

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taisun Int'l (Holding) Corporation and its subsidiaries (the Group) as of March 31, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and related notes, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 Interim Financial Reporting.

The engagement partners on the reviews resulting in this independent auditors' review report are Yi-Hui, Lin and Yu-Shiou, Su.

Yi-Hui Lin

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May 12, 2018

Notice to Readers

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

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	March 31, 2018 (Reviewed)			December 31, 2017 (Audited)			March 31, 2017 (Reviewed)		
	NTD	USD	%	NTD	USD	%	NTD	USD	%
CURRENT ASSETS									
Cash and cash equivalents (Note 6)	\$ 393,308	\$ 13,513	23	\$ 428,917	\$ 14,413	25	\$ 714,207	\$ 23,548	44
Financial assets at fair value through other comprehensive income - current (Note 7)	18,333	630	1	-	-	-	-	-	-
Available-for-sale financial assets - current (Note 9)	-	-	-	8,648	291	-	-	-	-
Financial assets at amortized cost - current (Note 8)	492,020	16,905	28	-	-	-	-	-	-
Other financial assets - current (Note 10)	-	-	-	481,728	16,187	28	191,364	6,309	12
Notes receivable from unrelated parties	351	12	-	23	1	-	-	-	-
Trade receivables from unrelated parties (Note 11)	37,578	1,291	2	28,674	964	2	22,316	736	1
Other receivables from unrelated parties	24,559	844	1	18,432	619	1	4,754	157	-
Inventories (Note 12)	199,503	6,855	12	235,604	7,917	14	181,321	5,978	11
Prepayments	28,774	989	2	23,681	796	1	18,406	608	1
Prepayments for leases (Note 15)	1,553	53	-	1,591	53	-	1,620	53	-
Other current assets	380	13	-	128	4	-	67	2	-
Total current assets	1,196,359	41,105	69	1,227,426	41,245	71	1,134,055	37,391	69
NON-CURRENT ASSETS									
Financial assets at amortized cost - non-current (Note 8)	22,646	778	1	-	-	-	-	-	-
Other financial assets - non-current (Note 10)	-	-	-	29,248	983	2	69,804	2,302	4
Property, plant and equipment (Note 14)	290,491	9,981	17	294,001	9,880	17	286,679	9,452	18
Other intangible assets	1,275	43	-	1,427	47	-	1,831	60	-
Deferred tax assets (Note 22)	5,095	175	-	5,166	174	-	4,768	157	-
Prepayments for equipment	111,588	3,834	7	76,490	2,570	4	48,349	1,594	3
Long-term prepayments for leases (Note 15)	91,497	3,144	5	94,062	3,161	6	97,010	3,198	6
Other non-current assets	16,561	570	1	2,018	68	-	1,846	61	-
Total non-current assets	539,153	18,525	31	502,412	16,883	29	510,287	16,824	31
TOTAL	\$ 1,735,512	\$ 59,630	100	\$ 1,729,838	\$ 58,128	100	\$ 1,644,342	\$ 54,215	100
LIABILITIES AND EQUITY									
CURRENT LIABILITIES									
Short-term borrowings (Note 16)	\$ 81,468	\$ 2,799	5	\$ 111,922	\$ 3,761	7	\$ -	\$ -	-
Contract liabilities - current (Note 20)	10,392	357	1	-	-	-	-	-	-
Trade payables to unrelated parties	76,347	2,623	4	102,062	3,430	6	75,819	2,500	5
Other payables (Note 17)	39,985	1,374	2	43,107	1,448	3	28,215	931	2
Current tax liabilities (Note 22)	13,754	473	1	4,113	138	-	10,776	355	1
Provisions - current	-	-	-	4,085	137	-	3,947	130	-
Other current liabilities	6,957	239	-	1,256	43	-	9,090	300	-
Total current liabilities	228,903	7,865	13	266,545	8,957	16	127,847	4,216	8
NON-CURRENT LIABILITIES									
Deferred income tax liabilities (Note 22)	170	6	-	290	10	-	151	5	-
Guarantee deposits received	2,686	93	-	2,754	93	-	2,021	66	-
Total non-current liabilities	2,856	99	-	3,044	103	-	2,172	71	-
Total liabilities	231,759	7,964	13	269,589	9,060	16	130,019	4,287	8
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)									
Ordinary shares	357,000	11,493	21	357,000	11,493	21	357,000	11,493	21
Capital surplus	653,216	21,364	38	653,216	21,364	38	653,216	21,364	40
Retained earnings									
Legal reserve	28,792	959	2	28,792	959	1	-	-	-
Special reserve	1,346	45	-	1,346	45	-	-	-	-
Unappropriated earnings	612,159	19,375	35	531,919	16,638	31	589,989	18,606	36
Total retained earnings	642,297	20,379	37	562,057	17,642	32	589,989	18,606	36
Other equity	(148,760)	(1,570)	(9)	(112,024)	(1,431)	(7)	(85,882)	(1,535)	(5)
Total equity	1,503,753	51,666	87	1,460,249	49,068	84	1,514,323	49,928	92
TOTAL	\$ 1,735,512	\$ 59,630	100	\$ 1,729,838	\$ 58,128	100	\$ 1,644,342	\$ 54,215	100

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated balance sheets have been subsequently translated to New Taiwan dollars at an exchange rate of NTS29.105:US\$1, NTS29.76:US\$1 and NT\$30.33:US\$1 as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively. Since the par value of shares is NTS10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31					
	2018			2017		
	NTD	USD	%	NTD	USD	%
SALES	\$ 419,572	\$ 14,320	100	\$ 374,014	\$ 12,028	100
COST OF GOODS SOLD (Note 21)	<u>285,353</u>	<u>9,739</u>	<u>68</u>	<u>253,080</u>	<u>8,139</u>	<u>68</u>
GROSS PROFIT	<u>134,219</u>	<u>4,581</u>	<u>32</u>	<u>120,934</u>	<u>3,889</u>	<u>32</u>
OPERATING EXPENSES (Note 21)						
Selling and marketing expenses	31,934	1,090	7	28,535	918	7
General and administrative expenses	20,236	691	5	17,955	577	5
Research and development expenses	<u>3,035</u>	<u>104</u>	<u>1</u>	<u>2,807</u>	<u>90</u>	<u>1</u>
Total operating expenses	<u>55,205</u>	<u>1,885</u>	<u>13</u>	<u>49,297</u>	<u>1,585</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>79,014</u>	<u>2,696</u>	<u>19</u>	<u>71,637</u>	<u>2,304</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES						
Interest income (Note 21)	10,966	374	2	4,883	157	2
Other gains and losses (Note 21)	3,992	136	1	748	23	-
Finance costs (Note 21)	<u>(349)</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>14,609</u>	<u>498</u>	<u>3</u>	<u>5,631</u>	<u>180</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	93,623	3,194	22	77,268	2,484	21
INCOME TAX EXPENSE (Note 19)	<u>13,383</u>	<u>457</u>	<u>3</u>	<u>9,683</u>	<u>311</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>80,240</u>	<u>2,737</u>	<u>19</u>	<u>67,585</u>	<u>2,173</u>	<u>18</u>
OTHER COMPREHENSIVE LOSS						
Items that will not be reclassified subsequently to profit or loss:						
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(78)	(3)	-	-	-	-
Exchange differences on translation to the presentation currency	(32,646)	-	(8)	(84,318)	-	(23)
Items that maybe reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	<u>(4,012)</u>	<u>(136)</u>	<u>(1)</u>	<u>(218)</u>	<u>(7)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(36,736)</u>	<u>(139)</u>	<u>(9)</u>	<u>(84,536)</u>	<u>(7)</u>	<u>(23)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 43,504</u>	<u>\$ 2,598</u>	<u>10</u>	<u>\$ (16,951)</u>	<u>\$ 2,166</u>	<u>(5)</u>
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	<u>\$ 80,240</u>	<u>\$ 2,737</u>	<u>19</u>	<u>\$ 67,585</u>	<u>\$ 2,173</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:						
Owners of the Company	<u>\$ 43,504</u>	<u>\$ 2,598</u>	<u>10</u>	<u>\$ (16,951)</u>	<u>\$ 2,166</u>	<u>(5)</u>

