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NAN LIU ENTERPRISE CO., LTD.

2017 Annual Report

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Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on May 12, 2018

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📁 Head Office

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Tel: (07) 611-6616, Fax: (07) 611-0231

📄 Plant: No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City

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I. Letter to Shareholders

Thank you for your continuous support and care for Nan Liu, and we hope that you can keep giving us more attention and support!

The following is the report on 2017 business results.

A. 2017 Business Report

(1) Achievements of 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 thousand, up 5.64% compared with 2016. Taking into cost of goods sold of NT\$5,203,169 thousand, total operating expenses of NT\$498,143 thousand, and other non-operating loss and expenses of NT\$12,251 thousand, the income before income tax came in at NT\$720,257 thousand. Estimated income tax expense was NT\$178,880 thousand, and the net income was NT\$541,377 thousand 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 thousand, 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 thousand (EPS NT\$7.46).

B. Summary of 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 Strategy

- (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) External competition, the Regulatory Environment and the General Business Environment Effects

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. We wish you ladies and gentlemen health and success.

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

II. Company Profile

1. Company Introduction

(I) Founding Date: December 1978

(II) Contact Information of the Head Office, Branch Offices and Plants:

Name	Address	Tel
Head Office:	No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City	(07) 611-6616
Qiaotou Plant:	No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City	(07) 611-6616
Yanchao Plant	No. 108-8, Szu-Li Rd, Yanchao District, Kaohsiung City	(07) 614-1799
Pinghu Plant	No. 2188, Xinkai Road, Pinghu Economic Development Zone, Zhejiang Province, China	(+86-573-85136616)

(III) Company History

1978	Established the Company, NANLIU ENTERPRISE CO., LTD, on 166 Dingjing Road in Kaohsiung, producing and selling household cleaning fabrics. The capital was NT\$1 million.
1980	NANLIU ENTERPRISE CO., LTD combined with NANLIU ENTERPRISE AGENCY at the present site of No. 88, Bixiu Road, Qiaotou District, Kaohsiung City. Its capital was NT\$6.6 million. At the same time, the production of grinding materials was developed successfully. The company owned 1200 square meters of working area.
1985	The capital increased to NT\$10 million. The Company added nonwoven production lines and began integral operation from fibers to finished products. The high-quality kitchen cleaning fabrics were to be sold to Japan, whose agency was OHE in Hege county, Hainan Township. At the same time, the quality passed the requirements of the 20th Japanese Food Sanitation Law.
1988	The Company purchased two high-performance nonwoven production lines and specialized in producing the lining of bra to support Wacoal, Triumph of Taiwan and other manufacturers. The capital increased to NT\$29 million.
1991	The Company purchased the No.1 thermal-bonded machine with a carding machine from Spinnbau (Germany) and a hot melt machine from Ramisch. The Company used Danish Danaklon fibers to produce hot-melt nonwovens to support diaper manufacturers from Taiwan and overseas.
1993	The capital increased to NT\$66 million. In December of this year, the Company purchased a needle-punch machine from Dilo Company.
1994	Purchased the No. 2 thermal-bonded machine with a carding machine from Spinnbau and a hot melt machine from Ramisch.
1995	Purchased the No.1 Thru-Air machine with a carding machine from Hergeth (Germany) and Thru-Air machines from Hirano Company (Japan), which was finished in March. Another hot melt machine was added in April.
1997	The capital increased to NT\$96 million, and the Company purchased the third thermal-bonded production line.
1998	The No. 3 thermal-bonded machine, the line with Thibau carding and a Kuster high-speed thermal-bonded roller (Germany) was tested successfully and produced well. The capital increased to NT\$126 million.
1999	Another NT\$34.02 million was added to the capital, and profits were transferred into the capital to achieve capital of NT\$197.82 million. The second facility was built. The Company purchased a spunlace line. The Nanliu facilities achieved ISO9001 certification.

2000	Installation and testing of the Spunlace machine and wet wipe converting machine were completed in September. The Spunlace machine produces high-tech and high-quality spunlace nonwoven fabrics used widely in household wipes, soft wet tissues, paper pants, traveling towels, PU artificial leathers, etc. Capital increased to NT\$250 million. Stock was offered publicly on July 7.
2001	Profits were transferred into capital to the level of NT\$275 million. The product orders of spunlace fabrics at Yanchao Plant exceeded the production capacity. Revenue grew by 22%.
2002	Profits were transferred into capital to the level of NT\$297 million. Annual revenue exceeded NT\$1 billion, growing by 25%. Plans were made to purchase the second spunlace production line. Company stock was registered on the Taiwan Secondary Stock Market on December 25.
2003	Profits were transferred into capital to the level of NT\$326.7 million. A new 400 square meter clean-room quality workshop was installed. Development and manufacturing of cream and liquid cosmetics were begun. The annual revenue reached NT\$1.16 billion.
2004	Profits were transferred into capital to the level of NT\$349.569 million. The second spunlace production line was installed to begin production in the third quarter of 2005 and contribute NT\$600 million to the annual revenue. Biotech care products occupied 28% of the total revenue. The annual revenue reached NT\$1.3 billion.
2005	Profits were transferred into capital to the level of NT\$384.57 million. The second spunlace product line went online in the third quarter. Biotech care products occupied 35.28% of the total revenue. The annual revenue reached NT\$1.42 billion. Construction began on Mainland China's Pinghu Plant.
2006	Profits were transferred into capital to the level of NT\$423 million. Biotech care products occupied 30.6% of the total revenue. The annual revenue reached NT\$1.53 billion. Surgical gown fabrics that had been developed successfully began the process to receive certification.
2007	The annual revenue reached NT\$1.69 billion. Surgical gown fabrics received their quality certification. The spunlace production line of Mainland China's Pinghu Plant was installed. With an area of 4,500 square meters, the biotech plant had a GMPC-based production environment and management and adopted medical-grade EDI ultrapure water equipment.
2008	A combined annual profit of NT\$1.9 billion was achieved. Pinghu Plant obtained GMPC and ISO 2000 quality certification and a production permit for cosmetic and hygiene products. Established Nan Liu Enterprise Co., Ltd. (Singapore) in December.
2009	Profits were transferred into capital to the level of NT\$468 million. A combined annual revenue of NT\$2.32 billion was achieved. The certificate of "Operational Headquarters in Taiwan" was obtained from the Ministry of Economic Affairs. Pinghu Plant: High-Tech Woodpulp Spunlace Fabrics passed European Standard- EN 13795 and AAMI. (Association of Advanced Medical Standard).
2010	Profits were transferred into capital to the level of NT\$528 million. A combined annual revenue of NT\$2.86 billion was achieved. The ISO 14001:2004 certificate on the Environmental Management System was obtained. Medical fabrics for surgical gowns and drapes were approved by major clients and received orders.
2011	Profits were transferred into capital to the level of NT\$600 million. A combined annual revenue of NT\$3.52 billion was achieved. The ISO 9001:2008 certificate on the Quality Management System was obtained. The CNS certificate was obtained from Bureau of Standards, Metrology & Inspection, Ministry of Economic Affairs. Two automatic converting lines were added for cosmetic facemasks in addition to one 80-pc wet wipe

	converting line and one travel pack wet wipe converting line.
2012	Capital increased to NT\$645 million by cash. A combined annual revenue up to NT\$3.7 billion was achieved. FSC™-COC (Chain of Custody) certified. ISO 13485 (Medical Devices Quality Management Systems Standards) certified. ISO 22716 (Cosmetic GMP) certified.
2013	Capital increased by cash to NT\$726 million. Combined annual revenue increased to NT\$4.568 billion. Approved by Taiwan Stock Exchange for Initial Public Offering on May 7, 2013. The widest spunlace machine (6.2 m width) was installed and began operation in Q4 at the Pinghu plant. Automatic wet wipe converting lines were added to the Taiwan and China plants. Ranked 32 in the Top 40 companies list by Global Nonwovens Industry for 2013.
2014	Combined annual revenue increased to NT\$5.34 billion. Installed two additional facial mask processing lines at each of the Taiwan and China plants. Installed another 3.8 m Thru-Air production line at the Pinghu Plant that will begin operation in Spring 2015. Honored with the award of Technical Textiles merit and the 11th Outstanding Enterprise Manager of Southern Taiwan. Qualified as a candidate for the Excellent Performance Award by the Ministry of Economic Affairs. Ranked 25 of Top 40 companies list by Global Nonwovens Industry for 2014.
2015	Combined annual revenue increased to NT\$5.92 billion. Established the Nanliu (Taiwan) Charities Foundation in January. Established the Nanliu (Pinghu) Charities Foundation in January as the first foreign company in Pinghu to set up a Charities Foundation. Honored with the 3rd Excellent Performance Award by the Ministry of Economic Affairs in May. Chairman Huang, Chin-shan was awarded the Honorary Doctor of Engineering of National Kaohsiung University of Applied Sciences in May. Two new automatic facial mask processing lines were added in each of the Taiwan and Pinghu plants in Q2. Chairman Huang, Chin-shan took over as the president of Asia Nonwoven Fabrics Association in December. Installed extra 3.8 m Thru-Air production lines in the Pinghu Plant that began operation in Q4.
2016	Consolidated net sales increased to NT\$6.09 billion. Through OHSAS 18001 certification (Occupational Health and Safety Management Systems). Nanliu (Pinghu) was awarded 9 th place for Industrial sales by Pinghu Economic Development Zone and 14 th place for Tax payments in March. Attended IDEA 2016 Global Nonwovens Exhibition at Boston MA, USA in May. Ranked 24 th in the Top 40 companies list by Global Nonwovens Industry for 2016 and ranked 4 th in Asia. An automatic wet wipe line was added to the Pinghu plant in Q4.
2017	Commencing construction of the new Yanchao plant in February. Awarded ISO 9001 certification (Quality management systems) by SGS international in March, ISO 9001-2015 certification and ISO 14001-2015 certifications in March. Attended 2017 INDEX exhibition in Geneva, Switzerland during April. The new Regulations approved by Ministry of Health and Welfare of Executive Yuan from June 1, 2017. Cosmetic management include baby wet wipes. Yanchao plant was approved and registered in May. Nan liu was the first approved company in Taiwan. NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED registered in September.

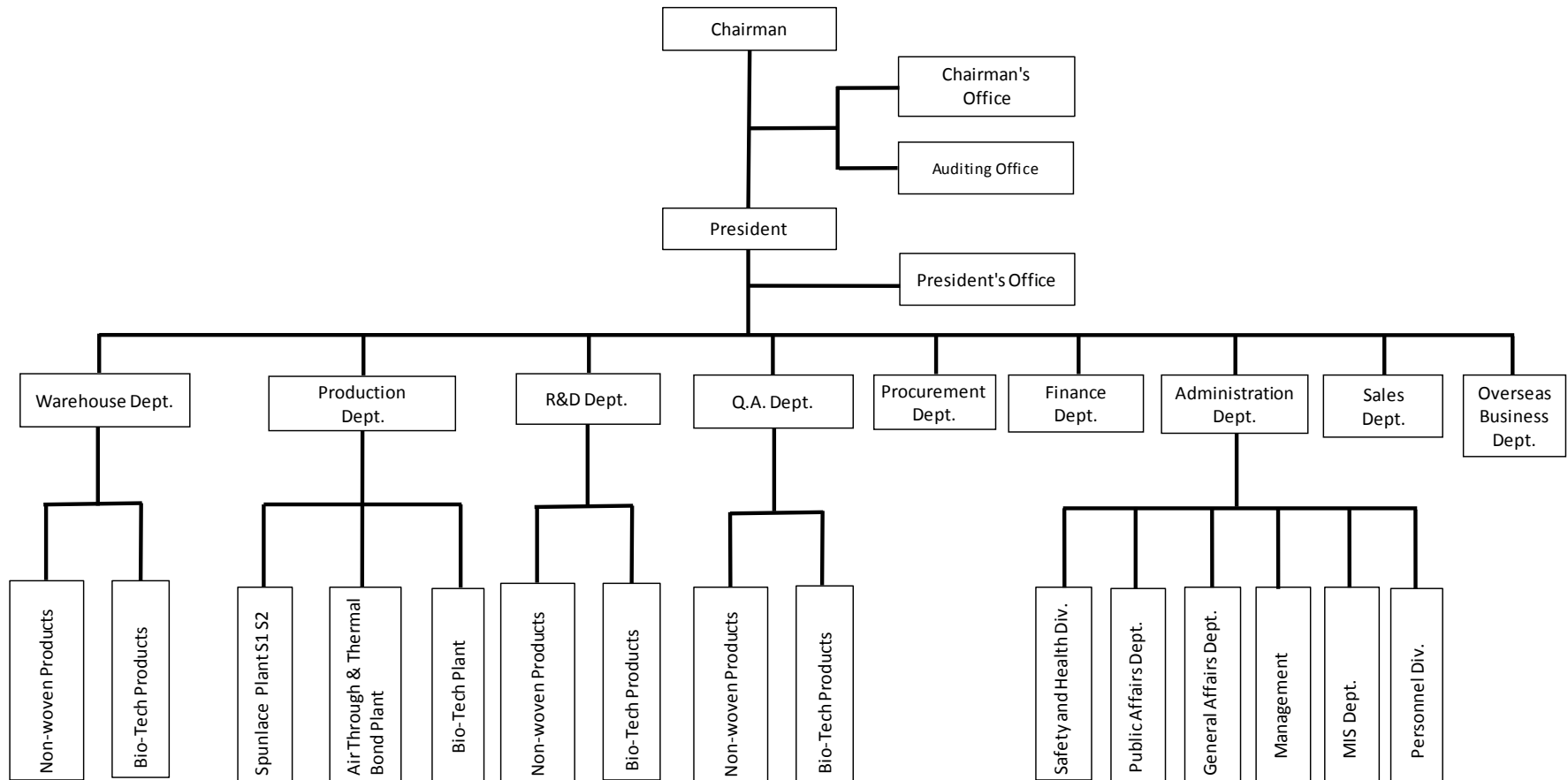
	Awarded Innovation Quality Management by SGS in December. Awarded ISO13485-2016 certification in December.
2018	Expansion of 1rd and 2nd warehouses which total area around 15,000 square meters completed in March. Pinghu plant ranked top 10 companies revenue and taxes payment list by Pinghu Economic Development Zone in April.

III. Corporate Governance Report

1. Organization:

Nan Liu Enterprise Co., Ltd.
Organization Chart

2017/5/4



Nan Liu Enterprise Co., Ltd.

Department Functions

Department		Primary Duties
Present's Office		<ol style="list-style-type: none"> 1. Execute the resolutions of the Board of Directors. 2. Take charge of the formulation, implementation, communication, and negotiation of the business objectives. 3. Study, formulate, execute, and follow up on the projects. 4. Formulate the guidelines and strategies for the Company's future development.
Auditing Office		<ol style="list-style-type: none"> 1. Formulate and improve the Company's internal control system. 2. Plan and execute the audit on the Company's systems, prepare the audit report on a regular basis, and follow up on the progress.
Overseas Business Department		<ol style="list-style-type: none"> 1. Take charge of operations of overseas subsidiaries.
Business Department	International Trade Division	Take charge of the development and sales of overseas markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service.
	Domestic Trade Division	<ol style="list-style-type: none"> 1. Take charge of development and sales of domestic markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service. 2. Take charge of development and sales of new domestic markets, development of sales channels, product advertising, feedback of market information, and customer service. 3. Take charge of administration, purchase orders, shipments and related promotions related to post offices. 4. Work with post offices to develop and market new products.
Finance Department	Finance Division	Take charge of financial analysis, financing, operations and management of foreign exchange, and management of treasury.
	Accounting Division	<p>Plan and execute accounting, budgets, and tax affairs.</p> <p>Disclose the information on businesses.</p>
Administration Department		<ol style="list-style-type: none"> 1. Take charge of payroll, bonuses, performance evaluation, and training programs. 2. Plan the Company's human resources and organizational development. 3. Take charge of the Company's asset management and safety and health management 4. Take charge of general affairs, transceiver, staff meals, and security.
Information Department		Take charge of formulation and implementation of the Company's computerized operation plan, maintenance of software and hardware, preparation of internal documents, and solutions for the use of computers.
Procurement Department		Take charge of procurement, outsourcing, and inventory management.

PP Plant	Plant Affairs Section	1. Take charge of equipment maintenance and improvement in efficiency. 2. Manage raw materials and finished products in warehouses. 3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.
	Production Section	1. Production of PP thermal-bonded nonwovens. 2. Production of AT nonwovens. 3. Production of cotton resin needle-punched nonwovens.
Biotech Plant	Plant Affairs Section	1. Take charge of equipment maintenance and improvement in efficiency. 2. Manage raw materials and finished products in warehouses. 3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.
	Warehouse Section	1. Plan the warehoused stock and shipments. 2. Control the inventory.
	Production Section	Production and processing of masks, cosmetic products, wet wipes, and household cleaning supplies.
Spunlace Plant	Plant Affairs Section	1. Take charge of equipment maintenance and improvement in efficiency. 2. Manage raw materials and finished products in warehouses. 3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.
	Electromechanical Section	Plan the maintenance of production machines.
	Warehouse Section	1. Plan the warehouse stock and shipments. 2. Control the inventory.
	Production Section	Production of spunlace nonwovens.
Quality Assurance Department	Quality Assurance Section	Ensure the quality of raw materials provided by suppliers. Ensure the quality of the Company's products. Take charge of customer complaints, formulate preventive measures, and follow up on the progress. Formulate the Company's quality policy.
R&D Department		Production of spunlace nonwovens, improvements in the formula, and development and application of new products. Production of PP nonwovens, improvements in the formula, and development and application of new products. Production of cosmetic products, improvements in the formula, and development and application of new products.

2. Board of Directors, Supervisors, General Manager, Deputy General Managers, Assistant Managers, and Directors of Departments and Subsidiary Agencies Directors and Supervisors

March 31, 2018

Unit: Share; %

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Chairman	Republic of China	Bixiu Investments Co., Ltd.	—	2016.06.13	3	2002.09.23	5,090,929	7.89	5,090,929	7.01	—	—	—	—	—	None	—	—	—
		Representative: Huang Chin-san	Male	2016.06.13	3	2002.09.23	5,288,978	8.20	5,288,978	7.29	1,851,159	2.55	—	—	Department of Accounting, Ling Tung University Master of Industrial Engineering and Management, National Kaohsiung University of Applied Sciences Honorary Doctor of Engineering	Chairman of Bixiu Investments Co., Ltd. Chairman of Nanliu Enterprise Co., Ltd (SAMOA) Chairman of NAN LIU ENTERPRISE CO., LTD. (Pinghu) Honorary Director of Taiwan Nonwoven Fabrics Industry Association Chairman of Asia Nonwoven Fabrics Association (ANFA)	Director or	Huang, Huo-cun	Brother
Director	Republic of China	Tian Zi Ding Investments Co., Ltd.	-	2016.06.13	3	2002.09.23	8,727,659	13.53	8,731,659	12.03	—	—	—	—	—	None	—	—	—
		Representative: Huang, Huo-cun	Male	2016.06.13	3	2002.09.23	1,491,015	2.31	1,505,015	2.07	693,316	0.95	—	—	Department of Chinese Medicine, Beijing University of Chinese Medicine	General Manager Chairman of Tian Zi Ding Investments Co., Ltd. Deputy Chairman of NAN LIU ENTERPRISE CO., LTD. (Pinghu)	Director or	Huang Chin-san	Brother

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Independent Director	Republic of China	Huang Tung-rong	Male	2016.06.13	3	2016.06.13	—	—	—	—	—	—	—	—	Master's degree, Accounting Department, National Chi Nan University. Supervisor, Taiwan Industrial Bank	Managing Partner, Universal United CPA (CPA). Supervisor, Lien Chang Electronic Enterprise (stock code: 2431). Independent Director, Channel Well Technology (stock code: 3078).	—	—	—
Independent Director	Republic of China	Huang Jin-feng	Female	2016.06.13	3	2016.06.13	—	—	—	—	—	—	—	—	Ph. D., Textile Science and Technology Management, North Carolina State University. Ph. D., Textile Science, Illinois University. Full-time Associate Professor, Oriental Institute of Technology, (formerly known as Oriental Institute). Dean, Garment Engineering. Associate Professor, National Taiwan University of Science and Technology.	Drafter and Review Committee member, Customs Officers and Textile Technician Exams, Special Exam of Civil Servants, Ministry of Examination, Executive Yuan. Adjunct Associate Professor, Department of Fiber and Composite Materials, Feng Chia University.	—	—	—
Independent Director	Republic of China	Huang Chun-ping	Male	2016.06.13	3	2012.06.29	—	—	—	—	—	—	—	—	Ph.D. candidate, Global Business, Institute of China and Asia-Pacific Studies, National Sun Yat-sen University. General Manager of Li Yang Development Co., Ltd.	Lecturer of Department of Business Administration, Cheng Shiu University. Deputy Director of Incubation Center, Cheng Shiu University	—	—	—

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Director	Republic of China	Wang, Chin-Hung	Male	2016.06.13	3	2016.06.13	—	—	—	—	—	—	—	—	Ph.D. Philosophy, National Cheng Chi University. Master of Business Administration, National Chiao Tung University. Senior Vice President, Taipei Exchange. Senior Executive Officer of Premier's office Executive Yuan R.O.C. Executive Director, SME Guidance Center of Taipei City Government. Associate Researcher of NICI.	Director of Cross-Strait Business General Association. CEO of Nan Tsan Co., Ltd. CSO of Quadlink Technology Inc. Consultant of Xingbao International Co., Ltd.	—	—	—
Director	Republic of China	Yang Rui-hua	Male	2016.06.13	3	2013.04.30	181,033	0.28	181,033	0.25	7,000	0.01	-	-	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	-	-	-

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Supervisor	Republic of China	Su Chao-shan	Male	2016.06.13	3	2008.06.16	—	—	—	—	—	—	—	—	Executive Master of Business Administration, National Sun Yat-sen University Department of Law, National Taiwan University Professor and Dean of College of Business and Information, Shih Chien University Chairman of Bank of Kaohsiung Assistant Manager of Mizuho Bank Director of Bankers Association of Kaohsiung	Supervisor of Laser Tek Taiwan Co., Ltd.	—	—	—
Supervisor	Republic of China	Chung Mao-Chih	Male	2016.06.13	3	2007.06.07	1,497,451	2.32	1,497,451	2.06	—	—	—	—	Department of Accounting, Ling Tung University Business Administration Program, Tunghai University Manager of Pan Kuo-Chin CPAs & Co.	Xin Shi Dai Accountancy and Tax Agent	—	—	—
Supervisor	Republic of China	Hsieh, Chiu-Lan	Female	2016.06.13	3	2016.06.13	—	—	—	—	—	—	—	—	Bachelor of Laws, National Taiwan University	Responsible person of Hsieh, Chiu-Lan law firm	—	—	—

Note 1: For representatives of corporate shareholders, please note the name of corporate shareholders and fill in the following form: Major Shareholders of Institutional Shareholders.

