Nanliu Enterprise Company Limited
and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors’Report

Address：NO.88 BII SHIOW ROAD, CHYAU TOUR DISTRICT,
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Nanliu Enterprise Company Limited and Subsidiaries

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REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Nanliu Enterprise Company Limited as of and for the year ended December 31, 2014(From January 1 to December 31, 2014) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard No. 27, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Nanliu Enterprise Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

NANLIU ENTERPRISE COMPANY LIMITED

By

Huang, Chin-Shan

Chairman

March 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

We have audited the accompanying consolidated balance sheets of Nanliu Enterprise Company Limited and Subsidiaries as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nanliu Enterprise Company Limited and Subsidiaries as of December 31, 2014 and 2013,and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the parent company only financial statements of Nanliu Enterprise Company Limited as of and for the years ended December 31,2014 and 2013 on which we have issued an unqualified opinion.

YANGTZE CPAS & Co.,

March 16, 2015

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.

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Balance Sheets

December 31,2014 and December 31,2013

(All amounts expressed In Thousands of New Taiwan Dollars)

			December 31,2014		December 31,2013	
	ASSETS		**Amount**	**%**	**Amount**	**%**
	CURRENT ASSETS					
1100	Cash and cash equivalents	4、6(1)	$ 339,335	6.92	$ 398,417	8.98
1150	Notes receivable, net	4、6(2)、7	58,657	1.20	39,227	0.88
1170	Accounts receivable, net	4、6(3)、7	1,055,013	21.51	832,689	18.77
1200	Other receivables		3,686	0.08	18,617	0.42
1310	Inventories	4、5、6(4)	770,785	15.72	649,720	14.64
1410	Prepayments		357,985	7.30	362,523	8.17
1470	Other current assets	8	83,335	1.70	74,691	1.68
	Total current assets		2,668,796	54.43	2,375,884	53.54
	NONCURRENT ASSETS					
1600	Property , plant and equipment	4、6(5)、8	1,864,367	38.02	1,829,673	41.24
1780	Intangible assets	4	171	-	307	0.01
1840	Deferred income tax assets	4、5、6(10)	22,175	0.45	22,858	0.52
1915	Prepayments for equipment		221,217	4.51	125,503	2.83
1920	Refundable deposit	9	15,524	0.32	15,353	0.35
1985	Prepaid investments	4、8	108,796	2.22	66,010	1.49
1990	Other assets		2,637	0.05	1,053	0.02
	Total noncurrent assets		2,234,887	45.57	2,060,757	46.46
1xxx	Total assets		$ 4,903,683	100.00	$ 4,436,641	100.00

			December 31,2014		December 31,2013	
	LIABILITIES AND EQUITY		**Amount**	**%**	**Amount**	**%**
	CURRENT LIABILTIES					
2100	Short-term loans	6(6)	$ 259,041	5.28	$ 246,297	5.55
2110	Short-term bills payable , net	6(7)	89,952	1.83	49,999	1.13
2150	Notes payable	4	529,444	10.80	442,066	9.96
2170	Accounts payable	4	548,373	11.19	450,289	10.15
2230	Current tax liabilities	4、6(10)	71,906	1.47	48,714	1.10
2200	Other payable		156,512	3.19	180,807	4.08
2213	Payables on equipment		47,221	0.96	59,129	1.33
2310	Unearned receipts		13,837	0.28	12,853	0.29
2322	Current portion of long-term bank borrowing	6(8)	87,388	1.78	391,867	8.83
2399	Other current liabilities		2,276	0.05	1,974	0.04
	Total current liabilities		$ 1,805,950	36.83	1,883,995	42.46
	NONCURRENT LIABILTIES					
2540	Long-term bank borrowing	6(8)	661,748	13.49	466,959	10.53
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.15	7,386	0.17
2572	Deferred income tax liabilities-income tax	4、6(10)	2,739	0.06	1,689	0.04
2640	Accrued pension liabilities	4、5、6(9)	80,093	1.63	79,570	1.79
2645	Guarantee deposits		509	0.01	491	0.01
	Total noncurrent liabilities		752,475	15.34	556,095	12.54
	Total liabilities		2,558,425	52.17	2,440,090	55.00
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Owners equity					
3100	Capital stock	6(11)	726,000	14.81	726,000	16.36
3200	Capital surplus	6(11)	453,467	9.25	453,467	10.22
3300	Retained earnings	6(11)				
3310	Legal reserve		159,340	3.25	121,661	2.74
3320	Special reserve		44,348	0.90	55,760	1.26
3350	Unappropriated earnings		823,705	16.80	587,980	13.25
3400	Other	6(11)				
3410	Financial statements translation differences for foreign operations		138,398	2.82	51,683	1.17
	Equity attributable to shareholders of the parent		2,345,258	47.83	1,996,551	45.00
	Total liabilities and equity		$ 4,903,683	100.00	$ 4,436,641	100.00