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TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31					
	2018			2017		
	NTD	USD	%	NTD	USD	%
EARNINGS PER SHARE (Note 23)						
From continuing and discounted operations						
Basic	<u>\$ 2.25</u>	<u>\$ 0.08</u>		<u>\$ 1.94</u>	<u>\$ 0.06</u>	
Diluted	<u>\$ 2.24</u>	<u>\$ 0.08</u>		<u>\$ 1.93</u>	<u>\$ 0.06</u>	

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of comprehensive income have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$29.3:US\$1 and NT\$31.095:US\$1 for the three months ended March 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

(Concluded)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	(Note 19)				Other				Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings (Note 19)	Unappropriated Earnings	Exchange on Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2017	30,883	\$ 308,830	\$ 178,233	\$ -	\$ 522,404	\$ -	\$ -	\$ (1,346)	\$ 1,008,121
Net profit for the three months ended March 31, 2017	-	-	-	-	67,585	-	-	-	67,585
Other comprehensive loss for the three months ended 2017, net of income tax	-	-	-	-	-	-	-	(84,536)	(84,536)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	67,585	-	-	(84,536)	(16,951)
Issuance of ordinary shares for cash (date of issuance: 2017.1.13)	4,817	48,170	474,983	-	-	-	-	-	523,153
BALANCE AT MARCH 31, 2017	35,700	\$ 357,000	\$ 653,216	\$ -	\$ 589,989	\$ -	\$ -	\$ (85,882)	\$ 1,514,323
BALANCE AT JANUARY 1, 2018	35,700	\$ 357,000	\$ 653,216	\$ 1,346	\$ 531,919	\$ 1,064	\$ -	\$ (113,088)	\$ 1,460,249
Effect of retrospective and retrospective restatement	-	-	-	-	-	(1,064)	1,064	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	35,700	357,000	653,216	1,346	531,919	-	1,064	(113,088)	1,460,249
Net profit for the three months ended March 31, 2018	-	-	-	-	80,240	-	-	-	80,240
Other comprehensive loss for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	(78)	(36,658)	(36,736)
Total comprehensive income (loss) the three months ended March 31, 2018	-	-	-	-	80,240	-	(78)	(36,658)	43,504
BALANCE AT DECEMBER 31, 2018	35,700	\$ 357,000	\$ 653,216	\$ 1,346	\$ 612,159	\$ -	\$ 986	\$ (149,746)	\$ 1,503,753

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of changes in equity have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$29.3:US\$1 and NT\$31.095:US\$1 for the three months ended March 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

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

	(Note 19)			Retained Earnings (Note 19)			Unappropriated Earnings			Others			Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2017	30,883	\$ 9,987	\$ 6,368	\$ -	\$ -	\$ 16,433	\$ -	\$ -	\$ (1,528)	\$ 31,260			
Net profit for the three months ended March 31, 2017	-	-	-	-	-	2,173	-	-	-	2,173			
Other comprehensive loss for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	-	-	-	(7)	(7)			
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	2,173	-	-	(7)	2,166			
Issuance of ordinary shares for cash (date of issuance: 2017.1.13)	4,817	1,506	14,996	-	-	-	-	-	-	16,502			
BALANCE AT MARCH 31, 2017	35,700	\$ 11,493	\$ 21,364	\$ -	\$ -	\$ 18,606	\$ -	\$ -	\$ (1,535)	\$ 49,928			
BALANCE AT JANUARY 1, 2018	35,700	\$ 11,493	\$ 21,364	\$ 959	\$ 45	\$ 16,638	\$ 35	\$ -	\$ (1,466)	\$ 49,068			
Effect of retrospective and retrospective restatement	-	-	-	-	-	-	(35)	35	-	-			
BALANCE AT JANUARY 1, 2018 AS RESTATED	35,700	11,493	21,364	959	45	16,638	-	35	(1,466)	49,068			
Net profit for the three months ended March 31, 2018	-	-	-	-	-	2,737	-	-	-	2,737			
Other comprehensive income for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	-	(3)	(136)	(139)			
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	2,737	-	(3)	(136)	2,598			
BALANCE AT MARCH 31, 2018	35,700	\$ 11,493	\$ 21,364	\$ 959	\$ 45	\$ 19,375	\$ -	\$ 32	\$ (1,602)	\$ 51,666			

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	NTD	USD	NTD	USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$ 93,623	\$ 3,194	\$ 77,268	\$ 2,484
Adjustments for:				
Depreciation expenses	11,822	404	12,571	405
Amortization expenses	116	4	136	4
Amortization of prepayments for leases	391	13	431	13
Finance costs	349	12	-	-
Interest income	(10,966)	(374)	(4,883)	(157)
Write-downs of inventories	974	6	561	18
Changes in operating assets and liabilities				
Notes receivable	(328)	(11)	-	-
Trade receivables	(9,581)	(327)	5,411	174
Other receivables	59	2	(155)	(5)
Inventories	30,941	1,056	12,687	408
Prepayments	(5,655)	(193)	(5,721)	(184)
Other current assets	(264)	(9)	(62)	(2)
Contract liabilities	10,050	343	-	-
Trade payables	(23,645)	(807)	(9,857)	(317)
Other payables	(2,139)	(73)	(4,167)	(134)
Provisions	-	-	(155)	(5)
Other current liabilities	2,168	74	3,669	118
Cash generated from operations	97,915	3,314	87,734	2,820
Interest paid	(407)	(14)	-	-
Income tax paid	(3,713)	(127)	(4,957)	(159)
Net cash generated from operating activities	93,795	3,173	82,777	2,661
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of financial assets at fair value through other comprehensive income	(9,947)	(342)	-	-
Purchases of financial assets at amortized cost	(15,031)	(513)	-	-
Increase in other financial assets	-	-	(113,466)	(3,649)
Payments for property, plant and equipment	(15,742)	(537)	(20,271)	(652)
Increase in other non-current assets	(14,679)	(502)	(1,399)	(45)
Increase in prepayments for equipment	(37,035)	(1,264)	(19,497)	(627)
Interest received	4,313	147	1,275	41
Net cash used in investing activities	(88,121)	(3,011)	(153,358)	(4,932)

