Stock code: 6504

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Parent Company Only 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
Parent Company Only 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 parent company only financial statements of Nanliu Enterprise Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2017 and 2016, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2017 are stated as follows:

<u>Valuation of accounts receivable</u>

Please refer to Notes 4(6) 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 Company amounted to NT$ 409,799 thousand dollars, accounted for 7.24% of total assets, has significant impact to financial statements of the Company, and the provision for impairment of accounts and notes receivable is inherently judgmental, therefore, we have identified valuation of accounts receivable as a key audit matter.

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

1. Performed internal control test on top 10 customers and other major customers, surveyed these customers' background and randomly checked to confirm whether the receivables arising from these customer sales are in line with the Company's credit policy. We inspected how the Company processed breach of the credit policy.
2. Performed internal control test by randomly vouching from sales documents to accounts receivable aging report to test accuracy of accounts receivable aging.
3. Performed analytical review procedures by comparing the difference in turnover and accounts receivable balance for reasonableness of variances.
4. Reviewed subsequent collection of significant receivables after the balance sheet date.
5. Analyzed accounts receivable aging and overdue accounts receivable analysis provided by the Company 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 Company.
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(9) , 5 and 6(4) to the Company for the detail information and accounting policy , uncertainty of valuation of inventories; The principal operating activities of the Company include Air-Through/Thermal-Bonded Nonwovens Fabrics、Spunlace Nonwovens Fabrics、High-tech woodpulp spunlace Fabrics、Wet Wipes、Facial Mask and care product, etc., the selling price of these products fluctuates from the supply of upstream suppliers and changes in the market competition, resulted risk of book value exceeding its net realizable value, therefore, we have identified valuation of inventories as a key audit matter.

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

1. Understood inventory valuation process by the management.
2. Understood he Group's warehousing management process, reviewed the Company's annual physical inventory count plan and observed the annual inventory count to assess the reasonableness of methods used by the management to identify and monitor obsolescent inventories.
3. Randomly checked the inventory movement report for consumption of inventories and compared inventory aging report to that of prior year for reasonableness and accuracy of inventory aging report.

4. Conducted analytical review process for inventory balances, turnover and gross margin by products, compared differences to prior year for any unusual variance.
5. Compared historical inventory provision and actual write-down to analyze the appropriateness of the accounting policies of the management for inventory provision.
6. Verified the reasonableness of the net realizable value of inventory by randomly vouching sales and purchase orders to evaluate adequacy of inventory provision.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 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.

揚智聯合會計師事務所
YANGTZE CPAS & CO.
http://www.yzcpa.com.tw

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 financial statements are intended only to present the 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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NANLIU ENTERPRISE CO., LTD

Parent Company Only Balance Sheets

December 31,2017 and December 31,2016

(All amounts expressed In Thousands of New Taiwan Dollars)

	ASSETS		**December 31,2017** Amount	%	**December 31,2016** Amount	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	4、6(1)	$ 277,548	4.91	$ 166,989	3.74
1150	Notes receivable, net	4、6(2)	54,446	0.96	70,400	1.58
1170	Accounts receivable, net	4、6(3)、7	355,353	6.28	453,066	10.16
1200	Other receivables		29,375	0.52	31,039	0.70
1310	Inventories	4、5、6(4)	306,013	5.41	333,295	7.47
1410	Prepayments		122,908	2.17	97,085	2.18
1470	Other current assets		114	0.00	24,987	0.56
	Total current assets		1,145,757	20.25	1,176,861	26.39
	NONCURRENT ASSETS					
1550	Investments accounted for using equity method	4、6(5)	3,120,375	55.15	2,757,207	61.83
1600	Property , plant and equipment	4、6(6)	757,474	13.40	296,772	6.65
1780	Intangible assets	4	-	-	789	0.02
1840	Deferred income tax assets	4、5、6(14)	19,376	0.34	19,559	0.44
1915	Prepayments for equipment		574,475	10.15	163,787	3.67
1920	Refundable deposit		9,771	0.17	9,771	0.22
1985	Prepaid rent	4、9	28,008	0.50	32,676	0.73
1990	Other assets		2,364	0.04	2,364	0.05
	Total noncurrent assets		4,511,843	79.75	3,282,925	73.61
1xxx	Total assets		$ 5,657,600	100.00	$ 4,459,786	100.00

	LIABILITIES AND EQUITY		**December 31,2017** Amount	%	**December 31,2016** Amount	%
	CURRENT LIABILTIES					
2100	Short-term loans	6(7)	$ 706,435	12.49	$ 320,000	7.18
2110	Short-term bills payable , net	6(8)	399,858	7.07	179,961	4.04
2150	Notes payable	4	105,919	1.87	163,305	3.66
2170	Accounts payable	4、7	311,256	5.50	393,563	8.82
2200	Other payable		66,861	1.18	66,167	1.48
2213	Payables on equipment		74,821	1.32	6,722	0.15
2230	Current tax liabilities	4	20,632	0.36	23,213	0.52
2311	Unearned receipts		1,724	0.03	5,552	0.12
2322	Current portion of long-term bank borrowing	6(9)	-	-	-	-
2399	Other current liabilities		2,303	0.04	1,668	0.04
	Total current liabilities		$ 1,689,809	29.86	1,160,151	26.01
2540	NONCURRENT LIABILTIES					
2571	Long-term bank borrowing	6(9)	1,010,000	17.85	490,240	10.99
2572	Deferred income tax liabilities-Land value increment tax		7,386	0.13	7,386	0.17
2640	Deferred income tax liabilities-income tax	4、6(14)	1,735	0.03	2,307	0.05
	Accrued pension liabilities	4、5、6(10)	75,322	1.33	78,091	1.75
	Total noncurrent liabilities		1,094,443	19.34	578,024	12.96
	Total liabilities		2,784,252	49.20	1,738,175	38.97
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Owners equity					
3100	Capital stock	6(11)	726,000	12.83	726,000	16.28
3200	Capital surplus	6(11)	453,467	8.02	453,467	10.17
3300	Retained earnings	6(11)				
3310	Legal reserve		317,735	5.62	259,498	5.82
3320	Special reserve		155,667	2.75	44,348	0.99
3350	Unappropriated earnings		1,413,680	24.99	1,393,965	31.26
3400	Other	6(11)				
3410	Financial statements translation differences for foreign operations		(193,201)	(3.41)	(155,667)	(3.49)
	Equity attributable to shareholders of the parent		2,873,348	50.80	2,721,611	61.03
	Total liabilities and equity		$ 5,657,600	100.00	$ 4,459,786	100.00