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive income

For the Year Ended December 31 ,2014 and 2013

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

			For the year ended December 31			
			2014		2013	
	Item	Note	Amount	%	Amount	%
4110	Sales revenue		$ 5,376,982	100.62	$ 4,598,740	100.67
4170	Less: Sales return		(10,877)	(0.20)	(14,223)	(0.31)
4190	Less: Sales allowances		(22,114)	(0.41)	(16,303)	(0.36)
4000	Net Sales		5,343,991	100.01	4,568,214	100.00
5000	Cost of goods sold		(4,304,554)	(80.55)	(3,664,921)	(80.23)
5900	Gross profit		1,039,437	19.46	903,293	19.77
6000	Operating expenses					
6100	Promotion expenses		(222,049)	(4.16)	(197,097)	(4.31)
6200	Management expenses		(184,927)	(3.46)	(173,807)	(3.80)
6300	Research expenses		(33,673)	(0.63)	(25,856)	(0.57)
6000	Total Operating expenses		(440,649)	(8.25)	(396,760)	(8.68)
6900	Operating profit		598,788	11.21	506,533	11.09
	Other non-operating income and expenses					
7020	Other income		20,951	0.39	7,192	0.16
7510	Finance costs		(23,782)	(0.45)	(31,485)	(0.69)
7000	Other non-operating income and expenses		(2,831)	(0.06)	(24,293)	(0.53)
7900	Income before income tax		595,957	11.15	482,240	10.56
7950	Income tax expense		(175,805)	(3.29)	(105,453)	(2.31)
8200	Net Income		420,152	7.86	376,787	8.25
	Other comprehensive income (loss)					
8310	Financial statements translation differences for foreign operations		86,715	1.62	84,672	1.85
8330	Defined benefit plan actuarial gains(losses)		1,880	0.04	(1,934)	(0.04)
8390	Income tax (expense) related to components of the comprehensive income		(320)	(0.01)	(5,279)	(0.12)
8300	Other comprehensive income(loss)for the period ,net of income tax		88,275	1.65	77,459	1.69
8500	Total comprehensive income for the period		$ 508,427	9.51	$ 454,246	9.94

(Continued)

			For the year ended December 31			
			2014		2013	
			Amount	%	Amount	%
8600	Net income attributable to :					
8610	Owners of parent		$ 420,152	7.86	$ 376,787	8.25
8620	Non-controlling interests		-	-	-	-
	Net income		$ 420,152	7.86	$ 376,787	8.25
8700	Comprehensive income attributable to :					
8710	Owners of parent		$ 508,427	9.51	$ 454,246	9.94
8720	Non-controlling interests		-	-	-	-
	Total comprehensive income for the period		$ 508,427	9.51	$ 454,246	9.94
9750	Basic earnings per share(NT dollars)	4、6(13)	$ 5.79		$ 5.39	
9850	Diluted earnings per share(NT dollars)	4、6(13)	$ 5.78		$ 5.34	