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TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	NTD	USD	NTD	USD
CASH FLOWS FROM INVESTING ACTIVITIES				
Repayments of short-term borrowings	\$ (28,187)	\$ (962)	\$ -	\$ -
Proceeds from guarantee deposits received	-	-	280	9
Proceeds from issue of ordinary shares	-	-	<u>523,153</u>	<u>16,502</u>
Net cash generated from (used in) investing activities	<u>(28,187)</u>	<u>(962)</u>	<u>523,433</u>	<u>16,511</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(13,096)</u>	<u>(100)</u>	<u>(38,957)</u>	<u>(4)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,609)	(900)	413,895	14,236
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>428,917</u>	<u>14,413</u>	<u>300,312</u>	<u>9,312</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 393,308</u>	<u>\$ 13,513</u>	<u>\$ 714,207</u>	<u>\$ 23,548</u>

Note: These consolidated financial statements were originally presented in U.S. dollars. For the purpose of comparison, the consolidated statements of cash flows have been subsequently translated to New Taiwan dollars at an average exchange rate of NT\$29.3:US\$1 and NT\$31.095:US\$1 for the three months ended March 31, 2018 and 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

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

(Concluded)

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars or U.S. Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

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

The exchange rate of NT\$29.105:US\$1, NT\$29.76:US\$1 and NT\$30.33:US\$1 was used for balances as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively. Since the par value of shares is NT\$10, the historical exchange rate of the issue date in the Company's Articles of Incorporation is used to calculate shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 12, 2018.

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

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

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

- 1) IFRS 9 "Financial Instruments" and related amendment

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2017, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2017.

(In Thousands of New Taiwan Dollars)

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	\$ 8,648	\$ 8,648	(a)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	510,976	510,976	(b)

(In Thousands of U.S. Dollars)

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	\$ 291	\$ 291	(a)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	17,170	17,170	(b)

(In Thousands of New Taiwan Dollars)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remea- surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTOCI</u>							(a)
Equity instruments	\$ -	\$ 8,648	\$ -	\$ 8,648	\$ -	\$ -	
Add: Reclassification from available-for-sale (IAS 39)	8,648	(8,648)	-	-	-	-	(a)
	<u>8,648</u>	<u>-</u>	<u>-</u>	<u>8,648</u>	<u>-</u>	<u>-</u>	
<u>Amortized cost</u>							
Amortized cost	-	510,976	-	510,976	-	-	(b)
Add: Reclassification from other financial assets (IAS 39)	510,976	(510,976)	-	-	-	-	(b)
	<u>\$ 510,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,976</u>	<u>\$ -</u>	<u>\$ -</u>	

(In Thousands of U.S. Dollars)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remea- surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTOCI</u>							(a)
Equity instruments	\$ -	\$ 291	\$ -	\$ 291	\$ -	\$ -	
Add: Reclassification from available-for-sale (IAS 39)	291	(291)	-	-	-	-	(a)
	<u>291</u>	<u>-</u>	<u>-</u>	<u>291</u>	<u>-</u>	<u>-</u>	
<u>Amortized cost</u>							
Amortized cost	-	17,170	-	17,170	-	-	(b)
Add: Reclassification from other financial assets (IAS 39)	17,170	(17,170)	-	-	-	-	(b)
	<u>\$ 17,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,170</u>	<u>\$ -</u>	<u>\$ -</u>	

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of NT\$1,064 thousand (US\$35 thousand) was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.
- b) Debt investments previously classified as other financial assets and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and the application did not have the cumulative effect of the change in the retained earnings on January 1, 2018.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

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

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

2) IFRS 16 “Leases”

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

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

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

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

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

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

6) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

Principles for preparing consolidated financial statements

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

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

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

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

d. Other significant accounting policies

Except for the following, refer to the significant accounting policies in 2017 consolidated financial report:

1) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 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.

Measurement category

2018

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

- ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, 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.

- ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

- i. Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

- ii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, 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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes 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 Group measures 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. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 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.

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

2017

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

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

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

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

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, 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 difference between the

asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and 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.

2) Revenue recognition

2018

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

Revenue from sale of goods

Revenue from sale of goods comes from sales of baby diapers. Sales of baby diapers are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivable is recognized concurrently.

2017

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

a) Sale of goods

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

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

b) Interest income

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

3) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Cash on hand	\$ 822	\$ 85	\$ 126
Checking accounts and demand deposits	90,330	59,482	211,495
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	<u>302,156</u>	<u>369,350</u>	<u>502,586</u>
	<u>\$ 393,308</u>	<u>\$ 428,917</u>	<u>\$ 714,207</u>
<u>U.S. dollars</u>			
Cash on hand	\$ 28	\$ 3	\$ 4
Checking accounts and demand deposits	3,103	1,999	6,973
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	<u>10,382</u>	<u>12,411</u>	<u>16,571</u>
	<u>\$ 13,513</u>	<u>\$ 14,413</u>	<u>\$ 23,548</u>

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

	March 31, 2018	December 31, 2017	March 31, 2017
Demand deposits	0.1%-0.8%	0.1%-0.8%	0.001%-0.80%
Time deposits	1.05%-5.50%	0.95%-5.50%	0.65%-6.20%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

March 31, 2018

New Taiwan dollars

Current

Investments in equity instruments at FVTOCI \$ 18,333

March 31, 2018

Current

Domestic investments

Listed shares and emerging market shares	
Ordinary shares - Satitar Co., Ltd.	\$ 2,893
Ordinary shares - King's Town Bank	5,550
Ordinary shares - Formosa Plastics Corporation	5,200
Ordinary shares - China Steel Corporation	<u>4,690</u>
	<u>\$ 18,333</u>

March 31, 2018

U.S. dollars

Current

Investments in equity instruments at FVTOCI	<u>\$ 630</u>
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March 31, 2018

Current

Domestic investments

Listed shares and emerging market shares	
Ordinary shares - Satitar Co., Ltd.	\$ 99
Ordinary shares - King's Town Bank Co., Ltd.	191
Ordinary shares - Formosa Plastics Corporation	179
Ordinary shares - China Steel Corporation	<u>161</u>
	<u>\$ 630</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, and Note 9 for information relating to their reclassification and comparative information for 2017.

In January 2018, the Group acquired ordinary shares NT\$9,947 thousand (US\$342 thousand) of Formosa Plastics Corporation and China Steel Corporation for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

March 31, 2018

New Taiwan dollars

Current

Time deposits with original maturity of more than 3 months \$ 492,020

Non-current

Time deposits with original maturity of more than 1 years \$ 22,646

March 31, 2018

U.S. dollars

Current

Time deposits with original maturity of more than 3 months \$ 16,905

Non-current

Time deposits with original maturity of more than 1 years \$ 778

The interest rates for time deposits with original maturity of more than 3 months were from 2.00% to 7.10% as at the end of the reporting period. The time deposits were classified as other financial assets with no active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

December 31, March 31,
2017 2017

New Taiwan dollars

Current

Domestic investments

Listed shares and emerging market shares \$ 8,648 \$ -

U.S. dollars

Current

Domestic investments

Listed shares and emerging market shares \$ 291 \$ -

10. OTHER FINANCIAL ASSETS

	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>		
Current		
Time deposits with original maturities of more than 3 months	<u>\$ 481,728</u>	<u>\$ 191,364</u>
Non-current		
Time deposits with original maturities of more than 1 year	<u>\$ 29,248</u>	<u>\$ 69,804</u>
<u>U.S. dollars</u>		
Current		
Time deposits with original maturities of more than 3 months	<u>\$ 16,187</u>	<u>\$ 6,309</u>
Non-current		
Time deposits with original maturities of more than 1 year	<u>\$ 983</u>	<u>\$ 2,302</u>

The market interest rates of the time deposits with original maturities of more than 3 months were 0.65%-7.10% and 0.7%-7.1% per annum as of December 31, 2017 and March 31, 2017, respectively.