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

NANLIU ENTERPRISE CO., LTD

Parent Company Only Statements of Comprehensive Income

For the Year Ended December 31 ,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(12)、7	$ 3,001,485	100.00	$ 3,233,424	100.00
5000	Cost of goods sold	6(4)	(2,622,590)	(87.38)	(2,861,456)	(88.50)
5900	Gross profit		378,895	12.62	371,968	11.50
5910	Unrealized gain on sales		(1,273)	(0.04)	(7,888)	(0.24)
5920	Realized gain on sales		21,428	0.71	8,082	0.25
5950	Net Gross Profit From Operations		399,050	13.29	372,162	11.51
6000	Operating expenses					
6100	Promotion expenses		(72,698)	(2.42)	(74,750)	(2.31)
6200	Management expenses		(108,822)	(3.63)	(103,821)	(3.21)
6300	Research expenses		(20,436)	(0.68)	(18,081)	(0.56)
6000	Total Operating expenses		(201,956)	(6.73)	(196,652)	(6.08)
6900	Operating profit		197,094	6.56	175,510	5.43
	Other non-operating income and expenses					
7020	Other income	6(13)	391,360	13.04	470,131	14.54
7510	Finance costs	6(13)	(11,098)	(0.37)	(7,639)	(0.24)
7000	Other non-operating income and expenses		380,262	12.67	462,492	14.30
7900	Income before income tax		577,356	19.23	638,002	19.73
7950	Income tax expense	4、6(14)	(35,979)	(1.20)	(55,635)	(1.72)
8200	Net Income		541,377	18.03	582,367	18.01
8300	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit obligation	6(10)	(4,369)	(0.15)	(962)	(0.03)
8349	Income tax (expense) related to components of the comprehensive income	6(14)	743	0.02	164	0.01
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations	6(11)	(37,534)	(1.25)	(240,277)	(7.43)
8300	Other comprehensive income (loss) for the period ,net of income tax		(41,160)	(1.38)	(241,075)	(7.45)
8500	Total comprehensive income for the period		$ 500,217	16.65	$ 341,292	10.56
9750	Basic earnings per share(NT dollars)	4、6(16)	$ 7.46		$ 8.02	
9850	Diluted earnings per share(NT dollars)	4、6(16)	$ 7.45		$ 8.02	

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

NANLIU ENTERPRISE CO., LTD

Parent Company Only Statements of Changes in Equity

For the year ended December 31,2017 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 the standalone financial statements.

NANLIU ENTERPRISE CO., LTD

Parent Company Only 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		
Profit before income tax	$ 577,356	$ 638,002
Adjustments for：		
Depreciation expense	58,612	58,298
Amortization expense	5,460	5,917
Other expense	9	-
Interest expense	11,098	7,639
Interest income	(1,307)	(1,249)
Provision (Income) for doubtful accounts	1,562	(4,045)
Share of profit of subsidiaries and associates accounted for using equity method	(379,305)	(456,250)
(Profit) on disposal of assets	(1,091)	(86)
Unrealized gain on sales	1,273	7,888
Realized gain on sales	(21,428)	(8,082)
Provision for inventory market price decline	1,227	-
Loss (Profit) on physical inventory	2,005	(29)
Loss on disposal of inventory	44	32,394
(Reversal) Impairment of Assets	(1,295)	(1,481)
Foreign exchange loss (gain)	300	(1,387)
Total adjustments to reconcile profit or loss	(322,836)	(360,473)
Changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	15,954	(19,904)
Decrease in accounts receivable	94,815	57,683
Decrease (Increase) in other receivable	1,726	(29,549)
Decrease in inventories	24,006	7,462
(Increase) in prepayments	(19,822)	(46,809)
Decrease (Increase) in other current assets	24,782	(24,765)
(Decrease) Increase in notes payable	(55,780)	53,933
(Decrease) Increase in accounts payable	(79,442)	97,775
Increase in other payable	407	503
(Decrease) Increase in unearned receipts	(3,828)	2,720
Increase in other current liabilities	543	-
(Decrease) in accrued pension liabilities	(7,138)	(12,627)
Total Changes in Operating Assets and Liabilities	(3,777)	86,422
Cash generated from operating	250,743	363,951

