All amounts expressed In Thousands of New Taiwan Dollars)

	ASSETS		December 31,2019 Amount	%	December 31,2018 Amount	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	4、6(1)	$ 152,027	1.72	$ 164,717	2.21
1150	Notes receivable, net	4、6(2)	46,710	0.53	46,650	0.63
1170	Accounts receivable, net	4、6(2)、7	464,119	5.26	513,755	6.89
1200	Other receivables		9,381	0.11	16,001	0.21
1310	Inventories	4、6(3)	407,500	4.62	359,166	4.82
1410	Prepayments		167,180	1.90	175,898	2.36
1470	Other current assets		30,360	0.34	23,709	0.32
	Total current assets		1,277,277	14.48	1,299,896	17.44
	NONCURRENT ASSETS					
1550	Investments accounted for using equity method	4、6(4)	3,905,426	44.31	3,610,994	48.45
1600	Property , plant and equipment	4、6(5)	1,143,668	12.98	1,060,735	14.23
1755	Right-of-use assets	4、6(6)	521,617	5.92	-	-
1840	Deferred income tax assets	4、6(14)	28,104	0.32	24,319	0.33
1915	Prepayments for equipment		1,842,849	20.91	1,419,604	19.05
1920	Refundable deposit		21,163	0.24	11,740	0.16
1985	Long-term prepaid rents		-	-	23,340	0.31
1990	Other assets		73,923	0.84	2,364	0.03
	Total noncurrent assets		7,536,750	85.52	6,153,096	82.56
1xxx	Total assets		$ 8,814,027	100.00	$ 7,452,992	100.00

	LIABILITIES AND EQUITY		December 31,2019 Amount	%	December 31,2018 Amount	%
	CURRENT LIABILTIES					
2100	Short-term loans	4、6(7)	$ 1,370,000	15.54	$ 1,070,000	14.36
2110	Short-term bills payable , net	6(8)	34,999	0.40	-	-
2130	Contract liabilities-current	4、6(12)	303	0.00	978	0.01
2150	Notes payable	4	69,854	0.79	104,717	1.41
2170	Accounts payable	4、7	295,100	3.35	369,713	4.96
2200	Other payable		396,812	4.50	82,956	1.11
2213	Payables on equipment		22,534	0.26	18,253	0.24
2230	Current tax liabilities	4	14,836	0.17	43,996	0.59
2280	Lease liabilities	4、6(6)	11,857	0.13	-	-
2320	Current portion of long-term bank borrowing	4、6(9)	394,433	4.48	126,000	1.69
2399	Other current liabilities		2,385	0.03	2,945	0.04
	Total current liabilities		2,613,113	29.65	1,819,558	24.41
	NONCURRENT LIABILTIES					
2540	Long-term bank borrowing	4、6(9)	2,505,237	28.42	2,210,825	29.66
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.08	7,386	0.10
2572	Deferred income tax liabilities-income tax	4、6(14)	11,972	0.14	5,433	0.07
2580	Lease liabilities	4、6(6)	492,830	5.59	-	-
2620	Long-term accounts note and payable to related parties	7	-	-	267,220	3.59
2640	Accrued pension liabilities	4、6(10)	77,924	0.88	76,567	1.03
	Total noncurrent liabilities		3,095,349	35.11	2,567,431	34.45
	Total liabilities		5,708,462	64.76	4,386,989	58.86
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Owners equity					
3100	Capital stock	6(11)	726,000	8.24	726,000	9.74
3200	Capital surplus	6(11)	453,467	5.14	453,467	6.08
3300	Retained earnings	6(11)				
3310	Legal reserve		431,149	4.89	371,872	4.99
3320	Special reserve		264,937	3.01	193,201	2.59
3350	Unappropriated earnings		1,612,543	18.30	1,586,400	21.29
3400	Other	6(11)				
3410	Financial statements translation differences for foreign operations		(382,531)	(4.34)	(264,937)	(3.55)
	Equity attributable to shareholders of the parent		3,105,565	35.24	3,066,003	41.14
	Total liabilities and equity		$ 8,814,027	100.00	$ 7,452,992	100.00

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

NANLIU ENTERPRISE CO., LTD

Parent Company Only Statements of Comprehensive Income

For the Year Ended December 31 ,2019 and 2018

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

			For the year ended December 31					
			2019			2018		
	Item	Note		Amount	%		Amount	%
4000	Net Sales	4、6(12)、7	$	3,032,462	100.00	$	3,150,067	100.00
5000	Cost of goods sold	6(3)		(2,609,031)	(86.04)		(2,721,429)	(86.39)
5900	Gross profit			423,431	13.96		428,638	13.61
5910	Unrealized gain on sales			-	-		(7,229)	(0.23)
5920	Realized gain on sales			4,184	0.14		-	-
5950	Net Gross Profit From Operations			427,615	14.10		421,409	13.38
6000	Operating expenses							
6100	Promotion expenses			(78,318)	(2.58)		(67,488)	(2.14)
6200	Management expenses			(142,425)	(4.70)		(109,719)	(3.48)
6300	Research expenses			(23,912)	(0.79)		(20,820)	(0.66)
6450	Expected credit losses			(5,025)	(0.17)		135	0.00
6000	Total Operating expenses			(249,680)	(8.24)		(197,892)	(6.28)
6900	Operating profit			177,935	5.86		223,517	7.10
	Other non-operating income and expenses							
7020	Other income	6(13)		429,633	14.17		443,791	14.09
7510	Finance costs	6(13)		(39,001)	(1.29)		(15,586)	(0.49)
7000	Other non-operating income and expenses			390,632	12.88		428,205	13.60
7900	Income before income tax			568,567	18.74		651,722	20.70
7950	Income tax expense	4、6(14)		(42,562)	(1.40)		(58,956)	(1.87)
8200	Net Income			526,005	17.34		592,766	18.83
8300	Other comprehensive income (loss)							
8310	Items that will not be reclassified subsequently to profit or loss:							
8311	Remeasurement of defined benefit obligation	6(10)		(7,311)	(0.24)		(2,580)	(0.08)
8349	Income tax (expense) related to components of the comprehensive income	6(14)		1,462	0.05		905	0.03
8360	Items that may be reclassified subsequently to profit or loss:							
8361	Exchange differences arising on translation of foreign operations	6(11)		(117,594)	(3.88)		(71,736)	(2.28)
8300	Other comprehensive income (loss) for the period ,net of income tax			(123,443)	(4.07)		(73,411)	(2.33)
8500	Total comprehensive income for the period		$	402,562	13.27	$	519,355	16.50
9750	Basic earnings per share(NT dollars)	4、6(15)	$	7.25		$	8.16	
9850	Diluted earnings per share(NT dollars)	4、6(15)	$	7.24		$	8.16	

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

NANLIU ENTERPRISE CO., LTD

Parent Company Only Statements of Changes in Equity

For the year ended December 31,2019 and 2018

(All amounts expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Capital Stock - Common Stock			Retained Earnings			Other equity items		
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	Non-controlling interests	Total Equity
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 in 2018	-	-	-	-	-	592,766	-	-	592,766
Other comprehensive income for the year	-	-	-	-	-	(1,675)	(71,736)	-	(73,411)
Balance as of December 31, 2018	72,600	$ 726,000	$ 453,467	$ 371,872	$ 193,201	$ 1,586,400	$ (264,937)	$ -	$ 3,066,003
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 in 2019	-	-	-	-	-	526,005	-	-	526,005
Other comprehensive income for the year	-	-	-	-	-	(5,849)	(117,594)	-	(123,443)
Balance as of December 31, 2019	72,600	$ 726,000	$ 453,467	$ 431,149	$ 264,937	$ 1,612,543	$ (382,531)	$ -	$ 3,105,565

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

NANLIU ENTERPRISE CO., LTD

Parent Company Only Statements of Cash Flows

For the Year Ended December 31 ,2019 and 2018

(All Amounts Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2019	2018
Cash flows from operating activities		
Profit before income tax	$ 568,567	$ 651,722
Adjustments for：		
Depreciation expense	65,142	55,724
Amortization expense	-	4,668
Interest expense	39,001	15,586
Interest income	(1,320)	(1,369)
Reversal of expected credit losses (profit)	5,025	(135)
Share of profit of subsidiaries and associates accounted for using equity method	(377,842)	(414,408)
(Profit) on disposal of assets	(780)	(707)
Unrealized gain on sales	-	7,229
Realized gain on sales	(4,184)	-
Provision for inventory market price decline	11,800	8,750
Loss on physical inventory	(189)	601
Loss on disposal of inventory	4,245	6,280
(Reversal) Impairment of Assets	-	(1,224)
Foreign exchange (gain) loss	(3,251)	(6,016)
Total adjustments to reconcile profit or loss	(262,353)	(325,021)
Changes in operating assets and liabilities		
(Increase) Decrease in notes receivable	(3,567)	7,796
Decrease (Increase) in accounts receivable	43,849	(159,148)
Decrease in other receivable	7,015	13,381
(Increase) in inventories	(64,190)	(68,784)
Decrease (Increase) in prepayments	8,718	(52,732)
(Increase) in other current assets	(7,010)	(23,254)
(Decrease) in contract liabilities-current	(675)	(746)
(Decrease) in notes payable	(47,685)	(6,501)
(Decrease) Increase in accounts payable	(71,590)	59,915
Increase in other payable	13,348	14,463
Increase in other current liabilities	-	522
(Decrease) in accrued pension liabilities	(5,954)	(1,335)
Total Changes in Operating Assets and Liabilities	(127,741)	(216,423)
Cash generated from operating	178,473	110,278