11. TRADE RECEIVABLES

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
At amortized cost			
Gross carrying amount	\$ 38,335	\$ 29,448	\$ 23,096
Less: Allowance for impairment loss	<u>(757)</u>	<u>(774)</u>	<u>(780)</u>
	<u>\$ 37,578</u>	<u>\$ 28,674</u>	<u>\$ 22,316</u>
<u>U.S. dollars</u>			
At amortized cost			
Gross carrying amount	\$ 1,317	\$ 990	\$ 762
Less: Allowance for impairment loss	<u>(26)</u>	<u>(26)</u>	<u>(26)</u>
	<u>\$ 1,291</u>	<u>\$ 964</u>	<u>\$ 736</u>

For the three months ended March 31, 2018

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

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

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

March 31, 2018

	(In Thousands of New Taiwan Dollars)					
	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Gross carrying amount	\$ 30,612	\$ 6,887	\$ 77	\$ 6	\$ 753	\$ 38,335
Loss allowance (Lifetime ECL)	-	-	(1)	(3)	(753)	(757)
Amortized cost	<u>\$ 30,612</u>	<u>\$ 6,887</u>	<u>\$ 76</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 37,578</u>

	(In Thousands of U.S. Dollars)					
	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Gross carrying amount	\$ 1,051	\$ 237	\$ 3	\$ -	\$ 26	\$ 1,317
Loss allowance (Lifetime ECL)	-	-	-	-	(26)	(26)
Amortized cost	<u>\$ 1,051</u>	<u>\$ 237</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,291</u>

The Group expected credit loss rate, not past due to past due 180 days of 1%; past due 180 days to 360 days of 50%; past due 1 years of 50-100%.

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

	For the Three Months Ended March 31, 2018
<u>New Taiwan dollars</u>	
Balance at January 1, 2018 per IAS 39	\$ 774
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	<u>774</u>
Add: Amounts recovered/Impairment loss	-
Foreign exchange gains and losses	<u>(17)</u>
Balance at March 31, 2018	<u>\$ 757</u>

(Continued)

**For the Three
Months Ended
March 31, 2018**

U.S. dollars

Balance at January 1, 2018 per IAS 39	\$ 26	
Adjustment on initial application of IFRS 9	-	
Balance at January 1, 2018 per IFRS 9	26	
Add: Amounts recovered/Impairment loss	-	
Foreign exchange gains and losses	-	
 Balance at March 31, 2018	 \$ 26	 (Concluded)

For the three months ended March 31, 2017

The Group applied the same credit policy in 2018 and 2017.

The Group recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience was that receivables that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 1 day and 365 days based on the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial positions.

The aging of receivables was as follows:

	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>		
Up to 90 days	\$ 28,609	\$ 22,200
91-180 days	75	24
181-360 days	5	-
Over 360 days	759	872
	<u>\$ 29,448</u>	<u>\$ 23,096</u>
 <u>U.S. dollars</u>		
Up to 90 days	\$ 961	\$ 732
91-180 days	3	1
181-360 days	-	-
Over 360 days	26	29
	<u>\$ 990</u>	<u>\$ 762</u>

The above aging schedule was based on the number of past due days from the end of the credit term.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
<u>New Taiwan dollars</u>			
Balance at January 1, 2017	\$ -	\$ 838	\$ 838
Less: Impairment losses reversed	-	-	-
Foreign exchange translation gains and losses	-	(58)	(58)
Balance at March 31, 2017	<u>\$ -</u>	<u>\$ 780</u>	<u>\$ 780</u>
<u>U.S. dollars</u>			
Balance at January 1, 2017	\$ -	\$ 26	\$ 26
Less: Impairment losses reversed	-	-	-
Foreign exchange translation gains and losses	-	-	-
Balance at March 31, 2017	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 26</u>

12. INVENTORIES

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Merchandise	\$ 4,873	\$ 2,056	\$ 1
Finished goods	59,249	72,122	40,578
Raw materials	109,455	117,916	115,424
Inventory in transit	<u>25,926</u>	<u>43,510</u>	<u>25,318</u>
	<u>\$ 199,503</u>	<u>\$ 235,604</u>	<u>\$ 181,321</u>
<u>U.S. dollars</u>			
Merchandise	\$ 167	\$ 69	\$ -
Finished goods	2,036	2,424	1,338
Raw materials	3,761	3,962	3,805
Inventory in transit	<u>891</u>	<u>1,462</u>	<u>835</u>
	<u>\$ 6,855</u>	<u>\$ 7,917</u>	<u>\$ 5,978</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2018 and 2017 included NT\$285,353 thousand (US\$9,739 thousand) and NT\$253,080 thousand (US\$8,139 thousand), respectively, which included NT\$974 thousand (US\$6 thousand) and NT\$561 thousand (US\$18 thousand), respectively, in write-downs of inventories.

13. SUBSIDIARIES

Subsidiary Included in Consolidated Financial Statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2018	December 31, 2017	March 31, 2017	
Taisun Int'l (Holding) Corporation	Taisun Vietnam Co., Ltd. (VN)	Manufacture and sale of baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes	100%	100%	100%	a
	Taipoly (Far East) Corporation (Mauritius)	Trading	100%	100%	100%	b
	Winsun (Cambodia) Co., Ltd. (Cambodia)	Manufacture and sale of baby diapers, baby pants, adult diapers, sanitary napkins and wet wipes	100%	100%	100%	c

- a. Taisun Vietnam Co., Ltd. (VN) was incorporated in 2001 in Vietnam.
- b. Taipoly (Far East) Corporation (Mauritius) was incorporated in 2006 in Mauritius.
- c. Winsun (Cambodia) Co., Ltd. (Cambodia) was incorporated in 2005 in Cambodia.