Note 2: In case of discontinuity in the first term of the Company's directors or supervisors, please provide the explanation as Note 1.

Note 3: For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

2. Major Shareholders of Institutional Shareholders

March 31, 2018

Names of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)
Bixiu Investments Co., Ltd.	Huang, Shih-chung 30%
	Huang, Jen-tsung 30%
	Huang, Hui-ju 30%
	Huang, Chin-san 10%
Tian Zi Ding Investments Co., Ltd.	Huang, Huo-cun 5.00%
	Tsai, Lu-wu 4.95%
	Huang, Mei-yun 4.95%
	Hua, Hsiu-tien 4.95%
	Lin, Chiao-wen 4.95%
	Lu, Chia-ni 4.95%
	Hou, Yi-ling 4.95%
	Chen, Mei-li 4.95%
	Li, Kun-yuan 4.95%
	Li, Mei-chen 4.95%
Li, Yu-sheng 4.95%	

Note 1: For representatives of institutional shareholders, please note the names of institutional shareholders and the name of shareholders holding 10% or more of company shares or top ten shareholders.

Note 2: If major shareholders of institutional shareholders are representatives of institutional shareholders, please note the name of the second-layer institutional shareholders: Not applicable.

Directors and Supervisors (2)

Name	Condition	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note 1)										Currently serving as the independent director of other public companies
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	
Bixiu Investments Co., Ltd. Representative Huang, Chin-shan	—	—	✓	—	—	—	—	—	—	✓	✓	—	✓	—	
Tian Zi Ding Investments Co., Ltd. Representative Huang, Ho-cun	—	—	✓	—	—	—	—	—	—	✓	✓	—	✓	—	
Huang, Tung-rong	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Huang, Jin-feng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Huang Chun-ping	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wang, Chin-Hung	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Yang Rui-hua	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Su Chao-shan	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chung Mao-Chih	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Hsieh, Chiu-Lan	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: For any director or supervisor who fulfills the following relevant condition(s) 2 years before being elected or during the term of office, please provide the ✓ sign in the field next to the corresponding condition(s).

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies whose Stock is Listed on the TWSE or Traded on the GTSM";
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (9) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3. General Manager, Deputy General Manager, Assistant Manager, and Supervisors of Departments and Branch Agencies

March 31, 2018 Unit: Share; %

Job Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 2)	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Number of employee stock warrant
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	of shares			Job Title	Name	Relations	
General Manager	Republic of China	Huang, Huo-cun	Male	2006.11.30	1,505,015	2.07%	694,316	0.95%	—	—	Beijing University of Chinese Medicine Department of Chinese Medicine	Chairman of Tian Zi Ding Investments Co., Ltd., Deputy Chairman of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	—
Vice President	Republic of China	Yang Rui-hua	Male	1997.09.01	181,033	0.25%	7,000	0.01%	—	—	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	
Vice President	Republic of China	Chang, San-hua	Male	2011.01.03	9,000	0.01%	—	—	—	—	National Kaohsiung University of Applied Sciences Department of Industrial Engineering and Management	—	—	—	—	
Finance Manager	Republic of China	Chuang, Chun-chin	Female	1999.07.01	145,156	0.20%	—	—	—	—	Kaohsiung Municipal Kaohsiung High School of Commerce National Open College of Continuing Education affiliated to National Cheng Kung University Accountant, TOKO DENSHI CO., LTD.	—	—	—	—	
Audit Officer	Republic of China	Chen, Shu-chiu	Female	2012.11.28	1,000	0.00%	—	—	—	—	Department of Accounting, Providence University Certified Internal Auditor (CIA) RSM International Auditor, Pontex Group	—	—	—	—	

Note 1: General Manager, Deputy General Manager, Assistant Managers, Supervisors of Departments and Branch Agencies and persons who hold positions equivalent to General Manager, Deputy General Manager, or Assistant Managers shall be disclosed.

Note 2: For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

4. Remuneration of Directors, Supervisors, General Manager and Deputy General Manager

(1) Remuneration paid to directors (including independent directors) in 2017:

December 31, 2017 Unit: NT\$1,000, %

Job Title	Name		Director's remuneration								Proportion of NIAT after summing items A, B, C, and D (Note 10)	Employee remuneration for other activities								Proportion of NIAT after summing items A, B, C, D, E, F, and G (Note 10)	Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in (Note 11)		
			Remuneration (A) (Note 2)		Retirement pension (B)		Director's remuneration (C) (Note 3)		Expense on professional practice (D) (Note 4)			Salaries, bonuses and special expenses (E) (Note 5)		Retirement pension (F)		Employee's remuneration (G) (Note 6)							
			The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)		The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company		All companies listed in this financial report (Note 9)				The Company	All companies listed in this financial report (Note 7)
															Cash amount	Share Sum	Cash amount	Share Sum					
Chairman	Bixiu Investments Co., Ltd.	Representative Huang, Chin-San																					
Director	Tian Zi Ding Investments Co., Ltd.	Representative Huang, Huo-cun																					
Independent Director	Huang, Tung-rong		—	—	—	—	3,658	3,658	510	510	0.77%	0.77%	10,045	10,045	—	—	409	—	409	—	2.70%	2.70%	—
Independent Director	Huang, Jin-feng																						
Independent Director	Huang Chun-ping																						
Director	Wang, Chin-Hung																						
Director	Yang Rui-hua																						
Remuneration of Directors provide service to the Company: None.																							

Table of remuneration ranges

Remuneration range for each director in The Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The company (Note 10)	All companies listed in this financial report (Note 10)	The company (Note 10)	All companies listed in this financial report (Note 10)
Less than NT\$2,000,000	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wang, Chin-Hung, Yang, Rui-hua,	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wang, Chin-Hung, Yang, Rui-hua,	Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wang, Chin-Hung	Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wang, Chin-Hung
NT\$2,000,000 (inclusive)–NT\$5,000,000	—	—	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Yang, Rui-hua	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Yang, Rui-hua
NT\$5,000,000 (inclusive)–NT\$10,000,000	—	—	—	—
NT\$10,000,000 (inclusive)–NT\$15,000,000	—	—	—	—
NT\$15,000,000 (inclusive)–NT\$30,000,000	—	—	—	—
NT\$30,000,000 (inclusive)–NT\$50,000,000	—	—	—	—
NT\$50,000,000 (inclusive)–NT\$100,000,000	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	7 people	7 people	7 people	7 people

Note 1: The names of directors shall be listed separately (for institutional shareholders, the names of institutional shareholders and representatives shall be listed separately), and the payments shall be disclosed collectively. Directors who also serve as General Manager or Deputy General Manager are already listed in the table and the table below (3).

Note 2: Remuneration of directors of the recent year (including salaries, job remuneration, severance, bonuses, and performance fees).

Note 3: Remuneration paid to directors of the recent year upon the approval of the Board of Directors.

Note 4: Business expenses paid out to directors in the recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 5: Remuneration for directors concurrently holding positions in the Company (for positions that include the General Manager, Deputy General Manager, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 6: For directors concurrently holding positions in the Company of the recent year (including the General Manager, Deputy Manager, other managerial officers, or employees) and receiving the remuneration (including stock and cash), distribution of the recent year compensation of Employees upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, distribution of the remuneration of the recent year shall be based on the proportion of the remuneration distributed last year and filled in Schedule (4).

Note 7: Total remuneration in various items paid out to the Company's directors by all companies (including The Company) listed in the consolidated statement shall be disclosed.

Note 8: For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.

Note 9: Total remuneration in various items paid to every director of The Company by all companies (including The Company) listed in the consolidated statement shall be disclosed. The name of the director shall also be disclosed in the proper remuneration range.

Note 10: Net income refers to the net income of the recent year; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report for the recent year.

Note 11: (a) The remuneration the Company's director receives from other non-subsiary companies that The Company has invested in shall be disclosed in this column.

(b) If the director receives remuneration from investments in other companies that are not subsidiaries of The Company, said remuneration shall be included in Column I in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

(c) Remuneration in this case shall refer to remuneration, fees (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the director of The Company for being a director, supervisor, or managerial officer of other non-subsiary companies that The Company has invested in.

* The remuneration disclosed in the table is different from the income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(2) Supervisor's remuneration

Unit: NT\$1,000, %

Job Title	Name	Supervisor's remuneration						Proportion of NIAT after summing items A, B, and C (Note 8)		Whether the person receives remuneration from other non-subsiary companies that The Company has invested in (Note 9)
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Business execution fees (C) (Note 4)		The Company	All companies listed in this financial report (Note 5)	
		The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)			
Supervisor	Su Chao-shan	—	—	1,568	1,568	180	180	0.32%	0.32%	None
Supervisor	Chung Mao-Chih									
Supervisor	Hsieh, Chiu-Lan									

Table of remuneration ranges

Remuneration range for each supervisor in The Company	Name of the supervisor	
	Sum of the first 4 items (A+B+C)	
	The company (Note 6)	All companies listed in this financial report (Note 7) D
Less than NT\$2,000,000	Chung, Mao-chih, Su, Chao-shan , Hsieh, Chiu-Lan	Chung, Mao-chih, Su, Chao-shan , Hsieh, Chiu-Lan
NT\$2,000,000 (inclusive)–NT\$5,000,000	—	—
NT\$5,000,000 (inclusive)–NT\$10,000,000	—	—
NT\$10,000,000 (inclusive)–NT\$15,000,000	—	—
NT\$15,000,000 (inclusive)–NT\$30,000,000	—	—
NT\$30,000,000 (inclusive)–NT\$50,000,000	—	—
NT\$50,000,000 (inclusive)–NT\$100,000,000	—	—
More than NT\$100,000,000	—	—
Total	3 people	3 people

Note 1: The names of directors shall be listed separately (for institutional shareholders, the names of institutional shareholders and representative shall be listed separately) and payments shall be disclosed collectively.

Note 2: Supervisor's remuneration of the recent year (including supervisor's salary, job remuneration, severance, various bonuses, and performance fees).

Note 3: The remuneration paid to supervisors of the recent year upon the approval of the Board of Directors.

Note 4: Business expenses paid out for supervisors of the recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 5: Total remuneration in various items paid out to The Company's supervisors by all companies (including The Company) listed in the consolidated statement shall be disclosed.

Note 6: For the total remuneration in various items paid out to the Company's supervisors, the name of each supervisor shall be disclosed in the corresponding range of the remuneration.

Note 7: Total remuneration in various items paid to every supervisor of The Company by all companies (including The Company) listed in the consolidated statement shall be disclosed. The name of the supervisor shall also be disclosed in the proper remuneration range.

Note 8: Net income refers to the net income of the recent year; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report for the recent year.

Note 9: (a) The remuneration the Company's supervisor receives from other non-subsidiary companies that The Company has invested in shall be disclosed in this column.

(b) If the supervisor receives remuneration from investments in other companies that are not subsidiaries of The Company, said remuneration shall be included in Column D in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

(c) Remuneration in this case shall refer to remuneration, compensation (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the supervisor of The Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that The Company has invested in.

* The remuneration disclosed in the table is different from the income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(3) Remuneration for the General Manager and Deputy General Manager

December 31, 2017

Unit: NT\$1,000, %

Job Title	Name	Salary (A) (Note 2)		Gratuity/Pension (B)		Bonuses and special expenses (C) (Note 3)		Employee's remuneration (D) (Note 4)				Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note 9)		Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in (Note 11)
		The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in the financial report (Note 7)	The Company		All companies listed in this financial report (Note 5)		The Company	All companies listed in this financial report (Note 7)	
								Cash Sum	Shares Sum	Cash Sum	Shares Sum			
General Manager	Huang, Huo-cun													
Vice President	Yang Rui-hua	6,976	6,976	—	—	1,173	1,173	351	—	351	—	1.57%	1.57%	None
Vice President	Chang, San-hua													

Table of remuneration ranges

Range of remuneration paid to each General Manager and Deputy General Manager in The Company	Names of the General Manager and Deputy General Manager	
	The Company	All companies listed in the financial report
Less than NT\$2,000,000	Chang, San-hua	Chang, San-hua
NT\$2,000,000 (inclusive)–NT\$5,000,000	Huang, Huo-cun, Yang Rui-hua	Huang, Huo-cun, Yang Rui-hua
NT\$5,000,000 (inclusive)–NT\$10,000,000	—	—
NT\$10,000,000 (inclusive)–NT\$15,000,000	—	—
NT\$15,000,000 (inclusive)–NT\$30,000,000	—	—
NT\$30,000,000 (inclusive)–NT\$50,000,000	—	—
NT\$50,000,000 (inclusive)–NT\$100,000,000	—	—
More than NT\$100,000,000	—	—
Total	3 people	3 people

(4) Names of managerial officers provided with employee's compensation and state of payments

December 31, 2017

Unit: NT\$1,000, %

	Job Title	Name	Shares Sum	Cash Sum	Total	Percentage (%) of total amount to net income after tax
Managerial Officer	General Manager	Huang, Huo-cun	0	438	438	0.08%
	Vice President	Yang Rui-hua				
	Vice President	Chang, San-hua				
	Finance Manager	Chuang, Chun-chin				
	Audit Officer	Chen, Shu-chiu				

* For managerial officers receiving remuneration (including stock and cash), distribution of the employee's remuneration of the recent year upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in current year shall be based on the proportion of the remuneration distributed last year. Net income refers to the net income of the recent year; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report of the recent year.

5. Analysis of percentage of total remuneration paid by the Company and all companies listed in the consolidated financial report to the Company's directors, supervisors, General Manager and Deputy General Manager to the net income after tax in the last two years, as well as policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure

(1). Analysis of percentage in last two years

Title	Percentage of total remuneration of parent company in 2017 to the net income after tax (%) (Note 1)		Percentage of total remuneration of parent company in 2016 to the net income after tax (%) (Note 2)	
	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report
Director	2.70%	2.70%	1.88%	1.88%
Supervisor	0.32%	0.32%	0.19%	0.19%
General Manager and Deputy General Manager	1.57%	1.57%	1.30%	1.30%

Note 1: Distributions of earnings of 2017 are based on the amount approved by the Board of Directors prior to the proposal for distribution of earnings before the Shareholders' Meeting.

Note 2: Distributions of earnings of 2016 are based on the amount approved by the 2017 Shareholders' Meeting.

Note 3: Net income after tax refers to all companies listed in 2017 and 2016 consolidated financial statements.

(2). Policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

<1> The remuneration of directors and supervisors is distributed in accordance with Article 17 of the Articles of Incorporation (see the official website). In accordance with Article 20 of the Articles of Incorporation, if the Company makes a profit, less than 2% as compensation for directors and supervisors. However, the Company's accumulated losses shall first have been covered. The payment procedure of remuneration refer to result of 'Annual Internal Board of Directors Performance Evaluation'. Distribution of directors' and supervisors' reasonable remuneration depend on the Company's general performance, risk of industry in the future and development trend, personal performance and contribution for the Company. The remuneration paid to directors and supervisors shall be based on the level of participation in the operations, contributions, and the standards of

the same trade; the bonuses paid to directors and supervisors shall be based the Company's earnings and personal business performance and the standards of the same trade. Accordingly, the Company's business performance is closely related to the remuneration of directors, supervisors, General Manager, Deputy General Manager, and employees.

- <2> The remuneration of directors and supervisors includes traveling expenses, business expenses, and director's remuneration. If a director is also an employee of the Company, he/she may receive the employee bonus; in addition to the basic salary, job remuneration, performance bonuses, and employee bonuses may be distributed to General Manager and Deputy General Manager based on the official rank and performance.

3. Implementation of Corporate Governance:

(1) Implementation of the Board of Directors:

<1> Six meetings were held by the Board of Directors in the recent year (2017) with their attendance shown as follows:

Job Title	Name	2017			Remarks
		Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-san	6	-	100%	
Director	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-cun	6	-	100%	
Independent Director	Huang Tung-Rung	6	-	100%	
Independent Director	Huang Jin-Feng	6	-	100%	
Independent Director	Huang Chun-ping	6	-	100%	
Director	Wang Chin-Hung	6	-	100%	
Director	Yang Rui-hua	6	-	100%	

<2> Two meetings were held by the Board of Directors as of the publication date of the annual report with the attendance of supervisors shown as follows:

Job Title	Name	2018			Remarks
		Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-san	2	-	100%	
Director	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-cun	2	-	100%	
Independent Director	Huang Tung-Rung	2	-	100%	
Independent Director	Hwang Jin-Feng	2	-	100%	
Independent Director	Huang Chun-ping	2	-	100%	
Director	Wang Chin-Hung	2	-	100%	
Director	Yang Rui-hua	2	-	100%	

Other items that shall be recorded:

1. For matters specified in Article 14-3 of Taiwan's Securities and Exchange Act or Board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, the date of the Board meeting, session number, content of proposal, opinions of all independent directors, and the Company's disposal of such opinions shall be stated.

Session number of the Board of Directors meeting and date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first time of the Board of Directors in 2017, 2017/03/14	1. Distribution of the 2016 Compensation of Employees, Directors and Supervisors.	V	
	4. Approved investment of New Yanchao Plant.	V	
	5. Approved investment of overseas (India).	V	
	6. Approved the Proposal of Amendments to Parts of the Articles of Incorporation.	V	
	7. Approved the Proposal of Amendments to Parts of the	V	

	Procedures for Acquisition or Disposal of Assets.		
	8. Approved Amendments to Parts of the Corporate Governance Best Practice Principles.	V	
	9. Approved Regulations Performance Evaluation of the Board of Directors.	V	
	8. Approved the Proposal for Independent Director Candidates Nominated by Shareholders.	V	
	9. Approval of the Proposal for the Nomination of Independent Director Candidates.	V	
	11. Approved 2016 issuance of the Internal Control Letter.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The second times of the Board of Directors in 2017, 2017/05/08	2. Approved change of CPA (Internal adjustment of same CPAs firm).	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The sixth times of the Board of Directors in 2017, 2017/12/27	4. Approved amendments to parts of the Remuneration Committee Charter.	V	
	5. Approved 2018 Compensation of managers, 2017 Compensation of Employees, 2017 Compensation of Directors and Supervisors by Remuneration committee.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The first time of the Board of Directors in 2018, 2018/03/13	1. Distribution of the 2017 Compensation of Employees, Directors and Supervisors.	V	
	5. Approved 2017 issuance of the Internal Control Letter.	V	
	6. Amendments to Parts of the Rules and Procedure for the Board of Directors & The rules of independent directors Responsibility category.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The second time of the Board of Directors in 2018, 2018/05/08	3. Approved distribution of the 2017 Compensation of Employees, Directors and Supervisors proposed by Remuneration Committee.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		

The Company's independent directors have expressed no opposition or qualified opinions.

2. For the avoidance of conflict of interest by directors, the names of directors, content of proposal, reasons for the avoidance of conflict of interest, and the participation in the vote shall be stated: None.

3. Assessment of objectives and implementation status in the area of strengthening the powers of the Board of Directors for current and recent years:

The Company has formulated 'Regulations Governing Procedure for Board of Directors Meetings' according to Regulations Governing Procedure for Board of Directors Meetings of Public Companies. The Company follow the government rules to approved Regulations Governing Procedure for Board of Directors Meetings and updated it. The Company uploaded the attendance to the Board of Directors meetings to Market Observation Post System. Major resolutions made by the Board of Directors have been disclosed on the Company's website and maintained by responsible departments. Information on the Company's finances is also

disclosed on the website from time to time. Established by the Company in 2011, the Remuneration Committee is responsible to assist the Board of Directors in managing the remuneration.

To implement the corporate governance and enhance the functions of the Board of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows.

- Participation in the operation of the company.
- Improvement of the quality of the board of directors' decision making.
- Composition and structure of the board of directors.
- Election and continuing education of the directors.
- Internal control.

The criteria for evaluating the performance of the board members by themselves are listed as follows.

- Familiarity with the goals and missions of the company
- Awareness of the duties of a director
- Participation in the operation of the company
- Management of internal relationship and communication
- The director's professionalism and continuing education
- Internal control

The Board of Directors of the Company conducts an annual internal performance evaluation and conducts an annual performance evaluation at the end of each year. It is completed and collected all information before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2017 were good and reported to the Board of Directors on March 13, 2018 and the contents were posted on the Company's website.

<3> Operations of the Audit Committee or supervisors' participation in the Board meeting:

The Company does not have an audit committee.

(2) Supervisors' participation in the Board of Directors

<1> Six meetings (A) were held by the Board of Directors in the recent year (2017) with their attendance shown as follows:

Job Title	Name	Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	Remarks
Supervisor	Su Chao-shan	6	-	100%	
Supervisor	Chung Mao-Chih	6	-	100%	
Supervisor	Hsieh, Chiu-Lan	6	-	100%	

<2> Two meetings (A) was held by the Board of Directors in 2018 with their attendance shown as follows:

Job Title	Name	Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	Remarks
Supervisor	Su Chao-shan	2	-	100%	
Supervisor	Chung Mao-Chih	2	-	100%	
Supervisor	Hsieh, Chiu-Lan	2	-	100%	

Other items that shall be recorded:

1. Composition and responsibilities of the supervisors:

(1) Communication between supervisors and the Company's employees and shareholders (such as channel and method).