（Continued）

	For the year ended December 31	
	2017	2016
Interest received	1,245	1,264
Income taxes paid	(38,206)	(84,639)
Net cash generated by operating activities	213,782	280,576
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(601)	(104,167)
Acquisition of property , plant and equipment	(434,123)	(42,077)
Disposal of property , plant and equipment	1,010	3
Acquisition of intangible assets	(3)	(1,939)
(Increase) in prepayments for equipment	(434,661)	(146,195)
Decrease (Increase) in Instead of payment	91	(133)
Decrease in refundable deposits	-	133
Net cash used in investing activities	(868,287)	(294,375)
Cash Flows From Financing Activities：		
Interest paid	(10,914)	(7,550)
Increase in short-term loans	386,435	210,000
Increase in short-term bills payable	220,000	15,000
Increase (Decrease) in long-term bank borrowing	519,760	(7,890)
Cash dividends	(348,480)	(283,140)
Increase in other current liabilities	92	211
Net cash used in financing activities	766,893	(73,369)
Effect of exchange rate changes on cash and cash equivalents	(1,829)	434
Net Increase (Decrease) in cash and cash equivalents	110,559	(86,734)
Cash and cash equivalents, beginning of year	166,989	253,723
Cash and cash equivalents, end of year	$ 277,548	$ 166,989

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

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

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

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

Recognition and measurement of financial assets

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

(1) Statement of Compliance

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

(2) Basis of preparation

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

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

2. The significant accounting policies apply to all periods covered by the parent company only 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 parent company only financial statements are disclosed in Note 5.

(3) Foreign currency exchange

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

1. Foreign currency transactions and balances

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

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

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

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

2. Translation of foreign operations

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

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

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

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

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

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

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

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

(4) Classification of Current and Noncurrent Assets and Liabilities

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

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

(5) Cash equivalents

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

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

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

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

(6) 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.

(7) 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 Company 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 Company 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.

(8) Derecognition of financial assets

The Company 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 Company 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.

(9) 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.

(10) Investments Accounted for Using Equity Method

Investments accounted for using the equity method include investments in subsidiaries.

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

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

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

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

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

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

(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 Company 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) Impairment of non-financial assets

At each balance sheet date, the Company 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.

(13) Leases (lessor/lessee)

Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee (with the Company as the lessor) or the Company (with the Company 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.

(14) 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.

(15) 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.

(16) 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.

(17) Derecognition of financial liabilities

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

(18) 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.

(19) Provisions

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

(20) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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 parent company only 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 Company 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.

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

(b) Defined benefit plans

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

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

C. Severance benefit

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

(22) 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.

(23) Earnings per share

The Company presents the basic and diluted earnings per share of the common shareholders of the Company. 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 Company's common stock holders and weighted average number of common shares outstanding. Potential dilution of Company common shares includes convertible bonds, warrants, and employee bonuses that are not resolved by the shareholders' meeting and can be taken by stock issuance.

(24) Operating segments

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

(25) 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 Company 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 Company 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.

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

During the process of applying accounting policies when preparing the parent company only financial statements, the Company 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 Company 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 Company's carrying amount of inventory was NT $306,013 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 Company recognized NT $19,376 thousand as deferred income tax liabilities.

D. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company 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 Company'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	$ 962	$ 881
Demand deposits	62, 253	55, 249
Checking account	97	69
Foreign currency deposits	182, 555	102, 111
Time deposits	31, 681	8, 679
Total	$ 277, 548	$ 166, 989

1. The Company possesses good credit with financial institutions and interacts with several financial institutions to diversify credit risk. The anticipated possibility of default is very low, and the balance sheet figure for exposure cash amount on maximum credit risks is same as cash equivalents
2. The Company'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	$ 54, 446	$ 70, 400
Related parties	—	—
Less: Allowance for doubtful receivables	—	—
Net	$ 54, 446	$ 70, 400

The Company does not have collateral as security for receivable notes

(3) Accounts receivable, net

Items	December 31, 2017	December 31, 2016
Non-related parties	$ 361, 884	$ 455, 883
Related parties	-	2, 041
Less: Allowance for doubtful accounts	(6, 531)	(4, 858)
Net	$ 355, 353	$ 453, 066

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

	December 31, 2017	December 31, 2016
Neither past due nor impaired	$ 386, 689	$ 476, 645
Past due but not impaired		
Within 60 days	7, 446	4, 993
From 61 to 90 days	13, 261	9, 473
From 91 to 180 days	2, 403	32, 190
Over 180 days	-	165
Total	$ 409, 799	$ 523, 466

2. Movements of the allowance for doubtful receivables:

	2017		
	Individually assessed for impairment	Collectively assessed for impairment	Total
January 1st, 2016	$ 755	$ 4, 858	$ 5, 613
Provision (reversal) for impairment	(111)	1, 673	1, 562
December 31, 2016	$ 644	$ 6, 531	$ 7, 175

	2016		
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2015	$ 874	$ 8, 784	$ 9, 658
Provision (reversal) for	(119)	(3, 926)	(4, 045)

impairment			
December 31, 2015	$ 755	$ 4,858	$ 5,613

3. Individually assessed for impairment and relative accounts are presented under "Other noncurrent assets".
4. For the Company'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. The Company did not hold collateral for accounts receivable.