14. PROPERTY, PLANT AND EQUIPMENT

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

(Continued)

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Finance Leases	Property in Construction	Total
<u>New Taiwan dollars</u>								
<u>Cost</u>								
Balance at January 1, 2017	\$ 68,692	\$ 483,492	\$ 26,026	\$ 3,064	\$ 9,159	\$ -	\$ -	\$ 590,433
Additions	-	-	-	131	64	172	19,904	20,271
Effect of foreign currency exchange differences	(4,116)	(28,880)	(1,537)	(200)	(553)	(4)	(490)	(35,780)
Balance at March 31, 2017	\$ 64,576	\$ 454,612	\$ 24,489	\$ 2,995	\$ 8,670	\$ 168	\$ 19,414	\$ 574,924
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	\$ 19,221	\$ 252,647	\$ 12,771	\$ 1,387	\$ 7,514	\$ -	\$ -	\$ 293,540
Depreciation expense	1,114	10,195	884	142	236	-	-	12,571
Effect of foreign currency exchange differences	(1,160)	(15,385)	(785)	(88)	(448)	-	-	(17,866)
Balance at March 31, 2017	\$ 19,175	\$ 247,457	\$ 12,870	\$ 1,441	\$ 7,302	\$ -	\$ -	\$ 288,245
Carrying amounts at March 31, 2017	\$ 45,401	\$ 207,155	\$ 11,619	\$ 1,554	\$ 1,368	\$ 168	\$ 19,414	\$ 286,679
<u>U.S. dollars</u>								
<u>Cost</u>								
Balance at January 1, 2017	\$ 2,130	\$ 14,992	\$ 807	\$ 95	\$ 284	\$ -	\$ -	\$ 18,308
Additions	-	-	-	4	2	6	640	652
Effect of foreign currency exchange differences	(1)	(3)	-	-	-	-	-	(4)
Balance at March 31, 2017	\$ 2,129	\$ 14,989	\$ 807	\$ 99	\$ 286	\$ 6	\$ 640	\$ 18,956
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	\$ 596	\$ 7,834	\$ 396	\$ 43	\$ 233	\$ -	\$ -	\$ 9,102
Depreciation expense	36	328	28	5	8	-	-	405
Effect of foreign currency exchange differences	(1)	(2)	-	-	-	-	-	(3)
Balance at March 31, 2017	\$ 631	\$ 8,160	\$ 424	\$ 48	\$ 241	\$ -	\$ -	\$ 9,504
Carrying amounts at March 31, 2017	\$ 1,498	\$ 6,829	\$ 383	\$ 51	\$ 45	\$ 6	\$ 640	\$ 9,452

(Concluded)

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

Buildings	5-50 years
Machinery and equipment	2-10 years
Transportation equipment	3-8 years
Office equipment	2-6 years
Other equipment	3-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out on Note 28.

15. PREPAYMENTS FOR LEASES

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Current assets	\$ 1,553	\$ 1,591	\$ 1,620
Non-current assets	91,497	94,062	97,010
	<u>\$ 93,050</u>	<u>\$ 95,653</u>	<u>\$ 98,630</u>

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
<u>U.S. dollars</u>			
Current assets	\$ 53	\$ 53	\$ 53
Non-current assets	<u>3,144</u>	<u>3,161</u>	<u>3,198</u>
	<u>\$ 3,197</u>	<u>\$ 3,214</u>	<u>\$ 3,251</u> (Concluded)

The Group obtained land use rights certificates in Cambodia in 2016. The useful lives of the rights are 50 years, and they will be renewed for another 50 years starting from the contract date until the expiration date.

As of March 31, 2018, December 31, 2017 and March 31, 2017, the prepayments for leases are for the land use rights in Vietnam and Cambodia.

16. BORROWINGS

Short-term Borrowings

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Unsecured borrowings			
Line of credit borrowings	<u>\$ 81,468</u>	<u>\$ 111,922</u>	<u>\$ -</u>
<u>U.S. dollars</u>			
Unsecured borrowings			
Line of credit borrowings	<u>\$ 2,799</u>	<u>\$ 3,761</u>	<u>\$ -</u>

The range of weighted average effective interest rates on bank loans was 1.45%-2.00% and 1.45%-2.36% per annum as of March 31, 2018 and December 31, 2017.

17. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Other payables			
Payables for salaries or bonuses	\$ 10,948	\$ 10,284	\$ 9,342
Payables for bonuses for employees and directors	2,714	7,768	1,335
Payables for services	7,987	6,842	2,062
Payables for retention from construction	5,426	4,784	-
Others	<u>12,910</u>	<u>13,429</u>	<u>15,476</u>
	<u>\$ 39,985</u>	<u>\$ 43,107</u>	<u>\$ 28,215</u> (Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
<u>U.S. dollars</u>			
Other payables			
Payables for salaries or bonuses	\$ 376	\$ 346	\$ 308
Payables for bonuses for employees and directors	93	261	44
Payables for services	274	230	68
Payables for retention from construction	186	161	-
Others	<u>445</u>	<u>450</u>	<u>511</u>
	<u>\$ 1,374</u>	<u>\$ 1,448</u>	<u>\$ 931</u> (Concluded)

18. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

The employees of the Group's subsidiary, Taisun Vietnam Co., Ltd. (VN), in Vietnam are members of a state-managed retirement benefit plan operated by the government of Vietnam. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The other related expenses are included in employee benefits expense.

19. EQUITY

a. Share capital

Ordinary shares

	March 31, 2018	December 31, 2017	March 31, 2017
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>35,700</u>	<u>35,700</u>	<u>35,700</u>
Shares issued (in New Taiwan dollars)	<u>\$ 357,000</u>	<u>\$ 357,000</u>	<u>\$ 357,000</u>
Shares issued (in U.S. dollars)	<u>\$ 11,493</u>	<u>\$ 11,493</u>	<u>\$ 11,493</u>

b. Capital surplus

Capital surplus which is generated from the issuance of ordinary shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be distributed at less than 2% as directors' salaries and over 2% as employees' compensation. If the Company has accumulated deficits, the profit shall be set aside as a reserve. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employee benefits expense in Note 20-f.

Because the Company is still in the growth stage, the Company's board of directors shall propose a distribution plan for dividends of shareholders based on the consideration of each fiscal year's profit, overall development, financial planning, capital needs, industry forecasts and the Company's prospects.

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

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

The appropriations of earnings for 2017 and 2016 were proposed by the board of directors on March 13, 2018 and approved in the shareholders' meetings on June 7, 2017, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash dividends	\$ 142,800	\$ 214,200	\$ 4	\$ 6
Share dividend	35,700	-	1	-
Legal reserve	25,385	28,792	-	-
Special reserve	110,678	1,346	-	-

The appropriation of earnings for 2017 were proposed by the shareholder's meetings on June 29, 2018.

d. Special reserve

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Beginning at January 1	\$ 1,346	\$ -
Appropriation in respect of: Debit to other equity items	-	-
Balance at March 31	<u>\$ 1,346</u>	<u>\$ -</u>
<u>U.S. dollars</u>		
Beginning at January 1	\$ 45	\$ -
Appropriation in respect of: Debit to other equity items	-	-
Balance at March 31	<u>\$ 45</u>	<u>\$ -</u>

20. REVENUE

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 419,572</u>	<u>\$ 374,014</u>
<u>U.S. dollars</u>		
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 14,320</u>	<u>\$ 12,028</u>

a. Contract information

Revenue from sale of goods

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

b. Contract balances

March 31, 2018

<u>New Taiwan dollars</u>	
Trade receivables (Note 11)	<u>\$ 37,578</u>
Contract assets	
Sale of goods	<u>\$ 10,392</u>
<u>U.S. dollars</u>	
Trade receivables (Note 11)	<u>\$ 1,291</u>
Contract assets	
Sale of goods	<u>\$ 357</u>

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

Before the application of IFRS 15, the Group recognized and accounted for advances when collected the payment.