(Continued)

	For the year ended December 31	
	2019	2018
Interest received	925	1,362
Income taxes paid	(67,506)	(35,932)
Net cash generated by operating activities	111,892	75,708
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(30,000)	(155,016)
Acquisition of property , plant and equipment	(116,034)	(388,351)
Disposal of property , plant and equipment	2,653	4,619
(Increase) in prepayments for equipment	(419,365)	(870,138)
Decrease (Increase) in Instead of payment	359	(341)
(Increase) in other assets	(71,559)	-
(Increase) in refundable deposits	(11,460)	(1,969)
Net cash used in investing activities	(645,406)	(1,411,196)
Cash Flows From Financing Activities：		
Interest paid	(38,294)	(13,812)
Increase in short-term loans	300,000	363,565
Increase (Decrease) in short-term bills payable	35,000	(400,000)
Repayment of the principal portion of lease liabilities	(12,244)	-
Increase in long-term bank borrowing	597,956	1,326,825
Increase Long-term accounts note and payable to related parties	43,435	269,265
Cash dividends	(363,000)	(326,700)
(Decrease) Increase in other current liabilities	(560)	120
Net cash used in financing activities	562,293	1,219,263
Effect of exchange rate changes on cash and cash equivalents	(41,469)	3,394
Net (Decrease) Increase in cash and cash equivalents	(12,690)	(112,831)
Cash and cash equivalents, beginning of year	164,717	277,548
Cash and cash equivalents, end of year	$ 152,027	$ 164,717

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

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Notes to Parent Company Only financial statements
For the year ending on December 31, 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 Company is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products.

2. The date of authorization for issuance of the parent company only financial statements and procedures for authorization.

The parent company only financial statements were approved and authorized for issue by the board of directors on March 10, 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”).

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	$ 175,072
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	$ 518,871

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	23,340	(23,340)	—
Right-of-use assets	—	542,211	542,211
Total effect on assets	$ 31,813	$ 510,404	$ 542,217
Lease liabilities - current	$ 6,808	$ 5,347	$ 12,155
Lease liabilities - noncurrent	—	506,716	506,716
Total effect on liabilities	$ 6,808	$ 512,063	$ 518,871
Retained earnings	$ —	$ —	$ —
Total effect on equity		$ —	

(1) The IFRSs endorsed by the Financial Supervisory Commission (collectively, FSC) for application starting from 2020

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 ”Interest Rate Benchmark”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Corporation and its subsidiaries 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 2: The Corporation and its subsidiaries shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

(2) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1“Classfication of Liabilities as Current or Non-current”	January 1, 2022

Note1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

4. Summary of significant accounting policies

The parent company only 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 parent company only financial statements are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IFRS, IAS, interpretations, and announcements approved by the Financial Supervisory Commission.

(2) Basis of preparation

4. Except for the following items, the parent company only financial statements have been prepared under the historical cost conventions:

   Defined benefit liabilities are recognized based on the net amount of pension fund assets less the present value of the defined benefit obligation.

5. The significant accounting policies apply to all periods covered by the parent company only financial report.

6. 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 parent company only financial statements are disclosed in Note 5.

(3) Foreign currency exchange

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

1. Foreign currency transactions and balances

   A. Foreign currency transactions are exchanged into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

   B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

   C. Exchange differences of non-monetary assets and liabilities arising upon re-translation are recognized in fair value profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

   D. All foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

2. Translation of foreign operations

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

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

      ii. Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and

      iii. All resulting exchange differences are recognized as other comprehensive income.

   (b) Financial statements of foreign entities reported in the currency of a hyperinflationary economy should be restated by applying a general price index of the balance sheet date. Restated financial statements are then translated into the currency of the Company using the exchange rate of the balance sheet date.

   (c) Translation differences from net investments of foreign operations, loans with long-term investment natures, and other monetary instruments designated as hedging instruments for these investments are recognized as other comprehensive income.

(d) Upon partial disposal or sale of the foreign operation, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the profit or loss on sale. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(e) Goodwill and fair value adjustments generated from acquiring the foreign entity are considered as the assets and liabilities of the foreign entity, and they are translated using the closing exchange rate at the date of that balance sheet.

(4) Classification of Current and Noncurrent Assets and Liabilities

A. Assets that meet one of the following criteria are classified as current assets. Otherwise, they are classified as non-current assets:

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

(b) Assets held mainly for trading purposes;

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

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

Assets that do not meet the above criteria are classified as non-current items.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

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

(b) Liabilities arising mainly from trading activities;

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

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

The Company classifies assets that do not meet the above criteria as non-current liabilities

(5) Cash equivalents

a. In the parent company only cash flow statements, cash and cash equivalents include currency, bank deposits, and other highly liquid investments with a maturity of three months or less at the time of purchase.

b. Cash equivalents refer to the following conditions of highly liquid short-term investments:

(a) Investments that are readily convertible to known amounts of cash.

(b) Investments that are subject to an insignificant risk of changes in value.

(6) Financial instruments

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

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

a) Financial assets

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

A. Measurement category

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

i) Financial asset at FVTPL

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

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

ii) Financial assets at amortized cost

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

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

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

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

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

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

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

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

B. Impairment of financial assets

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

The Corporation and its subsidiaries always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Corporation and its subsidiaries recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

C. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b) Equity instruments

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

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

Equity instruments returned to itself by the Corporation and its subsidiaries are recognized and deducted under equity item. To purchase, sale, issue or write-down equity instruments of the Group is not recognized in profit or loss.

c) Financial liabilities

i Subsequent measurement

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

ii Derecognition of financial liabilities

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

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(8) Investments Accounted for Using Equity Method

Investments accounted for using the equity method include investments in subsidiaries. A subsidiary is an entity that is controlled by the Company. (Including special purpose entities) Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and cannot be amortised. Any excess of the Company’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company’s parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

The Company prepared parent company only financial statements which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

(9) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in the estimate. This is in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and the change is reported from the date of the change. For the estimated useful lives of each asset, except that the houses and buildings are 20-25 years, the remaining personal protective equipment is given 2-10 years.

(10) Leases

2019

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

<1> The Company 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 an 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 assess 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 leases.

<2> The Company as lessee

The Company recognize 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 Company use 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 Company 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 parent company only 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 Company 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 Company as lessee

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

(11) Loans

A. Loans are recognized initially at fair value, net of the transaction costs incurred. Loans are subsequently stated at amortized cost, and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(12) Provisions

Provisions (including decommissioning) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(13) Revenue recognition

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

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

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

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

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

(14) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect to services rendered by employees in a period. These benefits should be recognized as expenses in the period in which the employees render service.

B. Post-employment benefit plans

(a) Defined contribution plans

For defined contribution plans, the Company pays fixed contributions to an independent, publicly or privately administered pension fund. The Company has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. A defined benefit plan is a pension plan without a defined contribution plan. Generally, a defined benefit plan is the pension benefit amount that an employee will receive upon retirement. This amount depends on one or multiple factors such as age, service years, and salary. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive upon retirement for their services with the Company in the current period or prior periods. The liability recognized in the balance sheet in respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds. The corporate bonds referenced are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability. When there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise, and they are presented in retained earnings.

C. Severance benefit

Severance benefit is the benefit provided in exchange for the termination of employment before the normal retirement date. This occurs when employment is ended or when employees decide to accept the company's benefit offer. The Company recognizes expenses when the Company can no longer terminate the severance benefit offer or recognize related replacement costs, whichever occurs first. It is not expected to be completely paid off and discounted within 12 months after the balance sheet date.

(15) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

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

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

(16) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

(17) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as reductions on the carrying amount of assets, and they are amortized to profit or loss over the estimated useful lives of the related assets with the reduction of depreciation expenses.

(18) Share-based payment transaction

Share-based payment to employees are measured at the fair value of the stock options at the grant date. During the period when the employee can receive the salary unconditionally, the share-based payment can be recognized as the salary costs, and the relative equity can be raised. The recognized salary costs are adjusted with the reward amount that is expected to meet the service conditions and non-market price vesting conditions. The amount recognized in the end is the reward amount that meets the service conditions and non-market vesting conditions on the vesting date.

(19) Earnings per share

The Group presents the basic and diluted earnings per share of the common shareholders of the Group. The consolidation's basic earnings per share represent the profit and loss of the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with the gain or loss of the Group's common stock holders and weighted average number of common shares outstanding. Potential dilution of Company common shares includes convertible bonds, warrants, and employee bonuses that are not resolved by the shareholders' meeting and can be taken by stock issuance.

(20) Operating segments

Operating segments of the Company are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company’s chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments. The Board of Directors is recognized as the chief operating decision-maker.

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.

(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) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group must make estimations to determine the net realizable value of inventory at the end of each reporting period. Due to rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, then recording the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

As of December 31, 2019, the Group's carrying amount of inventory was NT$407,500 thousand.