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31,2014 and 2013

(All amounts expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Stock			Retained Earnings			Other equity items		
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	Non-controlling interests	Total Equity
Balance as of January 1, 2013	64,500	$ 645,000	$ 112,855	$ 101,961	$ 55,760	$ 329,248	$ (27,381)	$ -	$ 1,217,443
Capital increase in cash	8,100	81,000	329,100	-	-	-	-	-	410,100
Employee share option expense	-	-	11,512	-	-	-	-	-	11,512
Legal reserve appropriated	-	-	-	19,700	-	(19,700)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(96,750)	-	-	(96,750)
Net income in 2013	-	-	-	-	-	376,787	-		376,787
Other comprehensive income for the year	-	-	-	-	-	(1,605)	79,064	-	77,459
Balance as of December 31, 2013	72,600	$ 726,000	$ 453,467	$ 121,661	$ 55,760	$ 587,980	$ 51,683	$ -	$ 1,996,551
Balance as of January 1, 2014	72,600	$ 726,000	$ 453,467	$ 121,661	$ 55,760	$ 587,980	$ 51,683	$ -	$ 1,996,551
Legal reserve appropriated	-	-	-	37,679	-	(37,679)	-	-	-
Reversal of special reserve	-	-	-	-	(11,412)	11,412	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(159,720)	-	-	(159,720)
Net income in 2014	-	-	-	-	-	420,152	-	-	420,152
Other comprehensive income for the year	-	-	-	-	-	1,560	86,715	-	88,275
Balance as of December 31, 2014	72,600	$ 726,000	$ 453,467	$ 159,340	$ 44,348	$ 823,705	$ 138,398	$ -	$ 2,345,258

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Year Ended December 31 ,2014 and 2013

(All Amounts Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2014	2013
Cash flows from operating activities		
Consolidated Profit before income tax	$ 595,957	$ 482,240
Adjustments for ：		
Depreciation expense	262,196	216,227
Amortization expense	6,379	1,628
Employee share option expense	-	11,512
Other expense	344	1,966
Interest expense	23,782	31,485
Interest income	(2,706)	(1,553)
Provision for doubtful accounts	5,595	107
(Reversal of allowance) Provision for inventory market price decline	(3,415)	3,778
Loss on disposal of inventory	23,958	7,177
Loss (profit) on physical inventory	29	(651)
Loss on disposal of assets	950	3,431
(Reversal)Impairment of Assets	(2,170)	160
Foreign exchange(gain)loss	(7,676)	(6,095)
Changes in operating assets and liabilities		
(Increase) in notes receivable	(19,430)	(10,161)
(Increase) in accounts receivable	(220,920)	(172,103)
Decrease(Increase) in other receivable	14,914	(3,199)
(Increase) in inventories	(142,112)	(191,506)
Decrease (Increase) in prepayments	4,655	(240,931)
(Increase) in other current assets	(29,509)	(8,854)
Increase in notes payable	86,046	290,031
Increase in accounts payable	95,393	276,271
(Decrease) Increase in other payable	(23,532)	88,428
Increase in unearned receipts	984	3,974
Increase in accrued pension liabilities	2,403	2,306
Cash generated from operating	672,115	785,668
Interest received	2,723	1,323
Income taxes paid	(151,200)	(94,233)
Net cash generated by operating activities	523,638	692,758

（Continued）

	For the year ended December 31	
	2014	2013
Cash flows from investing activities		
Acquisition of intangible assets	-	(425)
Acquisition of property , plant and equipment	(105,801)	(105,011)
Disposal of property , plant and equipment	1,540	208
(Increase) in prepayments for equipment	(238,500)	(369,600)
(Increase) in long-term prepaid rent	(46,680)	-
Decrease in restricted assets	21,570	87,725
(Increase) in Instead of payment	(705)	(421)
(Increase)in other noncurrent assets	(1,509)	-
(Increase) in refundable deposits	(79)	(134)
Net cash used in investing activities	(370,164)	(387,658)
Cash Flows From Financing Activities：		
Interest paid	(24,592)	(34,132)
Increase (decrease) in short-term loans	12,540	(65,552)
Increase (decrease) in short-term bills payable	40,000	(90,000)
Decrease in long-term bank borrowing	(120,285)	(261,899)
Capital increase in cash	-	410,100
Cash dividends	(159,720)	(96,750)
Guarantee deposits received	-	491
Increase in other current liabilities	302	924
Net cash used in financing activities	(251,755)	(136,818)
Effect of exchange rate changes on cash and cash equivalents	39,199	19,776
Net (Decrease) Increase in cash and cash equivalents	(59,082)	188,058
Cash and cash equivalents, beginning of year	398,417	210,359
Cash and cash equivalents, end of year	$ 339,335	$ 398,417