(4) Net inventories

	December 31, 2017		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw materials	$ 139,561	$ 4,884	$ 134,677
Supplies	44,497	2,575	41,922
Work in process	9,562	1,585	7,977
Finished goods	117,392	2,385	115,007
Merchandise inventory	1,951	39	1,912
Inventory in transit	4,518	—	4,518
Total	$ 317,481	$ 11,468	$ 306,013

	December 31, 2016		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw material	$ 135,520	$ 3,981	$ 131,539
Supplies	39,346	1,490	37,856
Work in process	19,696	941	18,755
Finished goods	108,411	3,805	104,606
Merchandise inventory	3,177	24	3,153
Inventory in transit	37,386	—	37,386
Total	$ 343,536	$ 10,241	$ 333,295

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	$ 2,619,471	$ 2,823,801
Idle capacity cost	6,359	10,907
Revenue from sale of scraps	(6,516)	(5,617)
Provision for inventory market price decline	1,227	—
Loss on disposal of inventory	44	32,394

Loss (profit) on physical inventory	2,005	(29)
Total	$ 2,662,590	$ 2,861,456

(5) Investments accounted for using equity method

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

	December 31, 2017			
Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 1,488,208	$ 3,120,375	$ —	100%

	December 31, 2016			
Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 1,487,607	$ 2,757,207	$ —	100%

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

	2017	2016	Foundation
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 383,298	$ 455,086	Audit report of the same period by CPA
Nanliu Enterprises (Pinghu) Ltd.	(373)	(1,820)	Elimination of unrealized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	1,826	4,535	Elimination of realized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	(5,286)	(510)	Tax effects of downstream and upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	(160)	(1,041)	Tax effects of realized fixed asset profits on downstream transactions
Total	$ 379,305	$ 456,250	

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

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

e. NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED was established in 2017. The company hold 99.98% ownership and control. The Group's consolidated financial statements include financial statements of NANLIU ENTERPRISE (SAMOA) CO., LTD.

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

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

(6) 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	$ 43,315	$ 123,408	$ 8,711	$ 9,448	$ 1,365	$ 9,854	$ 43,361	$ 296,772
Added	—	—	10,264	9,327	1,286	—	—	3,108	476,631	500,616
Disposals or retirements	—	—	—	(47)	(1)	(512)	—	—	—	(560)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	10,561	16,397	514	—	—	—	(9,509)	17,963
Annual depreciation	—	—	(9,484)	(39,442)	(3,028)	(2,919)	(484)	(3,255)	—	(58,612)
Reversal of impairment	—	—	1,295	—	—	—	—	—	—	1,295
Balance on December 31, 2017	$ 46,046	$ 11,264	$ 55,951	$ 109,643	$ 7,482	$ 6,017	$ 881	$ 9,707	$ 510,483	$ 757,474

Book value：

On December 31, 2017

	Land	Land revaluation	Building/ Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Cost	$ 46,046	$ 11,264	$ 205,553	$ 878,039	$ 53,971	$ 32,252	$ 13,278	$ 43,425	$ 510,483	$ 1,794,311
Less: Accumulated depreciation and impairment	—	—	(149,602)	(768,396)	(46,489)	(26,235)	(12,397)	(33,718)	—	(1,036,837)
Balance on December 31, 2017	$ 46,046	$ 11,264	$ 55,951	$ 109,643	$ 7,482	$ 6,017	$ 881	$ 9,707	$ 510,483	$ 757,474

	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	$ 48,846	$ 119,122	$ 8,904	$ 12,936	$ 2,293	$ 9,316	$ 27,536	$ 286,263
Added	—	—	285	21,470	2,913	—	—	3,770	16,096	44,534
Disposals or retirements	—	—	—	—	(2)	—	(2)	(112)	—	(116)
Deconsolidation	—	—	—	(442)	—	—	—	—	—	(442)
Other changes	—	—	271	22,934	267	—	—	149	(271)	23,350
Annual depreciation	—	—	(7,568)	(39,676)	(3,371)	(3,488)	(926)	(3,269)	—	(58,298)
Reversal of impairment	—	—	1,481	—	—	—	—	—	—	1,481
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 43,315	$ 123,408	$ 8,711	$ 9,448	$ 1,365	$ 9,854	$ 43,361	$ 296,772
Book value：										
On December 31, 2016										
Cost	$ 46,046	$ 11,264	$ 184,728	$ 852,461	$ 52,282	$ 39,061	$ 13,278	$ 40,316	$ 43,361	$ 1,282,797
Less: Accumulated depreciation and impairment	—	—	(141,413)	(729,053)	(43,571)	(29,613)	(11,913)	(30,462)	—	(986,025)
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 43,315	$ 123,408	$ 8,711	$ 9,448	$ 1,365	$ 9,854	$ 43,361	$ 296,772

1. Capitalized interest for the years 2017 and 2016 were 2,361 and 1,509 thousand, respectively.
2. The Company’s property, plant and equipment weren’t pledged.

(7) Short-term borrowings

Items	December 31, 2017 Amount		Interest rate
Credit loans	$	706, 435	0. 84% ~1. 12%
Foreign currency loans		—	—
Total	$	706, 435	

Items	December 31, 2016 Amount		Interest rate
Credit loans	$	320, 000	0. 72% ~1. 08%
Foreign currency loans		—	—
Total	$	320, 000	

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

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

December 31, 2017

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	MEGA Bills	2016/11/22~2017/01/20	0. 612%	40, 000

bills payable	Finance Co.,			
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

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

	December 31, 2017	December 31, 2016
Credit loans	$ 1,010,000	$ 490,240
Secured bank borrowings	—	—
Subtotal	1,010,000	490,240
Less: current portion of long-term bank borrowings	—	—
Total	$ 1,010,000	$ 490,240
Range of maturity dates	105/08~109/10	104/03~111/03
Range of interest rates	1.10%~1.33%	1.10%~1.99%

The Company pledges some part of its assets as collateral against the loans listed above.

(10) 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 Company'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 Company'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 Company 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 Company 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 Company has no further obligations.

(c) The pension costs (including pension insurance) under the Company's defined contribution pension plans for the years ending on December 31, 2017 and 2016 were $6,108 thousand and $5,257 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 remuneration of employees and directors deducted from income before tax, 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, 2016, respectively. The appropriations and dividends per share were as follows:

	2016		2015	
	Dividends per share (NT$)	Amount	Dividends per share (NT$)	Amount
Cash	4.8	$ 348, 480	3.9	$ 283,140
Shares	—	—	—	—
		$ 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 were as follows:

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

Distribution of 2016 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.

