



Stock code: 6504

NAN LIU ENTERPRISE CO., LTD.

2018 Annual Shareholders' Meeting

Meeting Minutes

Date: May 29, 2018

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THIS IS A TRANSLATION OF THE MINUTES FOR THE 2018 GENERAL SHAREHOLDERS' MEETING ("THE MINUTES") OF UNITED MICROELECTRONICS CORPORATION ("THE COMPANY"). THE TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NO OTHER PURPOSE. THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

NAN LIU ENTERPRISE CO., LTD.
2018 ANNUAL SHAREHOLDERS' MEETING
MINUTES
(Translation)

Time: 10:00 a.m., Tuesday, May 29, 2018

Place: No.88 Bixiu Road, Qiaotou Dist., Kaohsiung City (Headquarters conference room 3F)

Attendants: All shareholders and their proxy holders, representing 54,749,170 shares (among them, 45,982,975 shares voted via electronic transmission), or 75.41% of the total 72,600,000 outstanding shares.

Directors present:

Bixiu Investments Co., Ltd. Representative: Huang Chin-san, Tian Zi Ding Investments Co., Ltd. Representative: Huang Ho-chun, Yang Juei-hua, Wang Chin-Hung, Huang Tung-rong, Huang Jin-feng, Huang Chun-ping.

Supervisor present:

Su Chao-shan, Chung Mao-Chih, Hsieh Chiu-Lan.

Chairperson: Huang Chin-san

Recorder: Chuang Chun-chin

I. The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Chairman's Remarks (omitted)

III. Report Items

1. To report 2017 Business Report (Please refer to Attachment 1).
2. To report Supervisor's Review of the 2017 Financial Statements (Please refer to Attachment 2).
3. To report distribution of the 2017 Compensation of Employees, Directors and Supervisors (Please refer to the Meeting Handbook).

IV. Proposed Items

1. To accept 2017 Financial Statements and the Business Report (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The 2017 Financial Statements of the Company were completed according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. All statements were audited and the Audit Report was completed by independent auditors, Shu-Tung Wang and Hsiang-Ning

Hu of Yangtze CPAs & Co. The Business Report and the Financial Statements have been reviewed by the supervisors.

(2) For the Audit Report and the 2017 Financial Statements and the Business Report, please refer to pages 13-32 (Attachment 3 & 4) and pages 4-6 (Attachment 1) of the Handbook.

(3) Please proceed to adopt the motion.

Resolution:

Voting Result: 54,749,170 shares were represented at the time of voting.

Voting Results
Votes in favor : 54,736,141 votes , 99.97% of the total representation at the time of voting. (including 45,969,946 shares voted via electronic transmission)
Votes against : 13,020 votes (including 13,020 shares voted via electronic transmission)
Votes invalid : 0 votes
Votes abstained : 9 votes (including 9 shares voted via electronic transmission)

Approved and acknowledged as proposed by Board of Directors.

2. To approve the proposal for the distribution of the 2017 profit (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The after-tax profit in 2017 was NT\$541,376,754. Of that, 10% (i.e., NT\$54,137,675) has been set aside as a legal reserve, subtracted other comprehensive income-defined benefit remeasured amount was NT\$3,626,022, subtracted special reserve amount was NT\$37,533,686, coupled with unappropriated retained earnings of NT\$875,928,485 (including unappropriated retained earnings of NT\$27,960,645 before (1997) and NT\$847,967,840 after (1998)), retained earnings for this year is NT\$1,322,007,856.
- (2) In terms of the distribution of the 2017 profit, a cash dividend of NT\$4.5 per share is proposed, amounting to NT\$326,700,000 in total. (The distributable cash dividend is calculated in NT\$, and figures are rounded up.) The total fractional amount of distribution under NT\$1 is listed in Shareholders' Equity. After approval at the shareholders' meeting, the Board of Directors is then authorized to set the ex-dividend date and amend distribution matters as required. Please refer to the Profit Distribution Table for details.
- (3) In the event that the proposed profit distribution is affected by: (1) a change in the number of outstanding shares due to the buyback of shares; (2) issuance of new shares for the transfer of treasury shares to employees; (3) nullifying or rights offerings, the Board of Directors is authorized to attend to and amend such related matters.
- (4) Please proceed to adopt the motion.

NAN LIU ENTERPRISE CO., LTD.