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

Nanliu Enterprise Company Limited and Subsidiaries
Notes to Consolidated Financial Statements
For The Years Ended December 31, 2014 And 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Nanliu Enterprise Company Limited (the "Company"), a Republic of China (R.O.C.) corporation, was incorporated by Ministry of Economic Affairs, R.O.C. in 1978. The address of its registered office and principal place of business is No.88, Bixiu Rd., Qiaotou Dist, Kaohsiung City, Taiwan. The consolidated financial statements of the Company for the year ended December 31, 2014 incorporate the financial statements of the Company , the Company's subsidiaries (the Group) and interests of associates and joint ventures. 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 products…etc., please refer to Notes 14. As of December 31, 2014, total employees of the group were 799.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 16, 2015.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new issuances or amendments to International Financial Reporting Standards (IFRS) issued by Financial Supervisory Commission (FSC)：None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group：

According to Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC) on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRSs version (not including the IFRS 9- Financial Instruments) as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First - time Adopters	July 1, 2010
Amendment to IFRS 1 Disclosures –severe hyperinflation and removal of fixed dates for first-time adopters.	July 1, 2011
Amendment to IFRS 1 Disclosures –Government Loans	January 1, 2013
Amendment to IFRS 7 Disclosures - Transfers of Financial Assets	July 1, 2011

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
Amendment to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 10 Consolidated Financial Statements	January 1, 2013(Investment entities effective since January 1,2014)
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
Amendments to IFRS 10, 11 and 12, Consolidated financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IAS27 Investment Entities	January 1, 2014
IFRS 13 Fair Value Measurement	January 1, 2013
Amendment to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014
Interpretations to IAS 20“Stripping Costs in the Production Phase of a Surface Mine”	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009-2011	January 1, 2013

Except for the following items, the Company believes that the adoption of aforementioned 2013 Taiwan-IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers will not have significant impact on the Company’s consolidated financial statements.

a. Amendments to IAS 19, “Employee Benefits”

The amendments to IAS 19 require the Company to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendments also require a broader disclosure in defined benefit plans. Aforementioned amendments have no effect to the Group's accrued pension liabilities, deferred tax and other comprehensive income.

b. Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

According to the amendments to IAS 1, the items of other comprehensive income (OCI) will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. If items are listed in the pre-tax amount, then the tax related to each of the two groups of OCI items should be presented separately with the above two categories. The Group will adjust its presentation of the statement of comprehensive income accordingly.

c. IFRS 12, "Disclosure of Interests in Other Entities"

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated entities. The Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

d. IFRS 13, "Fair Value Measurement"

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standards set out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. Also, the standard requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

e. Article 10.3.3 of Guidelines Governing the Preparation of Financial Reports by Securities Issuers

This new article requires changes in fair value of financial liabilities at fair value through profit or loss resulted from credit risk of the securities issuers be recognized in other comprehensive income. This new requirement has no effect to the Group's financial position and operations.

(3) The IFRSs issued by IASB but not endorsed by FSC

The Group has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. As of the date that the consolidated financial statements were issued, the initial adoption to the following standards and interpretations is still subject to the effective date to be published by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendment to IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IFRS 41 Agriculture	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
International financial reporting Interpretation No. 21 Public topics	January 1, 2014
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above to financial positions and operating results. The related impact will be disclosed when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Statement of Compliance

These consolidated financial statements have been prepared by the Group in conformity with the “Regulations Governing the Preparation of Financial reports by Securities Issuers”, the IFRSs, IASs, interpretations as well as related guidance translated by the Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission (FSC).

(2) Basis of Preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention: Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized actuarial losses, less unrecognized actuarial gains and present value of defined benefit obligation.

