Stock code: 6504

NAN LIU Enterprise Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Company Address: No.88, Bixiu Road, Qiaotou District, Kaohsiung City

Telephone: 07-6116616

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

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Nanliu Enterprise Company Limited and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31,2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Valuation of accounts receivable

Please refer to Notes 4(7) and 6(3) to the consolidated financial statements for detail information and accounting policy of valuation of accounts receivable. As of December 31, 2017, net accounts and notes receivable of the Group amounted to NT$ 1,390,808 thousand dollars, accounted for 20.59% of total assets, has significant impact to financial statements of the Group, and the provision for impairment of accounts and notes receivable is inherently judgmental, therefore, we have identified valuation of accounts receivable as a key audit matter.

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

1. Performed internal control test on top 10 customers and other major customers, surveyed these customers' background and randomly checked to confirm whether the receivables arising from these customer sales are in line with the Group's credit policy. We inspected how the Group processed breach of the credit policy.
2. Performed internal control test by randomly vouching from sales documents to accounts receivable aging report to test accuracy of accounts receivable aging.
3. Performed analytical review procedures by comparing the difference in turnover and accounts receivable balance for reasonableness of variances.
4. Reviewed subsequent collection of significant receivables after the balance sheet date.
5. Analyzed accounts receivable aging and overdue accounts receivable analysis provided by the Group as of balance sheet date and reviewed based on historical information to determine whether to conduct valuation of accounts receivable for individual customers. We focused on unusual events and traced how these events were recognized in financial statements. We tested the reasonableness of the recoverable rate based on collection of receivables and other customer information to verify the adequacy of provision for impairment of individual overdue receivables and reasonableness of underlying assumptions used by the management of the Group.
6. Reviewed the subsequent collection of overdue accounts receivable after the balance sheet date to determine adequacy of allowance for overdue accounts.

Valuation of inventories

Please refer to Notes 4(10), 5 and 6(4) to the Group for the detail information and accounting policy, uncertainty of valuation of inventories; As of December 31, 2017, inventories of the Group amounted to NT$ 963,804 thousand dollars, accounted for 14.27% of total assets, has significant impact to financial statements of the Group, in addition, the principal operating activities of the Group include Air-Through/Thermal-Bonded Nonwovens Fabrics、Spunlace Nonwovens Fabrics、High-tech woodpulp spunlace Fabrics、Wet Wipes、Facial Mask and care product, etc., the selling price of these products fluctuates from the supply of upstream suppliers and changes in the market competition, resulted risk of book value exceeding its net realizable value, therefore, we have identified valuation of inventories as a key audit matter.

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

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

Other Matter

We have also audited the parent company only financial statements of Nanliu Enterprise Company Limited as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS,IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether consolidated only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Hsiang Wang and Shu-Tung Wang.

YANGTZE CPAS & Co.,
March 13, 2018

Notice to Readers

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

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

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NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Balance Sheets

December 31,2017 and December 31,2016

(All Amounts Expressed In Thousands of New Taiwan Dollars)

			December 31,2017		December 31,2016	
	ASSETS		**Amount**	**%**	**Amount**	**%**
	CURRENT ASSETS					
1100	Cash and cash equivalents	4、6(1)	$ 1,015,577	15.04	$ 577,150	10.72
1150	Notes receivable, net	4、6(2)、7	68,797	1.02	95,609	1.77
1170	Accounts receivable, net	4、6(3)、7	1,322,011	19.57	1,226,592	22.78
1200	Other receivables		29,386	0.44	32,274	0.60
1310	Inventories	4、5、6(4)	963,804	14.27	928,930	17.25
1410	Prepayments		355,947	5.27	289,760	5.38
1470	Other current assets	8	40,161	0.59	67,944	1.26
	Total current assets		3,795,683	56.20	3,218,259	59.76
	NONCURRENT ASSETS					
1600	Property , plant and equipment	4、6(5)、8	2,160,933	31.99	1,809,808	33.61
1780	Intangible assets	4	1,819	0.03	1,783	0.03
1840	Deferred income tax assets	4、5、6(13)	19,604	0.29	25,233	0.47
1915	Prepayments for equipment		636,546	9.42	182,617	3.39
1920	Refundable deposit	9	18,031	0.27	19,668	0.37
1985	Prepaid rent	4	118,858	1.76	125,624	2.33
1990	Other assets		2,364	0.04	2,364	0.04
	Total noncurrent assets		2,958,155	43.80	2,167,097	40.24
1xxx	Total assets		$ 6,753,838	100.00	$ 5,385,356	100.00

			December 31,2017		December 31,2016	
	LIABILITIES AND EQUITY		**Amount**	**%**	**Amount**	**%**
	CURRENT LIABILTIES					
2100	Short-term loans	6(6)	$ 706,435	10.46	$ 353,900	6.57
2110	Short-term bills payable , net	6(7)	399,858	5.92	179,961	3.34
2150	Notes payable	4	486,140	7.20	590,061	10.96
2170	Accounts payable	4	602,969	8.93	477,654	8.87
2200	Other payable		147,956	2.19	166,447	3.09
2213	Payables on equipment		80,973	1.20	6,722	0.12
2230	Current tax liabilities	4、6(13)	91,511	1.35	59,215	1.10
2311	Unearned receipts		9,100	0.13	12,996	0.24
2322	Current portion of long-term bank borrowing	6(8)	-	-	53,559	0.99
2399	Other current liabilities		4,483	0.07	3,379	0.07
	Total current liabilities		$ 2,529,425	37.45	1,903,894	35.35
	NONCURRENT LIABILTIES					
2540	Long-term bank borrowing	6(8)	1,265,510	18.74	671,605	12.47
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.11	7,386	0.14
2572	Deferred income tax liabilities-income tax	4、6(13)	1,735	0.03	2,307	0.04
2640	Accrued pension liabilities	4、5、6(9)	75,322	1.12	78,091	1.45
2645	Guarantee deposits		1,112	0.02	462	0.02
	Total noncurrent liabilities		1,351,065	20.02	759,851	14.12
	Total liabilities		3,880,490	57.47	2,663,745	49.47
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Owners equity					
3100	Capital stock	6(10)	726,000	10.75	726,000	13.48
3200	Capital surplus	6(10)	453,467	6.71	453,467	8.42
3300	Retained earnings	6(10)				
3310	Legal reserve		317,735	4.70	259,498	4.82
3320	Special reserve		155,667	2.30	44,348	0.82
3350	Unappropriated earnings		1,413,680	20.93	1,393,965	25.88
3400	Other	6(10)				
3410	Financial statements translation differences for foreign operations		(193,201)	(2.86)	(155,667)	(2.89)
	Equity attributable to shareholders of the parent		2,873,348	42.53	2,721,611	50.53
	Total liabilities and equity		$ 6,753,838	100.00	$ 5,385,356	100.00

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Year Ended December 31 ,2017 and 2016