2017

Profit Distribution Table

Unit: NT\$

Items	Amount (NT\$)	Remarks
Beginning retained earnings	875, 928, 485	
Other comprehensive income-defined benefit plan	(3, 626, 022)	
2017 net income	541, 376, 754	
subtracted : Legal reserve (10%)	(54, 137, 675)	
Subtracted: Special reserve	(37, 533, 686)	
Subtotal of distributable net profit	1, 322, 007, 856	
Distributable items		
Dividend to shareholders-cash dividend (NT\$4.5/share)	326, 700, 000	
Unappropriated retained earnings	995, 307, 856	

Chairman: Mr. Huang, Chin-san CEO: Mr. Huang, Ho-chun Chief Accountant: Ms. Chuang Chun-chin

Note 1: 2017 unappropriated retained earnings are distributable first

Resolution:

Voting Result: 54,749,170 shares were represented at the time of voting.

Voting Results
Votes in favor : 54,749,081votes , 99.99% of the total representation at the time of voting. (including 45,982,886 shares voted via electronic transmission)
Votes against : 80votes (including 80 shares voted via electronic transmission)
Votes invalid : 0votes
Votes abstained : 9votes (including 9 shares voted via electronic transmission)

Approved and acknowledged as proposed by Board of Directors.

V. Other Business and Special Motion: None.

VI. Adjournment: Meeting ended at 10:55 am

Attachment 1

NAN LIU ENTERPRISE CO., LTD.

2017 Business Report

Thank you for your continuous support and care for Nan Liu. We appreciate it and look forward to your steady support in the years to come.

The following is a report of our business results in 2017.

A. 2017 Business Report

(1) Achievements of the 2017 Business Plan

The Company's major businesses in 2017 included the sale of spunlace nonwoven fabrics, Air Through & Thermal Bond Nonwoven Fabrics, Disposable surgical gowns fabrics, hygiene consumables (most of sales on baby wet wipes), and facial mask/skin care products. In 2017, net sales was NT\$6,433,820 thousands, up 5.64% compared with 2016. Taking into cost of goods sold of NT\$5,203,169 thousands, total operating expenses of NT\$498,143 thousands, and other non-operating loss and expenses of NT\$12,251 thousands, the income before income tax came in at NT\$720,257 thousands. Estimated income tax expense was NT\$178,880 thousands, and the net income was NT\$541,377 thousands with an EPS of NT\$7.46.

(2) 2017 Consolidated Financial Expenditure and Profitability

Unit: NT\$ 1000

Consolidated Statements of Comprehensive Income	2017	2016	Change %
Net Sales	6,433,820	6,090,390	5.64%
Cost of goods sold	5,203,169	4,916,094	5.84%
Gross profit	1,230,651	1,174,296	4.80%
Total Operating expenses	498,143	480,398	3.69%
Net operating profit	732,508	693,898	5.56%
Other non-operating income and expenses	(-12,251)	83,947	-114.59%
Income before income tax	720,257	777,845	-7.40%
Net Income	541,377	582,367	-7.04%

(3) Consolidated Profitability Analysis

Unit: %

	2017	2016	
Return on assets	9.10	11.00	
Return on equity	19.35	21.63	
Capital ratio	Net operating profit	100.90	95.58
	Income before income tax	99.21	107.14
Net profit margin	8.42	9.56	
After-tax earnings per share (NT\$)	7.46	8.02	

The company faced some challenges in 2017. First, the international trend of USD was weak in 2017. Second, USD depreciated around 5%, compared to NTD and CNY. Because of foreign exchange loss 12,251 thousands, consolidated sales revenue and profit did not as originally expected. Under above two challenges, all employees pledged more efforts and consistently develop new products. The capacity utilization was full in 2017. The sales is growing up.

In general, the sales grew slightly. The China plant contributed positive effects in operation, profit. With the great teamwork and efforts of all employees, the net income in 2017 reached NT\$541,377 thousands (EPS NT\$7.46).