B. The significant accounting policies described below consistently applied to all periods covered by the accompanying consolidated financial statements.

C. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of Consolidation

A. The basis for the consolidated financial statements:

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

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

B. The subsidiaries in the consolidated financial statements:

Name of investors	Name of subsidiaries	Business activities	Percentage owned by the Company	
			DEC.31,2014	DEC.31,2013
NANLIU ENTERPRISE CO.,LTD.	NANLIU ENTERPRISE CO., LTD.（SAMOA）	Professional investment	100	100
NANLIU ENTERPRISE CO.,LTD. (NOTE)	NANLIU ENTERPRISE CO.,LTD（SINGAPORE）	International trade	—	100
NANLIU ENTERPRISE CO.,LTD.（SAMOA）	NANLIU ENTERPRISE (PINGHU) CO.,LTD.	Production and sales of specialty textiles, Hair, skin care cosmetics and hygiene products	100	100

(NOTE)：NANLIU ENTERPRISE CO., ,LTD（SINGAPORE）has ceased operation on November 30, 2013, and submitted application to competent authority to cancel Singapore registration on January 1 2014.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different fiscal years: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign Currencies Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Group's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

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

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

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

(5) Classification of Current and Non-current Items

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

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

(b) Assets held mainly for trading purposes.

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

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

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash Equivalents

A. **C**ash and cash equivalents in consolidated cash flow statements include cash, bank deposits, and other short-term highly liquid investments due within three months from the date of acquisition.

B. Cash equivalents refer to short-term highly liquid investments that meet the following criteria：

(a) Readily convertible to known amount of cash

(b) Subject to insignificant risk of changes in value.

(7) Notes and Accounts Receivable

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

(8) Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(9) Derecognition of Financial Assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

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

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

(10) Inventories

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

(11) Property, Plant and Equipment

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

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

C. Land is not depreciated. Property, plant and equipment adopt cost mode to list as depreciation in accordance with the estimated useful life and the straight-line method. On every fiscal year's ending, the Group reviews each asset's remaining value, the useful life, and the depreciation methods. If the residual value and the estimated value of the useful life are different from what has been evaluated, or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change. For the estimated useful lives of each asset, except that the houses and buildings are 10-20 years, the remaining P.P.E are 2-10 years.

(12) Intangible Assets

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

(13) Long-term Prepaid Rent

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

B. NANLIU ENTERPRISE (PINGHU) CO. has land use rights for 50 years, the expiry dates for land use rights are September 28, 2055, November 14, 2057 and December 31, 2057, respectively, amortized over 50 years.

(14) Impairment of Non-financial Assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(15) Leases (Lessor/Lessee)

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

(16) Borrowings

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

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

(17) Accounts and Notes Payable

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

(18) Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Offsetting Financial Instruments

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

(20) Provisions

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

(21) Employee Benefits

A. Short-term employee benefits

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

B. Post-employment benefit plans

(a) Defined contribution plans

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

(b) Defined benefit plan

i. Defined benefit plan is the pension plan without defined contribution plan. Generally, defined benefit plan is certain for the pension benefit amount that the employee will receive upon retirement, which depends on one or multiple factors, such as age, service years, and salary. The net obligations under defined welfare plan are calculated by discount with the employee's current benefit amount or the future benefit amount accumulated in the past. Then, the current welfare obligation value on the balance sheet deducts the fair value of the asset in the plan. The net defined benefit obligation is calculated by the actuary with the projected unit credit method, while the discount rate refers to the balance sheet day, the currency of the defined benefit plan, and the market yield rate of the high quality bonds. In the countries without depth market of such securities, the government bond (on the balance sheet date) is exerted instead.

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

C. Employees’ bonus and directors ‘and supervisors ‘remuneration

Employees’ bonus and directors’ and supervisors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees’ bonus and directors’ and supervisors’ remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders’ meeting subsequently, the differences should be recognized based on the accounting for changes in estimates. The Group calculates the number of shares of employees’ stock bonus based on the fair value per share at the previous day of the stockholders’ meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends.

(22) Income Tax

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

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

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. Tax preference generated from research and development expense adopts income tax credits accounting.