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

			For the year ended December 31			
			2017		2016	
	Item	Note	Amount	%	Amount	%
4000	Net Sales	4、6(11)、7	$ 6,433,820	100.00	$ 6,090,390	100.00
5000	Cost of goods sold	6(4)	(5,203,169)	(80.87)	(4,916,094)	(80.72)
5900	Gross profit		1,230,651	19.13	1,174,296	19.28
6000	Operating expenses					
6100	Promotion expenses		(251,976)	(3.92)	(240,206)	(3.94)
6200	Management expenses		(212,451)	(3.30)	(210,491)	(3.46)
6300	Research expenses		(33,716)	(0.52)	(29,701)	(0.49)
6000	Total Operating expenses		(498,143)	(7.74)	(480,398)	(7.89)
6900	Operating profit		732,508	11.39	693,898	11.39
	Other non-operating income and expenses					
7020	Other income	6(12)	2,603	0.04	97,335	1.60
7050	Finance costs	6(12)	(14,854)	(0.23)	(13,388)	(0.22)
7000	Other non-operating income and expenses		(12,251)	(0.19)	83,947	1.38
7900	Income before income tax		720,257	11.20	777,845	12.77
7950	Income tax expense	4、6(13)	(178,880)	(2.78)	(195,478)	(3.21)
8200	Net Income		541,377	8.42	582,367	9.56
8300	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit obligation	6(9)	(4,369)	(0.07)	(962)	(0.02)
8349	Income tax (expense) related to components of the comprehensive income	6(13)	743	0.01	164	0.00
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations	6(10)	(37,534)	(0.58)	(240,277)	(3.95)
8300	Other comprehensive income (loss) for the period ,net of income tax		(41,160)	(0.64)	(241,075)	(3.97)
8500	Total comprehensive income for the period		$ 500,217	7.78	$ 341,292	5.59
8600	Net income attributable to :					
8610	Owners of parent		$ 541,377	8.42	$ 582,367	9.56
8620	Non-controlling interests		-	-	-	-
	Net income		$ 541,377	8.42	$ 582,367	9.56
8700	Comprehensive income attributable to :					
8710	Owners of parent		$ 500,217	7.78	$ 341,292	5.59
8720	Non-controlling interests		-	-	-	-
	Total comprehensive income for the period		$ 500,217	7.78	$ 341,292	5.59
9750	Basic earnings per share(NT dollars)	4、6(15)	$ 7.46		$ 8.02	
9850	Diluted earnings per share(NT dollars)	4、6(15)	$ 7.45		$ 8.02	

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31,2017 and 2016

(All Amounts Expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Capital Stock - Common Stock			Retained Earnings			Other equity items		
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	Non-controlling interests	Total Equity
Balance as of January 1, 2016	72,600	$ 726,000	$ 453,467	$ 201,355	$ 44,348	$ 1,153,679	$ 84,610	$ -	$ 2,663,459
Legal reserve appropriated	-	-	-	58,143	-	(58,143)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(283,140)	-	-	(283,140)
Net income in 2016	-	-	-	-	-	582,367	-	-	582,367
Other comprehensive income for the year	-	-	-	-	-	(798)	(240,277)	-	(241,075)
Balance as of December 31, 2016	72,600	$ 726,000	$ 453,467	$ 259,498	$ 44,348	$ 1,393,965	$ (155,667)	$ -	$ 2,721,611
Balance as of January 1, 2017	72,600	$ 726,000	$ 453,467	$ 259,498	$ 44,348	$ 1,393,965	$ (155,667)	$ -	$ 2,721,611
Legal reserve appropriated	-	-	-	58,237	-	(58,237)	-	-	-
Special reserve appropriated	-	-	-	-	111,319	(111,319)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(348,480)	-	-	(348,480)
Net income in 2017	-	-	-	-	-	541,377	-	-	541,377
Other comprehensive income for the year	-	-	-	-	-	(3,626)	(37,534)	-	(41,160)
Balance as of December 31, 2017	72,600	$ 726,000	$ 453,467	$ 317,735	$ 155,667	$ 1,413,680	$ (193,201)	$ -	$ 2,873,348

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Year Ended December 31 ,2017 and 2016

(All Amounts Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2017	2016
Cash flows from operating activities		
Consolidated Profit before income tax	$ 720,257	$ 777,845
Adjustments for ：		
Depreciation expense	294,706	290,454
Amortization expense	7,989	7,502
Other expense	9	50
Interest expense	14,854	13,388
Interest income	(4,769)	(2,332)
Provision (Income) for doubtful accounts	10,958	(925)
Provision for inventory market price decline	1,227	4,609
Loss on disposal of inventory	13,304	46,585
Loss (Profit) on physical inventory	2,012	(986)
Loss on disposal of assets	5,549	2,994
(Reversal) Impairment of Assets	(1,295)	(3,762)
Foreign exchange loss (gain)	511	(1,695)
Total adjustments to reconcile profit or loss	345,055	355,882
Changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	26,812	(36,918)
(Increase) in accounts receivable	(107,713)	(102,234)
Decrease (Increase) in other receivable	2,949	(30,806)
(Increase) Decrease in inventories	(51,417)	12,673
(Increase) Decrease in prepayments	(54,240)	69,807
Decrease (Increase) in other current assets	24,782	(24,251)
(Decrease) Increase in notes payable	(102,315)	49,619
Increase (Decrease) in accounts payable	128,180	(49,121)
(Decrease) Increase in other payable	(18,535)	6,262
(Decrease) Increase in unearned receipts	(3,896)	3,427
Increase in other current liabilities	244	299
(Decrease) in accrued pension liabilities	(7,138)	(12,627)
Total Changes in Operating Assets and Liabilities	(162,287)	(113,870)
Cash generated from operating	903,025	1,019,857

（Continued）

	For the year ended December 31	
	2017	2016
Interest received	4,708	2,359
Income taxes paid	(140,784)	(214,525)
Net cash generated by operating activities	766,949	807,691
Cash flows from investing activities		
Acquisition of property , plant and equipment	(536,395)	(146,963)
Disposal of property , plant and equipment	1,918	492
Acquisition of intangible assets	(803)	(3,211)
(Increase) in prepayments for equipment	(526,404)	(71,606)
Decrease in restricted assets	2,804	1,431
(Increase) in long-term prepaid rent	(1,047)	(35,320)
Decrease (Increase) in Instead of payment	197	(186)
(Increase) Decrease in refundable deposits	(710)	868
Net cash used in investing activities	(1,060,440)	(254,495)
Cash Flows From Financing Activities：		
Interest paid	(14,913)	(13,425)
Increase in short-term loans	353,483	146,593
Increase in short-term bills payable	220,000	15,000
Increase (Decrease) in long-term bank borrowing	533,896	(149,673)
Cash dividends	(348,480)	(283,140)
Increase in guarantee deposits	656	-
Increase in other current liabilities	860	107
Net cash used in financing activities	745,502	(284,538)
Effect of exchange rate changes on cash and cash equivalents	(13,584)	(220,566)
Net Increasein cash and cash equivalents	438,427	48,092
Cash and cash equivalents, beginning of year	577,150	529,058
Cash and cash equivalents, end of year	$ 1,015,577	$ 577,150

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

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Notes to Consolidated financial statements
For the year ending on December 31, 2017 and 2016
(All Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company history

NAN LIU Enterprise Co., Ltd. (hereinafter referred to as the company) was established in 1973 and approved by the Ministry of Economic Affairs with the registered address of No.88, Bixiu Road, Qiaotou District, Kaohsiung City. The NAN LIU Group consolidated financial statements consist of NAN LIU Company and its Subsidiary, a group of associated enterprises and joint ventures controlled under individual rights (hereinafter referred to as the group), and concluded on December 31st of 2017. NAN LIU Group is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products as shown in appendix 14.

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

Consolidated financial statements were approved and authorized for issue by the board of directors on March 13th of 2018.

3. Application of new standards, amendments and interpretations

(1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) for application starting from 2017 (collectively, "IFRSs").

The Company has applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards, and Interpretations of IASs issued by the International Accounting Standards Board (IASB) before January 1, 2016 and endorsed by Financial Supervisory Commission (FSC) with effective date starting January 1, 2017.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendment to IFRS 14 Regulatory Deferral Accounts	January 1, 2016
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 "agriculture: bearer plants"	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014

It does not have significant impacts on the Group's financial position and financial performance after evaluating above Standards and Interpretations by the Group.