Supervisors may communicate with the Company's employees, shareholders and stakeholders at any time

- according to their responsibilities. Currently, the communication channel functions smoothly.
- (2) Communication between supervisors and internal audit director and accountants (such as matters, methods, and results of communication with respect to the Company's finances and business).
 - A. Supervisors with no objection to the audit director shall submit an audit report submitted by the audit director of audit items to supervisors in the following month after the audit is completed.
 - B. The audit director shall attend meetings of the Board of Directors and prepare the audit service report to which supervisors have no objection.
 - C. Supervisors may carry out face-to-face communication and communication in written form with accountants on finance from time to time.
 2. If the supervisors stated any opinions while attending Board meetings, the date, session, contents of the case discussed, and resolution of the Directors' Meeting as well as The Company's disposition of opinions stated by the supervisors shall be described. None

(3) State of corporate governance, gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
1. Did the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has stipulated best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclosed them in the Investor Area on the Company's website.	No material gap was found.
2. Equity structure and shareholders' rights of the Company (1) Did the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	✓		(1)The Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation. The Company also allows shareholders to ask questions or propose properly. In addition, shareholders may instantly and frequently obtain related information on the Company via the Market Observation Post System or phone and have the right to share profits. The Company convenes the shareholders' meeting according to the Company Act and related regulations and formulates Rules and Procedures for the Shareholders' Meeting (see Meeting Handbook of 2018 Annual Shareholders' Meeting). All resolutions are made in accordance with Rules and Procedures for the Shareholders' Meeting. The resolutions made in the shareholders' meeting comply with related regulations and the Company's Articles of Incorporation. The spokesperson or deputy spokesperson is dedicated to processing shareholder proposals or disputes. The Company will seek the assistance of legal consultants if necessary.	No material gap was found.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company's stock transfer and registrar agency is Yuanta Securities Co., Ltd., which helps the Company control major shareholders and ultimate controlling shareholders. The Company regularly discloses the pledge, increase/decrease in the Company's shares, or major matters that may result in the change in shares for the supervision of shareholders.	No material gap was found.
(3) Did the Company establish and enforce risk control and	✓		(3)The Company has established rules for specific companies or groups with	No material gap

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps																																																	
	Yes	No	Summary																																																		
firewall systems with its affiliated businesses? (4) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		related business operations and financial transactions and supervision measures for subsidiaries and disclosed related information on affiliates in accordance with regulations. (4) The Company has set Regulations Governing Prevention of Insider Trading to prevent insider trading.	was found. No material gap was found.																																																	
3. Composition and responsibilities of the Board of Directors: (1) Has a policy of diversity been established and implemented for the composition of the Board of Directors?	✓		<p>(1) The Company has established the Corporate Governance Best Practice Principles and the Rules for Electing Directors and Supervisors. The composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>1. Basic requirements and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: A professional background, professional skills, and industry experience.</p> <p>At present, the Company has 7 directors, of which 3 are independent directors and one of the independent directors is female. The professional background of the directors includes management, accounting, finance and experience in non-woven industries. And for the accountants, university professors, etc. The Company has 3 supervisors. The professional background of the supervisor members covers law, accounting, finance, etc. Professional advice from the help of lawyers and university lecturers allows us to think in a different angle thereby enhancing the company's business performance and management efficiency. The following is the implementation of the diversification of the directors of the Company:</p> <table border="1"> <thead> <tr> <th>Diversified core items</th> <th>Gender</th> <th>Management</th> <th>Leadership</th> <th>Industry knowledge</th> <th>Accounting</th> <th>Finance</th> </tr> </thead> <tbody> <tr> <td>Name of Director</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Huang, Chin-san</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Huang, Huo-cun</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Huang Tung-Rung</td> <td>Male</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Hwang Jin-Feng</td> <td>Female</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Huang Chun-ping</td> <td>Male</td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Diversified core items	Gender	Management	Leadership	Industry knowledge	Accounting	Finance	Name of Director							Huang, Chin-san	Male	✓	✓	✓			Huang, Huo-cun	Male	✓	✓	✓			Huang Tung-Rung	Male	✓			✓		Hwang Jin-Feng	Female			✓			Huang Chun-ping	Male	✓					No material gap is found.
Diversified core items	Gender	Management	Leadership	Industry knowledge	Accounting	Finance																																															
Name of Director																																																					
Huang, Chin-san	Male	✓	✓	✓																																																	
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Assessed items	State of operations							Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary					
			Wang Chin-Hung	Male	√			√
			Yang Rui-hua	Male		√	√	
(2) In addition to Salary and Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional committees?	✓		(2) The Company has established the Remuneration Committee in accordance with regulations and laws. Other operations of corporate governance are processed by responsible departments. No other functional committee is established. In the future, the Company will evaluate the necessity of establishing other committees.					No material gap is found.
(3) Did the Company stipulate regulations for assessing the performance of the Board of Directors and the process of assessment? Are these performance assessments carried out regularly every year?	✓		<p>(3) To implement the corporate governance and enhance the functions of the Board of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows.</p> <ul style="list-style-type: none"> • Participation in the operation of the company. • Improvement of the quality of the board of directors' decision making. • Composition and structure of the board of directors. • Election and continuing education of the directors. • Internal control. <p>The criteria for evaluating the performance of the board members by themselves are listed as follows.</p> <ul style="list-style-type: none"> • Familiarity with the goals and missions of the company • Awareness of the duties of a director • Participation in the operation of the company • Management of internal relationship and communication • The director's professionalism and continuing education • Internal control <p>The Board of Directors of the Company conducts an annual internal performance evaluation and conducts an annual performance evaluation at the end of each year. It is completed and collected all information before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2017 were good and reported to the Board of Directors on March 13, 2018</p>					No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps																					
	Yes	No																							
(4) Did the Company regularly implement assessments on the independence of the CPA?	✓		<p>and the contents were posted on the Company's website.</p> <p>(4) The Company authorizes CPAs from Yangtze CPAs & Co and has avoided matters and persons that directly or indirectly have a conflict of interest to fully adhere to fair, rigorous honesty and independence. The CPAs signed "Independent Auditors' Statement" for financial statements of ever quarter and annual report. Independent directors regularly evaluate the independence of CPAs and report the evaluation to the Board of Directors.</p> <p>The Company conducts an independent assessment of the CPA annually by the Finance Department. The company also conducts the annual assessment of Independent Accountants at the end of each year. And they are completed before the most recent Board of Directors in the following year and the latest annual report of the Board of Directors evaluation result. As a result of the assessment by the Company's Finance Department, Wang Shu-Tung and Hu, Hsiang-Ning, are in compliance with the Company's independent evaluation criteria. The results of the assessment of the accountants of 2017 are reported in the board meeting on March 13, 2018 and published the contents on the company's website.</p> <p>Note: CPA Independent Auditors' Evaluation List:</p> <table border="1"> <thead> <tr> <th>Evaluation List</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1. Whether the accountant has no direct or significant indirect financial relationship with the Company</td> <td>V</td> <td></td> </tr> <tr> <td>2. Whether the accountant has not provided any financing or guarantee with the Company or the directors and supervisors of the Company</td> <td>V</td> <td></td> </tr> <tr> <td>3. Whether the accountant is not considering the possibility of the loss of customers and affect the company's audit work</td> <td>V</td> <td></td> </tr> <tr> <td>4. Whether the accountant has no close business relationship and potential employment relationship with the Company?</td> <td>V</td> <td></td> </tr> <tr> <td>5. Whether the accountant has not received any fees or charges related to the audit project</td> <td>V</td> <td></td> </tr> <tr> <td>6. Whether the members of the accountants and the audit team are</td> <td>V</td> <td></td> </tr> </tbody> </table>	Evaluation List	Yes	No	1. Whether the accountant has no direct or significant indirect financial relationship with the Company	V		2. Whether the accountant has not provided any financing or guarantee with the Company or the directors and supervisors of the Company	V		3. Whether the accountant is not considering the possibility of the loss of customers and affect the company's audit work	V		4. Whether the accountant has no close business relationship and potential employment relationship with the Company?	V		5. Whether the accountant has not received any fees or charges related to the audit project	V		6. Whether the members of the accountants and the audit team are	V		No material gap is found.
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Assessed items	State of operations				Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps	
	Yes	No	Summary			
			not currently in the company's office or in the last two years as directors and supervisors or managers who have a significant impact on the audit work			
			7. The non-audit services provided by the accountant to the Company do not directly affect the important items of the audit project	V		
			8. whether the accountant has not advertised or intermediated the shares or other securities issued by the Company	V		
			9. Whether the accountant did not act as a defender of the Company or on behalf of the Company in coordination with conflict of other third parties	V		
			10. Whether the accountant has not relationship with the directors and managers of the Company or the persons who have a significant impact on the audit project	V		
			11. The audit CPA has not served within one year as the directors, supervisors and managers of the company	V		
			12. Whether the accountant is not part of the company's regular staff who receive fixed salary	V		
			13. Whether the accountant has not involved in the management of the Company's decision-making process	V		
			14. As of now the auditing report has not been changed in seven years	V		
			15. So far, the accountant has not been punished	V		
4. Whether the company has set up full-time/part-time units/persons for corporate governance related matters? (Including but not limited to providing the directors and supervisors to carry out the business required information, handling the matters relating to the meetings of the board of directors and the shareholders' meeting, registrations and changes in the registrations in the company, making the minutes of the board of directors and the shareholders' meeting)	✓		The corporate governance is managed by the General manager's office and the finance department. The finance department manager are responsible for all the company's corporate governance related matters.			No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
5. Has the Company established a communication channel with stakeholders? Has a stakeholders' area been established on the Company's website? Are major corporate social responsibility (CSR) topics concerning the stakeholders addressed appropriately by the Company?	✓		<p>The Company has setup a stakeholder area page with contact information in the company website. The corporate social responsibility issues concerning the interested parties are addressed via phone and email listed in the contact us page of our website.</p> <p>(1) Shareholders</p> <ol style="list-style-type: none"> 1. Call Shareholders' Meeting to Order in the second quarter every year. Voting rights for resolutions adopted at a shareholders' meeting can be performed by electronic transmission to join the meeting. 2. The Company announced financial statements by quarter, issued Annual report and Business Report by year for investors reference. 3. Announcement for revenue of previous month by total amount and department on TWSE website every month. 4. Setup Investor Area on the Company's website and update new information of the Company. <p>(2) Customers</p> <ol style="list-style-type: none"> 1. To visit customers irregularly and collect replying information. 2. The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product liability insurance of NT\$50 million to enhance its corporate social responsibilities. 3. Setup Customers Center on website to increase channel for collecting customers' request. <p>(3) Suppliers</p> <ol style="list-style-type: none"> 1. Evaluation The Company follow internal control procedure and supply rules to evaluate suppliers based on the quality, price, service, and speed; to build long-term partnerships. 2. Management The Company take care the relationship of suppliers for stable cooperation. The Company emphasize environmental protection and human rights to fulfill corporate governance in the supply chain. <p>(4) Employees The Company attaches great importance to employee benefits and arrange activities that promote employees' health, such as gatherings. The Company setup Employees area and connection window on the Company's website. Providing the service phone number and email address for employees.</p>	No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
6. Has the Company delegated a professional shareholder services agent to handle the shareholders' meeting?	✓		The Company authorizes Stock Transfer and Registrar Department, Yuanta Securities Co., Ltd. to process the stock transfer and registrar services in accordance with Regulations Governing Handling of Stock Affairs.	No material gap is found.
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance? (2) Did the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	✓ ✓		The Company has set up a website (http://www.nanliugroup.com , including a Chinese version and English version), which is connected to the Market Observation Post System. On the website, the Investor Area discloses the Company's finances and corporate governance from time to time. To improve the transparency of the disclosure of information, the Company has set up the sound spokesperson system and a public information system to allow shareholders and stakeholders to fully understand the Company's finances and corporate governance.	No material gap is found. No material gap is found.
8. Did the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	✓		(1) Interests and rights of employees, care for employees. Please refer to Employer/employee relationship of the Annual report. (2) Relation with investors. The company have good communication with investors. It's including of announcement of finance information, to attend investor conference hosted by Securities for communication with investors and provide investors' opinions to the Company management level. The company will keep good communication with investors. Please refer related information to investor area on website. (3) Relation with suppliers and relation with interested parties. Please refer to Investor area and Stakeholder area on website. (4) Continuing education of directors and supervisors. Please refer continuing education of directors and supervisors in 2017 on MOPS (Market Observation Post System - Corporate Governance) website. The company follow the related rules. (5) Execution of risk management policies and risk measuring standards. Please refer to Risk of the Annual report. (6) Execution of customer policies.	No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
			Please refer to Production and Sales Status of the Annual report. (7) Liability insurance for the Company's directors and supervisors. Liability insurance has been covered for directors and supervisors. The reports of the Liability insurance such as the insured amount, the coverage scope and the insurance rate for the year of the 2018 has been report to the Board of Directors on March 13, 2018.	
<p>9. Please describe the improvement of the result of Corporate Governance Evaluation System by the Corporate Governance Center of the Taiwan Stock Exchange announced in the last year. (The evaluation results which were not included in the assessment did not need to be listed)</p> <p>The scores of the Company's Corporate Governance evaluation in 2017 are in the block of 6% to 20% of all evaluated companies. The following are the improvement plans of the Company:</p> <ul style="list-style-type: none"> ➤ Announce opinions and implement of the Independent directors for the Board of Directors Resolution items. The Company increase description to follow the rules in 2017 Annual report. ➤ On website, announce communication of independent directors and Audit Officer, accountant. To announce communication of independent directors and Audit Officer will follow the way of communication with accountant in 2018. The meeting will be called before the Board of Directors and announce it on website. ➤ Prepared CSR report by international rules. The Company will evaluate feasibility of preparing CSR report by international rules. 				

(4)The formation, responsibility, and operation of the Salary and Remuneration Committee:

<1> Information on the members of the Salary and Remuneration Committee

Identity (Note 1)	Name Condition	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note 2)								Number of salary and remuneration committee memberships concurrently held in other public companies	Remarks (Note 3)	
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	1	2	3	4	5	6	7	8			
Independent Director	Huang, Tung-rong		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Huang, Jin-feng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	Huang Chun-ping	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	

Note 1: For identity, please annotate whether the person is a director, independent director, or other.

Note 2: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the ✓ sign in the field next to the corresponding condition(s).

- (1) Not employed by the Company or an affiliated business.
- (2) Not a director or supervisor of the Company or an affiliated business. This does not apply in cases where the person is an independent director of the Company, its parent company, or a subsidiary where the Company holds, directly and indirectly, more than 50% of the voting shares.
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the 3 preceding items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated business, or spouse thereof.
- (8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

<2> Operations of the Salary and Remuneration Committee

(1) The Company has a Remuneration Committee composed of 3 members.

(2) The duration of the current term of service is from June 13, 2016 to June 12, 2019. In the recent year, a total of two Remuneration Committee meetings (A) were held. The following lists member qualifications and presence at these meetings:

Job Title	Name	Actual presence (B)	Delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Committee chair	Huang Tung- Rung	2	—	100%	
Member	Huang Chun- ping	2	—	100%	
Member	Huang Jin- Feng	2	—	100%	

Other items that shall be recorded:

1. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, results of meeting resolutions, and the Company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.
2. Where resolutions of the Salary and Remuneration Committee include a dissenting or qualified opinion that is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.

(5) Performance of Social Responsibilities:

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
<p>1. Implementation of corporate governance</p> <p>(1) Has the Company stipulated corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?</p> <p>(2) Has the Company provided regular training on CSR topics?</p> <p>(3) Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?</p> <p>(4) Has the Company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the Company established a clear reward and penalty system?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has stipulated corporate social responsibility policies to fulfill the corporate social responsibilities in accordance with the global trend of a balanced environment and social and corporate governance.</p> <p>(2) The Company continues to promote the business philosophy and corporate social responsibilities in various meetings.</p> <p>(3) The company has established an exclusively (or concurrently) dedicated unit for promoting CSR: General Manager's Office. The General Manager's Office's duty include stipulated corporate social responsibility (CSR) policies and systems, management rules, implement plan. The related department managers have responsibility for implement. And they are completed before the most recent Board of Directors in the following year.</p> <p>(4) The Company intends to formulate a reasonable salary remuneration policy to promote education, training courses and advocacy matters on a regular basis. The company has provided regular training on CSR topics. Currently, the Company is planning to combine the training and performance assessment to establish a clearer reward and penalty system.</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>
<p>2. Developing a sustainable environment</p> <p>(1) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?</p>	<p>✓</p>		<p>(1) The Company has promoted the recycling of waste pallets which are used to stack goods and the recycling of wet wipes. In particular, with the installation of water recycling system and the reuse of water, there was a significant reduction in the amount of water used. The factory processes wastewater using the process of reverse osmosis to achieve a certain water quality standards. Parts of recycling water are reused for production lines. Others is then widely used in toilets and watering greeneries in the company. The decrease in water consumption from the year 2014 to 2017 was around 90%. Also in 2018, the company will continue to maintain this performance standard. In terms of waste reduction, the target will be achieved by, reducing the use of non-renewable resources, making good use of</p>	<p>No material gap is found.</p>

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No		
(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	✓		resources and energy, limiting the generation of waste to the maximum possible when design products, and classifying the recyclable wastes. For 2018, the target for the reduction in the waste products is 10%. (2) The company has passed ISO 14001: 2015, International environmental management system certification and OHSAS 18001: 2007, Occupational Health and Safety Management Systems certification. The development of environmental management manual, follows the "plan, Do, Check and action" (PDCA) concept for the establishment and maintenance of environmental management system in order to control and achieve continual improvement of processes and products. The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with responsible personnel to maintain a clean environment.	No material gap is found.
(3) Is the Company concerned with changes to the global climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and stipulated strategies for reducing energy consumption, carbon emissions, and GHG production?	✓		(3) The Company has formulated the "Low Carbon Policy" as a guide for future carbon reduction projects. This includes optimization of energy efficiency and installing solar panels. In 2016, the company started to install photovoltaic equipment for energy saving and carbon reduction. In 2017, the company began to use energy efficient motors and gradually dispose of some existing high-power motors. For 2018, the target for annual energy saving is 5%. To save water and energy consumption, the Company has installed water-saving devices, faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees.	No material gap is found.
3. Sustaining community services				
(1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	✓		(1) The company has referred to Labor Standards Act and international human rights instruments, such as gender equality, rights of employment, and prohibition of discrimination, to stipulate relevant management policies and procedures. In addition, the Company has established the Employee Welfare Committee to supervise and protect employees' interest. The Company also encourages employees	No material gap is found.
	✓			No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
(2) Has the Company established an employee appeal system and channels, and are employee appeals handled appropriately?			to participate in activities held by the Employees' Welfare Committee and grants employees bonuses and gifts during folk festivals.	found.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(2) Based on humane management, the Company has set up communication forums, suggestion boxes, and group meetings to allow employees to unilaterally or bilaterally communicate with supervisors. (3) The company has passed OHSAS 18001:2007 Occupational Health and Safety Management Systems certification and ISO 14001:2015 international environmental management system certification, in order to prevent occupational hazards and to ensure labor safety and health. Also, to ensure that safety and health matters comply with the relevant laws and regulations in order to reduce the loss of life and property. The Company has formulated the "Safety and Health Management Procedures" in accordance with the relevant laws and regulations on labor safety and health, labor safety and health organization management and self-inspection measures. Our company employees, contractors, third-party manufacturers and suppliers who carry out operational activities in factories. The company held regularly safety and health education training for disaster prevention during working period. The Company holds an annual health examination and fire drill on a regular basis and continuously provides training, promotion seminars, communication forums, and consultation to encourage employees to make improvements, care for the environment, and jointly create a healthy and energetic enterprise through a voluntary safety and health management system.	No material gap is found.
(4) Has the Company established a system to regularly communicate with its employees and used appropriate means to notify employees of operational changes that may result in material impacts?	✓		(4) The Company holds a labor conference on a regular basis to build up a harmonious communication mechanism between the Company and employees and uses appropriate means to notify employees of operational changes that may result in material impacts.	No material gap is found.
(5) Has the Company established an effective competency development career training program for employees?	✓		(5) The Company holds internal training programs and expatriate professional training programs from time to time to cultivate employees' competencies and strengths. The training programs for employees are described below.	No material gap is found.
(6) Has the Company established relevant policies and systems of appeal for consumer rights for the processes of research and	✓		(6) The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product	No material gap is found.

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No		
development, purchasing, production, operations, and services?			liability insurance of NT\$50 million to enhance its corporate social responsibilities.	found.
(7) Is the Company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?	✓		(7) The company has passed ISO 9001:2015 quality management system certification, ISO 13485:2016 Medical devices quality management system certification, ISO 22716:2007 Cosmetics quality management system certification. The Company is compliant with relevant laws and international laws governing the marketing and labeling of its products and services. The Company follows the related laws and regulations governing its business operations.	No material gap is found.
(8) Has the Company assessed any record of a supplier's impact on the environment and society before engaging in commercial dealings with said supplier?	✓		(8) The company has passed FSC-COC 2017(Chain of Custody) certification, to use raw materials from verified forest to reduce the impact on the environment. FSC chain of custody certification verifies that FSC-certified material has been identified and separated from non-certified and non-controlled material. And to exclude illegally harvested timber, genetically modified timber, breach of trading or public power forest. The Company evaluates new and existing suppliers based on the quality, price, service, and speed; to build long-term partnerships, the Company will emphasize environmental protection and human rights to fulfill corporate governance in the supply chain.	No material gap is found.
(9)Do contracts between the Company and its major suppliers include terms whereby the Company may terminate or rescind the contract at any time if said supplier has violated the Company's corporate social responsibility policy and has caused a significant impact upon the environment and society?	✓		(9) The contracts between the Company and its major suppliers do not include terms whereby the Company may terminate or rescind the contract at any time if said supplier has violated the Company's corporate social responsibility policy.	The Company will follow the need in the future and the government rules.
4. Improvement of information disclosure (1) Does the Company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?			Information relating to CSR is disclosed on the Company's website and the prospectus.	No material gap is found.
5. If the Company makes its own corporate social responsibilities according to the rule of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the implement and differences: The Company has formulated "Codes of Corporate Social Responsibility" and follow in the future. Regularly to help the surrounding schools, public interest groups and vulnerable				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
groups (living alone old men or old women, single-parent families, emergency relief). In order to contribute to the society, the chairman has set up private Nan liu Charity Foundation, with full-time staff of an Executive Secretary, Executive Officer and volunteers, directly dedicated to assist the elderly living alone and single-parent family in emergency and other related matters. The current plan to set up a central kitchen, to provide meal to living alone old men or old women.				
6. Other important information for better understanding of corporate social responsibilities (such as the Company's systems and measures and the implementation of environmental protection, social engagement, social contribution, social service, social charity, customer interest, human rights, safety and health, and other CSR activities):				
(1) Business Performance To fulfill the corporate governance, the Company has established the effective internal control system and independent directors to improve the practical experience of the management team. Also, the Company has stipulated Rules and Procedures for the Shareholders' Meeting to strengthen the competency of the Board of Directors. To secure shareholders' equity and improve the transparency of the disclosure of information, the Company has the spokesperson and deputy spokesperson responsible for the instant disclosure of important information and arranges responsible personnel to communicate with shareholders. In addition, the Company has obtained a certain level of revenue and profit over the past three years and has been committed to create shareholder values.				
(2) Environmental Protection The company has passed ISO 14001:2015 international environmental management system certification and OHSAS 18001:2007 Occupational Health and Safety Management Systems certification. The Company has formulated the "Environment Management Procedures" and established a recycling system to reduce the impact of disposal of waste on human bodies and the environment and has been committed to maintain the environment in accordance with related regulations and standards and achieve a GMP-certified production environment and management. In addition, the Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; General Affairs Division works with responsible personnel to maintain a clean environment. To save water and energy consumption, the Company has installed water-saving devices, except faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees.				
(3) Employee Interest and Care Consistently upholding stable and sustainable operation, the Company attaches great importance to employee benefits by allocating monthly benefits and arranging activities that promote employees' health, such as gatherings, an annual health examination, wedding and funeral allowances, group insurance, and casualty insurance. In addition, the Company has stipulated regulations governing retirement and set up a Supervisory Committee of Business Entities' Labor Retirement Reserve according to the Labor Standards Act to allocate a labor retirement reserve based on a certain percentage of monthly salary to a pension account at the Bank of Taiwan. According to Labor Pension Act, starting from July 1, 2005, the amount of labor pension borne by the employer shall not be less than six percent of the worker's monthly wage. The labor pension shall be calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis. The regulations of and measures for the labor relations formulated by the Company are well implemented in accordance with applicable laws. In addition, the Company held the following training programs to improve employees' competency and strengths: (1) 117 employees attended the Work Environment Safety class; (2) 57 employees attended the Corporate Management class; and (3) 48 employees attended the Professional				