(3) Judgments on Lease Terms(Application in 2019)

In determining a lease term, the Company 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 covered by the optional periods, and 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 Company occurs.

(4) Determination of Lessees’ Incremental Borrowing Rates

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

(5) Realization of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the management’s judgment and estimation. This includes assumptions such as future revenue growth and profitability, the amount of tax credits that can be utilized, and tax planning. Any changes in the global economic environment, industry trends and relevant laws could result in significant adjustments to deferred tax assets.

As of December 31, 2019, the Company recognized NT $28,104 thousand as deferred income tax liabilities.

(6) Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must make estimations in order to determine the actuarial assumptions on the balance sheet date, including discount rates and the expected rate of return on plan assets. Any changes in actuarial assumptions could significantly impact the amount of defined pension obligations.

As of December 31, 2019, the Company's carrying amount of accrued pension obligations amounted to NT $77,924 thousand.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	December 31, 2019	December 31, 2018
Cash	$ 1,631	$ 1,436
Demand deposits	29,450	57,694
Checking account	179	269

Foreign currency deposits	120,767	97,716
Time deposits	—	7,602
Total	$ 152,027	$ 164,717

4. The Company 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
5. The Company's cash and cash equivalents had not been provided to pledge.

(2) Notes receivable, net

Items	December 31, 2019	December 31, 2018
Non-related parties	$ 50,217	$ 46,650
Related parties	—	—
Less: Allowance for doubtful receivables	(3,507)	—
Net	$ 46,710	$ 46,650

Accounts receivable, net

Items	December 31, 2019	December 31, 2018
Non-related parties	$ 472,198	$ 519,979
Related parties	—	307
Less: Allowance for doubtful accounts	(8,079)	(6,531)
Net	$ 464,119	$ 513,755

Overdue receivable

Items	December 31, 2019	December 31, 2018
Non-related parties	$ 479	$ 509
Related parties	—	—
Less: Allowance for doubtful accounts	(479)	(509)
Net	$ —	$ —

<1> Accounts receivable

The management level of the Company 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 Company 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 Company decrease significantly.

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

The Company prepare matrix to measure loss allowance for accounts receivable as follows.

	Not past due	Past due within 60 days	Past due within 90 days	Past due within 180 days	Past due over 181 days	Total
December 31, 2019						
Expected credit losses rate	0%	10.00%	32.00%	90.00%	100.00%	
Total book value	$ 479,187	$ 33,312	$ 2,372	$ 477	$ 7,546	$ 522,894
loss allowance	－	(3,331)	(759)	(429)	(7,546)	(12,065)
Book value	$ 479,187	$ 29,981	$ 1,613	$ 48	$ －	$ 510,829

	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
December 31, 2018						
Expected credit losses rate	0%	5.00%	28.00%	90.00%	100.00%	
Total book value	$ 486,037	$ 73,140	$ 6,648	$ 979	$ 641	$ 567,445
loss allowance	－	(3,657)	(1,861)	(881)	(641)	(7,040)
Book value	$ 486,037	$ 69,483	$ 4,787	$ 98	$ －	$ 560,405

Note: On December 31, 2019, all notes receivable of the Company are not past due.

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

	For the year ended December 31, 2019			
	Notes receivable	Accounts receivable	Overdue receivable	Total
Initial balances	$ －	$ 6,531	$ 509	$ 7,040
Impairment loss(reversal)	3,507	1,548	(30)	5,025
Ending balances	$ 3,507	$ 8,079	$ 479	$ 12,065

For the year ended December 31, 2018

	Notes receivable	Accounts receivable	Overdue receivable	Total
Initial balances	$ —	$ 6,531	$ 644	$ 7,175
Impairment loss(reversal)	—	—	(135)	(135)
Ending balances	$ —	$ 6,531	$ 509	$ 7,040

<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

	December 31, 2019		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw materials	$ 265, 301	$ 21,117	$ 244, 184
Supplies	24, 861	2,043	22, 818
Work in process	3, 910	1,055	2, 855
Finished goods	129, 820	6,998	122, 822
Merchandise inventory	3, 948	805	3, 143
Inventory in transit	11, 678	—	11, 678
Total	$ 439, 518	$ 32,018	$ 407, 500

	December 31, 2018		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw material	$ 205, 951	$ 13,507	$ 192, 444
Supplies	27, 043	1,928	25, 115
Work in process	2, 526	584	1, 942
Finished goods	113, 922	3,666	110, 256
Merchandise inventory	2, 546	533	2, 013
Inventory in transit	27, 396	—	27, 396
Total	$ 379, 384	$ 20,218	$ 359, 166

4. Inventories are provided without guarantee or pledge as of December 31, 2019 and December 31, 2018.

5. Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	2019	2018
Cost of goods sold	$ 2, 603, 870	$ 2, 703, 877
Idle capacity cost	4, 080	8, 171
Revenue from sale of scraps	(14, 775)	(6, 250)
Provision for inventory market price decline	11,800	8,750
Loss on disposal of inventory	4, 245	6, 280
Loss (profit) on physical inventory	(189)	601

Total	$ 2,609,031	$ 2,721,429

(4) Investments accounted for using equity method

a. Investments accounted for using the equity method consisted of the following:

December 31, 2019

Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO., LTD.	$ 1,643,224	$ 3,875,423	$ —	100%
CHING-TSUN Biomedical Technology Co., Ltd	30,000	30,003	—	100%
Total	$ 1,673,224	$ 3,905,426	$ —	

December 31, 2018

Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$1,643,224	$3,610,994	$	100%

b. Share of profits/losses of Investee for using equity method:

	2018	2017	Foundation
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	374,053	417,935	Audit report of the same period by CPA
CHING-TSUN Biomedical Technology Co., Ltd	3	—	Audit report of the same period by CPA
Nanliu Enterprises (Pinghu) Ltd.	—	(7,005)	Elimination of unrealized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	6,040	373	Elimination of realized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	(2,254)	3,145	Tax effects of downstream and upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	—	(40)	Tax effects of realized fixed asset profits on downstream transactions
Total	377,842	414,408	

c. NANLIU ENTERPRISE(SAMOA) CO.,LTD. was established in 2004. The Company took 100% ownership and control of NANLIU ENTERPRISE (SAMOA) CO., LTD. The Parent Company Only financial statements include financial statements of NANLIU ENTERPRISE (SAMOA) CO., LTD.

d. The Company was approved investment by INVESTMENT COMMISSION, MOEA (No. 093001616) on January 20, 2004. The investment of Nanliu Enterprises (Pinghu) Ltd. past through the third country (NANLIU ENTERPRISE (SAMOA) CO., LTD.).

e. NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED was established in 2017. The company hold 100.00% ownership and control through NANLIU ENTERPRISE (SAMOA) CO., LTD. The consolidated financial statements include financial statements of NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED.

f.Currency translation of foreign investments in Subsidiaries exchange to NT dollars by spot rate on the year-end, then valuate it for using equity method. Financial statements translation differences for foreign operations were recorded in shareholders' equity.

g. CHING-TSUN Biomedical Technology Co., Ltd was established in 2019. The company hold 100.00% ownership and control. The consolidated financial statements include financial statements of CHING-TSUN Biomedical Technology Co., Ltd.

h. About accounting for investments accounted for using equity method, please refer to ‘4. Summary of significant accounting policies’.

(5) Property, plant and equipment

	Land	Land revaluation	Building Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2019	$ 46,046	$ 11,264	$ 49,432	$ 94,505	$ 5,802	$ 7,868	$ 650	$ 20,272	$ 824,896	$ 1,060,735
Added	—	—	10,382	5,815	1,522	—	—	3,657	111,761	133,137
Disposals or retirements	—	—	—	(1,809)	—	—	—	—	—	(1,809)
Deconsolidation	—	—	—	(64)	—	—	—	—	—	(64)
Other changes	—	—	728,494	10,925	5,040	7,234	—	93,836	(841,004)	4,525
Annual depreciation	—	—	(11,097)	(26,291)	(2,309)	(3,100)	(327)	(9,732)	—	(52,856)
Balance on December 31, 2019	$ 46,046	$ 11,264	$ 777,211	$ 83,081	$ 10,055	$ 12,002	$ 323	$ 108,033	$ 95,653	$ 1,143,668
Book value：										
On December 31, 2019										
Cost	$ 46,046	$ 11,264	$ 957,162	$ 910,592	$ 61,329	$ 31,063	$ 13,293	$ 155,163	$ 95,653	$ 2,281,565
Less: Accumulated depreciation and impairment	—	—	(179,951)	(827,511)	(51,274)	(19,061)	(12,970)	(47,130)	—	(1,137,897)
Balance on December 31, 2019	$ 46,046	$ 11,264	$ 777,211	$ 83,081	$ 10,055	$ 12,002	$ 323	$ 108,033	$ 95,653	$ 1,143,668

	Land	Land revaluation	Building Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2018	$ 46,046	$ 11,264	$ 55,951	$ 109,643	$ 7,482	$ 6,017	$ 881	$ 9,707	$ 510,483	$ 757,474
Added	—	—	2,345	14,327	796	—	200	4,293	315,121	337,082
Disposals or retirements	—	—	—	(701)	—	(3,370)	(1)	—	—	(4,072)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	450	6,357	—	7,921	—	10,731	(708)	24,751
Annual depreciation	—	—	(10,538)	(35,121)	(2,476)	(2,700)	(430)	(4,459)	—	(55,724)
Reversal of impairment	—	—	1,224	—	—	—	—	—	—	1,224
Balance on December 31, 2018	$ 46,046	$ 11,264	$ 49,432	$ 94,505	$ 5,802	$ 7,868	$ 650	$ 20,272	$ 824,896	$ 1,060,735

	Land	Land revaluation	Building Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Book value：										
On December 31, 2018										
Cost	$ 46,046	$ 11,264	$ 208,349	$ 897,773	$ 54,767	$ 26,804	$ 13,393	$ 58,290	$ 824,896	$ 2,141,582
Less: Accumulated depreciation and impairment	—	—	(158,917)	(803,268)	(48,965)	(18,936)	(12,743)	(38,018)	—	(1,080,847)
Balance on December 31, 2018	$ 46,046	$ 11,264	$ 49,432	$ 94,505	$ 5,802	$ 7,868	$ 650	$ 20,272	$ 824,896	$ 1,060,735

1. Capitalized interest for the years 2019 and 2018 were 10,884 and 6,902 thousand, respectively.
2. The Company’s property, plant and equipment weren’t pledged.
3. The other changes is reclassification adjustments 14,461 thousand and prepayments for equipment (9,936) thousand that translated from current depreciation.