(2) Effect of the new, revised IFRSs but not endorsed by FSC

The IFRSs were issued, the initial adoption to the new, revised or amended standards and interpretations by Financial Supervisory Commission (FSC) and endorsed from 2018.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Annual Improvements to IFRSs 2014 - 2016 Cycle	Note 2
Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amended by Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
Amendment to IAS 7 Disclosure Initiative	January 1, 2017

Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendment to IAS 40 Transfers of Investment Property	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Except the following explanation, it does not have significant impacts on the Group's financial position and financial performance after evaluating above Standards and Interpretations by the Group. It will be announced related affect amounts after finished evaluation.

1. IFRS 9 “Financial Instruments”

<u>Recognition and measurement of financial assets</u>

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

(1) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

(2) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain

or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Other debt investments and debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For originated credit-impaired financial assets, the Group take into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment that the Group will apply the simplified approach to recognize lifetime expected credit losses for trade receivables. In relation to the debt instrument investment and the financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the recognition, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application, and will announce application for changes in classification and reconciliation information of IFRS 9.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

Recognize revenue when the entity take goods or provide services. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset.

The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

(1) Identify the contract with the customer;
(2) Identify the performance obligations in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract; and
(5) Recognize revenue when the Group satisfies a performance obligation.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018. In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018. It does not have significant anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 9.

3. Amendments to explanation of IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time.

Except above clarifies, the amendments include of two added simplified rules decrease cost and complication when the company apply new Standards at the first time.

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

4. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expect to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Evaluating deferred tax assets, the Group used carrying amount to be recovery of assets for evaluating future taxable profit. It will be retroactive application above amendment in 2017.

5. Amendment to IFRS 2 “Share-based payment”

The amendment clarifies that (1) vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2018.

6. IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

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

(3) Effect of the IFRSs issued by IASB but not endorsed by FSC

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019

Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note2)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 16 Leases	January 1, 2019 (Note3)
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note4)
IFRS 17 Insurance Contracts	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 Uncertainty Over Income Tax Treatments	January 1, 2019

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

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

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

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

1. IFRS 16 "Leases"

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

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

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

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

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

4. Summary of significant accounting policies

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

(1) Statement of Compliance

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

(2) Basis of preparation

1. Except for the following items, the consolidated financial statements have been prepared under the historical cost conventions:
   Defined benefit liabilities are recognized based on the net amount of pension fund assets less the present value of the defined benefit obligation.
2. The significant accounting policies apply to all periods covered by the consolidated financial report.
3. The preparation of financial statements is in conformity with the IFRS requirement of the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment and complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

1. The basis for the consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

(b) Inter-company significant transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

2. The subsidiaries in the consolidated financial statements:

Investment company name	Subsidiary name	Business features	Percentage of ownership 2017.9.30	2016.12.31	2016.9.30
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Overseas investment holding company	100	100	100
NANLIU ENTERPRISE (SAMOA) CO., LTD.	Nanliu Enterprises (Pinghu) Ltd.	Production and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100	100	100
NANLIU ENTERPRISE CO.,LTD. (SAMOA)	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	Production and sales of special textiles, hair care, skin care, cosmetics and hygiene products	99.98	-	-

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different fiscal years: None.
5. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency exchange

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

1. Foreign currency transactions and balances

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

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

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

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

2. Translation of foreign operations

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

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

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

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

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

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

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

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

(5) Classification of Current and Noncurrent Assets and Liabilities

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

(a) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle;
(b) Assets held mainly for trading purposes;
(c) Assets that are expected to be realized within twelve months from the balance sheet date;
(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

B. Liabilities that meet one of the following criteria are classified as current liabilities:
(a) Liabilities that are expected to be paid off within the normal operating cycle.
(b) Liabilities arising mainly from trading activities.
(c) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(6) Cash equivalents

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

b. Cash equivalents refer to the following conditions of highly liquid short-term investments:
(a) Investments that are readily convertible to known amounts of cash.
(b) Investments that are subject to an insignificant risk of changes in value.

(7) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

(8) Impairment of financial assets

In addition to measuring gain or loss of financial assets at fair value, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset, and if the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated, the financial assets are considered impaired.

For financial assets measured at amortized cost, such as accounts receivable, if the assets are not considered impaired after separate evaluation, impairment is evaluated with a combination basis. This company regularly evaluates the recoverability possibilities of accounts receivable based on accounts receivable age of customers and customers' credit rating analysis.

The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate.

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

For financial assets measured by costs, the amount of impairment loss is measured as the difference between the asset's carrying amount and the discounted present value of the estimated future cash flows of the similar asset market return rate on the financial asset. Impairment loss is not reversed in the subsequent period.

All impairment losses of financial assets are directly deducted from the assets’ carrying amounts. However, carrying amount of accounts receivable is reduced through the use of an impairment allowance account. When the accounts receivable is not recoverable, it is recognized in the allowance account. The originally recognized amounts recovered subsequently are credited to the allowance account.

(9) Derecognition of financial assets

The Group will derecognize financial assets that meet one of the following criteria:

A. The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial assets have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial assets.

C. Almost all risks and returns of the ownership of the financial assets are neither transferred nor reserved, and the control over the financial assets is not reserved.

(10) Inventories

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

(11) Property, plant and equipment

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

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

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

(12) Intangible assets

A. Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

B. Intangible assets are initially measured at cost and subsequently measured at cost less accumulated amortization.

(13) Long-term prepaid rent

A. The Company signed a superficies agreement with Taiwan Sugar Corporation in January 2014 for new factory. The agreement is valid through January 9, 2024 and is amortized for 10 years.

B. NANLIU ENTERPRISE (PINGHU) CO. has land use rights for 50 years, amortized over 50 years.

(14) Impairment of non-financial assets

At each balance sheet date, the Group assesses the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Leases (lessor/lessee)

Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee (with the Group as the lessor) or the Group (with the Group as the lessee) assumes substantial or all risks and rewards incidental to ownership of the leased asset. An operating lease is a lease other than a finance lease. Lease income (net of any incentives given to the lessee) or payments (net of any incentives received from the lessor) from an operating lease is recognized in profit or loss on a straight-line basis over the lease term.

(16) Loans

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

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

(17) Accounts and notes payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(18) Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability specified in the contract is discharged, cancelled or expired.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Provisions

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Post-employment benefit plans

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Severance benefit

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

(22) Income tax

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

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

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

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

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

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

(23) Revenue recognition

A. Sales revenue

Revenue arising from the sale of goods should be recognized when meeting all of the following criteria: (a) the delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of sales revenue can be measured reliably; (d) it is probable that the future economic benefits associated with the transaction will flow to the entity; and (e) costs related to current or upcoming transactions can be measured reliably.

B. Service revenue

The revenue generated by offering service is recognized according to percentage of completion on the reporting date.

C. Interest income and Dividends

Dividends from investment are recognized when the shareholders' rights to receive the payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

(24) Government grants

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

(25) Share-based payment transaction

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

(26) Earnings per share

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

(27) Operating segments

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

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

During the process of applying accounting policies when preparing the Group's consolidated financial statements, the Group did not make significant accounting judgments. Assumptions and estimates concerning future events are evaluated and adjusted based on historical experience and other factors on an ongoing basis. The details of this are as follows.

Important accounting estimate and assumptions

Accounting assumptions and estimates are based on reasonable estimates concerning future events regarding conditions on the balance sheet data and may differ from the actual results. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below.

A. Accounts receivable, allowance doubtful debts

The company's management level evaluate accounts receivable attentively whether have objective evidence of impairment or not. Recognized percentage of allowance doubtful debts is evaluated by the company's management level. If there are evidence of impairment loss, the amount of the loss is measured as 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. The carrying amount of accounts receivable is reduced through the use of an impairment allowance account. The losses are recognized in current comprehensive income. The explanation of allowance doubtful debts please refer to Notes 6 (3).

B. Valuation of inventory

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

As of December 31, 2017, the Group's carrying amount of inventory was NT $963,804 thousand.