Assessed items	State of operations		Summary	Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No		
Continuing Education class.				
(4) Investor Relations			<p>According to the Company Act and related regulations, the Company holds an annual shareholders' meeting and notifies shareholders of the meeting; the Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation; the Company reports material finances, including the disposal of assets and endorsements and guarantees, to the shareholders' meeting. The Company also allows shareholders to ask questions or propose properly, records the shareholder's meeting minutes, and discloses related information on the Market Observation Post System. In addition, to ensure that shareholders fully understand and participate in the determination of the Company's major matters, the Company will provide an annual report for the stock transfer and registrar agency prior to the annual shareholders' meeting and have the spokesperson and deputy spokesperson deal with the recommendations, doubts, and disputes related to shareholders.</p> <p>Since listed in the emerging stock market on May 7, 2013, the Company has disclosed related information in accordance with the Taiwan Stock Exchange Guidelines for Stock Review and appointed responsible personnel from the Department of Finance, Audit Office and Accounting Division to collect and disclose information online that may affect investors' decisions upon the review and approval of responsible supervisors.</p>	
(5) Stakeholders' Interest			<p>The Company has set up smooth communication channels with banks and other creditors, employees, customers, and suppliers and values and maintains their legitimate rights and interests.</p> <ol style="list-style-type: none"> The Company provides sufficient information for banks to make the best judgment and decision on the Company's operations and finances. The Company has established the Employees' Welfare Committee and regularly holds labor conferences, where representatives from both the Company and labor participate, to take care of employees and maintain a smooth communication channel between both parties. The Company appoints responsible personnel to deal with suppliers. No arrears or late payments exist so far. The Company regularly discloses the related information on finances on the Market Observation Post System and maintains good relations with suppliers. The Company has the spokesperson and deputy spokesperson to communicate with stakeholders. 	
(6) The Company has engaged in communities and charities through commercial activities, in-kind donations, volunteer service or other gratuitous professional services.			<ol style="list-style-type: none"> The Company has actively participated in community and artistic activities through contributions to social welfare and artistic performances. Contributions: <ol style="list-style-type: none"> (1) The Company made the following donations to the government and local groups from time to time: <ol style="list-style-type: none"> Donated NT\$150 thousand to Kaohsiung City Qiaotou District Office activities. Donated NT\$550 thousand to Fengjia University, Yangming Junior High School, Liu Jia Elementary School, Lin Feng Elementary School activities. Donated NT\$1,750 thousand to Kaohsiung city Yanchao district community people with food and clothes to keep warm during winter along with sponsorship for their cultural and educational care fund. 	

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
<p>D. Donated NT\$50 thousand to the provision of white rice in kindergartens, elementary schools, and junior high schools.</p> <p>E. Donated NT\$10 thousand to Taiwan Fund for Children and families care activities.</p> <p>F. Donated NT\$1,270 thousand to community activities.</p> <p>G. Donated NT\$250 thousand to Friends of Police Association and Friends of Armed Forces Association.</p> <p>H. Donated NT\$1,390 thousand to cultural, artistic, and sports activities.</p> <p>I. Donated NT\$1,360 thousand to cultural and educational foundations.</p> <p>J. Donated NT\$100 thousand to Kaohsiung Municipal Social Education Center.</p> <p>(2) In order to contribute to the society, the chairman and his brother have set up private Nan liu Charity Foundation, with gratuitous volunteers, directly dedicated to provide meal to the elderly living alone and assist single-parent family in emergency and other related matters. Foundation donated unregularly to the society and local community as follows.</p> <p>A. Donated NT\$4,160 thousand for welfare fee and providing meal to the community elderly.</p> <p>B. Donated NT\$360 thousand to assist poor family and disability.</p> <p>C. Donated NT\$1,160 thousand to community elderly.</p> <p>D. Donated NT\$8,200 million to culture community.</p> <p>(3) Promoted industry-academia cooperation with colleges and universities, including the development of multifunction composite diaphragms and packaging technologies with National Kaohsiung University of Applied Sciences, industry-academia cooperation with Cheng Shiu University, talent incubation programs with Feng Chia University, on-the-job training programs with Shih Chien University, and academia cooperation with Fortune Institute of Technology.</p> <p>3. The Company processed waste in accordance with the Industrial Waste Disposal Plan and reported the flow of waste online according to applicable laws and regulations.</p>				
<p>7. Any review standards of certification bodies for which the Company's CSR report has been qualified shall be described: None.</p>				

(6) Implementation of Integrity Management:

Items assessed	State of operations		Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps	
	Yes	No		Summary
1. Stipulating policies and plans for ethical corporate management				
(1) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies?	✓		(1) The Company has formulated "Codes of Ethical Conduct of Supervisors, and Managerial Officers", and "Codes of Ethical Corporate Management" which is fully understood and followed by the Board of Directors and the management.	No material gap is found.
(2) Has the Company stipulated a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within said plan? Is the plan implemented accordingly?	✓		(2) According to Code of Ethics for Directors, Supervisors, and Managerial Officers, if directors or managerial officers violate the code of ethics, the Company will punish them based on the disciplinary measures. In addition, the Company will emphasize in the annual meeting and managerial meetings that integrity is the foundation of the Company's business philosophy.	No material gap is found.
(3) Has the Company established preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or business activities with a higher risk of being involved in an unethical conduct within the Company's scope of business?	✓		(3) The Company has formulated "Rules of reporting illegal and immoral or dishonest case" and established internal and external reporting channels and handling systems to ensure a sustainable development. Also, the Company has established an effective accounting system and internal control system and reviewed and revised them from time to time to keep the systems sustained and effective.	No material gap is found.
2. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	✓		(1) The Company evaluated the legality, reputation and credit of major clients and suppliers before doing business with them to avoid acts of bad faith.	No material gap is found.
(2) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the Board of Directors? Does said unit regularly report to the Board of Directors on the state of its activities?	✓		(2) The Office of Chairman is the dedicated unit for promoting the corporate integrity operation; the Audit Office is responsible to supervise, audit, and report on the integrity operation to supervisors and the Board of Directors.	No material gap is found.
(3) Has the Company established policies preventing conflicts of interest, provided proper channels of appeal, and enforced these policies and channels accordingly?	✓		(3) The Rules and Procedures for the Board Meeting stipulate the avoidance of conflicts of interest between directors. When discussing a proposal in the Board meeting, directors involved in the conflict of interest shall avoid participating in the resolution. The Company has set up a smooth channel for employees to directly complain or make appeals through immediate supervisors.	No material gap is found.
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate	✓		(4) The Company has established an effective accounting system and internal control system and reviewed and revised them from time to time; the Company also has	No material gap is found.

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?			full-time auditors to audit the accounting system and internal control system on a regular basis, provide opinions for improvements to keep the systems sustained and effective, and submit the audit report to supervisors and the Board of Directors.	
(5) Does the Company regularly organize internal and external training for ethical corporate management?	✓		(5) The Company promotes integrity in operation to employees on a regular basis.	No material gap is found.
3. Status for enforcing whistleblowing systems in the Company				
(1) Has the Company established concrete whistleblowing and reward systems and accessible whistleblowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistleblower?	✓		(1) The Company has established a reporting mail system and appointed a responsible department to deal with complaints in accordance with related regulations and procedures.	No material gap is found.
(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistleblower?	✓		(2) The Company clearly defined in the Regulations Governing the Procedures of Communication and Responses that responsible personnel shall hold the identity of the informant confidential.	No material gap is found.
(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistleblower?	✓		(3) The Company will hold the informant confidential and harmless in the process of reporting.	No material gap is found.
4. Improvement of information disclosure				
(1) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System (MOPS)?		✓	The Company has set up an exclusive area to disclose the related information on the Company's integrity operation.	The Company will process the information on a timely basis, subject to the actual needs.
5. Where the company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: No material gap is found.				
6. Other important information for better understanding of the integrity operation: None.				

(7) If the Company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed.

Currently, the Company has stipulated a Code of Ethics for Directors, Supervisors, and Managerial Officers, Rules and Procedures for the Shareholders' Meeting, Rules and Procedures for the Board Meeting, a scope of responsibilities of independent directors, and a sound internal control system and internal audit system to fulfill the operation and promotion of corporate governance. For related regulations and systems, please refer to the Company's website and external websites.

(8) Other Important Corporate Governance Information: None.

(9) Implementation of Internal Control System

1. Statement of Internal Controls:

NAN LIU ENTERPRISE CO., LTD.
Statement of Internal Control System

Date: March 13, 2018

The internal control system from January 1 to December 31, 2017, according to the result of self-assessment is stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and asset protection), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal Control System by Listed Companies” (hereinafter referred to as “Highlights” has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments, 3. Control activities, 4. Information and communication, 5. Monitoring. Each element also includes several items. For the foregoing items, refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure that the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 13, 2018, and those 7 directors in presence all agree at the contents of this statement.

NAN LIU ENTERPRISE CO., LTD.

Chairman: Mr. Huang Chin-San
General Manager: Mr. Huang, Huo-Cun

Notice to Readers

For the convenience of readers, the Supervisors' Review Report have been translated into English from the original Chinese version prepared. 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 Supervisors' Review Report shall prevail.

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: Not applicable.

(10) Any legal penalty enacted upon The Company and its personnel, or any penalty, major defects, and state of improvements enacted by The Company upon its personnel for violating the rules of the ICS during the most recent year up to the publication date of this report: None.

(11) Major resolutions of the shareholders' meeting and the Board meeting in the most recent year up to the publication date of this report

2017 Major Resolutions of Shareholders' Meeting and Implementation Status

1. Proposal of 2016 Financial Statements and Business Report.

Implementation Status: In accordance with the company law, all related financial information has been submitted to the government agency for review

2. Adoption of the Proposal for the Distribution of the 2016 Profit.

Implementation Status: Approved ex-dividend date was on August 8, 2017 and distributed on August 29, 2017.

3. Amendments to Parts of the Articles of Incorporation.

Implementation Status: The Company already registered the amendment to the Ministry of Economic Affairs on June 14, 2017 and announced on the company website.

4. Amendments to Parts of the Procedures for Acquisition or Disposal of Assets.

Implementation Status: Announced on MOPS website and the company website.

2017 major resolutions of the Board of Directors meetings

Session number of the Board of Directors meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first time in 2017, The Board of Directors	2017.03.14	1. Approved the Proposal for the Distribution of 2016 Remuneration of Employees and Directors and Supervisors.	V	
		2. Approved 2016 Financial Statements and the Business Report.		
		3. Approved the Proposal for the Distribution of the 2016 Profit.		
		4. Approved investment of New Yanchao Plant.	V	
		5. Approved investment of overseas (India).	V	
		6. Approved amendments to Parts of the Articles of Incorporation.	V	
		7. Approved amendments to Parts of the Procedures for Acquisition or Disposal of Assets.	V	
		8. Approved amendments to Parts of the Corporate Governance Best Practice Principles.	V	
		9. Approval Regulations Performance Evaluation of the Board of Directors.	V	
		10. Approved the convening of the 2017 Shareholders' Meeting.		
		11. Approved 2016 issuance of the Internal Control Letter.	V	
		12. Approved the application of comprehensive credit lines.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The	2017.05.08	1. Approved the 2017 Q1 Financial Statements.		

second time in 2017, The Board of Directors		2. Approved change of CPA (Internal adjustment of same CPAs firm).	V	
		3. Approved the application of comprehensive credit lines.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The third time in 2017, The Board of Directors	2017.05.31	1. Approved the record date for common share dividend		
		2. Approved the application of comprehensive credit lines.		
The fourth time in 2017, The Board of Directors	2017.08.08	1. Approved of the 2017 Q2 Financial Statements		
		2. Approved the application of comprehensive credit lines.		
The fifth time in 2017, The Board of Directors	2017.11.06	1. Approval of the 2017 Q3 Financial Statements		
		2. Approved the application of comprehensive credit lines.		
The Sixth time in 2017, The Board of Directors	2017.12.27	1. Approved 2018 annual business plan.		
		2. Approved 2018 annual audit plan.		
		3. Approved the application of comprehensive credit lines.		
		4. Approved amendments to parts of the Remuneration Committee Charter.	V	
		5. Approved 2018 Compensation of managers, 2017 Compensation of Employees, 2017 Compensation of Directors and Supervisors by Remuneration committee.	V	
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		

2018 major resolutions of the Board of Directors meetings

Session number of the Board meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first time in 2018, The Board of Directors	2018.03.13	1. Distribution of the 2017 Compensation of Employees, Directors and Supervisors.	V	
		2. Approved 2017 Financial Statements and the Business Report.		
		3. Approved 2017 Dividend Distribution.		
		4. Approved the convening of the 2018 Shareholders' Meeting.		
		5. Approved 2017 issuance of the Internal Control Letter.	V	
		6. Approved amendments to Parts of the Rules and Procedure for the Board of Directors and The rules of Independent directors Responsibility category.	V	
		7. Approved the application of comprehensive credit lines.		
Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.				
The second time in 2018, The Board of	2018.05.08	1. Approved the 2018 Q1 Financial Statements.		
		2. Approved the application of comprehensive credit lines		
		3. Approved distribution of the 2017 Compensation of Employees, Directors Supervisors proposed by Remuneration Committee.	V	
		Independent Directors' opinions: None.		

Directors		The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.
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(12) As of the printing date of annual report, Directors or supervisors have different opinions that have been noted on the record or declared in writing in connection with the important resolutions passed by the Board of Directors: None.

(13) As of the printing date of annual report, dismissal situation of Chairman, General manager, Accounting manager, Finance manager, Auditor officer and RD manager: None.

4. Accounting Expenses

Name of the accounting firm	Name of the CPA		Audit period	Notes
Yangtze CPAs & Co.	Wang, Shu-Tung	Hu, Hsiang-Ning	January 1, 2017 ~ December 31, 2017	

Unit: NT\$1,000

Name of the accounting firm	Name of the CPA	Accounting charge	Non-accounting charge					Audit period	Remarks
			System design	Business registrations	Human Resources	Others	Total		
Yangtze CPAs & Co.	Wang, Shu-Tung	3,490	--	--	--	120	120	January 1, 2017~ December 31, 2017	
	Hu, Hsiang-Ning								

- (1) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated company accounts for over 1/4 to audit fee: None.
- (2) Change of the CPA firm and the audit fee in the year of change is less than that in the previous year: None.
- (3) The audit fee is reduced by over 15% compared with the previous year: None.
- (4) Assessments on the Independence of CPA: refer to page 35~36.

The Company assesses the independence of the CPA as follows and reports the result to the Board of Directors:

A. Statement of independence of CPA.

B. The audit or non-audit service provided by CPAs shall be reviewed in advance to ensure that the non-audit service will not affect the result of the audit.

C. The same CPA has not consecutively provided the assurance service for more than 5 years.

D. An annual questionnaire about the competency of the CPA will be conducted to summarize the assessment of independence of the CPA.

5. Alternation of CPA:

(1) About former accountants

Date of replacement	May, 2017		
Reason for replacement and description	Adjustments in the internal works of Yangtze CPAs & Co: Former accountants Wang, Ching Hsiang and Wang, Shu Tung were replaced by Wang, Shu Tung and Hu, Hsiang-Ning		
Description of the appointment or accountant termination or non-acceptance of appointment	Personnel	Accountant	Appointed person
	Circumstances		
	Take Initiative to terminate appointment	Not applicable	Not applicable
	No longer accept (continue) appointment	Not applicable	Not applicable
Whether issued unqualified opinions and reasons for the audit report in the last two years.	None		
Is there any disagreement with the issuer?	None		
Whether there is any disagreement or disclosures (in relation with Article 10, paragraph 5, subparagraph 1, point 4)	None		

(2) About successor accountants

Name of the office	Yangtze CPAs & Co
Name of the accountants	Wang, Shu Tung and Hu, Hsiang-Ning
Date of appointment	May, 2017
Before appointment, whether the particular accountant dealt with and issue advice on the accounting and financial matters	None
Whether the successor accountants disagreed with the opinions of the former accountants	None

(3) The feedback of relation with Article 10, paragraph 5, subparagraph 1 and subparagraph 2, point 3 from former accountants : None.

- The Company's Chairman, General Manager, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.
- Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report.

Changes to the equity of directors, supervisors, managerial officers, and major shareholders

March 31, 2018, Unit: Share

Title	Name	2017		As of March 31, 2018	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-san	—	—	—	—
Director Major shareholder	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-cun	—	—	—	—
Independent Director	Huang Tung-Rong	—	—	—	—
Independent Director	Huang Jin-Feng	—	—	—	—
Independent Director	Huang Chun-ping	—	—	—	—
Director	Wang Chin-Hung	—	—	—	—
Director, Vice President	Yang Rui-hua	—	—	—	—

Supervisor	Su Chao-shan	—	—	—	—
Supervisor	Chung, Mao-Chih	—	—	—	—
Supervisor	Hsieh, Chiu-Lan	—	—	—	—
General Manager	Huang, Ho-cun	—	—	—	—
Vice President	Chang, San-hua	—	—	—	—
Finance Manager	Chuang, Chun-chin	—	—	—	—
Audit Officer	Chen, Shu-chiu	—	—	—	—

(1) Information on equity transfer: None.

(2) Information on equity pledge: None.

8. Information on relationships among the top ten shareholders:

Name (Note 1)	Shares held by the shareholder		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship. (Note 3)		Remarks
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Name (or name)	Relations	
Tian Zi Ding Investments Co., Ltd.	8,731,659	12.03%	—	—	—	—	—	—	—
Representative: Huang, Ho-Chun	1,505,015	2.07%	—	—	—	—	Huang Chin-san	Brother	—
NeiZhuang Investment Co., Ltd.	5,743,924	7.91%	—	—	—	—	—	—	—
Representative: Huang, Shih-Chung	1,800,028	2.48%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	—
Huang, Chin-san	5,288,978	7.29%	1,851,159	2.55%	—	—	Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	—
Bixiu Investment Ltd.	5,090,929	7.01%	—	—	—	—	—	—	—
Representative: Huang, Chin-San	5,288,978	7.29%	—	—	—	—	Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	—
Fubon Life Insurance Co., Ltd	2,766,000	3.81%	—	—	—	—	—	—	—
Deutsche Bank Taipei Branch in custody for Smallcap Fund	2,168,000	2.99%	—	—	—	—	—	—	—
Huang Hsieh, Mei-yun	1,851,159	2.55%	5,288,978	7.29%	—	—	Huang Chin-san Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju Huang, Huo-cun	Spouse Adult children Adult children Adult children Uncle	—
Huang, Shih-chung	1,800,028	2.48%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and sister	—
Huang, Jen-tsung	1,791,693	2.47%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Hui-ju	Father and son Mother and son Brother Brother and sister	—
Huang, Hui-ju	1,579,455	2.18%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung	Father and son Mother and son Brother and sister Brother and sister	—

9. Number of shares held and percentage of stake of investment in other companies by the Company, the Company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the Company, and calculations for the consolidated shareholding percentage of the above categories.

December 31, 2017, Unit: 10,000 share, %

Shift in investment	Investment by the Company		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by The Company		Combined investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
NANLIU ENTERPRISE CO., LTD (SAMOA)	47,728	100%	-	-	47,728	100%
Nan Liu Enterprise Co., Ltd. (Pinghu)	-	-	-	100%	-	100%
NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED (In preparation)	-	-	10	99.98%	10	99.98%

IV. Capital Overview

1. Source of capital:

A. Capital stock status

Unit: 1000 shares; NT\$1000

Year	Nominal value per share (NT\$)	Authorized stock		Paid-in capital		Remarks		
		Number of shares (share)	Monetary amount (NT\$)	Number of shares (share)	Monetary amount (NT\$)	Source of capital shares	Equity contributions made in the form of assets other than cash	Others
1999	10	19,782,000	197,820,000	25,000,000	25,000,000	Surplus conversion and capital cash increase	None	Note 1
2000	10	25,000,000	250,000,000	25,000,000	250,000,000	Surplus conversion	None	Note 2
2001	10	27,500,000	275,000,000	27,500,000	275,000,000	Surplus conversion	None	Note 3
2002	10	29,700,000	297,000,000	29,700,000	297,000,000	Surplus conversion	None	Note 4
2003	10	32,670,000	326,700,000	32,670,000	326,700,000	Surplus conversion	None	Note 5
2004	10	34,956,900	349,569,000	34,956,900	349,569,000	Surplus conversion	None	Note 6
2005	10	47,600,000	476,000,000	38,457,000	384,570,000	Surplus conversion	None	Note 7
2006	10	47,600,000	476,000,000	42,303,000	423,030,000	Surplus conversion	None	Note 8
2009	10	100,000,000	1,000,000,000	46,800,000	468,000,000	Surplus conversion	None	Note 9
2010	10	100,000,000	1,000,000,000	52,800,000	528,000,000	Surplus conversion	None	Note 10
2011	10	100,000,000	1,000,000,000	60,000,000	600,000,000	Surplus conversion	None	Note 11
2012	33	100,000,000	1,000,000,000	64,500,000	645,000,000	Capital cash increase	None	Note 12
2013	51	100,000,000	1,000,000,000	72,600,000	726,000,000	Capital cash increase	None	Note 13

Note:

1. Approved by the Ministry of Economic Affairs document number 88136434 on October 5, 1999.
2. Approved by the Ministry of Finance document number 96306 and Ministry of Economic Affairs document number 132602 on July 7, 2000.
3. Approved by the Ministry of Finance document number 153992 and Ministry of Economic Affairs document number 09001455350 on August 27, 2001.
4. Approved by the Ministry of Finance document number 0910146006 and Ministry of Economic Affairs document number 09101420360 on August 21, 2001.
5. Approved by the Ministry of Finance document number 0920136356 and Ministry of Economic Affairs document number 0932729920 on August 12, 2003.
6. Approved by the Financial Supervisory Commission document number 0930135288 and Ministry of Economic Affairs document number 09332793660 on August 09, 2004.
7. Approved by the Financial Supervisory Commission document number 0940132626 and Ministry of Economic Affairs document number 09432970340 on August 10, 2005.
8. Approved by the Financial Supervisory Commission document number 0950132996 and Ministry of Economic Affairs document number 09532910040 on July 27, 2006.
9. Approved by the Financial Supervisory Commission document number 0980040804 and Ministry of Economic Affairs

document number 09833204310 on August 14, 2009.