(6) 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		541, 119		1,092	542, 211
Restatement balance on January 1st, 2019		541, 119		1,092	542, 211
Lease payment change adjustment of addition and future		(1, 734)		(206)	(1, 940)
Balance on December 31, 2019	$	539, 385	$	886	$ 540, 271

	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, 800		486	12, 286
Transfer to cost of prepayment for equipment		6, 368		—	6, 368
Balance on December 31, 2019	$	18, 168	$	486	$ 18, 654
Book value:					
Balance on December 31, 2019	$	521, 217	$	400	$ 521, 617

<2> Lease liabilities

Items	Lease period	Discount rate	Amount
Land	January 2019 to January 2064	1. 1%	$ 504, 285
Transport equipment	January 2019 to March 2021	1. 1%	402
Total			504, 687
Less: lease liabilities-current			(11, 857)
lease liabilities-noncurrent			$ 492, 830

<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

	2019
Short term leases fees	$ 1,484
Leases fees for low value assets	$ 168
Total cash(out) of leases	$ (17,955)

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, 2019
Less than one year	$ 10,699
More than one year and less than five years	25,905
More than five years	139,728
Total	$ 176,332

(7) Short-term borrowings

	December 31, 2019	
Items	Amount	Interest rate
Credit loans	$ 1,370,000	0.81%~0.91%
Total	$ 1,370,000	

	December 31, 2018	
Items	Amount	Interest rate
Credit loans	$ 1,070,000	0.77%~0.90%
Total	$ 1,070,000	

For short-term loans, the Company assign Huang Chin-San and Huang Ho-Chun as guarantors.

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

December 31, 2019				
Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Dah Chung Bills Finance Corporation	2019/12/23~2020/01/02	0.55%	$ 25,000
Short-term notes and bills payable	China Bills Finance Co.,	2019/12/23~2020/01/02	0.75%	10,000
Total				35,000
Less: discount on short- term notes and				(1)

bills	
Short-term net notes and bills	$ 34,999

December 31, 2018: None.

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

	December 31, 2019	December 31, 2018
Credit loans	$ 2,541,881	$ 1,961,886
Secured bank borrowings	357,789	374,939
Subtotal	2,899,670	2,336,825
Less: current portion of long-term bank borrowings	(394,433)	(126,000)
Total	$ 2,505,237	$ 2,210,825
Range of maturity dates	106/04~115/06	106/04~114/09
Range of interest rates	0.095%~1.15%	1.05%~1.15%

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

2. The installing machines was pledged to bank. These machines will be pledged by the first priority to bank for borrowing.

3. The clean loans include 'Welcome Taiwan investors' project' for building, related environments and working capital of the Group. If it doesn't satisfied 'Directions for Welcome Taiwan investors' project' and related notification(including but not only limit that the Company can't book credit or stop to pay the bank service fee from National Development Fund). The benchmark interest rate is two years fixed deposit interest rate of Chungwha Post Co., Ltd. Plus 0.5%. The interest calculation will roll back to the borrowing date.

(10) Post-employment benefit plans

A. Defined benefit plan;

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law. The plan covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and the service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries to the retirement fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to be qualified for retirement in the next year, the Company will make contributions to cover the deficit by the following March.

(b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	(105,165)	$ (95, 491)
Fair value of plan assets	27,241	18, 924
Net defined benefit liability	(77,924)	$ (76, 567)

(c) Changes in net defined benefit obligations are as follows:

	2019	2018
Defined benefit obligations at January 1	95,491	$ 93, 379
Current service cost	908	1, 002
Interest cost	695	908
Benefits paid	—	(3, 020)
Remeasurement losses/(gains):		
Actuarial losses (gains)-experience adjustments	7,497	(6, 671)
Actuarial losses (gains)-changes in demographics assumptions	118	48
Actuarial losses (gains)-changes in financial assumptions	456	9, 845
Plan Curtailment effects	—	—
Defined benefit obligations on December 31	105,165	$ 95, 491

(d) Changes in fair value of plan assets are as follows:

	2019	2018
Fair value of plan assets at January 1	18,924	$ 18, 057
Expected return on plan assets	124	159
Contributions on plan assets	7,433	3, 086
Benefits paid from plan assets	—	(3, 020)
Actuarial gain or loss on plan assets	760	642
Fair value of plan assets on December 31	27,241	$ 18, 924

(e) The fair value of the plan assets by major categories at the end of reporting period is as follows:

	December 31, 2019	December 31, 2018
Cash	27,241	$ 18, 924
Equity instruments	—	—
Debt instruments	—	—
Total	27,241	$ 18, 924

(f) Expenses recognized in statements of comprehensive income are as follows:

	2019	2018
Current service cost	908	$ 1, 002

Interest cost	695	908
Expected return on plan assets	(124)	(159)
Plan Curtailment effects	—	—
Current pension costs	1,479	$ 1,751

Remeasurement details of net defined benefit liabilities are as follows:

	2019	2018
Actuarial gain or loss on defined benefit obligation	8,071	$ 3,222
Gain (loss) on plan assets	(760)	(642)
Remeasurement of net defined benefit liabilities' other comprehensive loss (gain)	7,311	$ 2,580

Details of the aforementioned costs and expenses recognized in the statements of comprehensive income are as follows:

	2019	2018
Cost of goods sold	611	$ 805
Selling expenses	—	—
General and administrative expenses	594	658
Research and development expenses	274	288
Total	1,479	$ 1,751

Actuarial gain or loss recognized under other comprehensive income are as follows:

	2019	2018
Current period	(7,311)	$ (2,580)
Accumulated amount	(22,869)	$ (15,558)

(g) The Bank of Taiwan was commissioned to manage the funds of the Group's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and Article 6 of "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc. With regard to the utilization of the fund, its minimum earnings in annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of the fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected returns on plan assets represent a projection of overall returns for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory

Committee. It was also taken into account that the fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

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

	December 31, 2019	December 31, 2018
Discount rate	0.70%	0.75%
Future salary increase rate	3.00%	3.00%

Effects of changes in the principal actuarial assumptions on the present value analysis of the defined benefit obligation are as follows:

	Discount rate		Future salary increases	
December 31, 2018	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effects on present value of defined benefit obligation	$ (2,253)	$ 2,338	$ 2,279	$ (2,209)

	Discount rate		Future salary increases	
December 31, 2018	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation	$ (2,140)	$ 2,225	$ 2,170	$ (2,099)

The sensitivity analysis above is based on other conditions that are unchanged, but only one assumption is changed. In practice, more than one assumption may change at one time. The method of analyzing sensitivity and calculating net pension liability in the balance sheet are the same.

(i) The expected total contributions paid to the Group's defined benefit pension plans within one year from December 31, 2019 was $958 thousand.

(j) As of December 31, 2018, the weighted average duration of the retirement plan is 10 years.

The analysis of timing was as follows:

Within 1 year	$	2,992
1-2 years		10,828
2-5 years		34,036
Over 5 years		63,098
	$	110,954

B. Defined contribution plan:

(a) Effective July 1, 2005, the Group established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with Republic of China (ROC) nationality. Under the New Plan, the Group contributes a monthly amount based on no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs (including pension insurance) under the Company's defined contribution pension plans for the years ending on December 31, 2019 and 2018 were $8,811 thousand and $7,454 thousand, respectively.

(11) Capital and other equity

1. Common stock

As of December 31, 2019 and 2018, the Company's authorized capital was $1,000,000 thousand, and issued capital was $726,000 thousand.

2. Capital surplus

Item	December 31, 2019		December 31, 2018	
Additional paid-in capital	$	439,404	$	439,404
Employee stock options		14,063		14,063
Total	$	453,467	$	453,467

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

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) Company employee bonuses were calculated by the percentage before deducted remuneration of employees and directors from income before tax in 2019, and the amount was estimated to reach $7,558 thousand and $8,663 thousand in 2019 and 2018, respectively. Remuneration of directors was expensed based on the estimated amount payable. The estimated amount was $5,232 thousand and

$5,997 thousand in 2019 and 2018, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issuance, the differences are recorded as a change in the accounting estimate in the next year.