B. Summary of the 2018 Business Plan

(I) Business Policy and Implementation

- (1) Our new vision is implemented in the Company's daily operations, and our business philosophy is strengthened and fulfilled to achieve the goal of organizational optimization.
- (2) Integration of supply chain management: we aim to have in place competitive and strategic raw materials suppliers, meet our customers' flexible and rapid demands, and reduce inventory costs to increase cash flow.
- (3) Strengthen education and training systems, create a passionate and excellent work environment, improve staff morale, and boost operational efficiency.
- (4) Continue enhancing product development capabilities and production technologies: obtain leading technologies and upgrade production capabilities; become a research and development center for our customers; and cooperate with technology experts at home and abroad, such as technical research and academic institutions.
- (5) Implement green-energy policies and reduce carbon emissions to simultaneously lower costs and protect the environment, exercise social responsibility as a global citizen, and enhance overall image of the Company.
- (6) Persistently implement prudent accounting practices and strengthen financial risk management to improve profitability.

(II) Major Marketing Strategies

- (1) Buildup of capacity: add new production lines and enhance the benefits of economies of scale.
- (2) Leadership in quality and technology: with customer-oriented approaches and the development of new products, promote the Company's international branding.
- (3) Automation: consistently improve enterprise resource planning (ERP) systems, strengthen operational controls, and integrations to improve core competitive power.
- (4) Adopt more aggressive strategies to enhance the position of the production base in Asia.

(III) Future Development Strategy

Uphold the principle of the "cycle of virtues" — that is, to profitably provide customers with outstanding quality, delivery and service, so that they are incentivized to purchase even more products from the Company, and thereby looking after the interests of shareholders and employees. In so doing, all four stakeholders — shareholders, employees, and customers, the community — can achieve win-win outcomes.

(IV) Competition, the Regulatory Environment, and General Business Conditions

While input prices are rising at home and abroad, the Company has strengthened its cost control measures. At the same time, our international platform offers improved conditions for customer orders through competitive advantages, and fluctuations in raw material prices are incorporated into price negotiations.

The Company will continue to strengthen its knowledge of the market environment; integrate regulatory and customer standards; reinforce accounting and legal requirements; promote environmental and labor protection initiatives; and enhance corporate governance and corporate social responsibility.

With increasing demands for the use of green energy and requirements for carbon reduction, we intend to hold ourselves to world-class standards in the pursuit of business growth.

Overall, while adverse external environments and rising production costs pose increasingly rigorous challenges, the Company believes that customers' demands can be satisfied through constant innovation and improving processes to maintain a competitive advantage and maximize profits for its shareholders.

With best wishes, and to good health and success for all,

Chairman:



Mr. Huang, Chin-san

General Manager:



Mr. Huang, Huo-cun

Accounting Manager:



Ms. Chuang, Chun-chin

Attachment 2

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

The Board of Directors has prepared the Company's 2017 Business Report, consolidated Financial Statements. Nan Liu Enterprise Co., Ltd.'s Financial Statements have been audited and certified by YANGTZE CPAS & CO. and an audit report relating to the Financial Statements has been issued an unmodified opinion.

Supervisor is responsible for overseeing the financial reporting process.

When auditing the 2017 parent company only financial Statements, the auditing CPA communicated with Supervisors about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, parent company only Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :

The Company's 2018 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Su, Chao-Shan

On the Date of March 15, 2018

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

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Nan Liu Enterprise Co., Ltd.

Supervisor : Su, Chao-Shan

On the Date of March 15, 2018

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Submitted to :

The Company's 2018 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Hsieh,Chiu-Lan

On the Date of March 15, 2018

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

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Supervisor is responsible for overseeing the financial reporting process.

When auditing the 2017 consolidated financial Statements, the auditing CPA communicated with Supervisors about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
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Submitted to :

The Company's 2018 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Hsieh,Chiu-Lan

On the Date of March 15, 2018

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

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The Company's 2018 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Chung, Mao-Chih

On the Date of March 15, 2018

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

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1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, consolidated Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :

The Company's 2018 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Chung, Mao-Chih

On the Date of March 15, 2018



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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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Fax : 02-8772-2993
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E-mail:a3578806@ms19.hinet.net

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台中市 408 五權西路二段 666 號 13 樓之 3
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E-mail:stanhuco@ms12.hinet.net

台南所：
台南市 701 東門路一段 358 號 10 樓之 1
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高雄所：
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Valuation of accounts receivable

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

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

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

Valuation of inventories

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

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YANGTZE CPAS & CO.
<http://www.yzcpa.com.tw>