(12) Net Sales

Items	2017	2016
Sale of goods	3, 001, 375	3, 232, 980
Sale of processing	110	444
Total	3, 001, 485	3, 233, 424

(13) Non-operating income and expenses

1. Others

Items	2017	2016
Share of comprehensive income (loss) of associates and joint ventures	$ 379, 305	$ 456, 250
Interest income	1, 307	1, 249

Impairment or reversal of property, plant and equipment	1, 295	1, 481
gain on disposal of assets	1, 091	86
Foreign exchange gain, net	1, 143	557
Other income	7, 219	10, 508
Total	$ 391, 360	$ 470, 131

2. Finance costs

Items	2017	2016
Interest expense (Bank loans)	$ 11, 098	$ 7, 639
Total	$ 11, 098	$ 7, 639

(14) Income taxes

1. Components of income tax expense:

Item	2016	2015
Current income tax		
Income tax incurred in current period	$ 29, 272	$ 29, 764
10% tax on unappropriated earnings	6, 353	23, 399
Income tax adjustments on prior years	-	298
Deferred income tax expense		
Recognition and reversal of temporary differences	354	2, 174
Income tax expense	$ 35, 979	$ 55, 635

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)

3. Reconciliation between income tax expense and accounting profit:

Item	2017	2016
Income before tax	$ 577, 356	$ 638, 002
Income tax expense at the statutory 17% tax rate	$ 98, 150	$ 108, 460
Nondeductible (deductible) items in determining taxable income	(68, 878)	(74, 348)
10% tax on unappropriated earnings	6, 353	23, 399
Prior year income tax underestimation	-	298
Changes of deferred tax		

Temporary differences	354	(2, 174)
Income tax expense	$ 35, 979	$ 55, 635

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$3,419 thousand and NT$306 thousand, respectively, in 2018.

4. Deferred income tax assets or liabilities:

	2017			
Items	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2, 283	$ (221)	$ –	$ 2, 062
Loss on inventory market value decline	1, 741	209	–	1, 950
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	730	465	–	1, 195
Deferred tax income(expenses)		$ (354)	$ 743	
Net deferred tax assets(liabilities)	$ 17, 252			$ 17, 641
The balance sheet information is as follows:				
Deferred tax assets	$ 19, 559			$ 19, 376
Deferred tax liabilities	$ 2, 307			$ 1, 735

	2016			
Items	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
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	1, 267	(537)	–	730
Deferred tax income(expenses)		$ (2, 174)	$ 164	
Net deferred tax assets(liabilities)	$ 19, 262			$ 17, 252
The balance sheet information is as follows:				
Deferred tax assets	$ 22, 006			$ 19, 559
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. Because the company's current funds are sufficient and a new factory is not a major capital expenditure at this stage, 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.

5. The Company annual profit-seeking enterprise income tax for last year had been approved by Tax Collection agency in 2014.

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
	2016 (forecast)	2015 (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.

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

	2017		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 131,580	$ 71,018	$ 202,598
Wages and salaries	106,325	61,757	168,082
Labor and health insurance costs	10,666	4,249	14,915
Pension and severance expenses	5,169	2,622	7,791
Other personnel expenses-food expenses	9,420	2,390	11,810
Depreciation	54,571	4,041	58,612
Amortization	—	5,460	5,460

	2016		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 108,423	$ 66,496	$ 174,919
Wages and salaries	85,128	57,768	142,896
Labor and health insurance costs	9,048	3,560	12,608
Pension and severance expenses	5,022	2,775	7,797
Other personnel expenses-food expenses	9,225	2,393	11,618
Depreciation	53,661	4,637	58,298
Amortization	99	5,818	5,917

There were 275 and 254 workers in the Company on December 31, 2017 and December 31, 2016, respectively.

(16) Earnings per share

1. Basic earnings per share

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

2. Dilute earnings per share

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

	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.

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

(2) Significant transactions and balances with related parties:

1. Purchasing:

Name of related party	2017	2016
Nanliu Enterprises (Pinghu) Ltd.	$ 1,097,318	$ 1,393,946

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

ii. As of December 31, 2017 and December 31, 2016, unrealized gross profit that the Company purchased from related party (Nanliu Enterprises (Pinghu) Ltd.) was 373 thousand and 1,820 thousand ,respectively.

2. Sales:

Related party	2017	2016
Nanliu Enterprises (Pinghu) Ltd.	$ 10,561	$ 21,410

i. The selling prices and collection terms for related parties are the same as those of ordinary sales.
ii. As of December 31, 2017 and December 31, 2016, unrealized gross profit that the Company sold to related party (Nanliu Enterprises (Pinghu) Ltd.) was 0 thousand and 194 thousand, respectively.

3. Notes and accounts payable:

Related party	Account name	December 31, 2017	December 31, 2016
Nanliu Enterprises (Pinghu) Ltd.	Accounts payable	$ 177,109	$ 264,121

4. Notes and accounts receivable:

Related party	Account name	106年12月31日	105年12月31日
Nanliu Enterprises (Pinghu) Ltd.	Accounts receivable	$ —	$ 2,041

5. Property transactions: none.

6. Guarantees:

As of December 31, 2017 and December 31, 2016, the Company provided financial guarantees as following:

December 31, 2016: None.

	December 31, 2016			
	NANLIU ENTERPRISE (SAMOA) CO., LTD.		Nanliu Enterprises (Pinghu) Ltd.	
Mega Bank	USD	2,830	USD	—
Total	USD	2,830	USD	—

7. 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.