(4) The bonus to employees and remuneration of directors and supervisors of 2019 were NT$7,558 thousand and NT$5,232 thousand, respectively proposed by the Board of Directors on March 10, 2020. 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, 2019. The distribution of the 2019 will be approved in the shareholders’ meeting on May 29, 2020.

(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	—	—	—	—
		$ 363,000		$ 326,700
Bonus to employees - cash		$ 8,663		$ 7,368
Remuneration of directors and supervisors		5,997		4,715
		$ 14,660		$ 12,083

The distribution of 2018 profit was 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 profit 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

	December 31, 2019	December 31, 2018
Opening balance	$ 193,201	$ 155,667
Special reserve appropriated-deduction item in other equity appropriated	71,736	37,534
Reversal Special reserve	—	—
Ending balance	$ 264,937	$ 193,201

The Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders’ equity, such as the accumulated balance of foreign currency translation reserve, etc. For the subsequent decrease in the deduction amount to stockholders’ equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

5. Other equity

		Foreign Currency Translation Difference
On January 1st, 2019	$	(264, 937)
Currency translation differences (after tax)		(117, 594)
On December 31, 2019	$	(382, 531)
On January 1st, 2018	$	(193, 201)
Currency translation differences (after tax)		(71, 736)
On December 31, 2018	$	(264, 937)

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.

(12) Net Sales

Items	2019	2018
Sale of goods	$ 3, 032, 462	$ 3, 150, 067

a. The detail item of customers' contracts.

Item	2019	2018
Biotechnology	$ 821, 781	$ 886, 480
Spunlace Nonwoven	1, 279, 043	1, 175, 547
Air Through & Thermal Bond Nonwoven	572, 393	651, 144
Disposable Surgical gowns Fabrics	359, 245	436, 896
Total	$ 3, 032, 462	$ 3, 150, 067

Area	2019	2018
Taiwan	$ 1, 191, 402	$ 1, 268, 577
China	44, 349	62, 748
Japan	866, 575	817, 592
Asia	844, 010	929, 942
Others	86,126	71,208
Total	$ 3, 032, 462	$ 3, 150, 067

The revenue of Geographic information is based on head office of customers.

b. The outstanding of contracts

	December 31, 2019	December 31, 2018
Contract liability	$ 303	$ 978

i. The changes of contract liability majorly satisfy performance obligation and payment difference of customers.

ii. For the year ending on December 31, 2019, initial contract liability recognize 940 thousand under revenue.

(13) Non-operating income and expenses

4. Others

Items	2019	2018
Share of comprehensive income (loss) of associates and joint ventures	$ 377,842	$ 414,408
Interest income	1,320	1,369
Impairment or reversal of property, plant and equipment	—	1,224
gain on disposal of assets	780	707
Foreign exchange gain, net	31,439	22,342
Other income	18, 252	3, 876
Total	$ 429,633	$ 443,926

5. Finance costs

Items	2019	2018
Interest expense (Bank loans)	45, 826	$ 22, 488
Interest of Lease liabilities	4, 059	
The amount of capitalization of assets that eligible for condition	(10, 884)	(6, 902)
Total	39, 001	$ 15, 586

(14) Income taxes

1. Income tax expense

(1) Components of income tax expense:

Item	2019	2018
Current income tax		
income tax incurred in current period	33, 537	46, 995
10% tax on unappropriated earnings	4, 854	11, 938
Income tax adjustments on prior years	(45)	363
Deferred income tax expense		
Recognition and reversal of temporary differences	4, 216	2, 385
Effects of changes in tax rate	—	(2, 725)
Income tax expense	42, 562	58, 956

(2) The income tax expense related to components of other comprehensive income

(loss) is as follows:

Items	2019	2018
Currency translation differences	$ —	$ —
Actuarial gains/losses on defined benefit obligations	(1,462)	(516)
Effects of changes in tax rate	—	(389)
Total	$ (1,462)	$ (905)

2. Reconciliation between income tax expense and accounting profit:

Item	2019	2018
Income before tax	568,567	651,722
Income tax expense at the statutory 17% tax rate	113,713	130,344
Nondeductible (deductible) items in determining taxable income	(80,176)	(83,349)
10% tax on unappropriated earnings	4,854	11,938
Prior year income tax underestimation	(45)	363
Changes of deferred tax		
Temporary differences	4,216	2,385
Effects of changes in tax rate	—	(2,725)
Income tax expense	42,562	58,956

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%.

3. Deferred income tax assets or liabilities resulting from temporary differences, loss are as follows:

Items	2019			
	Beginning balance	Recognition of income	Recognition of Other Comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,182	$ (219)	$ —	$ 1,963
Loss on inventory market value decline	4,044	2,360	—	6,404
Exchange gain or loss	(4,059)	(5,945)	—	(10,004)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	15,313	(1,190)	1,462	15,585
Currency translation	—	—	—	—

differences(Note)				
Others	1,406	778	—	2,184
Deferred tax income(expenses)		$ (4,216)	$ 1,462	
Net deferred tax assets(liabilities)	$ 18,886			$ 16,132
The balance sheet information is as follows				
Deferred tax assets	$ 24,319			$ 28,104
Deferred tax liabilities	$ 5,433			$ 11,972

Items	2018			
	Beginning balance	Recogniti on of income	Recognition of Other Comprehensiv e income	Ending balance
Temporary differences				
Impairment of assets	$ 2,063	$ 119	$ —	$ 2,182
Loss on inventory market value decline	1,950	2,094	—	4,044
Exchange gain or loss	(371)	(3,688)	—	(4,059)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	12,805	1,603	905	15,313
Currency translation differences(Note)	—	—	—	—
Others	1,235	212	—	1,406
Deferred tax income(expenses)		$ 340	$ 905	
Net deferred tax assets(liabilities)	$ 17,641			$ 18,886
The balance sheet information is as follows				
Deferred tax assets	$ 19,376			$ 24,319
Deferred tax liabilities	$ 1,735			$ 5,433

(Note) The Company controls its subsidiary's dividends. NAN LIU Plans to support its subsidiary in establishing nonwoven fabric at the Science and Technology Park in Yanchao District through subsidiary's earnings distribution. The company has plan for capital expenditure of Yanchao new plant. It is unnecessary for the subsidiary to allocate its earnings. At the same time, the Company actively plans to apply retained earnings to extend subsidiary operations. Therefore, undistributed profits and foreign conversion differences were evaluated for the future without rotation in 2017. According to IAS12's 39th provision for investment subsidiaries related to taxable temporary differences (including subsidiaries' undistributed earnings and foreign exchange differences), the above are not accounted- as deferred tax liabilities.

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

(15) Earnings per share

1. Basic earnings per share

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

3. Dilute earnings per share

	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	$ 526,005	72,600	$ 7.25
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	55	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 526,005	72,655	$ 7.24

	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	$ 592,766	72,600	$ 8.16
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	56	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 592,766	72,656	$ 8.16

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) Others information of expenses

1. Depreciation

	2019	2018
Depreciation of property , plant and equipment		
Recognition of Cost of goods sold	$ 43, 060	$ 52, 284
Recognition of Operating expenses	9, 796	3, 440
Recognition of prepayments for equipment	9, 936	—
Subtotal	62, 792	55, 724
Depreciation of right-of-use assets		
Recognition of Cost of goods sold	8, 665	—
Recognition of Operating expenses	3, 621	—
Recognition of prepayments for equipment	6, 368	—
Subtotal	18, 654	—
Total	$ 81,446	$ 55,724

2. Employee benefit expense

	2019	2018
Post-employment benefit plans (Please refer to Note 6(10))		
Defined contribution plans	$ 1,479	$ 1,751
Defined benefit plans	8,811	7,454
Subtotal	10,290	9,205
Other employee benefits	249,425	214,753
Total	$ 259,715	$ 223,958

7.