C. Realization of deferred income tax assets

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

As of December 31, 2017, the Group recognized NT $19,604 thousand as deferred income tax liabilities.

D. Calculation of accrued pension obligations

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

As of December 31, 2017, the Group's carrying amount of accrued pension obligations amounted to NT $75,322 thousand.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	December 31, 2017	December 31, 2016
Cash	$ 1,715	$ 1,765
Demand deposits	410,950	227,269
Checking account	97	69
Foreign currency deposits	361,829	338,871
Time deposits	240,986	9,176
Total	$ 1,015,577	$ 577,150

1. NAN LIU Group possesses good credit with financial institutions and interacts with several financial institutions to diversify credit risk. The anticipated possibility of default is very low, and the balance sheet figure for exposure cash amount on maximum credit risks is same as cash equivalents
2. NAN LIU Group's cash and cash equivalents had not been provided to pledge.

(2) Notes receivable, net

Items	December 31, 2017	December 31, 2016
Non-related parties	$ —	$ —
Related parties	68,797	95,609
Less: Allowance for doubtful receivables	—	—
Net	$ 68,797	$ 95,609

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

(3) Accounts receivable, net

Items	December 31, 2017	December 31, 2016
Non-related parties	$ —	$ —
Related parties	1,344,124	1,237,761
Less: Allowance for doubtful accounts	(22,113)	(11,169)
Net	$ 1,322,011	$ 1,226,592

1. Overdue but not in impairment of the financial assets aging analysis

	December 31, 2017	December 31, 2016
Neither past due nor impaired	$ 1,280,639	$ 1,189,311
Past due but not impaired		
Within 60 days	49,785	50,368
From 61 to 90 days	45,020	31,085

From 91 to 180 days	14,866	51,224
Over 180 days	498	213
Total	$ 1,390,808	$ 1,322,201

2. Movements of the allowance for doubtful receivables:

	2017		
	Individually assessed for impairment	Collectively assessed for impairment	Total
January 1st, 2017	$ $ 1,274	$ $ 11,169	$ $ 12,443
Provision (reversal) for impairment	(111)	11,069	10,958
Write off practically	(519)	—	(519)
Exchange difference	—	(125)	(125)
December 31, 2017	$ $ 644	$ $ 22,113	$ $ 22,757

	2016		
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2016	$ 1,625	$ 11,991	$ 13,616
Provision (reversal) for impairment	(301)	(624)	(925)
Write-off and unrecoverable	(50)	(198)	(248)
Exchange difference	1,274	$ 11,169	$ 12,443
December 31, 2016	$ 1,625	$ 11,991	$ 13,616

3. Individually assessed for impairment and relative accounts are presented under "Other noncurrent assets".
4. For NAN LIU Group's accounts receivable on December 31, 2017 and December 31, 2016, the exposure amount of maximum credit risk is the book value for receivables.
5. NAN LIU Group did not hold collateral for accounts receivable.

(4) Net inventories

	December 31, 2017		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw materials	$ $ 376,549	$ $ 6,586	$ $ 369,963
Supplies	82,914	3,210	79,704
Work in process	17,995	2,823	15,172
Finished goods	495,602	11,428	484,174
Merchandise inventory	13,836	3,563	10,273
Inventory in transit	4,518	—	4,518
Total	$ $ 991,414	$ $ 27,610	$ $ 963,804

	December 31, 2016		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw material	$ 342, 577	$ 6, 173	$ 336, 404
Supplies	75, 612	2, 087	73, 525
Work in process	26, 368	1, 811	24, 557
Finished goods	466, 146	14, 973	451, 173
Merchandise inventory	8, 048	1, 339	6, 709
Inventory in transit	36, 562	—	36, 562
Total	$ 955, 313	$ 26, 383	$ 928, 930

1. Inventories are provided without guarantee or pledge as of December 31, 2017 and December 31, 2016.
2. Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	2017	2016
Cost of goods sold	$ 5, 214, 766	$ 4, 890, 184
Idle capacity cost	7, 530	20, 572
Revenue from sale of scraps	(35, 670)	(44, 870)
Provision for inventory market price decline	1, 227	4, 609
Loss on disposal of inventory	13, 304	46, 585
Loss (profit) on physical inventory	2, 012	(986)
Total	$ 5, 203, 169	$ 4, 916, 094

(5) Property, plant and equipment

	Land	Land revaluation	Building/ Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2017	$ 46,046	$ 11,264	$ 399,286	$ 1,166,603	$ 85,398	$ 14,994	$ 1,984	$ 25,757	$ 58,476	$ 1,809,808
Added	—	—	20,161	49,449	3,185	1,929	201	8,592	525,523	609,040
Disposals or retirements	—	—	—	(6,898)	(3)	(520)	(1)	(45)	—	(7,467)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	13,114	55,993	514	—	—	2,298	(12,063)	59,856
Annual depreciation	—	—	(34,517)	(228,432)	(17,279)	(5,560)	(700)	(8,218)	—	(294,706)
Reversal of impairment	—	—	1,295	—	—	—	—	—	—	1,295
Effect of exchange rate changes	—	—	(4,009)	(11,603)	(864)	(62)	(7)	(179)	(169)	(16,893)
Balance on December 31, 2017	$ 46,046	$ 11,264	$ 395,330	$ 1,025,112	$ 70,951	$ 10,781	$ 1,477	$ 28,205	$ 571,767	$ 2,160,933
Book value：										
On December 31, 2017										
Cost	$ 46,046	$ 11,264	$ 682,589	$ 2,820,601	$ 195,198	$ 49,732	$ 20,175	$ 87,183	$ 571,767	$ 4,484,555
Less: Accumulated depreciation and impairment	—	—	(287,259)	(1,795,489)	(124,247)	(38,951)	(18,698)	(58,978)	—	(2,323,622)
Balance on December 31, 2017	$ 46,046	$ 11,264	$ 395,330	$ 1,025,112	$ 70,951	$ 10,781	$ 1,477	$ 28,205	$ 571,767	$ 2,160,933

	Land	Land revaluation	Building/ Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2016	$ 46,046	$ 11,264	$ 419,111	$ 1,377,970	$ 105,233	$ 19,082	$ 3,208	$ 26,186	$ 46,328	$ 2,054,428
Added	—	—	22,391	47,283	6,911	353	85	7,204	31,211	115,438
Disposals or retirements	—	—	—	(1,829)	(512)	(587)	(4)	(112)	—	(3,044)
Deconsolidation	—	—	—	(442)	—	—	—	—	—	(442)
Other changes	—	—	17,640	59,611	267	2,407	—	757	(17,640)	63,042
Annual depreciation	—	—	(33,316)	(223,849)	(19,231)	(5,819)	(1,237)	(7,002)	—	(290,454)
Reversal of impairment	—	—	1,481	2,281	—	—	—	—	—	3,762
Effect of exchange rate changes	—	—	(28,021)	(94,422)	(7,270)	(442)	(68)	(1,276)	(1,423)	(132,922)
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 399,286	$ 1,166,603	$ 85,398	$ 14,994	$ 1,984	$ 25,757	$ 58,476	$ 1,809,808
Book value：										
On December 31, 2016										
Cost	$ 46,046	$ 11,264	$ 654,607	$ 2,756,589	$ 194,307	$ 54,849	$ 20,076	$ 77,614	$ 58,476	$ 3,873,828
Less: Accumulated depreciation and impairment	—	—	(255,321)	(1,589,986)	(108,909)	(39,855)	(18,092)	(51,857)	—	(2,064,020)
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 399,286	$ 1,166,603	$ 85,398	$ 14,994	$ 1,984	$ 25,757	$ 58,476	$ 1,809,808

1. Capitalized interest for the years 2017 and 2016 were 2,361 and 1,509 thousand, respectively.
2. For the information regarding the Group’s property, plant and equipment weren’t pledged to others as collateral.