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and



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

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

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

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

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

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

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

YANGTZE CPAS & Co.,
March 13, 2018

Notice to Readers

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

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

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NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Balance Sheets
December 31,2017 and December 31,2016
(All Amounts Expressed In Thousands of New Taiwan Dollars)

ASSETS		December 31,2017		December 31,2016		LIABILITIES AND EQUITY		December 31,2017		December 31,2016			
		Amount	%	Amount	%			Amount	%	Amount	%		
CURRENT ASSETS						CURRENT LIABILITIES							
1100	Cash and cash equivalents	4、6(1)	\$ 1,015,577	15.04	\$ 577,150	10.72	2100	Short-term loans	6(6)	\$ 706,435	10.46	\$ 353,900	6.57
1150	Notes receivable, net	4、6(2)、7	68,797	1.02	95,609	1.77	2110	Short-term bills payable, net	6(7)	399,858	5.92	179,961	3.34
1170	Accounts receivable, net	4、6(3)、7	1,322,011	19.57	1,226,592	22.78	2150	Notes payable	4	486,140	7.20	590,061	10.96
1200	Other receivables		29,386	0.44	32,274	0.60	2170	Accounts payable	4	602,969	8.93	477,654	8.87
1310	Inventories	4、5、6(4)	963,804	14.27	928,930	17.25	2200	Other payable		147,956	2.19	166,447	3.09
1410	Prepayments		355,947	5.27	289,760	5.38	2213	Payables on equipment		80,973	1.20	6,722	0.12
1470	Other current assets	8	40,161	0.59	67,944	1.26	2230	Current tax liabilities	4、6(13)	91,511	1.35	59,215	1.10
	Total current assets		<u>3,795,683</u>	<u>56.20</u>	<u>3,218,259</u>	<u>59.76</u>	2311	Unearned receipts		9,100	0.13	12,996	0.24
							2322	Current portion of long-term bank borrowing	6(8)	-	-	53,559	0.99
							2399	Other current liabilities		4,483	0.07	3,379	0.07
								Total current liabilities		<u>\$ 2,529,425</u>	<u>37.45</u>	<u>1,903,894</u>	<u>35.35</u>
NONCURRENT ASSETS						NONCURRENT LIABILITIES							
1600	Property, plant and equipment	4、6(5)、8	2,160,933	31.99	1,809,808	33.61	2540	Long-term bank borrowing	6(8)	1,265,510	18.74	671,605	12.47
1780	Intangible assets	4	1,819	0.03	1,783	0.03	2571	Deferred income tax liabilities-Land value increment tax		7,386	0.11	7,386	0.14
1840	Deferred income tax assets	4、5、6(13)	19,604	0.29	25,233	0.47	2572	Deferred income tax liabilities-income tax	4、6(13)	1,735	0.03	2,307	0.04
1915	Prepayments for equipment		636,546	9.42	182,617	3.39	2640	Accrued pension liabilities	4、5、6(9)	75,322	1.12	78,091	1.45
1920	Refundable deposit	9	18,031	0.27	19,668	0.37	2645	Guarantee deposits		1,112	0.02	462	0.02
1985	Prepaid investments	4	118,858	1.76	125,624	2.33		Total noncurrent liabilities		<u>1,351,065</u>	<u>20.02</u>	<u>759,851</u>	<u>14.12</u>
1990	Other assets		2,364	0.04	2,364	0.04		Total liabilities		<u>3,880,490</u>	<u>57.47</u>	<u>2,663,745</u>	<u>49.47</u>
	Total noncurrent assets		<u>2,958,155</u>	<u>43.80</u>	<u>2,167,097</u>	<u>40.24</u>	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
							Owners equity						
							3100	Capital stock	6(10)	726,000	10.75	726,000	13.48
							3200	Capital surplus	6(10)	453,467	6.71	453,467	8.42
							3300	Retained earnings	6(10)				
							3310	Legal reserve		317,735	4.70	259,498	4.82
							3320	Special reserve		155,667	2.30	44,348	0.82
							3350	Unappropriated earnings		1,413,680	20.93	1,393,965	25.88
							3400	Other	6(10)				
							3410	Financial statements translation differences for foreign operations		(193,201)	(2.86)	(155,667)	(2.89)
								Equity attributable to shareholders of the parent		<u>2,873,348</u>	<u>42.53</u>	<u>2,721,611</u>	<u>50.53</u>
1xxx	Total assets		<u>\$ 6,753,838</u>	<u>100.00</u>	<u>\$ 5,385,356</u>	<u>100.00</u>		Total liabilities and equity		<u>\$ 6,753,838</u>	<u>100.00</u>	<u>\$ 5,385,356</u>	<u>100.00</u>

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Year Ended December 31 ,2017 and 2016

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

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

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the year ended December 31, 2017 and 2016
(All Amounts Expressed In Thousands of New Taiwan Dollars)

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

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Year Ended December 31 ,2017 and 2016

(All Amounts Expressed In Thousands of New Taiwan Dollars)

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

(Continued)

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

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



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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:

Valuation of accounts receivable

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



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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 the 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.