8. Others:

(1) All the Company's bank loans indicate Huang Chin-San and Huang Ho-Chun as guarantors.

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

Items	2017	2016
Salary	$ 18,782	$ 13,347
Bonus	2,641	2,644
Service allowance	690	730
Total	$ 22,113	$ 16,721

A. Salaries include salary, allowances, pensions, severance pay, etc.

B. Bonuses include bonuses, incentives, etc.

C. Service allowances include travelling expenses, special allowances, various allowances, dormitories, company cars, etc.

D. Distribution of surplus items are employee bonuses and remuneration to directors and supervisors.

E. Related information can also be found in the Company's annual report.

8. Pledged Assets: None.

9. Major commitments and contingencies

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	guarantee deposit	Letter of credit	guarantee deposit
USD 523	$ －	USD 1,782	$ －
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. The 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, the Company 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 16,876 thousand and 12,284 thousand, respectively.

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

	2017	2016
Less than one year	$ 14, 174	$ 15, 153
More than one year and less than five years	7, 855	22, 029
More than five years	—	—
Total	$ 22, 029	$ 37, 182

10. Major damage losses: none.

11. Major subsequent events: none.

12, Others:

(1) Capital risk management

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

Items	December 31, 2017	December 31, 2016
Total liabilities	$ 2, 784, 252	$ 1, 738, 175
Total equity	2, 873, 348	2, 721, 611
Debt to equity ratio	96. 90%	63. 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	$ 277, 548	$ —	$ —	$ —	$ —
Notes and accounts receivable	439, 174	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	—	—	—	—	—
Refundable deposit	9, 771	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	706, 435	—	—	—	—
Short-term bills payable	399, 858	—	—	—	—
Notes payable and payment	484, 036	—	—	—	—
Equipment payment	74, 821	—	—	—	—
Long-term liabilities due within a year	—	—	—	—	—
Long-term liabilities	1, 010, 000	—	—	—	—

December 31, 2016

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	$ 166, 989	$ —	$ —	$ —	$ —

Notes and accounts receivable	554,505	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	24,782	—	—	—	—
Refundable deposit	9,771	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	320,000	—	—	—	—
Short-term bills payable	179,961	—	—	—	—
Notes payable and payment	623,035	—	—	—	—
Equipment payment	6,722	—	—	—	—
Long-term liabilities due within a year	—	—	—	—	—
Long-term liabilities	490,240	—	—	—	—

(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 Company 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 Company'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 Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, CNY 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.

Items	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets						
Monetary items						
USD	$ 11,553	29.760	$ 343,830	$ 10,702	32.250	$ 345,150
CNY	8,049	4.565	36,744	7,347	4.617	33,923
EUR	8	35.570	279	—	—	—
JPY	300	0.2462	79	—	—	—
Investments accounted for using equity method						
CNY	737,250	4.565	3,365,548	654,706	4.617	2,757,207
Financial liabilities						
Monetary items						
USD	8,373	29.760	249,192	8,801	32.250	283,820
EUR	8,628	35.570	306,899	—	—	—
CNY	210	0.2642	55	—	—	—
Non-Monetary items						
USD	56	29.760	1,679	3	32.250	108

B. Sensitivity analysis

The Company's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. On December 31, 2017 and 2016, if the NTD/USD, NTD/CNY, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, in 2017 and 2016, the company's income before income tax would increase/decrease by $1,754 thousand and $952 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

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

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

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Company's net income by approximately $21,163 thousand and $9,902 thousand for the years ending on December 31, 2017 and 2016, mainly due to floating rate loans.

(3) Credit risk:

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

(4) Liquidity risk:

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

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

Items	December 31, 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	399,858	—	—	—	399,858
Notes payable	105,919	—	—	—	105,919
Accounts payable	311,256	—	—	—	311,256

Other payables	66,861	—	—	—	66,861
Payables on equipment	74,821	—	—	—	74,821
Long-term loans (including due within one year or one operating cycle)	—	1,010,000	—	—	1,010,000

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	$ 320,000	$ —	$ —	$ —	$ 320,000
Short-term bills payable	179,961	—	—	—	179,961
Notes payable	163,305	—	—	—	163,305
Accounts payable	393,563	—	—	—	393,563
Other payables	66,167	—	—	—	66,167
Payables on equipment	6,722	—	—	—	6,722
Long-term loans (including due within one year or one operating cycle)	—	490,000	—	240	490,240

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

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

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

(1) The Company provides endorsement and guarantees commitment to subsidiaries in accordance with “Regulations Governing Endorsements and Guarantees”. Because the Company 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 2,830

(4) Fair value estimation

The Company 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: 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	49.18%	With the same general terms and conditions	—	—	$ 177,109	42.45%	—

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	0.35%
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	36.56%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	177,109	The same as other companies	3.13%

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: Outflow	Investment Flows: Inflow	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
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.