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

Net profit from continuing operations was attributable to:

a. Interest income

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Bank deposits	<u>\$ 10,966</u>	<u>\$ 4,883</u>
<u>U.S. dollars</u>		
Bank deposits	<u>\$ 374</u>	<u>\$ 157</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Net foreign exchange gains	\$ 4,033	\$ 331
Other expenses	<u>(41)</u>	<u>417</u>
	<u>\$ 3,992</u>	<u>\$ 748</u>

(Continued)

	For the Three Months Ended March 31	
	2018	2017
<u>U.S. dollars</u>		
Net foreign exchange gains	\$ 137	\$ 10
Other expenses	<u>(1)</u>	<u>13</u>
	<u>\$ 136</u>	<u>\$ 23</u>
		(Concluded)

c. Finance costs

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Interest on bank loans	<u>\$ 349</u>	<u>\$ -</u>
<u>U.S. dollars</u>		
Interest on bank loans	<u>\$ 12</u>	<u>\$ -</u>

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Property, plant and equipment	\$ 11,822	\$ 12,571
Intangible assets	116	136
Prepayments for leases	<u>391</u>	<u>431</u>
	<u>\$ 12,329</u>	<u>\$ 13,138</u>
<u>U.S. dollars</u>		
Property, plant and equipment	\$ 404	\$ 405
Intangible assets	4	4
Prepayments for leases	<u>13</u>	<u>13</u>
	<u>\$ 421</u>	<u>\$ 422</u>

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
An analysis of depreciation by function		
Operating costs	\$ 11,565	\$ 12,208
Operating expenses	<u>257</u>	<u>363</u>
	<u>\$ 11,822</u>	<u>\$ 12,571</u>
<u>U.S. dollars</u>		
An analysis of depreciation by function		
Operating costs	\$ 395	\$ 393
Operating expenses	<u>9</u>	<u>12</u>
	<u>\$ 404</u>	<u>\$ 405</u>
<u>New Taiwan dollars</u>		
An analysis of amortization by function		
Operating costs	<u>\$ 507</u>	<u>\$ 567</u>
<u>U.S. dollars</u>		
An analysis of amortization by function		
Operating costs	<u>\$ 17</u>	<u>\$ 17</u>
e. Employee benefits expense		
	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Other employee benefits		
Others (including post-employment benefits, see Note 18)	<u>\$ 52,712</u>	<u>\$ 46,422</u>
<u>U.S. dollars</u>		
Other employee benefits		
Others (including post-employment benefits, see Note 18)	<u>\$ 1,799</u>	<u>\$ 1,493</u>
<u>New Taiwan dollars</u>		
An analysis of employee benefits expense by function		
Operating costs	\$ 18,254	\$ 22,789
Operating expenses	<u>34,458</u>	<u>23,633</u>
	<u>\$ 52,712</u>	<u>\$ 46,422</u>

(Continued)

	For the Three Months Ended March 31	
	2018	2017
<u>U.S. dollars</u>		
An analysis of employee benefits expense by function		
Operating costs	\$ 623	\$ 733
Operating expenses	<u>1,176</u>	<u>760</u>
	<u>\$ 1,799</u>	<u>\$ 1,493</u>
		(Concluded)

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months ended March 31, 2018 and 2017, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	2.0%	2.0%
Remuneration of directors	-	-

Amount

	For the Three Months Ended March 31			
	2017		2016	
	Cash	Shares	Cash	Shares
<u>New Taiwan dollars</u>				
Employees' compensation	\$ 1,914	\$ -	\$ 1,319	\$ -
Remuneration of directors	-	-	-	-
<u>U.S. dollars</u>				
Employees' compensation	66	-	44	-
Remuneration of directors	-	-	-	-

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

The appropriations of employees' compensation and remuneration of directors for 2017 and 2016 having been resolved by the board of directors on March 13, 2018 and March 3, 2017, respectively, were as below:

	For the Year Ended December 31			
	2017		2016	
	Cash	Shares	Cash	Shares
<u>New Taiwan dollars</u>				
Employees' compensation	\$ 6,968	\$ -	\$ 6,904	\$ -
Remuneration of directors	800	-	1,000	-
<u>U.S. dollars</u>				
Employees' compensation	234	-	214	-
Remuneration of directors	27	-	31	-

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

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

22. INCOME TAXES RELATING TO CONTINUING

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

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Current tax		
In respect of the current period	\$ 13,559	\$ 10,523
Deferred tax		
In respect of the current period	<u>(176)</u>	<u>(840)</u>
Income tax expense recognized in profit or loss	<u>\$ 13,383</u>	<u>\$ 9,683</u>
<u>U.S. dollars</u>		
Current tax		
In respect of the current period	\$ 462	\$ 338
Deferred tax		
In respect of the current period	<u>(5)</u>	<u>(27)</u>
Income tax expense recognized in profit or loss	<u>\$ 457</u>	<u>\$ 311</u>

b. Income tax assessments

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

23. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Profit attributable to owners of the Company	<u>\$ 80,240</u>	<u>\$ 67,585</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 80,240</u>	<u>\$ 67,585</u>
<u>U.S. dollars</u>		
Profit attributable to owners of the Company	<u>\$ 2,737</u>	<u>\$ 2,173</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,737</u>	<u>\$ 2,173</u>

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

	For the Three Months Ended March 31	
	2018	2017
Weighted average number of ordinary shares in the computation of basic earnings per share	35,700	34,897
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>57</u>	<u>43</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>35,757</u>	<u>34,940</u>

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

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of office space with lease terms of 2 years.

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

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Not more than 1 year	\$ 2,561	\$ 2,589	\$ 3,020
More than 1 year and not more than 5 years	2,212	2,887	4,804
Later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,773</u>	<u>\$ 5,476</u>	<u>\$ 7,824</u>
<u>U.S. dollars</u>			
Not more than 1 year	\$ 88	\$ 87	\$ 100
More than 1 year and not more than 5 years	76	97	158
Later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 164</u>	<u>\$ 184</u>	<u>\$ 258</u>

25. CAPITAL MANAGEMENT

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

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

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

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

26. FINANCIAL INSTRUMENTS

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

Fair value hierarchy

March 31, 2018

	Level 1	Level 2	Level 3	Total
<u>New Taiwan dollars</u>				
Financial assets at FVTOCI				
Listed shares and emerging market shares	\$ 18,333	\$ -	\$ -	\$ 18,333

U.S. dollars

Financial assets at FVTOCI				
Listed shares and emerging market shares	630	-	-	630

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>New Taiwan dollars</u>				
Available-for-sale financial assets				
Listed shares and emerging market shares	\$ 8,648	\$ -	\$ -	\$ 8,648

U.S. dollars

Available-for-sale financial assets				
Listed shares and emerging market shares	291	-	-	291

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

- b. Categories of financial instruments

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Financial assets			
Loans and receivables (1)	\$ -	\$ 987,022	\$ 1,002,445
Available-for-sale financial assets (2)	-	8,648	-
Financial assets at amortized cost (3)	970,462	-	-
Financial assets at FVTOCI			
Equity instruments	18,333	-	-