(23) Revenue Recognition

A. Sales revenue

Revenue from sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have transferred to the buyer; (b) neither continuing managerial involvement nor effective control over the goods sold have been retained; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

B. Service revenue

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

C. Interest income and Dividends

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

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

(24) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Related to the property, plant and equipment government subsidies, as the book value of assets minus items, durable life within the asset depreciation expenses by reducing the subsidy recognized in profit or loss.

(25) Share-based Payment Transaction

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

(26) Earnings Per Share

The Group presents the basic and diluted earnings per share of the common shareholders of the Group. The consolidation's basic earnings per share signifies that the profit and loss of the common shareholders of the Company divide by the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares. Potential dilution of common share of the Group, including convertible bonds, warrants, and employee bonuses that not yet by the shareholders' meeting and can taken stock issuance.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified the strategic decision-maker of the Company as the board of directors.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

When preparing the Group's consolidated financial statements, during the process of applying accounting policies, the Group did not make significant accounting judgments. Assumptions and estimates concerning future events are based on historical experience and other factors then reviewed on an ongoing basis;

Important accounting estimate and assumptions：

Accounting estimates made by the Group are based on reasonable expections of future events of the balance sheet date, but actual results may differ from these estimates. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year; and the related information is addressed below:

A. Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company’s subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of December 31, 2014, the Group recognized deferred income tax assets amounted to NT$ 22,175 thousand.

B. Valuation of Inventory

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

As of December 31, 2014, carrying value of inventory of the Group amounted to NT$ 770,785 thousand.

C. Calculation of accrued pension obligations

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

As of December 31, 2014, accrued pension obligations of the Group amounted to NT$ 80,093 thousand.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

Item	December 31,2014	December 31,2013
Cash	$ 2,953	$ 5,503
Demand deposits	220,272	192,083
Check deposits	87	58
Foreign currency deposits	116,023	200,773
Total	$ 339,335	$ 398,417

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group’s maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. As of December 31, 2014 and 2013, no cash and cash equivalents were pledged as collateral.

(2) Notes receivable, net

Item	December 31,2014	December 31,2013
Notes receivable – related parties	$ —	$ 633
Notes receivable-Non related parties	58,657	38,594
Less: allowance for doubtful accounts	—	—
Net	$ 58,657	$ 39,227

As of December 31, 2014 and 2013, no notes receivable were pledged as collateral.

(3) Account receivable, net

Item	December 31,2014	December 31,2013
Related parties	$ 246	$ 183
Non-related parties	1,059,821	833,358
Less:Allowance for doubtful accounts	(5,054)	(852)
Net	$ 1,055,013	$ 832,689

A. Past due but not impaired of the financial assets are analyzed as follows

		Past due but not impaired - notes and account receivable				
	Neither past due nor impaired	Past due within 60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Total
Dec. 31,2014	$ 1,087,312	$ 11,563	$ 16,167	$ 729	$ 3,028	$ 1,118,799
Dec. 31,2013	$ 844,372	$ 18,303	$ 6,887	$ 1,772	$ 1,434	$ 872,768

B. Movements of the allowance for doubtful accounts：

	2014		
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	$ 1,885	$ 852	$ 2,737
Provision(reversal) for impairment	(127)	5,595	5,468
Effect of exchange rate changes	—	(1,393)	(1,393)
Balance at December 31, 2014	$ 1,758	$ 5,054	$ 6,812

	2013		
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	$ 2,061	$ 710	$ 2,771
Provision(reversal) for impairment	(176)	107	(69)
Effect of exchange rate changes	—	35	35
Balance at December 31, 2013	$ 1,885	$ 852	$ 2,737

C. Individually assessed accounts receivable and impairment are presented under " Other noncurrent assets ".

D. The maximum exposure to credit risk as of December 31, 2014 and 2013 was the carrying amount of each class of accounts receivable.