10. Approved by the Financial Supervisory Commission document number 0990044285 and Ministry of Economic Affairs document number 09901228350 on August 23, 2010.
11. Approved by the Financial Supervisory Commission document number 1000037649 and Ministry of Economic Affairs document number 10001221900 on August 12, 2011.
12. Approved by the Financial Supervisory Commission document number 1010024889 and Ministry of Economic Affairs document number 1010117900 on June 08, 2012.
13. Approved by the Financial Supervisory Commission document number 1020008354 and Ministry of Economic Affairs document number 10201085060 on March 20, 2013.

B. Stock type March 31, 2018 Unit: share

Stock type	Authorized capital stock					Remarks
	Outstanding stocks			Unissued shares	Total	
	Already on the market (listed)	Not on the market (unlisted)	Total			
Common shares	72,600,000	–	72,600,000	27,400,000	100,000,000	The Company's stocks are listed stocks

Note: Please indicate whether the shares are listed or OTC companies (should be noted if it is limited listing or OTC traded).

2. Shareholder structure:

March 31, 2018 Unit: share

Shareholder structure Quantity	Government Agency	Financial Agencies	Others Legal person	Individual	Foreign institutions And outsiders	Total
The number of people	2	5	21	1,477	63	1,568
Shares held	113,000	4,777,000	21,344,512	39,388,320	6,977,168	72,600,000
Proportion of shares held (%)	0.16%	6.58%	29.40%	54.25%	9.61%	100.00%

3. Stock ownership distribution:

Stock holding classification	March 31, 2018		Unit: share
	Number of shareholders	Shares held	Shareholding percentage
1 to 999	300	27,990	0.04%
1,000 to 5,000	957	1,667,316	2.30%
5,001 to 10,000	92	734,259	1.01%
10,001 to 15,000	33	418,602	0.58%
15,001 to 20,000	15	264,693	0.36%
20,001 to 30,000	30	757,663	1.04%
30,001 to 40,000	20	729,343	1.00%
40,001 to 50,000	8	355,854	0.49%
50,001 to 100,000	28	1,861,012	2.56%
100,001 to 200,000	28	4,308,042	5.93%
200,001 to 400,000	26	7,281,355	10.03%
400,001 to 600,000	7	3,568,124	4.91%
600,001 to 800,000	6	4,179,077	5.76%
800,001 to 1,000,000	4	3,779,182	5.21%
1,000,001 or more	14	42,667,488	58.78%
Total	1,568	72,600,000	100%

4. List of major shareholders

List of top 10 shareholders or shareholders with 5% or more of total issued stocks.

Name of major shareholders	March 31, 2018		Unit: share
	Stock type	Shares held	Shareholding percentage
Tian Zi Ding Investment Limited		8,731,659	12.03%
Nei Chuang Investment Limited		5,743,924	7.91%
Huang Chin-San		5,288,978	7.29%
Bixiu Investment Limited		5,090,929	7.01%
Fubon Life Insurance Co., Ltd		2,766,000	3.81%
Deutsche Bank Taipei Branch in custody for Smallcap Fund		2,168,000	2.99%
Huang Hsieh Mei-Yun		1,851,159	2.55%
Huang Shi-Chung		1,800,028	2.48%
Huang Jen-Tsung		1,791,693	2.47%
Huang Hui-ju		1,579,455	2.18%

5. The net value, surplus, dividend, and market price per share within the last two years.

Unit: thousand shares/NTD

Year \ Item		2016	2017	As of March 31, 2018 (Note 4)
Market price per share	Max	176.00	174.00	166.00
	Min	128.0	142.00	154.50
	Average	148.45	153.57	159.68
Net value per share	Before issuance	37.49	39.58	41.73
	After issuance	32.69	(Note 5)	—
Earnings per share	Weighted average	72,600	72,600	72,600
	Earnings per share (before adjustment)	8.02	7.46	—
	Earnings per share (adjusted)	8.02	(Note 5)	—
Dividend per share (DPS)	Cash dividend	4.8	4.5(Note 5)	—
	Stock grants	—	—(Note 5)	—
		—	—(Note 5)	—
	Cumulative unpaid dividends	—	—	—
Return on investment analysis	P/E ratio (Note 1)	18.51	20.59	—
	Dividend yield (Note 2)	30.93	34.13(Note 5)	—
	Cash dividend yield (Note 3)	3.23%	2.93%(Note 5)	—

Note 1: P/E Ratio = Average closing price for each share for the year/earnings per share

Note 2: P/D Ratio = Average closing price for each share for the year/cash dividend per share

Note 3: Cash dividend yield = cash dividend per share/average closing price per share for the year

Note 4: for the sake of data accuracy, only data through March 31, 2018 are shown.

Note 5: has not been adopted by shareholder meeting resolution.

6. The Company dividend policy and implementation status

(1) Dividend policy stipulated within the articles of association

The Company's operation is based on long-term management, with the objective of stabilizing the Company's market competitive position. Thus, the Company will continue to make investments. To respond to the Company's future capital needs and long-term financial planning, the Company's dividend distribution will be based on a residual dividend policy. The Company's future capital budget planning will be used to balance the funding need for the next year. After reserving the required surplus capital, the remaining surplus will be distributed in the form of a cash dividend and stock dividend. However, the cash dividend shall not be less than 10% of the total dividend.

The company consistently adds production capacity to increase competing power. Every year, less than 50% of net income after tax is distributed as dividends and the rest of the earnings are reserved for future capital expenditures. To improve return on investment of shareholders, the payout ratio of 2017 is around 60% of net income. The dividend distribution is all on cash. A proposal of dividend distribution is first approved by the Board of Directors and then is submitted to the Annual Shareholders' Meeting.

(2) This year's proposed dividend distribution:

Nan Liu Enterprise Co., Ltd.
2017 Profit Distribution Table

Unit: NT\$

Items	Amount (NT\$)	Remarks
Beginning retained earnings	875,928,485	
Other consolidated profit/loss—confirm the benefit plans before measuring the numbers	(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 General Manager: Mr. Huang, Huo-Cun Accounting Manager: Ms. Chuang, Chun-Chin

The Company's 2017 profit distribution has been approved by the Board of Directors. Shareholders on March 13, 2018. The resolution was NT\$4.5 cash dividend per share, with the total amounting to NT\$326,700,000. However, this has not been approved by the Annual shareholders' meeting.

7. The effects of stock grants drafted by this shareholders' meeting on The Company's operating performance and earnings per share: none

8. Employee, Director, and supervisor remuneration:

The Company's Board of Directors meeting passed the 2017 employee remuneration on March 13, 2018. The remuneration shall be listed based on a specific percentage according to the year's profit status. Directors' remuneration is listed into accounting based on expected issued amount. If the aforementioned listed amount is different from the actual issued amount, the change will be handled according to accounting estimates and adjusted and accounted for in the issuing year.

2017 remuneration of directors and employees:

Unit: (NT\$)

	Monetary Amount (NT\$)	Note:
Directors/supervisors' remuneration (in cash)	4,715,512	Accounts for 0.80% of income before income tax (Parent Company Only)
Employee remuneration (in cash)	7,367,988	Accounts for 1.25% of income before income tax (Parent Company Only)
Total	12,083,500	

Note: The Company provided NT\$7,367,988 as employee cash bonus in 2017. The aforementioned employee remuneration is scheduled to be paid in 2018.

2016 remuneration of directors and employees: Unit (NT\$)

	Monetary Amount (NT\$)	Actual number issued (note)
Directors'/supervisors' remuneration (in cash)	5,225,677	5,225,677
Employee remuneration (in cash)	8,142,132	8,142,132
Total	13,367,809	13,367,809

Note: The appropriated remuneration of directors and employees is the same as proposed remuneration of directors and employees by the Board of Director. And it was paid after being approved by the 2017 annual shareholders' meeting.

9. Buyback of company stock: none

10. Handling of corporate bonds, special shares, overseas depository receipts, proof of employee stock options, mergers and acquisitions (including mergers, acquisitions and splits): none.

11. Funding application plan and implementation:

(1) Capital increase plan implementation schedule

1. Planned items and application schedule:

Unit: NT\$1000

Plan items	Estimated completion date	Total funds raised	Expected capital utilization schedule		
			2013		
			Quarter 2	Quarter 3	Quarter 4
Repay bank loans	Second quarter of 2013	152,000	152,000	-	-
Build new plant	Fourth quarter of 2013	253,000	50,000	169,000	34,000
Total		405,000	202,000	169,000	34,000

2. Implementation status

Units: Thousand NT\$; %

Project items	Status of implementation		Up until the first quarter of 2018	Reasons for being ahead of or behind schedule and improvement plans
Repay bank loans	Expenses	Planned	152,000	Has been completed during the second quarter of 2013 according to the original plan.
		Actual	152,000	
	Percentage	Planned	100.00	
		Actual	100.00	
Build new plant	Expenses	Planned	253,000	The new Yanchao plant works has been started
		Actual	253,000	
	Percentage	Planned	100.00	

		Actual	100.00	
--	--	--------	--------	--

As of the end of the first quarter of 2018, the actual amount spent was NT\$405,000 thousands. Of this, NT\$152,000 thousands was used to repay bank loans. The remaining NT\$253,000 thousands was used to pay the first phase land preparation and foundation project for the new Yanchao plant. The Funding application plan was executed.

V. Operating summary

1. Business Activities

A. Business scope

(1) Main business contents

- ◆ Manufacturing, processing, trade and import and export of suede, imitation leather, nonwoven lining, fabrics for civil engineering, waterproof/fire-resistant filter bags, resin bond padding, shoe materials, nonwoven carpets, nylon carpets, and DuPont synthetic fiber bullet-proof vests.
- ◆ Manufacturing, trade, and import and export of scouring pads, industrial grinding wheels, and household aluminum foil products (aluminum foil dirt-prevention plates).
- ◆ Trade, import and export of household hardware, nonwoven fabrics, resin, carborundum, aluminum products, and their raw materials.
- ◆ Manufacturing, processing, trade and import and export of nonwoven air filters, cotton fabrics, and aluminum foil and aluminum tableware.
- ◆ Import, export and trade of household plastic products (tableware) and stainless steel cutlery.
- ◆ Agent of domestic and foreign manufacturers' distribution, quotation and bidding for abovementioned products.
- ◆ Industrial plant development and rental businesses.
- ◆ Development of specific professional areas.
- ◆ Cosmetics manufacturing, wholesale and retail.
- ◆ Paper processing.
- ◆ Cosmetic pigment manufacturing industry.
- ◆ Dehydrated food manufacturing industry.
- ◆ Supplementary food wholesale industry.
- ◆ Cleaning supplies wholesale and manufacturing industry.

(2) The business proportion of main products

Units: 1000 NT\$, %

Main products	2017	
	Amount	%
Spunlace nonwoven fabrics	1,493,727	23.22%
Biotechnology products (note)	2,448,974	38.06%
Air through & Thermal bond nonwoven fabrics	1,500,283	23.32%
Disposable surgical gowns fabrics	987,999	15.36%
Others	2,837	0.04%
Total	6,433,820	100.00%

Data sources: offered by The Company Note: including wet wipes, facial mask and skincare products.

(3) The Company's products (services)

① Hygiene materials:

- A. PP air through & Thermal bond nonwoven fabrics—baby/adult diaper and sanitary napkin surface material.
- B. Spunlace nonwoven fabrics—medical grade operation protective clothing fabrics, dust-free electronic cleaning cloth, clean wipes, medical drape cloth, and ointment cloth.
- C. Needle rolled nonwoven fabric—bra liner and shoulder pad cotton material.
- D. Biotech products—wet wipes (infant, adult skin), masks, makeup remover cotton, emulsion liquid cosmetics (collagen day cream, placenta night cream, lotions, extracts, eye creams, marine creams, and skincare products).

② Industrial products:

- A. Grinding wheels—stainless steel, copper PCB grinding, wood polishing, and electroplating polishing.
- B. High-end air filter cloth.

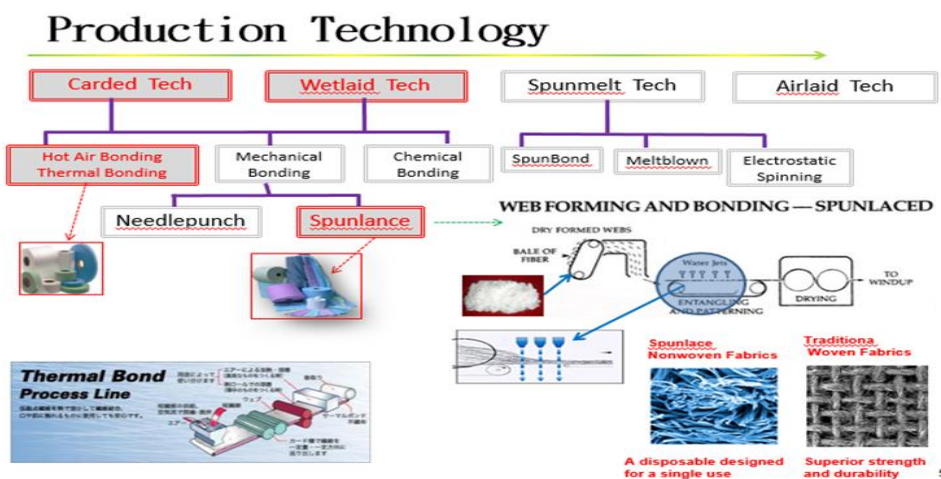
C. Household articles—household cleaning rags, scouring pads, and other cleaning products.
 (4) Planned product development

- ① Nonwoven fabrics: medical/surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven cloth, biodegradable environmentally friendly nonwoven cloth, 3D surface nonwoven fabric, and industrial wipes.
- ② Biotech products: top-grade facial masks, top skincare products, food grade collagen, plant extract, emulsions, liquid agent for cosmetics, washable wet wipes, far infrared mask.

B. Industry overview

1. Current state and development of the industry

Nonwoven fabric is made with unconventional combining or weaving methods. The process uses mechanical, thermal, and chemical means to glue, roll, melt, and spun bond together natural or artificial fibers. Because these products have some characteristics of cloth, they are called nonwoven fabrics. The nonwoven fabric industry is the youngest member of the textile industry and has the most development potential. This process breaks through conventional textile technology and fully utilizes modern physics and chemical concepts to derive a newly emerging technology. This industry also fully integrates textile, mechanical, chemical, plastic, and papermaking technology to significantly reduce production costs in the conventional textile industry and effectively increase production quantity. Currently, formed nonwoven fabric is suitable for use on non-clothing products, single-use sanitary items, or cosmetic/skincare products. This industry can be perceived as a secondary industry in the textile industry. Of all textile manufacturing processes, nonwoven fabric has the shortest production process and the largest production capacity. Initially, it was used to produce low-price products. In recent years, because industry, technology and production equipment have continued to advance, new applications are being developed. The level of products has also increased to become high value-added products. Taiwan's nonwoven fabric industry began in 1969 and has over 30 years of history. After long-term hard work by Taiwanese industry operators, the accumulated development results and manufacturing technology have an important place in the global market.



Data source: Nanliu

In addition to being widely used on conventional household sanitary products, nonwoven fabric can be used in more special environments after design change. For example, it can be used in medical/surgical clothing and as industrial and electronic wipes. Its quality requirements must achieve a certain cleanliness, permeability, and hairball residue level. As global travel becomes more common, resulting in frequent exchange, new viruses

such as SARS and H1N1 can spread rapidly in this environment. Recently, natural disasters such as earthquakes and floods are also frequent occurrences and have caused severe damage and casualties. When regions of the world encounter such chaos, the need for sanitary and medical/protective equipment will significantly increase. This indicates that civilized cultures are placing more emphasis on health and safety and that the need for single-use nonwoven consumer products will increase.

Because nonwoven fabric is light, elastic, and breathable and can be made to have different uses (filter, absorber/perspiration evaporator, made to be air/moisture permeable, made to be used for planting, for polishing, and to insulate noise and heat) after going through different procedures. It can also be made into different forms and appearances. In recent years, production technology breakthroughs and introduction of different processing methods to make high-tech special artificial fibers have pushed nonwoven fabric to be used in unconventional fields. Conventional uses such as household sanitary products have extended to medical, aerospace, filtration, computer, and civil engineering industries. After special production and processing, nonwoven fabric can be classified as high-tech textile products in functional textile, which has stably increased in sales every year.

Nonwoven fabrics use

Clothing	Secondary clothing material	Filling material (men/women's clothing, children's clothing, short jacket, shirts, and hat material)
	Thermal insulation material	Filler cotton (wetsuit, pajamas), quilt
	Disposable clothing	Protective clothing, travel underwear, beachwear, casual wear
Home textiles	Kitchen	Scouring pad, table cloth, table napkins, filter material
	Furniture	Sheets, bed covers, mattress covers, sofa covers, cushion covers
	Decoration	Carpets, curtains, wallpaper, audio equipment
Artificial leather	Shoe materials	Surface material, inner material, middle material, anti-sliding material, reinforcing materials
	Bag material	Bag interior substrate, bag bottom material, leather upholstery
Industrial use	Filter material	Filters (liquids, gases, dust, grease)
	Wiping cloth	Dust cloth, wiping cloth
	Electronic equipment	Insulating material (cloth, battery cell separation cloth, coating material)
	Print fabric	Maps, calendars, labels, stickers
	Others	Aircraft skin coating material, material for the aerospace industry, body armor
Geotextile	Civil engineering	Asbestos mats, soil stabilization materials, water storage materials, artificial turf
	Building	Waterproof and moisture permeability fabrics, roofing materials, soundproofing materials, shockproof material
	Foundation	Highways, subways, airports, tunnels
Agriculture and gardening	Agriculture	Heat protection material, windproof materials, fruit protection material
	Gardening	Seedling and orchid growing materials
Life-related	A variety of packaging materials	Candy packaging, teabags, handbags
	Washing supplies	Towels, paper towels, tablecloths
	Makeup wipes	Cosmetic puff
	Other family use	Various water absorbing paper cloth

Medical nonwoven cloth	Hospital	Surgical masks, surgical caps
	Medical supplies	Compress towel substrate and adhesive tape
	Others	Artificial skin, artificial blood vessels
Hygiene products	Physical products	Sanitary napkins
	Diaper	Adult diapers, baby diapers

From the beginning of Taiwan's nonwoven fabric industry in the 1960s to the present, operators have experienced Taiwan's economic flight and prosperity after 10 great construction projects. After the 2000 financial crisis, Taiwan businessmen moved abroad. Later, the oil crisis, the American housing loan crisis, and the European debt crisis resulted in a global economic downturn. In 2011 and 2012, sales in Taiwan's nonwoven fabric industry declined. The sales value gradually improved after 2013, along with economic revival, expansion of the application market, and improvements in production technology. In 2016, Taiwan's nonwoven fabric export value was USD 372 million, and the export quantity was 98 thousand tons. Compared with 2015, though the quantity grew by 4.42%, the amount decreased 1.47% due to the appreciation of NTD as compared to USD.

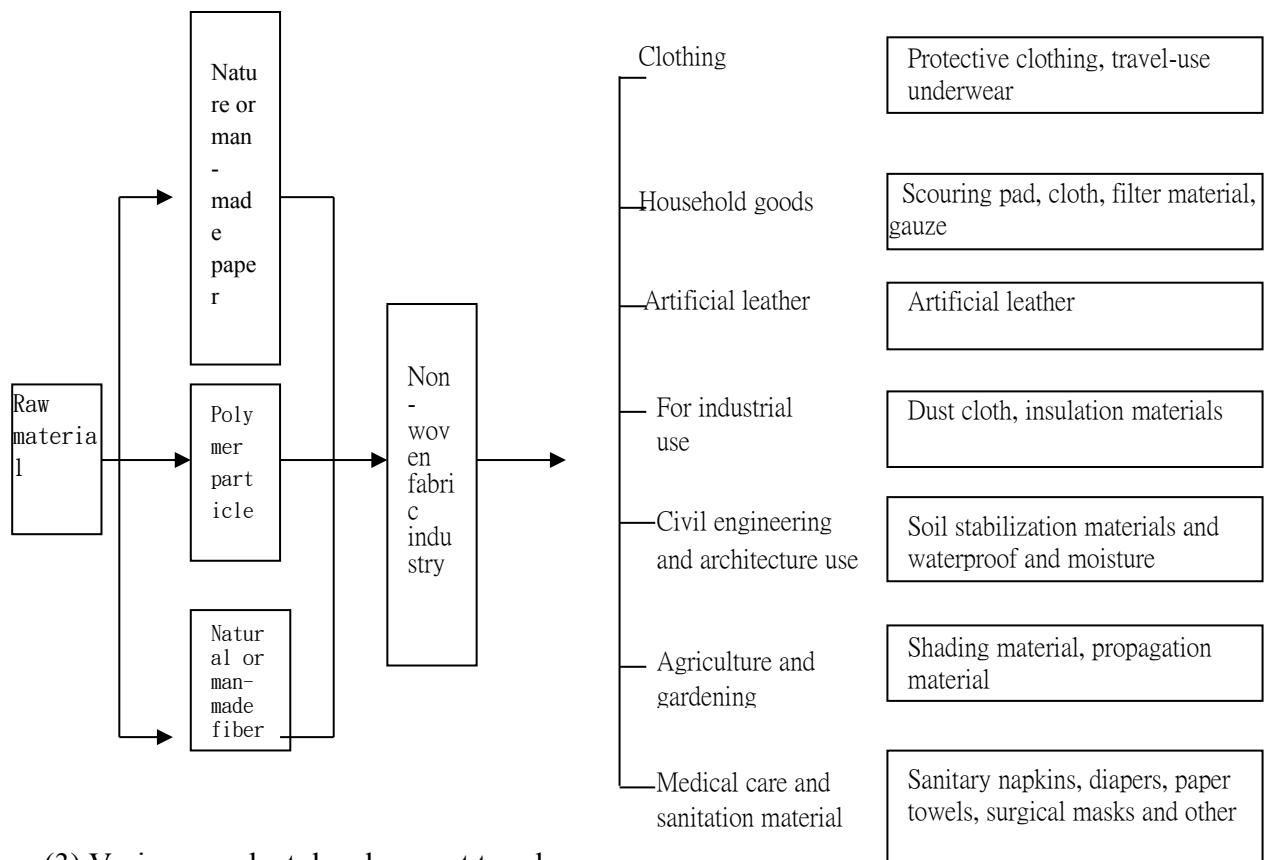
Statistics of Taiwan's nonwoven fabric industry production, import and export value and quantity within the last five years.