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Financial liabilities			
Financial liabilities measured at amortized cost (4)	\$ 197,800	\$ 257,091	\$ 104,034
<u>U.S. dollars</u>			
Financial assets			
Loans and receivables (1)	-	33,167	33,052
Available-for-sale financial assets (2)	-	291	-
Financial assets at amortized cost (3)	33,343	-	-
Financial assets at FVTOCI			
Equity instruments	630	-	-
Financial liabilities			
Financial liabilities measured at amortized cost (4)	6,796	8,639	3,431 (Concluded)

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents and trade and other receivables.
- 2) The balances include the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents and notes receivable and trade receivables.
- 4) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable and trade and other payables.

c. Financial risk management objectives and policies

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

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

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

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

	NTD Impact		USD Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31		March 31	
	2018	2017	2018	2017
<u>New Taiwan dollars</u>				
Profit or loss	\$ (2,008)	\$ 4,675	\$ 6,287	\$ 3,408
<u>U.S. dollars</u>				
Profit or loss	(69)	154	216	112

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

b) Interest rate risk

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Fair value interest rate risk			
Financial assets	\$ 816,822	\$ 880,326	\$ 763,753
Financial liabilities	-	-	-
Cash flow interest rate risk			
Financial assets	90,029	59,171	211,495
Financial liabilities	81,468	111,922	-

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
<u>U.S. dollars</u>			
Fair value interest rate risk			
Financial assets	\$ 28,065	\$ 29,581	\$ 25,182
Financial liabilities	-	-	-
Cash flow interest rate risk			
Financial assets	3,093	1,988	6,973
Financial liabilities	2,799	3,761	-
			(Concluded)

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2018 and 2017 would have increased by NT\$5 thousand and NT\$132 thousand (US\$4 thousand), respectively, which would be mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

2) Credit risk

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group had available unutilized short-term bank loan facilities which are set out in the following section (b).

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

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

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

March 31, 2018

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>New Taiwan dollars</u>					
<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 94,134	\$ 5,208	\$ 2,720	\$ -	\$ -
Variable interest rate liabilities	<u>99</u>	<u>89,531</u>	<u>22,292</u>	<u>-</u>	<u>-</u>
	<u>\$ 94,233</u>	<u>\$ 94,739</u>	<u>\$ 25,012</u>	<u>\$ -</u>	<u>\$ -</u>

U.S. dollars

<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 3,164	\$ 175	\$ 91	\$ -	\$ -
Variable interest rate liabilities	<u>3</u>	<u>3,009</u>	<u>749</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,167</u>	<u>\$ 3,184</u>	<u>\$ 840</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>New Taiwan dollars</u>					
<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 72,592	\$ 454	\$ 2,773	\$ -	\$ -
<u>U.S. dollars</u>					
<u>Non-derivative financial liabilities</u>					
Trade payables	\$ 2,394	\$ 15	\$ 91	\$ -	\$ -

b) Financing facilities

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 81,468	\$ 111,922	\$ -
Amount unused	<u>271,124</u>	<u>246,686</u>	<u>243,182</u>
	<u>\$ 352,592</u>	<u>\$ 358,608</u>	<u>\$ 243,182</u>
<u>U.S. dollars</u>			
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 2,799	\$ 3,761	\$ -
Amount unused	<u>9,315</u>	<u>8,289</u>	<u>8,018</u>
	<u>\$ 12,114</u>	<u>\$ 12,050</u>	<u>\$ 8,018</u>

27. RELATED-PARTY TRANSACTIONS

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

a. Related party name and relationship

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

b. Endorsements and guarantees provided by related parties

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Key management personnel		
Amount endorsed	\$ 90,000	\$ -
Amount utilized(accounted for borrowings)	<u>81,468</u>	<u>-</u>
	<u>\$ 8,532</u>	<u>\$ -</u>
<u>U.S. dollars</u>		
Key management personnel		
Amount endorsed	\$ 3,092	\$ -
Amount utilized(accounted for borrowings)	<u>2,799</u>	<u>-</u>
	<u>\$ 293</u>	<u>\$ -</u>

The Group use chairman of the Company unsecured loans with condition of credit limit on bank loans for the three months ended March 31, 2018.

c. Compensation of key management personnel

	For the Three Months Ended March 31	
	2018	2017
<u>New Taiwan dollars</u>		
Short-term benefits	\$ <u>9,680</u>	\$ <u>5,992</u>
<u>U.S. dollars</u>		
Short-term benefits	\$ <u>333</u>	\$ <u>198</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2018	December 31, 2017	March 31, 2017
<u>New Taiwan dollars</u>			
Machinery and equipment, net	\$ <u>-</u>	\$ <u>-</u>	\$ <u>146,062</u>
<u>U.S. dollars</u>			
Machinery and equipment, net	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,816</u>

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

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

March 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,025	22,748 (USD:VND)	\$ 58,946
RMB	27,164	0.1590 (RMB:USD)	125,731

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 3,405	22,748 (USD:VND)	\$ 99,098
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	2,025	22,748 (USD:VND)	2,025
RMB	27,164	0.1590 (RMB:USD)	4,320
<u>Financial liabilities</u>			
Monetary items			
USD	3,405	22,748 (USD:VND)	3,405 (Concluded)

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,104	22,655 (USD:VND)	\$ 32,849
RMB	26,874	0.1530 (RMB:USD)	122,398
<u>Financial liabilities</u>			
Monetary items			
USD	5,177	22,655 (USD:VND)	154,056
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	1,104	22,655 (USD:VND)	1,104
RMB	26,874	0.1530 (RMB:USD)	4,113
<u>Financial liabilities</u>			
Monetary items			
USD	5,177	22,655 (USD:VND)	5,177

March 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>New Taiwan dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,106	22,713 (USD:VND)	\$ 124,522
RMB	15,510	0.1449 (RMB:USD)	68,165
<u>Financial liabilities</u>			
Monetary items			
USD	1,023	22,713 (USD:VND)	31,034
<u>U.S. dollars</u>			
<u>Financial assets</u>			
Monetary items			
USD	4,106	22,713 (USD:VND)	4,106
RMB	15,510	0.1449 (RMB:USD)	2,247
<u>Financial liabilities</u>			
Monetary items			
USD	1,023	22,713 (USD:VND)	1,023

For the three months ended March 31, 2018 and 2017, unrealized net foreign exchange gains were NT\$4,033 thousand (US\$137 thousand) and NT\$331 thousand (US\$10 thousand), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)

- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (Table 2)
 - 11) Information on investees (Table 3)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (None)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest period balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

31. SEGMENT INFORMATION

a. Segment revenue and results

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

- 1) Whether operating units have similar long-term gross margins.

2) Whether the nature of products and production processes are similar.

3) Whether the delivery of products to customers is the same.