(6) Short-term borrowings

Items	December 31, 2017 Amount	Interest rate
Credit loans	$ 706,435	0.84%~1.12%
Total	$ 706,435	

Items	December 31, 2016 Amount	Interest rate
Credit loans	$ 353,900	0.72%~1.18%
Total	$ 353,900	

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

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

December 31, 2016

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Dah Chung Bills Finance Corporation	2017/12/08~2018/01/19	0.551%	$ 70,000
Short-term notes and bills payable	China Bills Finance Co.,	2017/12/28~2018/01/26	0.540%	100,000
Short-term notes and bills payable	MEGA Bills Finance Co.,	2017/12/29~2018/01/26	0.560%	50,000
Short-term notes and bills payable	International Bills Finance Corporation	2017/12/28~2018/01/26	0.660%	100,000
Short-term notes and bills payable	Wan tong Bills.	2017/12/29~2018/01/26	0.540%	80,000
Total				400,000
Less: discount on short-term notes and bills				(142)
Short-term net notes and bills				$ 399,858

December 31, 2015

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	International Bills Finance Corporation	2016/12/05~2017/02/03	0.710%	$ 20,000
Short-term notes and bills payable	Wan tong Bills.	2016/10/03~2017/01/04	0.642%	70,000
Short-term notes and bills payable	MEGA Bills Finance Co.,	2016/11/22~2017/01/20	0.612%	40,000
Short-term notes and bills payable	China Bills Finance Co.,	2016/10/20~2017/01/18	0.432%	50,000

Total		180,000
Less: discount on short-term notes and bills		(39)
Short-term net notes and bills	$	179,961

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

	December 31, 2017	December 31, 2016
Credit loans	$ 725,164	$ 725,164
Secured bank borrowings	—	—
Subtotal	725,164	725,164
Less: current portion of long-term bank borrowings	(53,559)	(53,559)
Total	$ 671,605	$ 671,605
Range of maturity dates	2016/08~109/10	2015/01~111/03
Range of interest rates	1.10%~2.26%	1.10%~1.99%

1. NAN LIU Group assigned Huang Chin-San and Huang Ho-Chun as guarantors..
2. NAN LIU Group's Subsidiary borrowed money from Mega Bank. Aside from other regulations affecting company operation of its financial ratio, the first half and annual consolidated financial statements is limited that a cash flow management account, in that the loaning bank and this Group should remit payment, receivable notes or other cash flows to the cash flow management account. Please review the Group's parent company half-year remittances from the next month of the contract approved date. If the total amount does not exceed NT$400 million dollars, the interest rates shall be raised by 0.1%. The Group prepaid the loan in May 2017.

(9) Pensions

A. Defined benefit plan;

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

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ (93,379)	$ (92,782)
Fair value of plan assets	18,057	14,691
Net defined benefit liability	$ (75,322)	$ (78,091)

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

	2017	2016
Defined benefit obligations at January 1	$ 92,782	$ 93,827
Current service cost	1,135	1,424
Interest cost	1,145	1,159
Benefits paid	(5,626)	(4,637)
Remeasurement losses/(gains):		
Actuarial losses (gains)-experience adjustments	1,358	756
Actuarial losses (gains)-changes in demographics assumptions	852	253
Actuarial losses (gains)-changes in financial assumptions	2,154	—
Plan Curtailment effects	(421)	—
Defined benefit obligations on December 31	$ 93,379	$ 92,782

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

	2017	2016
Fair value of plan assets at January 1	$ 14,691	$ 4,071
Expected return on plan assets	176	43
Contributions on plan assets	8,820	15,167
Benefits paid from plan assets	(5,626)	(4,637)
Actuarial gain or loss on plan assets	(4)	47
Fair value of plan assets on December 31	$ 18,057	$ 14,691

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

	December 31, 2017	December 31, 2016
Cash	$ 18,057	$ 14,691
Equity instruments	—	—
Debt instruments	—	—
Total	$ 18,057	$ 14,691

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

	2017	2016
Current service cost	$ 1,135	$ 1,424
Interest cost	1,145	1,159
Expected return on plan assets	(176)	(43)
Plan Curtailment effects	(421)	-
Current pension costs	$ 1,683	$ 2,540

Remeasurement details of net defined benefit liabilities are as follows:

	2017	2016
Actuarial gain or loss on defined benefit obligation	$ 4,364	$ 1,009
Gain (loss) on plan assets	5	(47)
Remeasurement of net defined benefit liabilities' other comprehensive loss (gain)	$ 4,369	$ 962

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

	2017	2016
Cost of goods sold	$ 732	$ 1,277
Selling expenses	—	76
General and administrative expenses	662	865
Research and development expenses	289	316
Cost of fix asset	—	6
Total	$ 1,683	$ 2,540

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

	2017	2016
Current period	$ (4,369)	$ (962)
Accumulated amount	$ (12,978)	$ (8,609)

(g) The Bank of Taiwan was commissioned to manage the funds of the Group's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and Article 6 of "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc. With regard to the utilization of the fund, its minimum earnings in annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of the fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected returns on plan assets represent a projection of overall returns for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee. It was also taken into account that the fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

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

	December 31, 2017	December 31, 2016
Discount rate	1.00%	1.25%
Future salary increase rate	2.00%	2.00%

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

	Discount rate		Future salary increases	
December 31, 2017	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effects on present value of defined benefit obligation	$ (2,178)	$ 2,266	$ 2,238	$ (2,163)

	Discount rate		Future salary increases	
December 31, 2016	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation	$ (2,173)	$ 2,260	$ 2,237	$ (2,162)

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

(i) The expected total contributions paid to the Group's defined benefit pension plans within one year from December 31, 2017 was $1,750 thousand.

(j) As of December 31, 2017, the weighted average duration of the retirement plan is 10 years.

The analysis of timing was as follows:

Within 1 year	$	5,222
1-2 years		6,545
2-5 years		20,746
Over 5 years		69,157
	$	101,670

B. Defined contribution plan:

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

(b) Monthly contributions of Nan Liu Enterprise (Pinghu) in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Monthly contributions are administered by the government.

Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs (including pension insurance) under the Group's defined contribution pension plans for the years ending on December 31, 2017 and 2016 were $18,269 thousand and $16,756 thousand, respectively.

(10) Capital and other equity

1. Common stock

As of 2017 and December 31, 2016, the Company's authorized capital was $1,000,000 thousand, and issued capital was $726,000 thousand.

2. Capital surplus

Item	December 31, 2017	December 31, 2016
Additional paid-in capital	$ 439,404	$ 439,404
Employee stock options	14,063	14,063

Total	$ 453,467	$ 453,467

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

3. Retained earnings and dividend policy

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

a. Over 1% of the current year's earnings, if there were earnings, shall be distributed as employee bonuses and less than 2% as director and supervisor remuneration. However, if the Company still has accumulated loss, the compensation shall be kept.

b. Remuneration of employees shall be paid by stock or cash, including employees of affiliated companies who meet certain criteria. Remuneration of directors and supervisors may be paid in cash.

c. 10% of the annual net income, after offsetting any loss from prior years and paying all taxes and dues, shall be set aside as legal reserve. Then, special reserve is set aside or reserved according to laws or competent authority. The appropriation of the remaining amount, along with any unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders to be distributed as dividends. Cash dividends, however, shall be no less than 20% of total dividends.

d. Aforementioned distribution of earnings shall be resolved and recognized in the shareholders' meeting held in the following year.