Expenses of employee benefits by function		
Recognition of Cost of goods sold	$ 182, 198	$ 150, 209
Recognition of Operating expenses	77, 517	73, 749
Total	$ 259,715	$ 223,958

(17) Cash flow supplement information

1. Investing activities of part of cash payment.

2018	2018

Acquisition of property, plant and equipment	$	133, 137	$	337, 082
Add：Initial Payables on equipment		18, 253		74, 821
Add：Initial Notes payable		5, 901		602
Less：Ending Payables on equipment		(22, 534)		(18, 253)
less：Ending Notes payable		(18, 723)		(5, 901)
Total	$	116,034	$	388,351

2. The changes of liabilities from Financing Activities:

	Short term loan	Short-term bills payable , net	Lease liabilities (Including noncurrent)	Long term loan (include Current portion)	Other Notes payable(Including current and non current)	The total of liabilities from Financing Activities
January 1, 2019	$ 1,070,000	$ —	$ 518,871	$ 2,336,825	$ 267,220	$ 4,192,916
Cash folw	300,000	35,000	(12,244)	597,956	43,435	964,147
Changes of Exchange rate	—	—	—	(35,111)	(10,855)	(45,966)
Others(Note)	—	(1)	(1,940)	—	—	(1,941)
December 31, 2019	$ 1,370,000	$ 34,999	$ 504,687	$ 2,899,670	$ 299,800	$ 5,109,156

	Short term loan	Short-term bills payable , net	Lease liabilities (Including noncurrent)	Long term loan (include Current portion)	Other Notes payable(Including current and non current)	The total of liabilities from Financing Activities
January 1, 2018	$ 706,435	$ 399,858	$ —	$ 1,010,000	$ —	$ 2,116,293
Cash folw	363,565	(400,000)	—	1,326,825	269,265	1,559,655
Changes of Exchange rate	—	—	—	—	(2,045)	(2,045)
Others(Note)	—	142	—	—	—	142
December 31, 2018	$ 1,070,000	$ —	$ —	$ 2,336,825	$ 267,220	$ 3,674,045

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 company
Huang Hsieh Meu Yun	Spouse of the chairman of the company
Huang Ho-Chun	Director of the company
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	Investee company of the Company accounted for using equity method
Nanliu Enterprises (Pinghu) Ltd.	Investee company of ENTERPRISE(SAMOA) CO.,LTD. accounted for using equity method

(2) Significant transactions and balances with related parties:

1. Purchasing:

Name of related party	2019	2018
Nanliu Enterprises (Pinghu) Ltd.	$ 1,067,611	$ 1,222,167

i. The purchasing prices and payment terms for related parties are the same as those of ordinary deals.

ii. As of December 31, 2019 and December 31, 2018, unrealized gross profit that the Company purchased from related party (Nanliu Enterprises (Pinghu) Ltd. was 965 thousand and7,005 thousand ,respectively.

2. Sales:

Related party	2019	2018
Nanliu Enterprises (Pinghu) Ltd.	$ 2,457	$ 328

iii. The selling prices and collection terms for related parties are the same as those of ordinary sales.

iv. As of December 31, 2019 and December 31, 2018, unrealized gross profit that the Company sold to related party (Nanliu Enterprises (Pinghu) Ltd.) was 0 thousand, respectively.

3. Notes and accounts payable:

Related party	Account name	December 31, 2019	December 31, 2018
Nanliu Enterprises (Pinghu) Ltd.	Accounts payable	$ 183,360	$ 248,670

4. Notes and accounts receivable:

Related party	Account name	December 31, 2019	December 31, 2018
Nanliu Enterprises (Pinghu) Ltd.	Accounts receivable	$ -	$ 307

5. Accommodation of funds

	2019				
Account	Related parties	Highest balance	Ending balance	Interest rate period	Interest of one year
Other payable-related parties	NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 312,700	$ 299,800	3.5%	$ 9,646

The financing didn't provide any pledge by the Company. The loan period is from August 19, 2019 to November 20, 2020. Repayment is by once time when loan end. Interest payment is by quarter. As of December 31, 2019, there is unpaid interest NTD 1,256 booking under other payables.

	2018				
Account	Related parties	Highest balance	Ending balance	Interest rate period	Interest of one year
Long term notes payable & Other payable-related parties	NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 267,220	$ 267,220	3.5%	$ 1,092

The financing didn't provide any pledge by the Company. The loan period is from November 20, 2018 to November 20, 2021. Repayment is by once time when loan end. Interest payment is by quarter. As of December 31, 2018, there is unpaid interest NTD 1,092 booking under other payables.

6. Property transactions:

	2019		
Related parties	Environment name	Sales price	Benchmark of price
Nanliu Enterprises (Pinghu) Ltd.	Machines	USD 76	Negotiated price
	Gain on disposal	$ 416	

2018: None.

As of December 31, 2019, the receivable account that didn't received listed under other receivable.

7. Guarantees:

As of December 31, 2019 and December 31, 2018, the Company provided financial guarantees with related parties as following:

	December 31, 2019	December 31, 2018
	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED
Citi Bank	$ 155,200	$ 152,625
HSBC Bank	176,240	—
Total	$ 331,440	$ 152,625

8. Others:
(1) All the Company's bank loans indicate Huang Chin-San and Huang Ho-Chun as guarantors.
(2) The main management remuneration information is as follows:

Items	2018	2017
Salary	$ 16,156	$ 14,738
Bonus	2,464	2,411
Service allowance	750	690
Total	$ 19,370	$ 17,839

8. Pledged Assets: None.

9. Major commitments and unrecognized commitments.

In addition to those disclosed in Note, significant commitments and contingencies of the Company as of December 31, 2018 were as follows:

1. Amounts of unused letters of credit and deposits for purchasing raw material and machines were as follows:

December 31, 2019		December 31, 2018	
Letter of credit	guarantee deposit	Letter of credit	guarantee deposit
USD —	$ —	USD 635	$ —
EUR 457	$ —	EUR 689	$ —

2. The Company unrecognized commitments are as follows.

	2019	2018
Payment of Property , plant and equipment	$ 51, 689	$ 144, 281

10. Major damage losses: none.

11. Major subsequent events: none.

12, Others:

(1) Capital risk management

The main goal of the Company's capital management is to maintain integrated and positive capital ratios in order to support business operations and maximize shareholders' equity. The Company 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 Company controls finance by reviewing its debt equity ratio, and the debt equity ratio for reporting is as follows:

Items	December 31, 2019	December 31, 2018
Total liabilities	$ 5, 708, 462	$ 4, 386, 989
Total equity	3, 105, 565	3, 066, 003
Debt to equity ratio	183.81%	143.08%

(2) Financial instruments

<1> The kinds of financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets measured at amortized costs：		
Cash and cash equivalents	$ 152, 027	$ 164, 717
Notes receivable	46, 710	46, 650
Accounts receivable	464, 119	513, 755
Other receivables	9, 381	16, 001
Deposit of due date over three months	30, 264	23, 254
Refundable deposit and pledged financial assets	21, 163	11, 740
	$ 723, 664	$ 776, 117
Financial liabilities		
Financial liabilities measured at amortized costs:		
Short term loan	$ 1, 370, 000	$ 1, 070, 000
Short-term bills payable , net	34, 999	—
Accounts payable	484, 500	575, 639

Other accounts/notes payable(include current and noncurrent)	299, 800	267, 220
Long term loan(include Current portion)	2, 899, 670	2, 336, 825
Lease liabilities (include current)	504,687	—
	$ 5, 593, 656	$ 4, 249, 684

<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.

	December 31, 2019			December 31, 2018		
Item	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets						
Monetary items						
USD	$ 12, 759	29. 9794	$ 382, 507	$ 13, 017	30. 714	$ 399, 804
RMB	7, 308	4. 3053	31, 463	7, 129	4. 472	31, 881
EUR	104	33. 5288	3, 487	33	35. 152	1, 160
JPY	280	0. 2786	78	394	0. 2792	110
INR	433	0. 4203	182	—	—	—
Investments accounted for using equity method						
RMB	683, 077	4. 3050	2, 940, 646	714, 665	4. 472	3, 195, 981
INR	304, 278	0. 4200	127, 797	322, 588	0. 4398	141, 874
Financial liabilities						
Monetary items						
USD	7, 299	29. 9800	218, 824	9, 420	30. 714	289, 322
EUR	14, 573	33. 5909	489, 520	14, 589	35. 201	513, 542

JPY	—	—	—	690	0.2783	192

B. Sensitivity analysis

The Company'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 year ended December 31, 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 year ended December 31, 2019 and 2018, the company’s income before income tax would increase/decrease by $2,911 thousand and $3,703 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

The Company'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 Company 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 Company’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 Company, 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 $43,047 thousand and $34,068 thousand for the year ended December 31, 2019 and 2018, mainly due to floating rate loans.

(3) Credit risk:

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

A. Because customers or counterparty of financial instruments can’t execute contracts’ obligation, the Company has financial losses risk. The major reason is counterparty can’t follow the payment term.

B. The Company 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 Company 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 Company's customers are brand distributor of international companies. These customers take care their goodwill, default risk is low. They have enough ability to complete the cash flow of contract obligation during short period. It will not decrease executing contract ability for customers even maybe long term economic or operation unfavorable situation appear. Apart of customers have foreign exchange control or difference of reconciliation timing, even there are over due date account receivable but credit risk not increases. To amend presumption by the actually account receivable situation, the credit risk of customers significantly increasement is overdue 90 days.

D. The Company 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 Company use simple method and use preparing matrix for base to evaluate expected credit losses from grouping of account receivable by customers' type.

F. The Company 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 prepare matrix for the year ended December 31, 2019 and 2018 is as Note6(2).

(4) Liquidity risk:

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

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

Items	December 31, 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	$ 1,370,000	$ －	$ －	$ －	$ 1,370,000
Short-term notes and bills	34,999	－	－	－	34,999

payable					
Notes payable	69,854	—	—	—	69,854
Accounts payable	295,100	—	—	—	295,100
Other accounts payable	97,012	—	—	—	97,012
Payables on equipment	22,534	—	—	—	22,534
Lease liabilities (include noncurrent)	11,857	33,002	39,400	420,428	504,687
Long-term loans (including due within one year or one operating cycle)	394,433	1,335,000	527,684	642,553	2,899,670
Other accounts/notes payable(include current and noncurrent)	299,800	—	—	—	299,800

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	104,717	—	—	—	104,717
Accounts payable	369,713	—	—	—	369,713
Other accounts payable	82,956	—	—	—	82,956
Payables on equipment	18,253	—	—	—	18,253
Long-term loans (including due within one year or one operating cycle)	126,000	1,105,000	512,825	593,000	2,336,825
Other accounts/notes payable(include current and noncurrent)	—	267,220	—	—	267,220

(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 and follow “Procedures for Making of Endorsements/Guarantees”. There is no pledge from subsidiaries because of credit situation is under controlled by the Company. The lose amount is same as guarantee amount if the subsidiaries can’t follow the contract.