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

	Taisun Vietnam Co., Ltd. (VN)		Taipoly (Fare East) Corporation (Mauritius)		Other Subsidiaries		Internal Transfer Pricing		Total	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>New Taiwan dollars</i>										
Revenue	\$ 395,961	\$ 373,081	\$ 25,353	\$ 3,781	\$ 2,702	\$ 3,617	\$ (4,444)	\$ (6,465)	\$ 419,572	\$ 374,014
Expenditures	(312,842)	(293,768)	(23,894)	(7,470)	(8,577)	(7,604)	4,755	6,465	(340,558)	(302,377)
Operating profit	83,119	79,313	1,459	(3,689)	(5,875)	(3,987)	311	-	79,014	71,637
Interest revenue	8,736	2,490	54	110	2,176	2,283	-	-	10,966	4,883
Financial costs	(125)	-	-	-	(224)	-	-	-	(349)	-
Other gains or losses	(23)	779	253	338	78,098	69,449	(74,336)	(69,818)	3,992	748
Profit before tax	\$ 91,707	\$ 82,582	\$ 1,766	\$ (3,241)	\$ 74,175	\$ 67,745	\$ (74,025)	\$ (69,818)	\$ 93,623	\$ 77,268
Recognizable assets										
Notes receivable	\$ -	\$ -	\$ -	\$ -	\$ 351	\$ -	\$ -	\$ -	\$ 351	\$ -
Trade receivables	23,939	19,448	7	2,562	-	803	13,632	(497)	37,578	22,316
Inventories	197,450	181,321	-	-	1,481	-	572	-	199,503	181,321
Property, plant and equipment	228,544	273,389	-	-	66,569	19,711	(4,622)	(6,421)	290,491	286,679
General assets	\$ 449,933	\$ 474,158	\$ 7	\$ 2,562	\$ 68,401	\$ 20,514	\$ 9,582	\$ (6,918)	\$ 27,923	\$ 490,316
Total assets									\$ 1,235,512	\$ 1,644,342
Recognizable liabilities										
Short-term loans	\$ 21,468	\$ -	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ 81,468	\$ -
Accounts payable	71,113	75,819	6,979	497	1,180	-	(2,925)	(497)	76,347	75,819
General liabilities	\$ 92,581	\$ 75,819	\$ 6,979	\$ 497	\$ 61,180	\$ -	\$ (2,925)	\$ (497)	\$ 157,815	\$ 75,819
Total liabilities									\$ 231,759	\$ 130,019
Depreciation and amortization	\$ 12,414	\$ 12,957	\$ -	\$ -	\$ 216	\$ 181	\$ (301)	\$ -	\$ 12,329	\$ 13,138
Capital expenditures (increase in fixed assets)	\$ 6,245	\$ 64	\$ -	\$ -	\$ 46,215	\$ 39,704	\$ 317	\$ -	\$ 52,777	\$ 39,768
<i>U.S. dollars</i>										
Revenue	\$ 13,514	\$ 11,998	\$ 865	\$ 122	\$ 92	\$ 116	\$ (151)	\$ (208)	\$ 14,320	\$ 12,028
Expenditures	(10,677)	(9,447)	(815)	(240)	(293)	(245)	161	208	(11,624)	(9,724)
Operating profit	2,837	2,551	50	(118)	(201)	(129)	10	-	2,696	2,304
Interest revenue	298	80	2	4	74	73	-	-	374	157
Financial costs	(4)	-	-	-	(8)	-	-	-	(12)	-
Other gains or losses	(1)	25	9	11	2,665	2,232	(2,537)	(2,245)	136	23
Profit before tax	\$ 3,130	\$ 2,656	\$ 61	\$ (103)	\$ 2,530	\$ 2,176	\$ (2,527)	\$ (2,245)	\$ 3,194	\$ 2,484
Recognizable assets										
Notes receivable	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ -	\$ 12	\$ -
Trade receivables	823	641	-	85	-	26	468	(16)	1,291	736
Inventories	6,784	5,978	-	-	51	-	20	-	6,855	5,978
Property, plant and equipment	7,852	9,014	-	-	2,287	650	(158)	(212)	9,981	9,452
General assets	\$ 15,459	\$ 15,633	\$ -	\$ 85	\$ 2,350	\$ 676	\$ 330	\$ (228)	\$ 18,139	\$ 16,166
Total assets									\$ 59,630	\$ 54,215
Recognizable liabilities										
Short-term loans	\$ 738	\$ -	\$ -	\$ -	\$ 2,062	\$ -	\$ (1)	\$ -	\$ 2,799	\$ -
Accounts payable	2,443	2,500	240	16	41	-	(101)	(16)	2,623	2,500
General liabilities	\$ 3,181	\$ 2,500	\$ 240	\$ 16	\$ 2,103	\$ -	\$ (102)	\$ (16)	\$ 5,422	\$ 2,500
Total liabilities									\$ 7,964	\$ 4,287
Depreciation and amortization	\$ 424	\$ 416	\$ -	\$ -	\$ 7	\$ 6	\$ (7)	\$ -	\$ 421	\$ 422
Capital expenditures (increase in fixed assets)	\$ 213	\$ 2	\$ -	\$ -	\$ 1,588	\$ 1,277	\$ -	\$ -	\$ 1,801	\$ 1,279

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

Segment revenue reported above represents revenue generated from external customers.

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2018

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2018			
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	Listed shares Sanitar Co., Ltd.	None	Financial assets at fair value through other comprehensive income -current	68	\$ 2,893 (US\$ 99)	-	\$ 2,893 (US\$ 99)
	King's Town Bank	None	Financial assets at fair value through other comprehensive income -current	150	(US\$ 191) 5,550	-	(US\$ 191) 5,550
	Formosa Plastics Corporation	None	Financial assets at fair value through other comprehensive income -current	50	(US\$ 179) 5,200	-	(US\$ 179) 5,200
	China Steel Corporation	None	Financial assets at fair value through other comprehensive income -current	200	(US\$ 161) 4,690	-	(US\$ 161) 4,690

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars or U.S. Dollars)

No.	Company Name	Counterparty	Natural of Relationship (Note)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
1	Taisun Vietnam Co., Ltd. (VN)	Taipoly (Far East) Corporation (Mauritius)	3	Sales	\$ 4,034 (US\$ 138)	No significant difference from those with third parties	1
				Trade receivables	1,747 (US\$ 60)	No significant difference from those with third parties	-
		Taisun Int'l (Holding) Corporation	2	Sales	2,059 (US\$ 70)	No significant difference from those with third parties	-
				Trade receivables	1,179 (US\$ 41)	No significant difference from those with third parties	-

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

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

TAISUN INT'L (HOLDING) CORPORATION AND SUBSIDIARIES

INFORMATION OF INVESTEEES

MARCH 31, 2018

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2018			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				March 31, 2018	December 31, 2017	Number of Shares (In Thousands)	Percentage Ownership (%)	Carrying Amount			
The Company	Taisun Vietnam Co., Ltd. (VN)	Vietnam	Manufacture and sale of baby diapers, adult diapers, feminine products and wipes	\$ 246,585 (US\$ 7,791)	\$ 246,585 (US\$ 7,791)	-	100	\$ 975,766 (US\$ 33,526)	\$ 78,971 (US\$ 2,695)		
	Tapoly (Far East) Corporation (Mauritius)	Mauritius	Trading	5,450 (US\$ 180)	5,450 (US\$ 180)	-	100	43,676 (US\$ 1,501)	2,035 (US\$ 70)	Difference from side stream transactions of US\$11 thousand	
	Winsun (Cambodia) Co., Ltd. (Cambodia)	Cambodia	Manufacture and sale of baby diapers, adult diapers, feminine products and wipes	365,343 (US\$ 11,690)	324,359 (US\$ 10,300)	-	100	339,890 (US\$ 11,678)	(330) (US\$ (11))		