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

(3) Company employee bonuses were calculated by the percentage before deducted remuneration of employees and directors from income before tax in 2017, and the amount was estimated to reach $7,368 thousand and $8,142 thousand in 2017 and 2016, respectively. Remuneration of directors was expensed based on the estimated amount payable. The estimated amount was $4,715 thousand and $5,226 thousand in 2017 and 2016, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issuance, the differences are recorded as a change in the accounting estimate in the next year.

(4) The bonus to employees and remuneration of directors and supervisors were NT$7,368 thousand and NT$4,715 thousand, respectively proposed by the Board of Directors on March 13, 2018. There was no difference between the actual amounts of bonus to employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017. The distribution of the 2017 will be approved in the shareholders' meeting on May 29, 2018.

(5) The distributions of profit for 2016 and 2015 were approved by the shareholders' meeting on May 31, 2017 and June 13, 2017, respectively. The appropriations and dividends per share were as follows:

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

The distribution of 2016 profit was as follows:

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

supervisors

Distribution of 2016 profit was the same as proposal by the Board of Directors on March 14, 2017 and the shareholder resolution made on May 31, 2017. Please refer to the Taiwan Stock Exchange website under “Market Observation Post System” for the resolutions of the Board of Directors and shareholders’ meeting.

4. Special reserve

	December 31, 2017		December 31, 2016	
Opening balance	$	44, 348	$	44, 348
Special reserve appropriated-deduction item in other equity appropriated		111, 319		—
Reversal Special reserve		—		—
Ending balance	$	155, 667	$	44, 348

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

5. Other equity

		Foreign Currency Translation Difference	
On January 1st, 2017	$	$	(155, 667)
Currency translation differences (after tax)			(37, 534)
On December 31, 2017	$	$	(193, 201)
On January 1st, 2016	$	$	84, 610
Currency translation differences (after tax)			(240,277)
On December 31, 2016	$	$	(155, 667)

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

(11) Net Sales

Items	2017		2016	
Sale of goods	$	6, 433, 710	$	6, 089, 946
Sale of processing		110		444

Total	$ 6, 433, 820	$ 6, 090, 390

(12) Non-operating income and expenses

1. Others

Items	2017	2016
Interest income	$ 4, 769	$ 2, 332
Impairment or reversal of property, plant and equipment	1, 295	3, 762
gain on disposal of assets	(5, 549)	(2, 994)
Foreign exchange gain, net	(34, 842)	44, 589
Other income	36, 930	49, 646
Total	$ 2, 603	$ 97, 335

2. Finance costs

Items	2017	2016
Interest expense (Bank loans)	$ 14, 854	$ 13, 388
Total	$ 14, 854	$ 13, 388

(13) Income taxes

1. Income tax expense

(1) Components of income tax expense:

Item	2017	2016
Current income tax		
Income tax incurred in current period	$ 166, 727	$ 168,057
10% tax on unappropriated earnings	6, 353	23,399
Income tax adjustments on prior years	—	298
10% Dividend tax through capitalization of retained earnings by subsidiaries		—
Deferred income tax expense		
Recognition and reversal of temporary differences	5, 800	3,724
Income tax expense	$ 178, 880	$ 195,478

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

Items	2017	2016
Currency translation differences	$ —	$ —
Actuarial gains/losses on defined benefit obligations	(743)	(164)
Total	$ (743)	$ (164)

2. Reconciliation between income tax expense and accounting profit:

Item	2017	2016
Income before tax	$ 720,257	$ 777,845
Income tax expense at the statutory 17% tax rate	$ 122,443	$ 132,234
Nondeductible (deductible) items in determining taxable income	(1,920)	(5,818)
Changes of deferred tax		
Temporary differences	5,800	3,724
10% tax on unappropriated earnings	6,353	23,399
Prior year income tax underestimation	—	298
10% dividend tax through capitalization of retained earnings by subsidiaries	—	—
Impact from different tax rates of subsidiaries operating in other jurisdictions	46,204	41,641
Income tax expense	$ 178,880	$ 195,478

For the years ended December 31, 2017 and 2016, the Company applied a tax rate of 17% for entities subject to the R.O.C. Income Tax Law, while the applicable tax rate used by subsidiaries in China is 25%.

In February 2018, it was announced that the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as of December 31, 2017 are expected to be adjusted and would increase by NT$3,430 thousand and NT$306 thousand, respectively, in 2018.

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

Items	2017			
	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,283	$ (220)	$ —	$ 2,063
Loss on inventory market value decline	1,741	209	—	1,950
Unrealized gross profit	5,473	(5,286)	—	187
Exchange gain or loss	(398)	27	—	(371)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	12,896	(834)	743	12,805

Currency translation differences(Note)	—	—	—	—
Others	931	304	—	1, 235
Deferred tax income(expenses)		$ (5, 800)	$ 743	
Net deferred tax assets(liabilities)	$ 22, 926			$ 17, 869
The balance sheet information is as follows				
Deferred tax assets	$ 25, 233			$ 19, 604
Deferred tax liabilities	$ 2, 307			$ 1, 735

Items	2016			
	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2, 534	$ (251)	$ —	$ 2, 283
Loss on inventory market value decline	1, 741	—	—	1, 741
Unrealized gross profit	5, 983	(510)	—	5, 473
Exchange gain or loss	(1, 539)	1, 141	—	(398)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	15, 259	(2, 527)	164	12, 896
Currency translation differences(Note)	—	—	—	—
Others	2, 508	(1, 577)	—	931
Deferred tax income(expenses)		$ (3, 724)	$ 164	
Net deferred tax assets(liabilities)	$ 26, 486			$ 22, 926
The balance sheet information is as follows				
Deferred tax assets	$ 29, 230			$ 25, 233
Deferred tax liabilities	$ 2, 744			$ 2, 307

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

4. NAN LIU Group's parent company annual profit-seeking enterprise income tax for last year had been approved by Tax Collection agency in 2014.

5. NAN LIU Group's subsidiary income tax was calculated according to the local income tax rates approved by the Tax Collection agency in 2016.
6. Information of undistributed earnings:

Items	December 31, 2017	December 31, 2016
Before 1997	$ 27,961	$ 27,961
From 1998 to 2009	—	—
After 2010	1,385,719	1,366,004
Total	$ 1,413,680	$ 1,393,965

7. Imputation credit account and creditable ratio:

	December 31, 2017	December 31, 2016
Imputation credit account balance	$ 100,792	$ 139,122

	2017 (forecast)	2016 (actual)
Tax deduction ratio	7.27%	11.88%

Tax deduction ratio of forecast in 2017 and actual earnings in 2016 were 7.27% and 11.88%, respectively. While the creditable ratio for individual shareholders residing in the R.O.C. is half of the original creditable ratio according to the R.O.C. Income Tax Law. However, effective from February, 2018, integrated income tax system were abrogated and imputation credit account is no longer applicable based on amended R.O.C. Income Tax Law in January 2018.

Actual distribution to shareholders' deductible tax is shareholders account balances for deduction, because the tax deduction ratio based on planned earnings distributions may vary from the tax deduction ratio of actual shareholder distributions.

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

	2017		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 323,584	$ 120,378	$ 443,962
Wages and salaries	267,571	103,108	370,679
Labor and health insurance costs	31,090	8,246	39,336
Pension and severance expenses	5,169	3,379	8,548
Other personnel expenses-food expenses	19,754	5,645	25,399
Depreciation	284,684	10,022	294,706
Amortization	365	7,624	7,989

	2016		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 291,421	$ 117,529	$ 408,950
Wages and salaries	238,653	100,675	339,328
Labor and health insurance costs	28,219	7,313	35,532
Pension and severance expenses	5,016	3,705	8,721
Other personnel expenses-food expenses	19,533	5,836	25,369
Depreciation	281,607	8,847	290,454
Amortization	99	7,403	7,502

There were 878 and 811 workers in NAN LIU Company on December 31, 2017 and 2016, respectively.