	2012	2013	2014	2015	2016	Unit
Production volume	130,492	153,147	181,535	183,700	187,979	Ton
Export value	324,157	338,541	369,531	378,100	372,526	1000 USD
Import value	130,272	122,246	122,628	110,400	103,198	1000 USD
Export volume	74,010	82,289	93,411	94,000	98,160	Ton
Import volume	27,778	26,579	26,712	24,700	26,595	Ton

Data source: ANFA - 2016 Taiwan statistic report (2017.05.02)

2. Correlation among upstream, midstream, and downstream sections of the industry

Nan Liu Enterprise's main products are nonwoven fabric and cosmetic/beauty care products. The industry correlation diagram is as follows:



(3) Various product development trends

① Product diversification

In recent years, the nonwoven fabric industry has been affected by significant fluctuation in raw material prices, and the cost has significantly increased. China's nonwoven fabric industry operators have also increased their production scale and taken a price-competition model of sales. As a result, gross profit has fallen for Nan Liu and other nonwoven fabric operators in recent years. Thus, relevant nonwoven fabric operators must diversify their development direction and products and use increased product added value to increase profitability.

② Cross-field nonwoven fabric composite technology development

In addition to diversifying industry development and products, the nonwoven fabric industry is also engaging in nonwoven fabric composite technology. For example, the top and bottom layers of spun bond nonwoven fabric and a middle layer of meltblown nonwoven fabric goes through composite processing to produce SMS nonwoven fabric. The Company is also actively developing medical use pulp spunlace composite nonwoven fabric, composite biodegradable nonwoven fabric, and composite elastic nonwoven fabric. As composite technology becomes more mature, the industry is able to expand the application of nonwoven fabric and increase added value.

③ World trend in environmentally friendly material

In recent years, environmental awareness has emerged, and single-use, disposable nonwoven fabric products such as wet wipes, medical use surgical garment, masks, and gauze all require the development of environmentally friendly materials. The nonwoven

fabric industry is developing different fiber materials that will be able to quickly decompose into shorter molecular chains. This will allow the materials to decompose into smaller fragments in natural environments and reduce pollution. The industry is also developing fiber materials that can decompose into small CO₂, H₂O, or CH₄ molecules in the natural environment. This will allow materials to return to nature and lower their impact on the environment. The Company will continue to improve its composite technology and is currently in the initial stages of developing composite, decomposable nonwoven fabric.

Some parts of nonwoven fabric production use wood pulp, which can affect the ecological environment system. Thus, The Company will continue to focus on monitoring and controlling the nonwoven fabric industry chain. In 2012, The Company passed the FSC COC chain of custody verification. The use of FSC COC to monitor the nonwoven fabric production chain can achieve the protection of forests throughout the entire supply chain (upstream sources of wood raw materials, processing, manufacturing, sales, printing, products, sales to the end consumer). This prevents overconsumption of the world's forestry resources and mitigates the effects on existing ecological systems during the production and sales process, enabling the Company to fulfill its environmental and social responsibilities.

(4) Competition

The Company was founded in 1978, and its main business is the production and sales of hot-pressed nonwoven fabrics, spunlace nonwoven fabric, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In recent years, the Company has expanded production lines to personal hygiene products including wet paper towels and beauty maintenance supplies such as masks and skincare products. Currently, listed domestic companies with similar products, capital, and operating scale include Kang Na Hsiung, Shinih, and Universal Incorporation. Their main operating items and operating revenue are as follows:

Unit: Thousand NT\$

Company Items	Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
Major Business items	1. Spunlace nonwoven fabric (including Disposable surgical gowns fabrics) 38.58% 2. Air through & Thermal bond nonwoven fabrics 23.32% 3. Biotechnology products (including wet wipes) 38.06% 4. Others 0.14%	1. Sanitary napkin 50.81% 2. Diaper 7.76% 3. Wet wipes 33.69% 4. Nonwoven and others 7.74%	1. Nonwoven 97.17% 2. Other 2.83%	1. Spunbond and composite nonwoven fabric 2. Meltblown nonwoven fabric 3. Bonded cloth and post-processing cloth 4. Other
2017 consolidated net sales	6,433,820	3,724,356	3,253,598	865,210

Data source: the 2017 consolidated financial statement from various companies that are announced on MOPS website.

3. Long-term and short-term business development plans

(1) Short-term plan

- Consolidate existing clients, and attract more customers.
- Implement the Group's production policy to obtain the most advantageous configuration.
- Obtain high-end orders, and improve real profits.
- Improve resource utilization, and reduce resource consumption and waste.
- Promote environmentally friendly product production technology to obtain market opportunities.

(2) Long-term plans

- Integrate the group's resources, and provide customers with more complete services.
- Improve the cost structure, and provide our customers with more competitive prices.
- Enhance customer satisfaction, and expand the overall production scale. Pursue cost advantages to make prices more competitive.
- Create a win-win situation, ensure technology leadership, and increase market share.

2. Market, production, and sales status:

i. Market analysis

(1) Main product sales area

Unit: 1000 NT\$

Area		2017 (consolidated)		2016 (consolidated)	
		Amount	Ratio%	Amount	Ratio%
Taiwan		1,272,214	19.77%	1,257,146	20.64%
China		2,977,669	46.28%	2,336,915	38.37%
Export	Japan	673,846	10.48%	965,853	15.86%
	Asia	1,302,121	20.24%	1,353,641	22.23%
	Others	207,970	3.23%	176,835	2.90%
Total		6,433,820	100.00%	6,090,390	100.00%

(2) Market share

The Company's main business is the production and sales of Air through & Thermal bond nonwoven fabrics, spunlace nonwoven fabrics, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In 2017, The Company's consolidated operating revenue was superior to that of similar companies in the industry, including Nan Liu, Shinih, and Universal Incorporation.

Unit: 1000 NT\$

Company		Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
2017 (consolidated)	Net Sales	6,433,820	3,724,356	3,253,598	865,210

Data source: the consolidated financial statement from various companies that are announced on MOPS website.

In addition, according to a statistic by Nonwovens Industry (a main United States nonwoven fabric monthly journal), the Company ranked 23rd among all nonwoven fabric companies in the world in 2016. The Company has exceeded the rankings of all similar companies in Taiwan and has become an important nonwoven fabric company in the Asia region. According to a survey of the 2000 largest companies by *CommonWealth Magazine*, The Company ranked 423rd among companies of the manufacturing industry in 2018.

(3) Future market supply and demand and growth

Nonwoven fabric is lightweight, elastic, and breathable and can be made to have

absorption/moisture retention and breathable/moisture permeable characteristics or made into filters, planting material, wiping material, soundproofing material, and insulation materials through different processes. In addition, this material can be made into diverse forms and appearances. As production technology continues to show breakthroughs in recent years, high-tech special artificial fiber is being continuously developed. Processing methods are becoming more diversified, and nonwoven technology is being applied to unconventional fields. Nonwoven fabric has moved from conventional uses such as everyday hygiene supplies to being used in medical, aeronautic, filter, computer, and civil engineering fields. After special processing, nonwoven fabric can be classified as a high-tech textile product in functional textile. As such, its global sales have grown steadily each year.

① The downstream application product demand is growing steadily.

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to ten years.

② The China market has created a huge market and business opportunity.

In terms of individual areas, China has the fastest growth in the nonwoven fabric industry. In 2012, China's nonwoven fabric production quantity was 2.163 million tons but reached 3.261 million tons by 2016. This is an annual compound growth rate of 50.7%, which far exceeds the global average. However, the 2013 growth showed only a 10.3% increase compared to 2012. This is mainly attributed to increasing Chinese labor costs, appreciation of the CNY, and raw material price increase. At the time, the European and American markets showed weak economic numbers, increased national debt, high unemployment rate, and other negative factors, which resulted in decreased demands. Still, China itself is showing growing demands, and increased salaries have raised the average income of its citizens. This, in addition to the two-child policy, has led to expected increased demand in the nonwoven fabric production, and demand is expected to grow. In the second half of 2016, the CNY depreciated significantly, and the impact on the exports was huge. However, due to the two-child policy and the increased national income, the domestic demand could maintain steady growth for disposable consumer goods.

Production quantity and import/export value and quantity in the nonwoven fabric industry in China for the last five years.

Item	2012	2013	2014	2015	2016	Unit
Production volume	2, 163	2, 387	2, 635	2, 941	3, 261	Thousand tons
Export value	1, 624. 4	1, 971. 9	2, 311. 6	2, 482. 1	2, 556. 3	Million USD
Import value	839	849. 8	947. 9	859. 4	842. 6	Million USD
Export volume	484. 9	559. 3	656. 2	730. 9	832. 5	Thousand tons
Import volume	138. 3	139. 7	152	138. 0	132. 7	Thousand tons

Data source: ANFA – 2016 China statistic (May 2, 2017)

③ Stable domestic demand

As the economy gradually began reviving in 2013, expanded market application and

production technology advancements gave Taiwan's nonwoven fabric industry a highly competitive edge in the global market. In 2016, Taiwan's nonwoven fabric export value was USD 372 million, and the export quantity was 98 thousand tons. Compared with 2015, though the quantity grew by 4.42%, the amount decreased 1.47% due to the appreciation of NTD as compared to USD.

(4) Competitive niche

① Continuing investment in research and development

The Company has invested in the production and development of nonwoven fabric since 1995. We have accumulated more than 20 years of production experience and built a technology team to improve our development abilities. Currently, The Company has professionals who were once part of the PGI group, and who have nonwoven fabric experience, leading the R&D team. The team has continually developed nonwoven fabric production technology and expanded its relevant applications. At present, the Company's research results include surgical medical protective clothing fabrics and industrial-strength cloth. In the future, we will expand into embedded anti-corrosion technology, water purification technology, flushable wipes, elastic diaper waists, strong wipes for 3D printing technology and other high value-added products. Regarding production technology and process improvement, the Company will adjust production equipment based on new material development and process improvements. Actual production site tests will be conducted to set the best production parameters, which will improve production yield and lower production costs. Furthermore, The Company will maintain close exchange with major European, American, Japanese, and Korean hygiene product companies to fully understand market trends. This will enable The Company to rapidly develop products that conform to market demands.

② Good stability product quality

The Company has actively obtained ISO 9001:2015 quality certification, CNS(Chinese National Standards) quality certification, ISO 14001:2015 environmental certification, ISO13485:2016 medical certification, OHSAS 18001:2007 occupational Health and Safety Management Systems certification, ISO 22716:2007 Cosmetics quality management system certification, GMPC(Good Manufacturing Practice of Cosmetic Products) excellent cosmetics manufacturing standards certification, AAMI American standard medical surgery clothing certification, EN13795 European standard medical surgery clothing certification, and FSC-COC:2017 (Chain of Custody) production and sales management certification. These certifications ensure that The Company manufactures and sells nonwoven fabric and related products under the strictest quality control and provide customers with peace of mind. In addition, The Company also uses related quality management tools (such as the SPC method) to continue to improve product quality. ISO 9001 and other quality management systems are implemented, and quality personnel are actively cultivated to ensure a solid foundation for product quality.

In addition to actively building a quality management system for various items, The Company also requires work personnel to strictly follow relevant production SOPs during the production process. The production environment is managed based on low temperature, germ-free, and cleanroom standards. To reduce possible pollution during the production process from personnel operations, The Company has introduced automated production equipment from Germany and Japan as well as conducted quality monitors and tests for

various automatic detection systems. This ensures that all products from the factory conform to strict quality standards and relevant specifications.

(5) Advantageous and disadvantageous factors for development prospects and response measures

① Advantageous factors

A. Downstream product application demand is steadily growing

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to 10 years. Therefore, The Company will have space for growth in the nonwoven fabric industry in the future.

B. Continual development of new application fields

The application scope of nonwoven fabric is continuing to expand and can be used in different applications after processing with different techniques. Nonwoven fabric products are continuing to be developed and innovated. In the United States, Japan, Europe, and other advanced nations, nonwoven fabric is still classified as an emerging industry that is environmentally friendly. Because there are diverse application fields, nonwoven fabric can be used in daily living supplies; medical protection; car materials; electronics and hi-tech; industrial, agricultural and textile products; and as shoe material and synthetic leather. Global demand for nonwoven fabric products is still steadily growing, and the production value will soon be higher than that of conventional textile products. Of these, nonwoven fabric is showing the fastest growth in everyday hygiene products and medical protection products.

C. Biotechnology products have a certain brand visibility

In addition to the production and sales of nonwoven fabric, The Company has gradually been diversifying in recent years. Currently, The Company has two brands, Silk Soft and Netharria. Products from these two brands include masks, makeup emulsion, lotion, moisturizer, and shower gel. These products are sold in department stores, post offices, and farmer's associations. Currently, mask products have become one of the most popular items sold by the post office. Our masks have also been selected by the Cross-Strait Trade & Commerce Association of R.O.C. as a recommended souvenir. Thus, The Company's beauty care products have established initial brand recognition. We will continue to expand our sales channels and further enhance our brand awareness.

② Disadvantageous factors

A. Risk of price competition from Chinese companies

According to Taiwan Nonwoven Fabric Industry Association monthly journal data, Chinese companies are continuing to make significant investments in the nonwoven fabric industry by acquiring machinery and equipment. In recent years, China's nonwoven fabric industry production quantity has grown by an average of 10% annually. China's nonwoven fabric production value is the highest in Asia (except Japan) and is rapidly developing. This

has formed a certain threat and pressure for Taiwan's industry. China's investment in nonwoven fabric is mostly centered around spunbond and meltblown production technology. Spunbond and meltblown have high investment costs and large production scale; therefore, high-quantity production is required to reach economies of scale for this new machine equipment. Thus, the current nonwoven fabric market is showing a trend of price competition.

Response measures:

The Company has focused on developing hot air/hot-press and spunlace technology nonwoven fabrics. Hot air/hot-press nonwoven fabric is soft, loose, and has good texture. Currently, they are widely used in diaper and sanitary napkin surface material. The Company has improved spunlace nonwoven fabric technology and materials, production technology, water quality purification technology, and post-processing technology (water resistance, alcohol resistance, and blood resistance). Currently, we have passed the American standard AAMI certification and European standard EN 13795 certification, which means that these materials can be used as medical and protective materials. Currently, surgical clothing made from spunlace nonwoven fabric has higher cost but is preferred by medical personnel because the materials are better than SMS composite nonwoven fabric. The Company is continuing with various new product development and product quality improvements and has clearly separated our market and product position from the spunbond and meltblown nonwoven fabric of our Chinese competitors.

B. Risk of substitute products

Currently, common nonwoven fabric formation technology used around the globe is similar and generally includes machine bonding, thermal bonding, spunbond, and meltblown technology. The Company's current main products are spunlace nonwoven fabric and hot air bonding/hot-press nonwoven fabric, which are classified as mechanical bonding and thermal bonding technology. Comparatively, some vendors have converted their investments toward spunbond and meltblown technology nonwoven fabric, then processing the products with composite processing to produce SMS nonwoven fabric. SMS nonwoven fabric such as polyester has a relatively low price. Not only does polyester have a price advantage, SMS nonwoven fabric has lower water permeability. Thus, SMS nonwoven fabric made with spunbond technology and meltblown technology and composite processing has become the primary replacement product for The Company's spunlace nonwoven fabric and air through & thermal bond nonwoven fabrics.

Response measures:

In addition to cost considerations, we must also consider the comfort and softness of nonwoven fabric products. Hot air/hot-press and spunlace technology produced nonwoven fabrics are more comfortable, softer, and more elastic. Although SMS produced surgical clothing can reach 40 g, the material tends to be transparent and has a plastic feel. Thus, surgical medical personnel still prefer surgical clothing made from spunlace nonwoven fabric and dislike wearing SMS nonwoven fabric surgical clothing that feels like a raincoat. Therefore, spunlace nonwoven fabric still has a certain market demand.

The Company is still developing various spunlace nonwoven fabric products such as elastic composite nonwoven fabric, elastic pulp spunlace nonwoven fabric, biodegradable environmentally friendly spunlace nonwoven fabric, flushable wet wipes, and industrial use wipe to increase the added value and application of spunlace nonwoven fabrics.

C. A large amount of investment must be made to maintain competitiveness in the nonwoven fabric industry

As production technology improves in the nonwoven fabric industry, new products are developed, sales are expanded, and branches are opened overseas, nonwoven fabric industry personnel must continue to invest funds to purchase new machinery and equipment to expand production capacity. This is required to gain and maintain a competitive advantage. Thus, the nonwoven fabric industry requires significant funding, and relevant operators should have sufficient funding and flexibility capital allocation to engage in expansions and asset investment.

Response measures

The Company maintains a good relationship with financial institutions. Currently, The Company has a low cost of borrowing money and still has sufficient bank financing. In the long term, The Company not only reserves a surplus from the annual profit but also uses listing plans and capital market instruments to obtain sufficient and stable long-term investment funds. This fund is used to fulfill expansion needs, improve the Company's financial structure, and reduce financial risk.

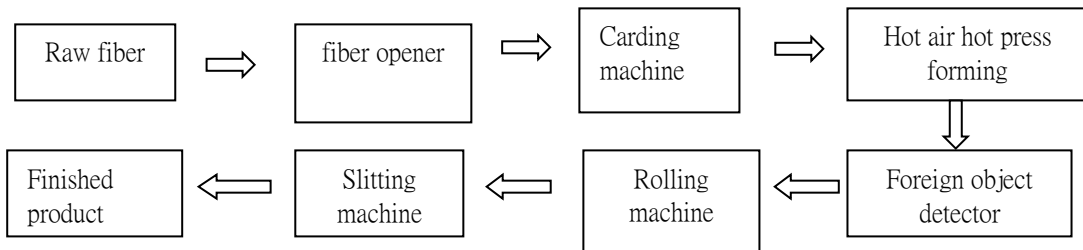
ii. Major uses and production process of the primary products

(1) Major uses of the primary products

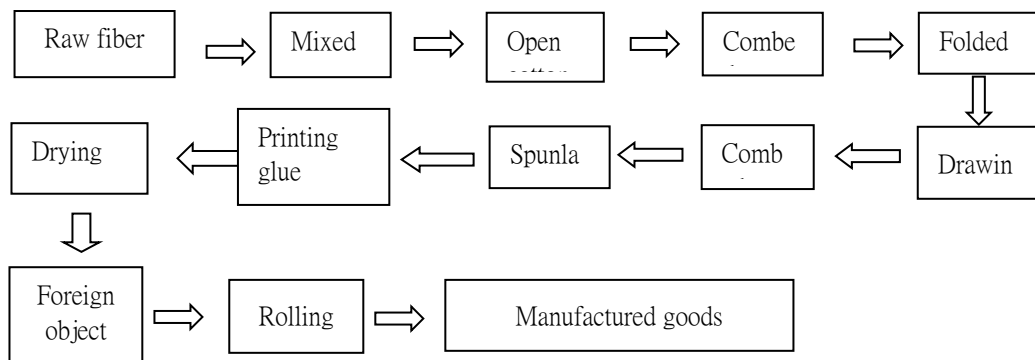
Main products	Important use
Air through & thermal bond nonwoven fabrics	Baby diaper and sanitary napkin surface material
Spunlace nonwoven fabric	Medical and sanitary materials, cleaning supplies, shoes
Biotech products	Wipes (infant, adult skin), masks, cleansing cotton, emulsion liquid cosmetics

(2) Production process

① Air through & thermal bond nonwoven fabric



② Spunlace nonwoven fabric



iii. Main raw material supply status

The main raw materials	Major suppliers (domestic and foreign)	Supply status
Polypropylene (PP), composite fiber Rayon fiber, PET fiber	SPV and Sinopec Yizheng	Good

iv. List of vendors that account for more than 10% of total purchases within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.

Units: Thousand NT\$; %

Items	2016				2017				As of March 31, 2018			
	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship
1	SPV	745,445	19.82	None	SPV	706,366	17.03	None	SPV	174,468	18.32	None
2	Others	3,016,366	80.18	None	Others	3,440,904	82.97	None	Others	777,709	81.68	None
	Net Purchase	3,761,811	100.00		Net Purchase	4,147,270	100.00		Net Purchase	952,177	100.00	

Explanation for changes:

The main raw materials used by The Company within the last two years are PET fiber, rayon fiber, and nonwoven fabric. SPV is The Company's rayon fiber provider. There are no major changes to raw material suppliers within the last two years.

v. List of customers that account for more than 10% of total sales within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.