<2> Financial instruments with off-balance sheet credit risk is as Note13 and Note II.

(4) Fair value estimation

<1> 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	Book value	The fair value: The first level	The second level	The third level	Total
	December 31, 2019				
Financial assets:					
Amortised cost of a financial asset					
Cash and cash equivalents	$ 152,027	$ —	$ —	$ —	$ —
Notes and accounts receivable	520,210	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	30,264	—	—	—	—
Refundable deposit	21,163	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	1,370,000	—	—	—	—
Short-term bills payable	34,999	—	—	—	—
Notes payable and payment	461,966	—	—	—	—
Equipment payment	22,534	—	—	—	—
Long-term liabilities due within a year	394,433	—	—	—	—
Long-term liabilities	2,505,237	—	—	—	—
Lease liabilities	492,830	—	—	—	—
Other accounts payable	299,800	—	—	—	—
Guarantee deposit received	—	—	—	—	—

Items	Book value	The fair value: The first level	The second level	The third level	Total
	December 31, 2018				
Financial assets:					
Amortised cost of a financial asset					
Cash and cash equivalents	164,717	$ —	$ —	$ —	$ —
Notes and accounts receivable	576,406	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	23,254	—	—	—	—
Refundable deposit	11,740	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					

Short-term loans	1,070,000	—	—	—	—
Short-term bills payable	—	—	—	—	—
Notes payable and payment	557,386	—	—	—	—
Equipment payment	18,253	—	—	—	—
Long-term liabilities due within a year	126,000	—	—	—	—
Long-term liabilities	2,210,825	—	—	—	—
Other accounts payable	267,220	—	—	—	—
Guarantee deposit received	—	—	—	—	—

<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 transfer in the year ending December 31, 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 Π.

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.

(3) 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.

Financings Provided

For the year ending on December 31, 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	$ 310,400	$ 310,400	$ 310,400	3.5%	The need for financing	$ —	Repayment of loans	$ —	—	$ —	$ —	NTD 1,551,540 The Company's Equity NTD 3,878,850×40% =1,551,540	—
1	NANLIU ENTERPRISE(SAMOA) CO.,LTD.	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	Receivables from related parties	Yes	$ 465,600	$ 465,600	$ 465,600	3.75%	The need for financing	$ —	Construction and purchase machines	$ —	—	$ —	$ —	NTD 1,551,540 The Company's Equity NTD 3,878,850×40% =1,551,540	

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.
ENDORSEMENTS/GUARANTEES PROVIDED
For the year ending on December 31, 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	$ 6,211,130	$ 331,440	$ 331,440	$ —	$ —	10.67%	$ 6,211,130	Y	N	N	

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: 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.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

For the year ending on December 31, 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	$ 1,067,611	46.27%	With the same general terms and conditions	–	–	$ (183,360)	49.32%	–

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.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

For the year ending on December 31, 2018

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	$ 1,067,611	The same as other companies	35.21%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	$ 183,360	The same as other companies	2.08%

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.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ending on December 31, 2019

Note V

Unit: Thousand NT$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of December 31,2019			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 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%	$ 3,875,423	$ 374,053	$ 374,053	
Nan Liu Enterprise Co., Ltd.	CHING-TSUN Biomedical Technology Co., Ltd	Taiwan	Production and sales of special textiles, hair care, skin care, cosmetics and hygiene products	$ 30,000	$ —	3,000	100.00%	$ 30,003	$ 3	$ 3	
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%	$ 116,313	Note3	Note3	

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

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

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

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

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

NAN LIU Enterprise Co., Ltd.

Information on Investment in Mainland China

For the year ending on December 31, 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 December 31, 2019	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	$ 1,846,701	2	$ 1,487,607	$ —	$ —	$ 1,487,607	$ 461,859	100.00%	$ 461,859	$ 2,942,571	$ —	

Accumulated Investment in Mainland China as of December 31, 2018	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.

Nan Liu Enterprise Co., Ltd.
THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Nan Liu Enterprise Co., Ltd.
Statement of cash and cash equivalents
December 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 1

Item	Description	Amount
Cash	Cash on hand	$ 1,631
Cash in banks		
Demand deposits		29,450
Checking accounts		179
Foreign currency deposits	(USD 3,162 thousand,@30.717)	117,242
	(RMB 22 thousand,@4.591)	38
	(EUR 13 thousand,@35.077)	3,487
Subtotal		150,396
Total		$ 152,027

Nan Liu Enterprise Co., Ltd.
Statement of accounts receivable
December 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 2

Item	Description	Amount
Non related parties：		
Company A	Receivables from transactions	$ 23,946
Company B	Receivables from transactions	27,753
Company C	Receivables from transactions	59,206
Company D	Receivables from transactions	25,059
Company E	Receivables from transactions	41,927
Company F	Receivables from transactions	32,123
Company G	Receivables from transactions	28,397
Others(Note)	Receivables from transactions	233,787
Subtotal：		472,198
Related parties：		
Nanliu Enterprise (Pinghu) Ltd	Receivables from transactions	-
Subtotal：		-
Total		472,198
Less: Allowance for doubtful accounts		(8,079)
Accounts receivable, net		$ 464,119

Note: The balance amount of each customers all are less than 5% of the account amount.

Nan Liu Enterprise Co., Ltd.
Statement of inventories
December 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 3

Item	Description	Amount	
		Cost	Net Realizable Value
Raw materials	Viscose fiber and so on	$ $ 265,301	$ $ 244,251
Supplies	shrink film and so on	24,861	23,237
Work in process	facial mask bag and so on	3,910	3,399
Finished goods	Spunlance fabrics and so on	129,820	160,385
Merchandise	Nonwovens	3,948	4,070
Raw materials and supplies in transit		11,678	27,396
Total		439,518	462,738
Less: allowance for price decline of inventories		(32,018)	—
Net inventories		$ (407,500)	$ 462,738

Note：

1. Inventories shall be measured at the lower of cost and net realizable value item by item.

2. The amount of after write-down of raw materials and supplies used for manufacturing shall not be less than cost when net realizable value of finished goods is more than cost.
3. The net realizable value of raw materials and supplies in transit is replacement cost.

Nan Liu Enterprise Co., Ltd.

Statement of changes in investments accounted for using equity method

December 31, 2019

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

STATEMENT 4

Name	Balance, January 1, 2019		Additions		Decrease		Balance, December 31, 2019			Market Value or Net Assets Value			Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price	Total Amount	Valuation	
NANLIU ENTERPRISE(SAMOA)CO., LTD.	52,948	$3,610,994	-	$ 384,277	-	$ (119,848)	52,948	100%	$ 3,875,423	73.26	$ 3,878,850	Equity method	None
CHING-TSUN Biomedical Technology Co., Ltd	-	-	3,000	30,003		-			30,003	10.00	30,003	Equity method	None
Total		$3,610,994		$414,280		$(119,848)			$3,905,426		$3,908,853		

Note1：Additions in the period included investments 30,000 thousand, recognition of invested profit 374,056 thousand, realized gross profit of upstream and downstream transactions 10,224 thousand, decreases in the period included of tax effects 2,254 thousand and foreign exchange differences 117,594 thousand.

Note2：As of December 31, 2019, cost of investments accounted for using equity method and valuation for using equity method is as following:

Investees	Cost	Valuation for using equity method	Adjustments from unrealized Profits (losses) of Upstream(downstream) transactions	Others	Total
NANLIU ENTERPRISE(SAMOA)CO., LTD.	$ 1,643,224	$2,618,157	$ (3,427)	$ (382,531)	$ 3,875,423
CHING-TSUN Biomedical Technology Co., Ltd	30,000	3	-	-	
Total	$ 1,673,224	$2,618,160	$ (3,427)	$ (382,531)	$ 3,875,423

Nan Liu Enterprise Co., Ltd.
Statement of changes in property, plant and equipment
December 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 5

Please refer to note 6(5).

Nan Liu Enterprise Co., Ltd.
Statement of changes in Right-of-use assets
December 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 6

Please refer to note 6(6).

Nan Liu Enterprise Co., Ltd.
Statement of short-term loans
December 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 7

Type	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral
Clear loans					
Citi bank	$ 60,000	2019/12/24~2020/01/07	0.810%	USD7,000	—
Bank SinoPac	410,000	2019/10/16-2020/03/06	0.900%	NTD 600,000	
HSBC Bank	215,000	2019/10/31-2020/06/17	0.860%	NTD 450,000	
Cathay United Bank	95,000	2019/12/21-2020/03/21	0.860%	NTD 300,000	
Hua Nan Bank	100,000	2019/12/06-2020/01/06	0.900%	NTD 200,000	
Taishin International Bank	300,000	2019/12/13-2020/02/13	0.910%	NTD 300,000	
Taipei Fubon Bank	190,000	2019/08/13-2020/02/07	0.890%	NTD 200,000	
Total	$ 1,370,000				

Nan Liu Enterprise Co., Ltd.
Statement of Accounts payable , net
December 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 8

Item	Description	Amount
Non related parties：		
Company A	Payable from transactions	$ 17,740
Company B	Payable from transactions	20,351
Others(Note)	Payable from transactions	73,649
Subtotal：		111,740
Related parties：		
Nanliu Enterprise (Pinghu) Ltd	Receivables from transactions	183,360
Subtotal：		183,360
Total		295,100

Note: The balance amount of each customers all are less than 5% of the account amount.