Nan Liu Enterprise Co., Ltd.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Nan Liu Enterprise Co., Ltd.
Statement of cash and cash equivalents
December 31, 2017
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 1

Item	Description	Amount
Cash	Cash on hand	$ 962
Cash in banks		
Demand deposits		62,253
Checking accounts		97
Foreign currency deposits	(USD 6,026 thousand，@29.71)	179,335
	(RMB 644 thousand，@4.54)	2,941
	(EUR 8 thousand，@35.37)	279
Time deposits		31,681
Subtotal		276,586
Total		$ 277,548

Nan Liu Enterprise Co., Ltd.
Statement of accounts receivable
December 31, 2017
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 2

Item	Description		Amount
Non related parties：			
Company A	Receivables from transactions	$	16,372
Company B	Receivables from transactions		26,530
Company C	Receivables from transactions		26,178
Company D	Receivables from transactions		23,410
Company E	Receivables from transactions		24,806
Company F	Receivables from transactions		33,063
Company G	Receivables from transactions		17,532
Others(Note)	Receivables from transactions		193,993
Subtotal：			361,884
Related parties：			
Nanliu Enterprise (Pinghu) Ltd	Receivables from transactions		-
Subtotal：			-
Total			361,884
Less: Allowance for doubtful accounts			(6,531)
Accounts receivable, net		$	355,353

Nan Liu Enterprise Co., Ltd.
Statement of inventories
December 31, 2017
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 3

Item	Description	Amount	
		Cost	Net Realizable Value
Raw materials	Viscose、Composite fiber	$ $ 139,561	$ $ 134,708
Supplies	Paper box、shrink film and so on	44,497	41,447
Work in process	facial mask bag	9,562	10,220
Finished goods	Spunlance fabrics and Air through & thermal bond fabrics	117,392	171,990
Merchandise	Nonwovens	1,951	2,265
Raw materials and supplies in transit		4,518	4,518
Total		317,481	365,148
Less: allowance for price decline of inventories		(11,468)	—
Net inventories		$ 306,013	$ 365,148

Note：

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

Nan Liu Enterprise Co., Ltd.
Statement of changes in investments accounted for using equity method
December 31, 2017
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 4

Name	Balance, January 1, 2017		Additions		Decrease		Balance, December 31, 2017			Market Value or Net Assets Value			Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price	Total Amount	Valuation	
NANLIU ENTERPRISE(SAMOA)CO.,LTD.	47,728	$2,757,207	20	$ 407,794	-	$ (44,626)	47,748	100%	$ 3,120,375	65.37	$ 3,121,176	Equity method	None
Total		$2,757,207		$ 407,794		$ (44,626)			$ 3,120,375		$ 3,121,176		

Note1：Additions in the period included investments 601thousand, recognition of invested profit 383,298 thousand, realized gross profit of downstream transactions 21,428 thousand, realized gross profit of upstream transactions 1,826 thousand, realized assets profit of downstream transactions 641 thousand. Decreases in the period included of unrealized gross profit of downstream transactions 1,273 thousand, unrealized gross profit of upstream transactions 373 thousand, tax effects of upstream/downstream transactions 5,286 thousand, tax effects of realized assets profit of downstream transactions 160 thousand, foreign exchange differences 37,534 thousand.

Note2：As of December 31, 2017, cost of investments accounted for using equity method and valuation for using equity method is as following:

Investees	Cost	Valuation for using equity method	Adjustments from unrealized Profits (losses) of Upstream(downstream) transactions	Others	Total
NANLIU ENTERPRISE(SAMOA)CO.,LTD.	$ 1,488,208	$ 1,826,169	$ (801)	$ (193,201)	$ 3,120,375
Total	$ 1,488,208	$ 1,826,169	$ (801)	$ (193,201)	$ 3,120,375

Nan Liu Enterprise Co., Ltd.

Statement of changes in property, plant and equipment

December 31, 2017

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

STATEMENT 5

Please refer to note 6(6).

Statement of short-term loans

December 31, 2017

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

STATEMENT 6

Type	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral
Clear loans					
Mega bank	$ 86,435	2017/10/02~2018/06/29	1.120%	NTD 200,000	—
Bank SinoPac	50,000	2017/11/17-2018/02/14	0.900%	NTD 600,000	—
Cathay United Bank	200,000	2017/11/29-2018/02/27	0.840%	NTD 200,000	—
Taipei Fubon Bank	150,000	2017/08/25-2018/02/21	0.870%	NTD 150,000	—
HSBC Bank	120,000	2017/08/24-2018/03/21	0.84%~0.85%	NTD 250,000	—
Taishin Bank	100,000	2017/12/08-2018/01/05	0.901%	NTD 200,000	—
Total	$ 320,000				

Statement of short-term bills payable , net

December 31, 2017

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

STATEMENT 7

Please refer to note 6(8).

Nan Liu Enterprise Co., Ltd.

Statement of notes payables

December 31, 2017

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

STATEMENT 8

Item	Description		Amount
Non-related parties			
Company A	Notes from transactions	$	$ 50,206
Others(Note)	Notes from transactions		55,713
Total		$	105,919

Note: Amount of each vendor is less than 5% of non-related parties.

Statement of accounts payables

December 31, 2017

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

STATEMENT 9

Vendor Name	Description		Amount
Non-related parties			
Company A	Payables from transactions	$	$ 9,471
Company C	Payables from transactions		20,038
			21,475
			51,328
Others(Note)	Payables from transactions		31,837
Subtotal			134,149
Related parties			
Nanliu Enterprise (Pinghu) Ltd	Payables from transactions		177,107
Subtotal			177,107
Total		$	311,256

Note: Amount of each vendor is less than 5% of non-related parties.

Nan Liu Enterprise Co., Ltd.

Statement of long-term loans

December 31, 2017

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

STATEMENT 10

Bank	Description	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Collateral	Note
First Bank	Clear loan	$ 200,000	2016/08/22~2020/04/11	1.24%~1.30%	—	—
The ShangHai Commerical & Savings Bank	Clear loan	15,000	2017/08/21-2020/08/21	1.330%	—	—
CTBC Bank	Clear loan	40,000	2017/03/07-2020/10/26	1.180%	—	—
Bank SinoPac	Clear loan	160,000	2017/08/21-2019/10/07	1.100%	—	—
E.SUN Bank	Clear loan	175,000	2017/02/13-2020/06/20	1.120%	—	—
KGI Bank	Clear loan	310,000	2017/12/28-2020/04/27	1.1300%	—	—
Chang Hwa Bank	Clear loan	100,000	2017/08/24-2020/08/24	1.2000%	—	—
Hua Nan Bank	Clear loan	10,000	2017/12/07-2019/10/17	1.1000%	—	—
Total		$1,010,000				

Nan Liu Enterprise Co., Ltd.