E. As of December 31, 2014 and 2013, accounts receivable were not pledged as collateral.

(4) Inventories

	December 31,2014		
	Cost	Allowance for price decline of inventories	Book Value
Raw materials	$ 259,048	$ 9,545	$ 249,503
Supplies	81,131	2,832	78,299
Work in process	20,285	2,608	17,677
Finished goods	372,152	6,711	365,441
Merchandise	4,108	78	4,030
Raw materials and supplies in transit	55,835	—	55,835
Total	$ 792,559	$ 21,774	$ 770,785

	December 31,2013		
	Cost	Allowance for price decline of inventories	Book Value
Raw materials	$ 293,376	$ 6,293	$ 287,083
Supplies	70,982	4,716	66,266
Work in process	9,322	1,449	7,873
Finished goods	269,462	12,590	256,872
Merchandise	2,690	141	2,549
Raw materials and supplies in transit	29,077	—	29,077
Total	$ 674,909	$ 25,189	$ 649,720

A. As of December 31, 2014 and 2013, inventories were not pledged as collateral.
B. The cost of inventories recognized as expense for the period:

Item	2014	2013
Cost of goods sold	$ 4,324,213	$ 3,690,321
Idle capacity costs	7,326	4,607
Revenue from sale of scraps	(47,557)	(40,311)
(Reversal of allowance) provision for inventory market price decline	(3,415)	3,778
Loss on disposal of inventory	23,958	7,177
Loss (profit) on physical inventory	29	(651)
Total	$ 4,304,554	$ 3,664,921

(5) Property, Plant and Equipment

	Land	Land-revaluation increments	Buildings	Machinery Equipment	Hydropower Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in progress	Total
Balance at January 1, 2014	$ 46,046	$ 11,264	$ 347,059	$ 1,223,607	$ 89,649	$ 21,359	$ 4,415	$ 25,699	$ 60,575	$ 1,829,673
Additions	—	—	2,745	17,684	9,358	1,753	1,702	3,978	58,005	95,225
Disposals or retirements	—	—	—	—	(3)	(434)	(29)	(45)	—	(511)
Deconsolidation	—	—	(16)	(228)	(1,712)	—	—	(23)	—	(1,979)
Reclassification	—	—	871	122,099	18,538	605	423	3,660	—	146,196
Depreciation charge	—	—	(27,036)	(204,895)	(16,073)	(6,116)	(1,917)	(6,159)	—	(262,196)
Reversal of impairment	—	—	1,588	582	—	—	—	—	—	2,170
Effect of exchange rate changes	—	—	10,310	74,620	(31,899)	396	26	630	1,706	55,789
Balance at December 31, 2014	$ 46,046	$ 11,264	$ 335,521	$ 1,233,469	$ 67,858	$ 17,563	$ 4,620	$ 27,740	$ 120,286	$ 1,864,367

Carrying Value:

	Land	Land-revaluation increments	Buildings	Machinery Equipment	Hydropower Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in progress	Total
Cost	$ 46,046	$ 11,264	$ 526,733	$ 2,494,326	$ 162,016	$ 56,863	$ 20,762	$ 68,283	$ 120,286	$ 3,506,579
Less: accumulated depreciation and impairment	—	—	(191,212)	(1,260,857)	(94,158)	(39,300)	(16,142)	(40,543)	—	(1,642,212)
Balance at December 31, 2014	$ 46,046	$ 11,264	$ 335,521	$ 1,233,469	$ 67,858	$ 17,563	$ 4,620	$ 27,740	$ 120,286	$ 1,864,367