(15) Earnings per share

1. Basic earnings per share

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

2. Dilute earnings per share

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

	2017		
	Net income	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent company	$ 541,377	72,600	$ 7.46
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	48	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 541,377	72,648	$ 7.45

	2016		
	Net income	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			

Profit attributable to common stock holders of the parent company	$ 582,367	72,600	$ 8.02
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	－	54	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 582,367	72,654	$ 8.02

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

(16)Cash flow supplement information

1. Only part of cash for payment of investing activities.

	2017	2016
Payment of Property , plant and equipment	$ 609,040	$ 115,438
Increase：Payables on equipment on beginning balance	6,722	37,893
Increase：Notes payable on beginning balance	2,208	2,562
Decrease：Payables on equipment on ending balance	(80,973)	(6,722)
Decrease：Notes payable on ending balance	(602)	(2,208)
Total	$ 536,395	$ 146,963

7. Related party transactions

(1) Name of related parties and relationship

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

(2) Significant transactions and balances with related parties:

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

(1) The Company rented the house located in Loung-Shua Lane, No.11 and No.19 in Bixiu Road, Qiaotou District, Kaohsiung City from the related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in February, 2008 as a staff dormitory. The rent expenses was NT 8 thousand per month. Annual rental expenses were NT $200 thousand for 2017 and 2016. As of December 31, 2017 and 2016, the above amounts were settled.

(2) The Company rented the land in Bixiu No 613, Qiaotou District, Kaohsiung City with NT$ 10 thousand per month from related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in July, 2011. Annual rental expenses were NT $240 thousand for 2017 and 2016. As of December 31, 2017 and 2016, the above amounts were settled.

7. Others:

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

Items	2016	2015
Salary	$ 18, 782	$ 13, 347
Bonus	2, 641	2, 644
Service allowance	690	730
Total	$ 22, 113	$ 16, 721

8. Pledged Assets

The Groups assets pledged as collateral were as follows:

Items	December 31, 2017	December 31, 2016
Restricted bank deposits	$ 39, 872	$ 42, 676
Total	$ 39, 872	$ 42, 676

9. Significant contingent liabilities and unrecognized commitments.

In addition to those disclosed in Note, significant commitments and contingencies of the Group as of December 31, 2017 were as follows:

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

December 31, 2017		December 31, 2016	
Letter of credit	L/C deposit	Letter of credit	L/C deposit
USD 523	$ —	USD 2,174	$ —
EUR 14,369	$ —	—	$ —

2. In September 2011, the Company signed a superficies agreement with Taiwan Sugar Corporation for 4 pieces of land located at No. 4 Dai Tien Fu Section, Yanchao, Kaohsiung as the land for a new factory. NAN LIU Group's parent company has paid NT$ 8,153 thousand already as a rent deposit and accounted for "refundable deposits". As Taiwan Sugar Corporation completed land changes according to the superficies agreements and signed official contracts, NAN LIU Group paid a 10-years premium of NT$ 46,680 thousand to Taiwan Sugar Corporation. As of December 31st, 2013, the land changes were approved by Kaohsiung Government, and notarization of the superficies agreements was finalized on January 10th, 2014. The duration of the superficies agreements ends on January 9th, 2024. When the agreement expires, an extended contract shall be negotiated by both parties after submitting the premium. However, the duration of superficies shall not exceed 50 years, so the expiration of 50 years shall not be extended.
3. The Group unrecognized commitments are as follows.

	2017	2016
Payment of Property , plant and equipment	$ 516,890	$ —

4. Operating lease agreement

   The companies significant operating lease agreements are land lease, machines and equipment. The rent period is during 2004 and 2020. The recognized rent expenses in 2017 and 2016 are 26,246 thousand and 21,472 thousand, respectively.

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

	2017	2016
Less than one year	$ 16,943	$ 24,383
More than one year and less than five years	10,378	27,321
More than five years	—	—
Total	$ 27,321	$ 51,704

10. Major damage losses: none.

11. Major subsequent events: none.

12, Others:

(1) Capital risk management

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

Items	December 31, 2017	December 31, 2016
Total liabilities	$ 3, 880, 490	$ 2, 663, 745
Total equity	2, 873, 348	2, 721, 611
Debt to equity ratio	135. 05%	97. 87%

(2) Financial instruments

1. The totality of financial instruments and fair value information

(1) Company mergers' financial assets, debt book value, and fair value are listed as below. These include fair value hierarchy information. However, this cannot be used for measuring financial instruments' book value to meet reasonable approximations of fair value and the active market without a quote. Also, fair value cannot be provided through the equity method. It is unnecessary to reveal fair value information according to provisions.

December 31, 2017

Items	Book value	The fair value			
		The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 1, 015, 577	$ —	$ —	$ —	$ —
Notes and accounts receivable	1, 420, 194	—	—	—	—
Restricted assets	39, 872	—	—	—	—
Other current assets	—	—	—	—	—
Refundable	18, 031	—	—	—	—

deposit					
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	706,435	—	—	—	—
Short-term bills payable	399,859	—	—	—	—
Notes payable and payment	1,237,065	—	—	—	—
Equipment payment	80,973	—	—	—	—
Long-term liabilities due within a year	—	—	—	—	—
Long-term liabilities	1,265,510	—	—	—	—

		December 31, 2016			
		The fair value			
Items	Book value	The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 577,150	$ —	$ —	$ —	$ —
Notes and accounts receivable	1,354,475	—	—	—	—
Restricted assets	42,676	—	—	—	—
Other current assets	24,782	—	—	—	—
Refundable deposit	19,668	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	353,900	—	—	—	—
Short-term bills payable	179,961	—	—	—	—
Notes payable and payment	1,234,162	—	—	—	—
Equipment payment	6,722	—	—	—	—
Long-term liabilities due within a year	53,559	—	—	—	—

Long-term liabilities	671,605	—	—	—	—

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

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

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

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

a. Non-derivative financial instruments

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

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

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

b. Derivative financial instruments

The combined company currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transfer in 2017 and 2016.

2. Financial risk management policies

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

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

3. Market risk

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

(1) Foreign exchange risk:

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

A. Exchange rate risk exposures

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

	December 31, 2017			December 31, 2016		
Items	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets						
Monetary items						
USD	$ 32,758	29.760	$ 974,887	$ 28,349	32.250	$ 914,267
CNY	8,159	4.565	37,248	7,522	4.617	34,730
EUR	37	35.570	1,330	120	33.900	4,060
Financial liabilities						
Monetary items						
USD	19,020	29.760	566,041	11,897	32.250	383,667

EUR	11,633	35.570	413,782	2,666	33.900	90,383
CNY	—	—	—	—	—	—

B. Sensitivity analysis

The Group's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. On December 31, 2017 and 2016, if the NTD/USD, NTD/RMB, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, in 2016 and 2015, the company's income before income tax would increase/decrease by $335 thousand and $4,789 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

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

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

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Group's net income by approximately $23,718 thousand and $12,590 thousand for the years ending on December 31, 2017 and 2016, mainly due to floating rate loans.

(3) Credit risk:

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

(4) Liquidity risk:

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

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

Items	December 31, 2017				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 706,435	$ —	$ —	$ —	$ 706,435
Short-term bills payable	399,859	—	—	—	399,859
Notes payable	486,140	—	—	—	486,140
Accounts payable	602,969	—	—	—	602,969
Other payables	147,956	—	—	—	147,956
Payables on equipment	80,973	—	—	—	80,973
Long-term loans (including due within one year or one operating cycle)	—	1,265,510	—	—	1,265,510

Items	December 31, 2016				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 353,900	$ —	$ —	$ —	$ 353,900
Short-term bills payable	179,961	—	—	—	179,961
Notes payable	590,061	—	—	—	590,061
Accounts payable	477,654	—	—	—	477,654
Other payables	166,447	—	—	—	166,447
Payables on equipment	6,722	—	—	—	6,722
Long-term loans (including due within one year or one operating cycle)	53,559	671,365	—	240	725,164

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

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

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

(1) The Group provides endorsement and guarantees commitment to subsidiaries in accordance with "Regulations Governing Endorsements and Guarantees". Because

the Group has full control over the subsidiaries' credit status, no collateral was requested. In case of the default of subsidiaries, the possible loss is the same amount as the guarantee or endorsement provided.