Statement of net revenue

FOR THE YEAR ENDED DECEMBER 31, 2017

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

STATEMENT 11

Item	Quantities	Amount	Total
Sales revenue			
Sales of goods			
Air Through & Thermal Bond Nonwoven Fabrics	4,739,429.65 KG	$ 539,480	
Spunlance Nonwoven fabrics	15,745,912.34 KG	1,606,150	
Wet wipes & Cosmetics	26,594,317.00BAG	884,657	
	5,109.00CAN		
	120.05ROL		
	36,412,233.00 CS		
	13,502.08 KG		
	1,911,653.00PCS		
	3,231.00 SE02		
Resin bond non-woven	11,701.21 KG	2,840	
Subtotal		$ 3,033,127	
Total amount of Sales revenue			$ 3,033,127
Less: Sales return			(8,840)
Sales allowances			(22,802)
Sales revenue, net			$ 3,001,485

Nan Liu Enterprise Co., Ltd.
Statement of operating expenses
FOR THE YEAR ENDED DECEMBER 31, 2017
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 12

Iterm	Amount
Merchandise, beginning of year	$ 3,177
Merchandise purchased	1,003,466
Less：Merchandise, end of year	(1,951)
Less：charges on purchased Merchandise	(54)
Less：others of merchandise	(525)
Cost of Merchandise sold	1,004,113
Raw materials, beginning of year	135,520
Add：raw materials purchased	912,996
Add：profit on raw materials	27
Add: others of raw materials	513
Less：raw materials, end of year	(139,561)
Less：others of raw materials	(123)
Less：loss on raw materials	(378)
Less：raw materials sold	(598)
Raw materials consumed	908,396
Supplies, beginning of year	39,346
Add：supplies purchased	173,800
Add：profit on supplies	193
Less：supplies, end of year	(44,497)
Less：charges on purchased supplies	(8,725)
Less：loss on supplies	(583)
Less：supplies sold	(1,931)
Less：others of supplies	(15,366)
Supplies consumed	142,237
Direct labor	84,452
Manufacturing overheads(STATEMENT 13)	331,125
Manufacturing costs	1,466,210

(Continued)

Nan Liu Enterprise Co., Ltd.

Statement of operating expenses

FOR THE YEAR ENDED DECEMBER 31, 2017

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

STATEMENT 12

(Previous)

Add : Work in process, beginning of year(including semi-finished goods)		19,696
Add：work in process received		25,761
Add：profit on work in process		16
Add：others of work in process		21,123
Less：Work in process, end of year (including semi-finished goods)		(9,562)
Less：charges on work in process		(77)
Less：Loss on disposal of work in process		(187)
Less：work in process sold		(402)
Cost of finished goods		1,522,578
Add：finished goods, beginning of year		108,411
Add：finished goods received		115,159
Add：profit on finished goods		1,054
Add：others of finished goods		52,418
Less：finished goods, end of year		(117,392)
Less：charges on finished goods		(8,652)
Less：Loss on disposal of finished goods		(44)
Less：loss on finished goods		(2,147)
Less：others of finished goods		(55,288)
Cost of production and marketing		1,616,097
Cost of raw materials and semi-finished goods sold		2,931
(Profit)loss on inventories		2,005
Loss on disposal of inventories		44
Idle cost		6,359
Reduce inventory to market		1,227
Revenue from sale of scrap and wastes		(6,516)
Others		(3,670)
Cost of goods sold	$	2,622,590

Nan Liu Enterprise Co., Ltd.
Statement of production overheads
FOR THE YEAR ENDED DECEMBER 31, 2017
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 13

Item	Description	Amount
Indirect labor	manufacturing overheads	$ 21,873
Rent expenses	manufacturing overheads	16,876
Repairs and maintenance expenses	manufacturing overheads	25,580
Utility expenses	manufacturing overheads	59,884
Depreciation expenses	manufacturing overheads	54,571
Fuel expenses	manufacturing overheads	32,195
Others(note)	manufacturing overheads	126,505
Idle cost	manufacturing overheads	(6,359)
Total		$ 331,125

Note：Amount of each item is less than 5% of production overheads.

Nan Liu Enterprise Co., Ltd.

Statement of Operating expenses

FOR THE YEAR ENDED DECEMBER 31, 2017

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

STATEMENT 14

Item	Promotion expenses	Management expenses	Research expenses	Amount
Payroll expenses	$ 7,027	$ 44,993	$ 9,737	$ 61,757
Rent expenses	-	13,744	-	13,744
Shipping expenses	17,572	104	-	17,676
Advertisement expenses	7,696	265	-	7,961
Entertainment expenses	1,399	7,765	13	9,177
Donation expenses	-	7,362	-	7,362
Depreciation expenses	332	3,653	56	4,041
Commission expenses	9,281	-	-	9,281
Export expenses	23,586	-	-	23,586
Professional service fee	224	4,707	1,257	6,188
Others(note)	5,581	26,229	9,373	41,183
Total	$ 72,698	$ 108,822	$ 20,436	$ 201,956

Note：Amount of each item is less than 5% of promotion expenses.

Statement of labor, depreciation and amortization by function

FOR THE YEAR ENDED DECEMBER 31, 2017

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

STATEMENT 15

Please refer to Note 6(15).