Units: Thousand NT\$; %

Items	2016				2017				As of March 31, 2018			
	Name	Amount	% of net sales	Relationship	Name	Amount	% of net sales	Relationship	Name	Amount	% of net sales	Relationship
1	A Company	632,268	10.38	None	A Company	634,642	9.86	None	A Company	160,998	9.78	None
2	B Company	479,355	7.87	None	B Company	285,800	4.44	None	B Company	201,305	12.23	None
3	Others	4,978,767	81.75		Others	5,513,378	85.70		Others	1,283,309	77.99	
	Net Sales	6,090,390	100.00		Net Sales	6,433,820	100.00		Net Sales	1,645,612	100.00	

Explanation for changes:

The Company focuses on the nonwoven fabric industry and management of its related derivative products. Our main products include air through & thermal bond nonwoven fabric, spunlace nonwoven fabric, hygiene products, and biotech/beauty care products. Our customers include vendors in Taiwan, Japan, and Korea. Our product quality has passed professional certification, and The Company has a stable and long-term supply and sales relationship with our customers. There were no significant changes in sales customers within the last two years.

vi. Production quantity and value in the last two years

Unit: thousand packs/ton/ NT\$1000

Year Production quantity and amount Primary products	2016			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Spunlace nonwoven fabric	35,000	33,218	2,462,039	35,000	30,663	2,531,400
Air through & thermal bond nonwoven fabric	13,050	12,398	1,103,137	16,650	15,119	1,268,480
Biotechnology products (note)	—	242,651	2,846,349	—	278,985	3,463,787
Disposable surgical gowns fabrics	7,300	7,004	706,939	7,300	6,873	693,202
Others	—	151	10,031	—	15	4,066
Total	—	—	7,128,495	—	—	7,960,935

Note: includes wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

vii. Sales quantity and value in the last two years

Unit: thousand packs/ton/and NT\$1000

Year Sales value Primary products	2016				2017			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Spunlace nonwoven fabric	3,615	372,513	15,051	1,229,483	5,449	505,581	11,347	988,146
Air through & thermal bond nonwoven fabric	9,152	946,054	2,516	328,086	11,769	1,130,409	2,842	369,874
Biotechnology products (note)	123,269	2,047,517	14,521	155,449	123,578	2,322,601	11,190	126,373
Disposable surgical gowns fabrics	495	70,341	6,033	928,168	408	57,692	6,579	930,307
Others	124	12,779	—	—	12	2,837	—	—
Total		3,449,204		2,641,186		4,019,120		2,414,700

Note: includes wet wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

3. Number of employees in the last two years

Year		2016/12/31	2017/12/31	2018/03/31
The number of employees	Direct	603	680	686
	Indirect	205	198	198
	Total	808	878	884
Average age		33.53	33.57	33.69
Average years of service (years)		4.75	4.13	4.17
Education distribution ratio (%)	Ph.D.	0.12	0	0
	Master	2.35	2.28	2.26
	College	28.47	26.65	27.38
	High school	35.40	34.97	35.18
	Below high school	33.66	36.10	35.18

4. Environmental protection expenditures

(1) The Company has applied for and received pollution emission permits, paid pollution prevention fees, or established designated environmental personnel according to regulations. The following is The Company's permit and establishment status:

Items	Name of allowed fixed pollutant source	Code	Effective period	Permit document number	Remarks
1	Cosmetic manufacturing procedures	(M02) 190059	08/29/2015 - 08/28/2020	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1779-00	First factory
2	Heat medium heating process	(M02) 000002	06/13/2013 - 06/12/2018	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1172-00	Second plant
3	Heat medium heating process	(M04) 000002	09/19/2014 - 09/18/2019	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1555-00	Second plant
4	Heat medium heating process	(M05) 000002	04/07/2015 - 04/06/2020	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E0362-00	Second plant
5	Water pollution prevention and control permit		09/22/2015 - 09/21/2020	Kaohsiung City Government Environmental Protection Bureau water storage permit number 00950-00	First factory

(2) The Company's investment in environmental pollution prevention equipment, their uses, and their expected benefits:

March 31, 2018

Equipment name	Quantity	Obtainmen t date	Investment cost (NT\$1000)	Residual value	Remarks
Dust collection equipment	4	09/25/2000	1,083	0	Fiber opening machine is fitted with dust collection equipment to meet air pollution testing standards.
Dust collection equipment	1	07/31/2005	750	0	For use in opening fiber and collecting dust, reducing production costs, meeting environmental requirements.
Recycled water treatment equipment	1	04/01/2004	4,653	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	12/31/2000	220	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	11/25/2010	660	32	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	03/28/2011	3,630	277	Recycled water, reduce production costs, meet environmental requirements
Dust collection equipment	1	01/25/2011	95	0	Purification of waste gas, reduce production costs, and meet environmental requirements.
New construction of biotech wastewater retention equipment	1	09/25/2015	240	177	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Continuous and automatic monitoring of waste water (video) transmission	1	10/25/2015	500	375	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Flotation equipment	1	12/25/2015	8,677	6,715	Recycled water, reduce production costs, meet environmental requirements
Storage equipment (spunlace)—20T flat	1	02/25/2016	250	201	Process wastewater with regulated procedures until it reaches environmental

bottom tanks					protection requirements.
Pressure filter equipment	1	05/25/2016	860	729	Recycled water, reduce production costs, meet environmental requirements

Note: from 2017 through the date of annual report printed, The Company has expended NT\$6,363 thousand on environmental cleaning and maintenance-related items.

- (3) In the last two years through the printing of this annual report, the Company's improvement of environmental pollution: none.
- (4) The Company's losses and total fines as a result of pollution to the environment (including reparation) within the last two years through the printing of this annual report. Disclose future response measures, including improvement measures and possible expenditures (including estimated losses, fines, and compensation if response measures are not taken). If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.
- (5) Current pollution and improvement status, and its effects on the Company's competitive position and capital spending, as well as estimated major environmental protection capital expenditures in the next two years: none.

5. Employer/employee relationship

1. Company's employee benefits and retirement system and their implementation, as well as the employer/employee agreement status:

(1) Benefits:

The Company's employee-benefit-related measures are as follows:

- ① Issue performance bonuses according to operating conditions.
- ② Funeral/wedding, work injury, hospitalization subsidies and Labor Day bonuses.
- ③ Handle labor insurance, health insurance and relevant insurance for dependents.
- ④ Hold employee travel and issue employee birthday bonus.
- ⑤ Year-end banquet and lottery.
- ⑥ Engage in industry-academia cooperation and encourage employees to learn while on the job.

- (2) Education and training measures: fixed schedule training courses that provide professional personnel with career training and continual education.

(3) Retirement system:

The Company has established an Employee Retirement Monetary Fund Oversight Committee according to the Labor Standard Act and has regularly set aside regular monthly pensions that are saved in a Central Trust of China retirement account. To respond to the new retirement system, the Company will appropriate 6% to employee personal accounts.

(4) Employer/employee agreements:

The Company is subject to the Labor Standards Act, and all operations conform thereto. As of the printing of this annual report, there have been no employer/employee disputes.

2. The Company's losses and total fines as a result of employer/employee disputes within the last two years through the printing of this annual report. Disclose current and future estimated

monetary amount and response measures. If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.

6. Important contracts

Nature of contract	Party	Contract start elected	Main content	Restrictive terms
Land lease	Li Wu-Yi and five others	2010/02/01~2040/02/01	Real estate leasing (Yanchao plant land)	None
Taiwan Sugar Corporation land setting aboveground rights agreement	Taiwan Sugar Corporation	Jan.2014~Jan.2024	Real estate above ground property right	When the aboveground lease is up, renewal shall be through mutual agreement and after royalty payments, and cannot exceed 50 years (accumulated).
Construction contract	Chang-Lun Construction limited	April.2017 till the construction of new plant is completed	New Yanchao plant construction contract	None

VI. Financial summary

1. Concise financial data from the last five years

(1) Concise asset balance sheet and Comprehensive Income

i. Concise asset balance sheet—consolidated

Unit: Thousand NT\$

Year		Financial data in the last five years (Note 3)					2018/3/31
		2013/12/31	2014/12/31	2015/12/31	2016/12/31	2017/12/31	Financial data (Note 4)
Current assets		2,375,884	2,668,796	3,099,675	3,218,259	3,795,683	3,398,111
Property, plant and equipment		1,829,673	1,864,367	2,054,428	1,809,808	2,160,933	2,257,688
Intangible assets		307	171	24	1,783	1,819	1,753
Other assets		230,777	370,349	230,700	355,506	795,403	1,186,137
Total assets		4,436,641	4,903,683	5,384,827	5,385,356	6,753,838	6,843,689
Current liabilities	before distribution	1,883,995	1,805,950	1,898,557	1,903,894	2,529,425	2,463,632
	after distribution	2,043,715	2,009,230	2,181,697	2,252,374	Note1	Note2
Noncurrent liabilities		556,095	752,475	822,811	759,851	1,351,065	1,350,737
Total liabilities	before distribution	2,440,090	2,558,425	2,721,368	2,663,745	3,880,490	3,814,369
	after distribution	2,599,810	2,761,705	3,004,508	3,012,225	Note1	Note2
Owners equity		1,996,551	2,345,258	2,663,459	2,721,611	2,873,348	3,029,320
Capital		726,000	726,000	726,000	726,000	726,000	726,000
Capital surplus		453,467	453,467	453,467	453,467	453,467	453,467
Retained earnings	before distribution	765,401	1,027,393	1,399,382	1,697,811	1,887,082	1,986,850
	after distribution	605,681	824,113	1,116,242	1,349,331	Note1	Note2
Other equity		51,683	138,398	84,610	(155,667)	(193,201)	(136,997)
Treasury stock		-	-	-	-	-	-
Non-control equity		-	-	-	-	-	-
Total equity	before distribution	1,996,551	2,345,258	2,663,459	2,721,611	2,873,348	3,029,320
	after distribution	1,836,831	2,141,978	2,380,319	2,373,131	Note1	Note2

(Note 1) The 2017 profit distribution is waiting for approval at the shareholders' meeting.

(Note 2) As of May 12, 2018, the 2017 profit distribution proposal has not been proposed by the shareholders' meeting. Therefore, the amount after distribution is not listed.

(Note 3) The aforementioned financial data figures were audited by certified public accountants.

(Note 4) CPAs reviewed the financial statements as of March 31, 2018.

2. Concise consolidated income statement—consolidated

Unit: except for earnings per share, which is indicated in 1 NT\$, the remainder is in NT\$1000.

Year Item	Financial data in the last five years (Note 1)					2018/3/31
	2013	2014	2015	2016	2017	Financial data (Note 2)
Net sales	4,568,214	5,343,991	5,922,201	6,090,390	6,433,820	1,645,612
Gross profit	903,293	1,039,437	1,196,643	1,174,296	1,230,651	278,238
Operating profit	506,533	598,788	750,644	693,898	732,508	163,092
Other non-operating income and expenses	(24,293)	(2,831)	26,995	83,947	(12,251)	3,833
Income before income tax	482,240	595,957	777,639	777,845	720,257	166,925
Income from continuing operations	376,787	420,152	777,639	582,367	541,377	99,379
Net income	376,787	420,152	581,431	582,367	541,377	99,379
Other comprehensive income(loss)	77,459	88,275	(59,950)	(241,075)	(41,160)	56,593
Total comprehensive income(loss)	454,246	508,427	521,481	341,292	500,217	155,972
Net income attributable to owner of parent	376,787	420,152	581,431	582,367	541,377	99,379
Net income attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income attributable to owner of parent	454,246	508,427	521,481	341,292	500,217	155,972
Comprehensive income attributable to non- controlling interests	-	-	-	-	-	-
Earnings per share (After retroactive adjustment)	5.39	5.79	8.01	8.02	7.46	1.37

(Note 1) The aforementioned financial data have been audited by CPAs.

(Note 2) CPAs reviewed the financial statements as of March 31, 2018.

3. Concise balance sheet—the parent company only

Unit: NTS1000

Year		Financial data in the last five years (Note 2)				
		2013/12/31	2014/12/31	2015/12/31	2016/12/31	2017/12/31
Item						
Current assets		886,993	1,045,160	1,231,510	1,176,861	1,145,757
Property, plant and equipment		246,108	274,002	286,263	296,772	757,474
Intangible assets		-	-	-	789	-
Other assets		1,801,650	2,208,397	2,549,130	2,985,364	3,754,369
Total assets		2,934,751	3,527,559	4,066,903	4,459,786	5,657,600
Current liabilities	before distribution	699,555	786,083	895,428	1,160,151	1,689,809
	after distribution	859,275	989,363	1,178,568	1,508,631	Note1
Noncurrent liabilities		238,645	396,218	508,016	578,024	1,094,443
Total liabilities	before distribution	938,200	1,182,301	1,403,444	1,738,175	2,784,252
	after distribution	1,097,920	1,385,581	1,686,584	2,086,655	Note1
Owners equity		1,996,551	2,345,258	2,663,459	2,721,611	2,873,348
Capital		726,000	726,000	726,000	726,000	726,000
Capital surplus		453,467	453,467	453,467	453,467	453,467
Retained earnings	before distribution	765,401	1,027,393	1,399,382	1,697,811	1,887,082
	after distribution	605,681	824,113	1,116,242	1,662,971	Note1
Other equity		51,683	138,398	84,610	(155,667)	(193,201)
Treasury stock		-	-	-	-	-
Non-control equity		-	-	-	-	-
Total equity	before distribution	1,996,551	2,345,258	2,663,459	2,721,611	2,873,348
	after distribution	1,836,831	2,141,978	2,380,319	2,373,131	Note1

(Note 1) The 2017 profit distribution is waiting for approval at the shareholders' meeting.

(Note 2) The aforementioned financial data have been audited by CPAs.

4. Concise consolidated income statement - the parent company only

Unit: except for earnings per share, which is indicated in 1 NT\$, the remainder is in NT\$1000.

Item	Year	Financial data in the last five years (Note 1)				
		2013	2014	2015	2016	2017
Net sales		2,348,101	2,746,554	3,154,206	3,233,424	3,001,485
Gross profit		362,964	442,507	508,718	371,968	378,895
Operating profit		127,331	247,866	308,677	175,510	197,094
Other non-operating income and expenses		264,885	241,013	353,211	462,492	380,262
Income before income tax		392,216	488,879	661,888	638,002	577,356
Income from continuing operations		376,787	420,152	581,431	582,367	541,377
Net income		376,787	420,152	581,431	582,367	541,377
Other comprehensive income(loss)		77,459	88,275	(59,950)	(241,075)	(41,160)
Total comprehensive income(loss)		454,246	508,427	521,481	341,292	500,217
Net income attributable to owner of parent		376,787	420,152	581,431	582,367	541,377
Net income attributable to non-controlling interests		-	-	-	-	-
Comprehensive income attributable to owner of parent		454,246	508,427	521,481	341,292	500,217
Comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share (After retroactive adjustment)		5.39	5.79	8.01	8.02	7.46

(Note 1) The aforementioned financial data have been audited by CPAs.

2. Financial analysis

(1) Financial analysis— IFRSs (consolidated)

Item analyzed		Year	Financial analysis in the last five years					As of
			2013	2014	2015	2016	2017	2018/3/31
Financial structure (%)	Liability to asset ratio		55.00	52.17	50.54	49.46	57.46	55.74
	Long-term capital as a proportion of fixed assets		139.51	166.15	169.70	192.37	195.49	194.01
Debt repayment Capacity %	Current ratio		126.11	147.78	163.26	169.04	150.06	137.93
	Quick ratio		72.38	85.28	92.36	105.03	97.89	88.32
	Interest coverage (times)		16.32	26.06	32.80	59.10	49.49	31.70
Operation Capacity	Receivables turnover (times)		5.86	5.38	5.17	4.87	4.74	4.72 (Note1)
	Average collection days		62.00	68.00	71.00	75.00	77.00	77.00 (Note1)
	Inventory turnover (times)		6.55	6.06	5.36	5.12	5.50	6.17 (Note1)
	Payables turnover (times)		5.65	4.38	4.42	4.62	4.83	5.71 (Note1)
	Average inventory turnover days		56.00	60.00	68.00	71.00	66.00	59.00 (Note1)
	Fixed asset turnover (times)		3.03	2.89	3.02	3.15	3.24	3.05 (Note1)
	Total asset turnover (times)		1.16	1.14	1.15	1.13	1.06	1.08 (Note1)
Operation Capacity	Asset rate of return (%)		10.19	9.36	11.66	11.00	9.10	6.71 (Note1)
	Return on equity (%)		23.45	19.35	23.22	21.63	19.35	13.82 (Note1)
	Percentage of income before income tax to paid-up capital (%) (note7)		66.42	82.09	107.11	107.14	99.21	22.99
	Net profit ratio (%)		8.25	7.86	9.82	9.56	8.41	6.04
	Earnings per share (NT\$)		5.39	5.79	8.01	8.02	7.46	1.37
Cash Flow	Cash flow ratio (%)		36.77	29.00	33.09	42.42	30.32	(1.96)
	Cash flow adequacy ratio (%)		75.01	81.90	83.65	94.30	82.10	68.24
	Cash reinvestment ratio (%)		15.07	7.68	7.92	9.46	6.39	(0.72)
Degree of leverages	Degree of operating leverage		1.66	1.65	1.54	1.63	1.62	5.87
	Degree of financial leverage		1.07	1.04	1.03	1.02	1.02	1.03

The changes of financial ratio of the last two years:

1. The Yanchao new plant is during instruction in 2017. For increasing capacity and product quality purpose, the Company purchased new machines and eliminated old machines. The Company used profit and long-term loan to pay the cash out of machines and increased a few working capitals. Then the current liabilities in 2017 was more than 2016, the cash flow ratio in 2017 was less than 2016.
2. The Yanchao new plant is during instruction in 2017. For increasing capacity and product quality purpose, the Company purchased new machines and eliminated old machines. The cash reinvestment ratio in 2017 was less than 2016.
3. The remaining financial ratios had no important changes.

(Note 1) This financial analysis has been converted for the entire year.

(Note 2) All financial ratios have been calculated according to the financial statement audited by CPAs.

(2) Financial analysis— IFRSs (parent company only)

Item analyzed		Financial analysis in the last five years				
		2013	2014	2015	2016	2017
Financial structure (%)	Liability to asset ratio	31.96	33.52	34.51	38.97	49.21
	Long-term capital as a proportion of fixed assets	908.22	1,000.53	1,107.89	1,111.84	523.82
Debt repayment Capacity %	Current ratio	126.79	132.96	137.53	101.44	67.80
	Quick ratio	83.29	91.08	90.28	64.34	42.42
	Interest coverage (times)	31.90	53.67	64.16	84.52	53.02
Operation Capacity	Receivables turnover (times)	6.56	5.55	5.62	6.01	6.43
	Average collection days	56.00	66.00	65.00	61.00	57.00
	Inventory turnover (times)	7.85	8.61	8.24	8.10	8.20
	Payables turnover (times)	8.48	8.47	6.81	6.00	6.43
	Average inventory turnover days	46.00	42.00	44.00	45.00	45.00
	Fixed asset turnover (times)	8.86	10.56	11.26	11.09	5.75
	Total asset turnover (times)	0.90	0.85	0.83	0.76	0.62
Operation Capacity	Asset rate of return (%)	14.90	13.25	15.55	13.82	10.91
	Return on equity (%)	23.45	19.35	23.22	21.63	19.35
	Percentage of income before income tax to paid-up capital (%) (note 7)	54.32	67.34	91.17	87.88	79.53
	Net profit ratio (%)	16.03	15.30	18.43	18.01	18.04
	Earnings per share (NT\$)	5.39	5.79	8.01	8.02	7.46
Cash Flow	Cash flow ratio (%)	25.70	23.26	35.89	24.18	12.65
	Cash flow adequacy ratio (%)	57.42	66.39	64.71	58.55	39.97
	Cash reinvestment ratio (%)	2.68	0.64	2.87	(0.06)	(2.69)
Degree of leverages	Degree of operating leverage	2.39	1.57	1.51	1.85	1.70
	Degree of financial leverage	1.11	1.04	1.04	1.05	1.06

The changes of financial ratio of the last two years:

1. The Yanchao new plant is during instruction in 2017. For increasing capacity and product quality purpose, the Company purchased new machines and related equipment, eliminated old machines and related equipment. The Company used profit and long-term loan to pay the cash out of machines and increased a few working capitals. Then the liabilities and interest in 2017 were more than 2016. Property, plant, equipment and noncurrent liabilities in 2017 were more than 2016. The ratio of debt repayment capacity and cash flow in 2017 were less than 2016.
2. The ratio of long-term capital as a proportion of fixed assets, fixed asset turnover and total asset turnover in 2017 were less than 2016.
3. The remaining financial ratios had no important changes.

Note: All financial ratios have been calculated according to the financial statement audited by CPAs.

The financial analysis calculation formula is as follows:

1. Financial structure

(1) Liability to asset ratio = Total liabilities / Total assets.

(2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities) / (Total net value of property, plant, and equipment).

2. Debt-paying ability

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current asset – inventories) / Current liabilities.

(3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.

3. Operating ability

(1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).

(2) Average collection days = 365 / Receivables turnover ratio.

(3) Inventory turnover ratio = Cost of sales / Average inventory value.

(4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).

(5) Average inventory turnover days = 365 / Inventory turnover ratio.

(6) Property, plant, and equipment (PP&E) turnover ratio = Net sales/Average value of PP&E

(7) Total inventory turnover rate = Net sales / Average total asset value.

4. Return on investments

(1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses × (1 – interest rates)] / Average total asset value.

(2) Return on Equity (ROE) = Gain (loss) after tax / Average total equity value.

(3) Net profit rate = Gain (loss) after tax / Net sales.

(4) Earnings per share (EPS) = (Gain (loss) attributable to the owner of the parent company – dividends of preferred shares) / Weighted average of outstanding shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash flow of business activities / Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years / (Capital expenditure + inventory increase + cash dividends) for the 5 most recent years.

(3) Cash reinvestment ratio = (Net cash flow for business activities – cash dividends) / (Gross value of PP&E + Long-term investments + Other non-current assets + business capital). (Note 5)

6. Degrees of leverage

(1) Degree of operating leverage (DOL) = (Net operating revenue – operating change costs and expenses) / Operating profit (Note 6).

(2) Degree of financial leverage (DFL) = Operating profit / (Operating profit – interest expenses).

(3) Name of the CPA in the last 5 years and audit opinions

Year	Accounting firms	Name of the CPA	Audit opinions
2013	Yangtze CPAs & Co.	Hu Xiang-Ning, Lin Szu-Ning	No reservations
2014	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	No reservations
2015	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	No reservations
2016	Yangtze CPAs & Co.	Wang Jin-Xiang, Wang Shu-Tung	No reservations
2017	Yangtze CPAs & Co.	Wang Shu-Tung, Hu, Hsiang-Ning	No reservations

3. Supervisor's Review Report of the 2017 (Please refer to page 103~108)

4. 2017 Independent Auditors' Report, consolidated financial statements, and notes:

Please refer to page 85~144 of the Chinese annual report.

5. 2017 Independent Auditors' Report, Parent Company Only financial statements, and notes:

Please refer to page 145~202 of the Chinese annual report.

6. Any financial difficulties experienced by the Company and its affiliated businesses during the most recent year up to the publication date of this report as well as the impact of said difficulties on the financial condition of The Company: None.

VII. Discussion and analysis of financial data and management results, as well as risk management.

1. Financial condition

Review and analysis of financial data

(1) Financial data analysis —consolidated

Unit: Thousand NT\$

Item \ Year	2017	2016	Difference	
			Amount	%
Current assets	3,795,683	3,218,259	577,424	17.94
Property, plant and equipment	2,160,933	1,809,808	351,125	19.40
Intangible assets	1,819	1,783	36	2.02
Other assets	795,403	355,506	439,897	123.74
Total assets	6,753,838	5,385,356	1,368,482	25.41
Current liabilities	2,529,425	1,903,894	625,531	32.86
Noncurrent liabilities	1,351,065	759,851	591,214	77.81
Total liabilities	3,880,490	2,663,745	1,216,745	45.68
Capital	726,000	726,000	0	0.00
Capital surplus	453,467	453,467	0	0.00
Retained earnings	1,887,082	1,697,811	189,271	11.15
Other equity	(193,201)	(155,667)	(37,534)	24.11
Total equity	2,873,348	2,721,611	151,737	5.58

The changes of Assets, liabilities and equity of the last two years (the change ratio is over 20% and change amount is more than NTD 10,000 thousand):

1. Other assets: To upgrade product capacity and manufacture process, increase prepayment equipment.
2. Current liabilities and noncurrent liabilities: The Yanchao new plant is during instruction and increase prepayment equipment in 2017. The Company used profit and long-term loan to pay the cash out of machines and increased a few working capitals. Then the current liabilities and noncurrent liabilities in 2017 were more than 2016.
3. Other equity: Because of changes in CNY exchange rate, financial statements translation differences for foreign operations in 2017 was less than 2016.
4. The above changes were normal operation. There is no important effect to the Company finance.