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

Items	December 31, 2017	December 31, 2016
Endorsements / guarantees provided to subsidiaries	USD －	USD 2,830

(4) Fair value estimation

The Group does not engage in transactions of financial instruments measured by fair value.

13. Disclosure items

(1) Significant transactions and (2) Business investments

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

(2) Investment information in China:

1. China investee company name, business items, amount of paid-up capital, investment methods, capital transaction conditions, shareholding ratio, investment gains and losses, final investment book value, investment income repatriation and China investment limits: As note V

2. Significant transactions with China investee company through direct or indirect third regions and their prices, terms of payment, unrealized gains and losses:

(1) Purchase amount percentage and the final balance percentage of payment: As note II

(2) Sales amount percentage and the final balance percentage of receivables: none.

(3) Property transaction amount and the amount of profits and losses: none

(4) The note endorsement guarantee or collateral providing balance and purpose: As note I

(5) The highest of the financing balance, ending balance, interest rate range and total amount of current interests: none

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
ENDORSEMENTS/GUARANTEES PROVIDED
For the year ending on December 31, 2017

Note I

Unit: Thousand NT$

No	Endorsement guarantor Company name	Guarantee object by endorsement		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance of Endorsement /Guarantee for the Period	Ending Balance of Endorsement/ Guarantee	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsement/ Guarantee Maximum Amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Company name	Nature of Relationship											
0	Nan Liu Enterprise Co., Ltd.	NAN LIU ENTERPRISE (SAMOA) CO., LTD.	Directly possesses more than 50% shares of common stock of the subsidiary	$ 5,746,696	$ 79,323	$ —	$ —	$ —	—	$ 5,746,696	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) Enter ‘0’ for the Issuer.
(2) The investees are numbered in serial order starting from ‘1’.
Note 2: Relationship between the endorser/guarantor and the Company is classified into the following six categories (just mark the category number):
(1) Companies with business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) More than 50% voting shares of the subsidiary directly held by the endorser/guarantor parent company or indirectly held by subsidiary.
(5) Companies which guarantee each other according to contract based on contractor relationship.
(6) Joint venture endorsed/guaranteed by shareholders based on their holding ratio.

NAN LIU Enterprise Co., Ltd. and Subsidiary

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

For the year ending on December 31, 2017

Note II

Unit: Thousand NT$

Purchase (sales) company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Nan Liu Enterprise Corporation limited	Nan Liu Enterprise (Pinghu) Corporation limited	Indirect subsidiary	Purchase	$ 1,097,318	20.37%	With the same general terms and conditions	—	—	$ 177,109	16.26%	—

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

For the year ending on December 31, 2017

Note III

Unit: Thousand NT$

No	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial statements item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Sales	$ 10, 561	The same as other companies	0. 16%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	—	The same as other companies	—
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	1, 097, 318	The same as other companies	17. 05%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	177, 109	The same as other companies	2. 62%

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

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

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

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary

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

For the year ending on December 31, 2017

Note IV

Unit: Thousand NT$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of December 31,2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 2017	December 31, 2016	Shares	Percentage	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	$ 1,488,208	$ 1,487,607	47,748	100.00%	$ 3,120,375	$ 383,298	$ 383,298	
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	India	Manufacturing and processing of nonwovens fabric	$ 48	$ —	—	99.98%	$ 44	Note3	Note3	

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

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

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
Information on Investment in Mainland China
For the year ending on December 31, 2017

Note v

Unit: Thousand NT$

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	$ 1,846,701	2	$ 1,487,607	$ —	$ —	$ 1,487,607	$ 380,303	100.00%	$ 380,303	$ 3,373,558	$ —	

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment by Investment Commission, MOEA
$ 1,487,607	$ 1,877,537	$ -

Note 1: Investments are divided into the following three categories (Please enter the category number):
(1) Direct investment in mainland China.
(2) Investments in mainland China through companies in the third region (please specify the investment company in the third region).
(3) Other methods
Note 2: Investment gains and losses recognized in the current period column:
(1) In case of preparation, it should be specified if there is no investment income.
(2) The recognition basis of investment gains and losses is divided into the following three categories and should be specified:
(a) Certified financial statements audited by CPA firms in the Republic of China that have partnership with international CPA firms.
(b) Financial statements audited by the CPA firm of Taiwan's parent company.
(c) Others.
Note 3: The amounts in this table should be shown in New Taiwan Dollars.

14. Operating segments information:

(1) General information:

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

In accordance with SFAS 41 "Disclosures about Segments", operating and reporting segments are identified. If operating segments reach the quantitative thresholds, core principles of the compilation should be taken into account to determine whether to separately or collectively disclose reportable segments. If the operating segments do not reach the quantitative thresholds, they are included in other segments. The measured amount is provided to major decision makers to allocate resources to segments and assess performance. In addition, accounting policies adopted by operating segments and a summary of significant accounting policies is described in Note 2. There are no significant inconsistencies.

(2) Measurement of segment information:

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

(3) Segment profit/losses and asset information:

For the year ending on December 31, 2017

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	$ 2,990,924	$ 3,442,896	$ —	$ 6,433,820
Net revenue from sales among intersegments	10,561	1,097,318	(1,107,879)	—
Segment revenue	$ 3,001,485	$ 4,540,214	$ (1,107,879)	$ 6,433,820
Segment income	$ 197,094	$ 535,414	$ —	$ 732,508
Segment assets	$ 1,331,949	$ 1,465,530	$ —	$ 2,797,479

For the year ending on December 31, 2016

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	$ 3,212,014	$ 2,878,376	$ —	$ 6,090,390
Net revenue from	21,410	1,393,946	(1,415,356)	—

sales among intersegments				
Segment revenue	$ 3, 233, 424	$ 4, 272, 322	$ (1, 415, 356)	$ 6, 090, 390
Segment income	$ 175, 510	$ 518, 388	$ －	$ 693, 898
Segment assets	$ 460, 559	$ 1, 531, 866	$ －	$ 1, 992, 425

(4) Reconciliation for segment income (loss):

(a). Measurement of segments gain or loss:

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

(b) Reconciliation for segment income (loss):

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

Item	2017	2016
Reportable segments income	$ 732, 508	$ 693, 898
Unallocated amounts:		
Non-operating income and expense	(12, 251)	83, 947
Income before income tax	$ 720, 257	$ 777, 845

(5)Geographic information

The company distinguishes revenue information based on the geographic location of customers and non-current assets based on the geographic location of assets.

1. Revenue from external customers

Area	2017	2016
Taiwan	$ 1, 272, 214	$ 1, 257, 146
China	2, 977, 669	2, 336, 915
Asia	1, 975, 967	2, 319, 494
Others	207, 970	176, 835
Total	$ 6, 433, 820	$ 6, 090, 390

2. Non-current assets

Area	December 31, 2017	December 31, 2016
Taiwan	$ 1, 372, 092	$ 506, 159
China	1, 566, 459	1, 635, 705

Total	$ 2,938,551	$ 2,141,864

(6) Major customers

	2017	
Name	Amount	Percentage of net revenue %
Customer A	$ 634,642	9.86%
Total	$ 634,642	9.86%

	2016	
Name	Amount	Percentage of net revenue %
Customer A	$ 632,268	10.38%
Total	$ 632,268	10.38%