Nan Liu Enterprise Co., Ltd.

Statement of long-term loans

December 31, 2019

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

STATEMENT 9

Bank	Description	Balance, End of Year	Contract Period	Interest Rates (%)	Collateral	Note
First Bank	Unsecured loans	80,000	2017/04/11-2020/01/11	1.150%	—	—
The Export-Import Bank of the Republic of China	Unsecured loans	122,000	2018/09/26-2025/09/26	1.050%	—	—
CTBC Bank	Unsecured loans	544,000	2018/01/25-2025/01/24	1.060%	—	—
Bank SinoPac	Unsecured loans	180,000	2019/09/16-2021/10/23	1.100%	—	—
E.SUN Bank	Unsecured loans	300,000	2018/09/18-2022/09/04	1.120%	—	—
KGI Bank	Unsecured loans	390,000	2018/09/17-2021/12/26	1.130%	—	—
Mega Bank	Unsecured loans	240,881	2018/09/26-2026/06/15	0.095% ~1.00%	—	—
Mega Bank	secured loans	357,789	2018/09/26-2022/09/26	1.000%	—	(Note)
Chang Hwa Bank	Unsecured loans	290,000	2019/12/23-2022/12/23	1.100%	—	—
Hua Nan Bank	Unsecured loans	100,000	2019/10/30-2021/11/27	1.100%	—	—
JihSun Bank	Unsecured loans	295,000	2019/11/29-2022/12/27	1.100%	—	—
Total		$2,899,670				

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

Nan Liu Enterprise Co., Ltd.

Statement of Lease liabilities

December 31, 2019

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

STATEMENT 10

Please refer to Note6(6)

Nan Liu Enterprise Co., Ltd.

Statement of net revenue

FOR THE YEAR ENDED DECEMBER 31, 2019

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

STATEMENT 11

Item	Quantities	Amount	Total
Sales revenue			
Air Through & Thermal Bond Nonwoven Fabrics	4,937,101.07 KG	$ 572,393	
Spunlance Nonwoven fabrics	14,711,969.17 KG	1,279,043	
Disposable Surgical gowns Fabrics	2,395,357 KG	359,245	
Wet wipes & Cosmetics	27,665,294 BAG	821,781	
	4,589 CAN		
	68.20 ROL		
	17,276,244.00 CS		
	2,813,534 PCS		
	1,658.00 SE02		
	12,990.90 KG		
	1,334.00 M		
	1,820.76 M2		
Subtotal		$ 3,032,462	
Sales revenue, net			$ 3,032,462

Nan Liu Enterprise Co., Ltd.

Statement of operating expenses

FOR THE YEAR ENDED DECEMBER 31, 2019

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

STATEMENT 12

Items	Amount
Merchandise, beginning of year	$ 2,546
Merchandise purchased	985,131
Less: Merchandise, end of year	(3,948)
Less: charges on purchased Merchandise	(262)
Cost of Merchandise sold	983,467
Raw materials, beginning of year	205,951
Add: raw materials purchased	1,073,669
Add: profit on raw materials	119
Less: raw materials, end of year	(265,301)
Less: others of raw materials	(48,129)
Less: loss on raw materials	(10)
Less: raw materials sold	(626)
Raw materials consumed	965,673
Supplies, beginning of year	27,043
Add: supplies purchased	160,867
Add: profit on supplies	97
Less: supplies, end of year	(24,861)
Less: loss on supplies	(118)
Less: scrapped supplies	(788)
Less: supplies sold	(671)
Less: others of supplies	(12,157)
Supplies consumed	149,412
Direct labor	118,565
Manufacturing overheads(STATEMENT 13)	332,961
Manufacturing costs	1,566,611

(Continued)

Nan Liu Enterprise Co., Ltd.
Statement of operating expenses
FOR THE YEAR ENDED DECEMBER 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 12

(Previous)

Add : Work in process, beginning of year(including semi-finished goods)		2,526
Add: work in process received		502
Add: profit on work in process		4
Add: others of work in process		8,318
Less: Work in process, end of year (including semi-finished goods)		(3,910)
Less: charges on work in process		(86)
Less: Loss on disposal of work in process		(4)
Cost of finished goods		1,573,961
Add: finished goods, beginning of year		113,922
Add: finished goods received		87,118
Add: profit on finished goods		624
Add: others of finished goods		246
Less: finished goods, end of year		(129,820)
Less: charges on finished goods		(14,647)
Less: scrapped finished goods		(3,457)
Less: loss on finished goods		(523)
Less: goods sold		(234)
Less: others of finished goods		(8,318)
Cost of production and marketing		1,618,872
Cost of raw materials and semi-finished goods Sold		1,531
(Profit)loss on inventories		(189)
scrapped inventories		4,245
Idle cost		4,080
Reduce inventory to market		11,800
Revenue from sale of scrap and wastes		(14,775)
Cost of goods sold	$	2,609,031

Nan Liu Enterprise Co., Ltd.
Statement of production overheads
FOR THE YEAR ENDED DECEMBER 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 13

Item	Description	Amount
Indirect labor	manufacturing overheads	$ 27,851
Repairs and maintenance expenses	manufacturing overheads	34,913
Packing expenses	manufacturing overheads	18,383
Utility expenses	manufacturing overheads	59,970
Insurance expense	manufacturing overheads	18,745
Depreciation expenses	manufacturing overheads	51,725
Fuel expenses	manufacturing overheads	34,397
pension cost	manufacturing overheads	7,280
Others(note)	manufacturing overheads	83,777
Idle cost	manufacturing overheads	(4,080)
Total		$ 332,961

Note：Amount of each item is less than 5% of the account amount.

Nan Liu Enterprise Co., Ltd.

Statement of Operating expenses

FOR THE YEAR ENDED DECEMBER 31, 2019

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

STATEMENT 14

Item	Promotion expenses	Management expenses	Research expenses	Amount
Payroll expenses	$ 8,841	$ 47,389	$ 10,513	$ 66,743
Shipping expenses	14,805	65	-	14,870
Advertisement expenses	11,908	-	-	11,908
Insurance expense	874	8,810	951	10,635
Entertainment expenses	1,819	11,559	9	13,387
Donation expenses	-	21,717	-	21,717
Depreciation expenses	157	13,219	41	13,417
Commission expenses	7,817	-	-	7,817
Export expenses	23,155	-	-	23,155
pension cost	466	1,922	622	3,010
Professional service fee	-	-	1,958	1,958
Others(note)	8,476	37,744	9,818	56,038
Total	$ 78,318	$ 142,425	$ 23,912	$ 244,655

Note: Amount of each item is less than 5% of the account amount.

Nan Liu Enterprise Co., Ltd.
Statement of labor, depreciation and amortization by function
FOR THE YEAR ENDED DECEMBER 31, 2019
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 15

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

	2019		
	Operating cost	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 146,416	$ 62,501	208,917
Labor and health insurance costs	15,622	5,077	20,699
Pension and severance expenses	7,280	3,010	10,290
Compensation of directors	-	4,242	4,242
Other personnel expenses- food expenses	12,880	2,687	15,567
Total:	182,198	77,517	259,715
Depreciation	51,725	13,417	65,142
Amortization	-	-	-

	2018		
	Operating cost	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 120,553	$ 59,242	179,795
Labor and health insurance costs	12,821	4,632	17,453
Pension and severance expenses	6,398	2,807	9,205
Compensation of directors	-	4,708	4,708
Other personnel expenses- food expenses	10,437	2,360	12,797
Total:	150,209	73,749	223,958
Depreciation	52,284	3,440	55,724
Amortization	-	4,668	4,668

Note:

1. There were 395 and 321 workers in NAN LIU Company on December 31, 2019 and 2018, respectively. It's include Non employees Directors 4 persons.
2. It should announce on TWSE website as follows.

(1) The average of employee benefit expense 653 thousand in 2019. (total amount of employee benefit expense – total amount of compensation of directors)/(employees number in 2019 –

numbers of Non employees Directors).
The average of employee benefit expense 692 thousand in 2018. (total amount of employee benefit expense – total amount of compensation of directors)/(employees number in 2018 – numbers of Non employees Directors).

(2) The average of Wages and salaries 534 thousand in 2019. (total amount of Wages and salaries – total amount of compensation of directors)/(employees number in 2019 – numbers of Non employees Directors).
The average of Wages and salaries 567 thousand in 2018. (total amount of Wages and salaries – total amount of compensation of directors)/(employees number in 2018 – numbers of Non employees Directors).

(3) The average changes of employees' salary expense (5.82%) (The average employees salary expense in 2019 - the average employees salary expense in 2018).