(2) Financial data analysis —Parent Company Only

Unit: Thousand NT\$

Item \ Year	2017	2016	Difference	
			Amount	%
Current assets	1,145,757	1,176,861	(31,104)	(2.64)
Property, plant and equipment	3,120,375	2,757,207	363,168	13.17
Intangible assets	757,474	296,772	460,702	155.24
Other assets	633,994	228,946	405,048	176.92
Total assets	5,657,600	4,459,786	1,197,814	26.86
Current liabilities	1,689,809	1,160,151	529,658	45.65
Noncurrent liabilities	1,094,443	578,024	516,419	89.34
Total liabilities	2,784,252	1,738,175	1,046,077	60.18
Capital	726,000	726,000	0	0.00
Capital surplus	453,467	453,467	0	0.00
Retained earnings	1,887,082	1,697,811	189,271	11.15
Other equity	(193,201)	(155,667)	(37,534)	24.11
Total equity	2,873,348	2,721,611	151,737	5.58

The changes of Assets, liabilities and equity of the last two years (the change ratio is over 20% and change amount is more than NTD 10,000 thousand):

1. Property, plant, equipment and other assets: The Yanchao new plant is during instruction. To upgrade product capacity and manufacture process, increase property, plant, equipment and prepayment equipment.
2. Current liabilities and noncurrent liabilities: For increasing property, plant, equipment and prepayment equipment, the Company used profit and long-term loan to pay the cash out of machines and increased a few working capitals. Then the current liabilities and noncurrent liabilities in 2017 were more than 2016.
3. Other equity: Because of changes in CNY exchange rate, financial statements translation differences for foreign operations in 2017 was less than 2016.
4. The above changes were normal operation. There is no important effect to the Company finance.

2. Operating results

(1) Comparative analysis of operating results—consolidated

Unit: Thousand NT\$

Item	Year		Change amount	Changes(%)
	2017	2016		
Net sales	6,433,820	6,090,390	343,430	5.64
Cost of goods sold	5,203,169	4,916,094	287,075	5.84
Gross profit	1,230,651	1,174,296	56,355	4.80
Total operating expenses	498,143	480,398	17,745	3.69
Operating profit	732,508	693,898	38,610	5.56
Other non-operating income and expenses	(12,251)	83,947	(96,198)	(114.59)
Income before income tax	720,257	777,845	(57,588)	(7.40)
Income tax expense	178,880	195,478	(16,598)	(8.49)
Net income	541,377	582,367	(40,990)	(7.04)
Other comprehensive income(loss)	(41,160)	(241,075)	199,915	(82.93)
Total comprehensive income(loss)	500,217	341,292	158,925	46.57

Description of the change ratio is over 20% and change amount is more than NTD 10,000 thousand:

1. Other non-operating income and expenses: Because of changes in USD exchange rate, increase foreign exchange loss.
2. Other comprehensive income(loss): Because of changes in CNY exchange rate, financial statements translation differences for foreign operations in 2017 was less than 2016.
3. The above changes were normal operation. There is no important effect to the Company finance.

(2) Comparative analysis of operating results—Parent Company Only

Unit: Thousand NT\$

Year	2017	2016	Change amount	Changes(%)
Net sales	3,001,485	3,233,424	(231,939)	(7.17)
Cost of goods sold	2,602,435	2,861,262	(258,827)	(9.05)
Gross profit	399,050	372,162	26,888	7.22
Total operating expenses	201,956	196,652	5,304	2.70
Operating profit	197,094	175,510	21,584	12.30
Other non-operating income and expenses	380,262	462,492	(82,230)	(17.78)
Income before income tax	577,356	638,002	(60,646)	(9.51)
Income tax expense	35,979	55,635	(19,656)	(35.33)
Net income	541,377	582,367	(40,990)	(7.04)
Other comprehensive income(loss)	(41,160)	(241,075)	199,915	(82.93)
Total comprehensive income(loss)	500,217	341,292	158,925	46.57

(Note): Unrealised revenue (profit) on transactions with associates

Description of the change ratio is over 20% and change amount is more than NTD 10,000 thousand:

1. Income tax expense: Income tax expense of additional 10% surtax on undistributed retained Earnings in 2017 was less than 2016.
2. Other comprehensive income(loss): Because of changes in CNY exchange rate, financial statements translation differences for foreign operations in 2017 was less than 2016.
3. The above changes were normal operation. There is no important effect to the Company finance.

(3) Expected sales volume and its basis, its possible effects on the Company's future finances, and response plan: not applicable.

3. Cash flow

1. Analysis of change in cash flow for the recent year—consolidated

Unit: Thousand NT\$

Items	2017	2016	Changes
Net cash flow from operating activities	766,949	807,691	-5.31%
Net cash flow from investing activities	(1,060,440)	(254,495)	76.00%
Net cash flow from financing activities	745,502	(284,538)	138.17%

Data source: financial statements audited by CPAs
 Analysis of the changes in cash flow :
 (1) Change amounts of Net cash inflow from operating activities between 2017 and 2016 was not too much.
 (2) Net cash outflow from financing activities increased NT\$805,945 thousand. The Yanchao new plant is during instruction. To upgrade product capacity and manufacture process, increase property, plant, equipment and prepayment equipment. The capital expenditure in 2017 was more than 2016.
 (3) The Company used long term loan to pay capital expenditure. Net cash flow from financing activities in 2017 was more than 2016.

2. Analysis of changes in cash flow for the most recent year—Parent Company Only

Unit: Thousand NT\$

Items	2017	2016	Changes
Net cash flow from operating activities	213,782	280,576	-31.24%
Net cash flow from investing activities	(868,287)	(294,375)	66.10%
Net cash flow from financing activities	766,893	(73,369)	109.57%

Data source: financial statements audited by CPAs.
 Analysis of the changes in cash flow:
 (1) Net cash flow from operating activities decreased 66,794 thousand. The accounts payable and notes payable in 2017 was more than 2016.
 (2) Net cash flow from investing activities increased 573,912 thousand. The capital expenditures of Yanchao new plant in Taiwan increased. To upgrade production line, purchased related machines. Prepayments on equipment in 2017 were more than 2016.
 (3) The Company used long term loan to pay capital expenditure. Net cash flow from financing activities in 2017 was more than 2016.

3. Liquidity improvement program: not applicable.

4. Analysis of cash flow for the next year—consolidated

Unit: Thousand NT\$

Cash at the beginning of the period A	Expected net cash flow from operating activities for the next year	Expected cash flows for the year C	Projected cash surplus (deficiency) A+B-C	Remedial measures for expected cash inadequacy	
				Investment plan	Capital increase planned
1,015,577	456,980	(1,512,590)	(40,033)	1,019,084	—

Analysis description:

- (1) Operating activities: expect company profit to continue to grow, resulting in net cash inflow generated by operating activities.
- (2) Investment activities: build new factory and buy equipment, which results in a net cash outflow from investing activities.
- (3) Financing activities: repay long- and short-term loans according to the loan contract. Issuing of cash dividend results in financing activity net cash outflow.
- (4) Remedial measures for projected cash shortfall: as analyzed above, annual cash surplus is expected.

4. Material expenditures of the most recent year and impact on the Company's finances and operations

The Company's recent major capital expenditure for the investment of new factory in Yanchao, has been approved by the Board of directors on March 14, 2017. The chairman of the board of directors has been authorized to handle the related matters. The Company plans to set up new Production lines, Warehouse units, Biotech building and Office building with a total investment of NT\$ 3 billion (including working capital), along with capital expenditure of NT\$ 2.5 billion. The funding comes primarily from the Company's operating profit and Bank loans. There is no significant impact on the company's finances.

5. Reinvestment policy for the most recent year, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year

(1) Reinvestment policy for the most recent year:

The Company's current reinvestment is through a Samoa holding company, and the investment is in the Pinghu City subsidiary company (of a subsidiary company). Because investment in Pinghu, China, was implemented early, the China reinvestment company showed a continuing profit growth in 2017 after many years of hard work and development. Strong future domestic Chinese demand is expected, and The Company is maintaining its high manufacturing quality and is appropriately expanding its business scale.

In response to the requests from the major customers, the company has evaluated the market demand and planned to set up a factory in India to supply its products and satisfy the demands of the local customers. The case has been approved by the board of directors on March 14, 2017 and the chairman of the board of directors has been authorized to handle the related matters. The total investment is US \$20 million (including working capital) and the process is still in the preparatory stage.

(2) Main reason for profit or loss, improvement plan, and the Company's reinvestment policy:

31 December 2017 Unit: Thousand NT\$

Reinvestment undertakings	Accumulated remittance Investment amount	Main reason for profits or losses	
		2017 investment profit	Description
NANLIU ENTERPRISE CO., LTD. (SAMOA)	1, 488, 208	383, 298	Operation normal, profit in good condition
Nanliu Enterprise (Pinghu) Ltd.	1, 846, 701	380, 303	Operation normal, profit in good condition

NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	48	-2	In preparation.
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(3) Improvement plans and investment plans for the year ahead:

A. Taiwan: according to the market situation, The Company estimates that there is potential for demand growth in personal hygiene material such as EDI pure water wet wipes, diapers, and sanitary napkins. Thus, The Company will continue to invest in this equipment to develop opportunities for cooperation with customers and increase The Company's operating income. To integrate the resources of The Company's various plants, The Company has leased land in the Yanchao District. In the future, the old factory will be moved to the new location. This will concentrate manpower and equipment resources to improve the Company's management efficiency.

B. China: The Company has established a subsidiary company Nanliu (Pinghu) Ltd. in China to handle relevant business. The Company purchase nonwoven machines and related equipment to meet China customers' demand.

C. India: In response to the requests from the major customers and the future of local market, the case has been approved by the board of directors. The Company will setup nonwoven plant in India to provide local customer material demand. The India plant is during preparation.

(6) Other important matters: none.

6. Risk management assessment and analysis:

(1) Changes to interest rates, currency exchange fluctuations, and inflation within the last year and how these may impact The Company's gain or loss, as well as future response measures.

1. Changes in interest rates and resulting impact to The Company's gain or loss as well as future response measures:

The Company's long-term and short-term bank loan rate in 2017 was around 0.84% to 1.10%. In recent years, market interest rates have been low, which is beneficial to the Company when negotiating financing interest rates. The company's investment in new Yanchao plant required currency is NT\$. And it is estimated that Taiwan's Central Bank will maintain the current standard for future long-term interest rates. The Company's Finance Department specialists will periodically or regularly assess bank lending rates and pay attention to changes in the international and domestic financial markets. Finance personnel will also maintain close contact with banks to obtain more favorable lending rates and ample credit.

2. Currency exchange fluctuations and resulting impact on The Company's gain or loss as well as future response measures

The Company's major markets cover the United States and Japan, and the export ratio is more than 50%. Thus, changes in exchange rates have a significant impact on the Company's profit and loss. The Company's main production raw materials, such as rayon, polyester fiber and polypropylene, are mostly procured from foreign suppliers. The intake and expenditure of the same currency produces an offset and has a natural hedging effect on exchange rate changes. To avoid the potential impact of exchange rate fluctuations on profit, the Company has taken the following response measures:

① Foreign currency assets and liabilities offset

Foreign currencies accepted as payment for export are used to directly pay for imports to reduce

exchange differences produced by foreign exchange transactions.

- ② Collect exchange rate change information at all times to fully grasp exchange rate trends. This is used to determine the time for converting foreign currency to NT\$ or retained foreign currency in a foreign exchange account.
- ③ Improve the quality and added value of products to adequately reflect exchange rate fluctuation in the cost and adjusted prices.

3. Effects of inflation on the Company's profit and loss.

In recent years, the global economic system has raised up from the bottom. International oil prices have remained high. Domestic electricity price hikes have gradually resulted in price increases of basic everyday supplies and result in inflation concerns. The Company's procurement unit has rapidly responded to market fluctuations. Sales units have consulted with customers in a timely manner regarding costs. Thus, The Company's operations and losses (gains) in the last two years have not been seriously affected by inflation. In addition to boosting added value, The Company will continue efforts to reduce production costs to reduce negative effects of inflation on market demand.

- (2) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, derivatives trading policies, main reasons for profits or losses in the last year, and future response measures.

The Company has not engaged in high-risk, highly leveraged investments and has not carried out derivative transactions. Lending to others, endorsements, and guarantees are handled according to policy and response measures set up in the “Operational Procedure of Governing Loaning of Funds and Making of Endorsements/Guarantees” and the “Operational Procedures for Endorsements and Guarantees”.

- (3) Future research plan and expected research and development fee:

The Company is a professional nonwoven fabric producer and uses this as a core technology. We are gradually crossing over to downstream product applications such as sanitary material, medical supplies and beauty care items to diversify our products. To provide customers with the highest-quality grade of nonwoven products and follow the latest market trends, The Company's research and development team has spared no effort in improving production technology and research. The team has continually developed sanitary materials and beauty care products according to popular trends to lead the market and obtain opportunities. The Company expects to invest NT\$30,000 thousand in research and development in 2018. Development plans are as follows:

- (1) Nonwoven fabric: medical, surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven fabric, biodegradable environmentally friendly nonwoven material, 3D surface nonwoven fabric, and industrial wipes.
- (2) Biotechnology products: high-quality facial mask, high-quality skincare products, food grade collagen, plant placenta extract, emulsions, liquid cosmetics, and flushable wet towels.

- (4) Changes to local and overseas policies and laws that impact the Company's financial operations, and response measures:

The Company's daily operations conform to relevant domestic and foreign laws. We always pay attention to foreign and domestic policy trends and changes in law to propose response measures in a timely manner. In the last year and as of the printing of this prospectus, there are no important domestic or international policy or law changes that affected the Company's financial operations.

- (5) Changes to technology and industry that impact the Company's financial operations, and response measures:

The products produced by The Company are nonwoven fabric and its application-related products. These are general consumer goods that have a wide range of use, including medical, cleaning, cosmetic, agricultural, and industrial use. These products have become indispensable base materials and have a certain annual market demand. Nonwoven fabric is an improvement of textiles. Different materials are blended or innovative processes are used to transform and produce products with different uses and functions. As technology and production technology evolve, application of nonwoven fabric becomes broader and is gradually replacing conventional textile. The Company has spared no effort in grasping product trends. The objective is to meet customer's design or pioneer new product markets. Thus, technology and industrial change are the power and opportunity that drive The Company's business development.

(6) Changes to corporate image that impact the Company's risk management, and response measures:

The Company always adheres to professional and honest business principles and value the importance of risk management and corporate image. We work hard to achieve worker solidarity and gain recognition from our customers. In the last year and as of the printing of this prospectus, The Company has not encountered any corporate image changes that have caused a corporate crisis.

(7) Anticipated benefits of mergers and possible risks:

The Company currently has no plans to acquire another company.

(8) Anticipated benefits and possible risks of plant expansion:

The Company has considered that there is still considerable growth space in the hygiene and beauty care market, that the demand in the Chinese market is large, and that demand for hygiene products is increasing because people's standard of living has improved. Thus, The Company expects to continue procuring related equipment. The objective is not only to develop local customers and increase overall operating scale but also to increase production capacity and establish classification planning. The most appropriate operating cost can be arranged according to product demand, which can increase product production benefits.

(9) Purchase or sale concentration risks:

A. Purchase concentration risk:

The primary material sources for The Company's product are stable and sufficient. These materials are large quantity materials with adequate capacity. There is a variety of supplier choices, and The Company has a stable annual procurement volume. The Company maintains a good relationship with suppliers, so there is no purchase concentration risk.

B. Sales concentration risk

The Company's main products include hot-air/hot-pressed nonwoven fabric, spunlace nonwoven fabric, and hygiene and beauty care products. Main applications include baby diaper and sanitary napkin surface material, medical sanitary materials, and personal hygiene sanitary materials. Our product lines are diversified, and our customer base covers Europe, America, Japan and China. The Company maintains a good and cooperative relationships with our major customers. The main target group includes well-known sanitation materials manufacturers and domestic and foreign agents. Our customer base is distributed, and our largest customer does not account for more than 20% of sales. Thus, there is no sales concentration risk.

(10) Impact and risks resulting from major equity transfer or change by Directors, supervisors, or shareholders holding more than 10% of the Company's shares.

In the last year through the printing of this annual report, there has been no major equity

transfer or change by Directors, supervisor, or major shareholders who hold more than 10% of the Company's shares.

(11) Impact of change of operating rights on the Company and risks:

Last year through the printing of this annual report, the Company has had no operating rights changes.

(12) Litigation or non-lawsuit events: confirmed judgment, ongoing litigation, and non-litigation or administrative contention items that involve the Company, company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock shall be clearly listed. If the results could have a major effect on the Company's shareholders' equity or securities price, the relevant data should be disclosed:

- A. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices shall be disclosed. Disclosure includes disputed facts, amount, proceeding starting date, the main parties involved, and present status: none.
- B. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items involving company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices: none.
- C. Company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock that was involved with Securities Exchange Act Article 157 items, and the Company's current handling status, within the last two years through the printing of this annual report: none.

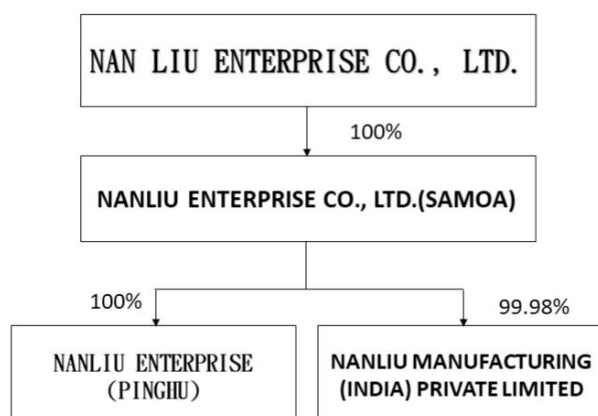
(13) Other important risks and response measures: None.

7. Other important issues: None

IX. Special items to be included:

1. Relevant data on affiliated businesses:

A. Organization structure of affiliated businesses



B. Relationship with affiliated companies and mutual holding of shares

December 31, 2017 Units: 1000 NT\$; 1000 shares

Name of affiliated company	Relationship with The Company	The Company's holding of affiliated company shares			Affiliated company's holding of The Company's shares		
		Percentage of shares	Number of shares	Actual investment amount	Percentage of shares	Number of shares	Actual investment amount
NANLIU ENTERPRISE CO., LTD (SAMOA)	The Company's subsidiary company	100%	47,728	1,488,208	0	0	0
Nanliu Enterprises (Pinghu) Ltd.	Subsidiary company of the Company's subsidiary company	100%	0	1,846,701	0	0	0
NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED	Subsidiary company of the Company's subsidiary company	99.98%	0	48	0	0	0

C. Affiliated company consolidated financial statements:

For 2017 (January 1 to December 31, 2017), affiliated businesses of The Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by International Financial Reporting Standards No. 7. All information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated businesses were not generated separately.

2. Privately placed securities handling status in the past year through the printing of this annual report shall disclose the date and amount passed by the shareholders' meeting or the Board of Directors, price setting basis and rationale, selection method for specific people, necessary reason for organizing private placement, and the completion of the fund application plan after monies and proceeds are fully collected. Fund application status in privately placed securities and plan implementation progress: no such situation.

3. Holding or disposal of subsidiary company shares in the last year through the publication date of this report. None
 4. Legal penalization of The Company, penalization of internal personnel by The Company, major deficiencies, and improved situation within the last year through the printing of this annual report: none
 5. Other supplemental items that must clarified: None.
- X. Any event that resulted in substantial impact upon the shareholders' equity or prices of the Company's securities as prescribed by Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act that have occurred in the most recent year through the printing date of this report: None.

Nan Liu Enterprise Co., Ltd.
Supervisor's Review Report
(Translation)

The Board of Directors has prepared the Company's 2017 Business Report, parent company only 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)

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.

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1. Under planned scope and timing of audit, no significant audit findings are discovered.
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Nan Liu Enterprise Co., Ltd.
Supervisor : Su, Chao-Shan
On the Date of March 15, 2018

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Supervisor's Review Report
(Translation)

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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 : Hsieh,Chiu-Lan
On the Date of March 15, 2018

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 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.
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 : 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.

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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, 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 : Chung, Mao-Chih
On the Date of March 15, 2018

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 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.
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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E-mail:h0001@yzcpa.com.tw

台北二所：
台北市 104 中山區八德路二段 203 號 6 樓
Tel : 02-8772-2990
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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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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	\$ -	\$ 2,663,459
Legal reserve appropriated	-	-	-	58,143	-	(58,143)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(283,140)	-	-	(283,140)
Net income in 2016	-	-	-	-	-	582,367	-	-	582,367
Other comprehensive income for the year	-	-	-	-	-	(798)	(240,277)	-	(241,075)
Balance as of December 31, 2016	72,600	\$ 726,000	\$ 453,467	\$ 259,498	\$ 44,348	\$ 1,393,965	\$ (155,667)	\$ -	\$ 2,721,611
Balance as of January 1, 2017	72,600	\$ 726,000	\$ 453,467	\$ 259,498	\$ 44,348	\$ 1,393,965	\$ (155,667)	\$ -	\$ 2,721,611
Legal reserve appropriated	-	-	-	58,237	-	(58,237)	-	-	-
Special reserve appropriated	-	-	-	-	111,319	(111,319)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(348,480)	-	-	(348,480)
Net income in 2017	-	-	-	-	-	541,377	-	-	541,377
Other comprehensive income for the year	-	-	-	-	-	(3,626)	(37,534)	-	(41,160)
Balance as of December 31, 2017	72,600	\$ 726,000	\$ 453,467	\$ 317,735	\$ 155,667	\$ 1,413,680	\$ (193,201)	\$ -	\$ 2,873,348

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Year Ended December 31 ,2017 and 2016

(All Amounts Expressed In Thousands of New Taiwan Dollars)

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

(Continued)

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