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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.

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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.

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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		December 31,2016		LIABILITIES AND EQUITY		December 31,2017		December 31,2016			
		Amount	%	Amount	%			Amount	%	Amount	%		
CURRENT ASSETS						CURRENT LIABILITIES							
1100	Cash and cash equivalents	4、6(1)	\$ 277,548	4.91	\$ 166,989	3.74	2100	Short-term loans	6(7)	\$ 706,435	12.49	\$ 320,000	7.18
1150	Notes receivable, net	4、6(2)	54,446	0.96	70,400	1.58	2110	Short-term bills payable, net	6(8)	399,858	7.07	179,961	4.04
1170	Accounts receivable, net	4、6(3)、7	355,353	6.28	453,066	10.16	2150	Notes payable	4	105,919	1.87	163,305	3.66
1200	Other receivables		29,375	0.52	31,039	0.70	2170	Accounts payable	4、7	311,256	5.50	393,563	8.82
1310	Inventories	4、5、6(4)	306,013	5.41	333,295	7.47	2200	Other payable		66,861	1.18	66,167	1.48
1410	Prepayments		122,908	2.17	97,085	2.18	2213	Payables on equipment		74,821	1.32	6,722	0.15
1470	Other current assets		114	0.00	24,987	0.56	2230	Current tax liabilities	4	20,632	0.36	23,213	0.52
	Total current assets		<u>1,145,757</u>	<u>20.25</u>	<u>1,176,861</u>	<u>26.39</u>	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		<u>\$ 1,689,809</u>	<u>29.86</u>	<u>1,160,151</u>	<u>26.01</u>
NONCURRENT ASSETS						NONCURRENT LIABILITIES							
1550	Investments accounted for using equity method	4、6(5)	3,120,375	55.15	2,757,207	61.83	2540						
1600	Property, plant and equipment	4、6(6)	757,474	13.40	296,772	6.65	2571	Long-term bank borrowing	6(9)	1,010,000	17.85	490,240	10.99
1780	Intangible assets	4	-	-	789	0.02	2572	Deferred income tax liabilities-Land value increment tax		7,386	0.13	7,386	0.17
1840	Deferred income tax assets	4、5、6(14)	19,376	0.34	19,559	0.44	2640	Deferred income tax liabilities-income tax	4、6(14)	1,735	0.03	2,307	0.05
1915	Prepayments for equipment		574,475	10.15	163,787	3.67		Accrued pension liabilities	4、5、6(10)	75,322	1.33	78,091	1.75
1920	Refundable deposit		9,771	0.17	9,771	0.22		Total noncurrent liabilities		<u>1,094,443</u>	<u>19.34</u>	<u>578,024</u>	<u>12.96</u>
1985	Prepaid investments	4、9	28,008	0.50	32,676	0.73		Total liabilities		<u>2,784,252</u>	<u>49.20</u>	<u>1,738,175</u>	<u>38.97</u>
1990	Other assets		2,364	0.04	2,364	0.05	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
	Total noncurrent assets		<u>4,511,843</u>	<u>79.75</u>	<u>3,282,925</u>	<u>73.61</u>	3100	Owners equity					
							3200	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		<u>2,873,348</u>	<u>50.80</u>	<u>2,721,611</u>	<u>61.03</u>
1xxx	Total assets		<u>\$ 5,657,600</u>	<u>100.00</u>	<u>\$ 4,459,786</u>	<u>100.00</u>		Total liabilities and equity		<u>\$ 5,657,600</u>	<u>100.00</u>	<u>\$ 4,459,786</u>	<u>100.00</u>

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								Non- controlling interests	Total Equity
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Other equity items			
	Ordinary shares	Amounts		Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations			
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)