	Land	Land-revaluation increments	Buildings	Machinery Equipment	Hydropower Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in progress	Total
Balance at January 1, 2013	$ 46,046	$ 11,264	$ 244,641	$ 775,664	$ 63,051	$ 10,330	$ 6,169	$ 26,263	$ —	$ 1,183,428
Additions	—	—	29,023	50,086	1,080	6,393	816	3,945	60,575	151,918
Disposals or retirements	—	—	—	—	(85)	—	(9)	(220)	—	(314)
Deconsolidation	—	—	(1,694)	(1,454)	—	—	—	(177)	—	(3,325)
Reclassification	—	—	87,842	561,087	3,673	8,494	73	618	—	661,787
Depreciation charge	—	—	(25,042)	(164,692)	(14,172)	(4,023)	(2,676)	(5,622)	—	(216,227)
Loss from impairment	—	—	—	(2,561)	—	—	—	—	—	(2,561)
Reversal of impairment	—	—	2,236	165	—	—	—	—	—	2,401
Effect of exchange rate changes	—	—	10,053	5,312	36,102	165	42	892	—	52,566
Balance at December 31, 2013	$ 46,046	$ 11,264	$ 347,059	$ 1,223,607	$ 89,649	$ 21,359	$ 4,415	$ 25,699	$ 60,575	$ 1,829,673
Carrying Value:										
Cost	$ 46,046	$ 11,264	$ 528,723	$ 2,312,802	$ 134,837	$ 58,906	$ 19,230	$ 60,457	$ 60,575	$ 3,232,840
Less: accumulated depreciation and impairment	—	—	(181,664)	(1,089,195)	(45,188)	(37,547)	(14,815)	(34,758)	—	(1,403,167)
Balance at December 31, 2013	$ 46,046	$ 11,264	$ 347,059	$ 1,223,607	$ 89,649	$ 21,359	$ 4,415	$ 25,699	$ 60,575	$ 1,829,673

1. For the information regarding the Group’s property, plant and equipment pledged to others as collateral, please refer to Note 8.
2. For yeas 2014 and 2013, capitalized interest were 2,994 thousands and 3,320 thousands, respectively.

(6) Short-term loans

Item	December 31, 2014 Amount		Interest Rate
Credit loans	$	243,474	1.374%
Letter of credit loans		15,567	1.26%~2.0049%
Total	$	259,041	

Item	December 31, 2013 Amount		Interest Rate
Mortgage loans	$	89,951	2.75%~4.2%
Credit loans		90,000	2.205%
Letter of credit loans		66,346	1.545%~3.444%
Total	$	246,297	

A. Huang Chin-San and Huang Ho-Chun are guarantors of short-term loans of the Group, please refer to note 7 and 8.

B. The following financial ratio (semi-annual and annual consolidated financial statements) restrictions between the Company and Fubon Bank for short-term loan could have effect in the Group's operations: (a1) staring 2012, current ratio shall not be lower than 110%; (b2) debt ratio (total debt plus contingent liabilities to net tangible equity ratio) shall not exceed 180% for 2012, 200% for 2013 and 2014、220% for 2015 and shall not exceed 150% after 2017, the net tangible equity refers to the amount of shareholder's equity deducted by intangible assets; (c3) interest coverage ratio (the ratio of the sum of pre-tax and interest expense plus depreciation and amortization to interest) starting 2012 , shall be no less than 5.5 times; (d4) tangible net equity shall be no less than NT$800 million in 2012, no less than 1.1 billion in 2013 and 2014, shall not be less than NT$1.2 billion starting 2015, violation of the term would trigger additional 0.25% interest rate and early repayment of loan on February 24, 2014.

(7) Short-term notes and bills payable

December 31,2014

Item	Guarantee Agency	Period	Interest Rate	Amount	
Short-term notes and bill payable	GRAND BILLS FINANCE CORPORATION	October24,2014 ~January22,2015	0.812%	$	50,000
Short-term notes and bill payable	MEGA BILLS FINANCE CO., LTD.	October28,2014 ~January26,2015	0.912%		40,000
Total					90,000
Less: discount on short-term notes and bills payable					(48)
Net Amount				$	89,952

December 31, 2013

Item	Guarantee Agency	Period	Interest Rate	Amount
Short-term notes and bill payable	CHINA BILLS FINANCE CORPORATION	October1,2013 ~January2,2014	0.770%	$ 50,000
Total				50,000
Less: discount on short-term notes and bills payable				(1)
Net Amount				$ 49,999

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

	December31,2014	December31,2013
Credit loans	$ 734,912	$ 833,508
Secured bank borrowings	14,224	25,318
	749,136	858,826
Less: current portion of long-term bank borrowings	(87,388)	(391,867)
	$ 661,748	$ 466,959
Range of maturity dates	2012/1~2017/12	2012/1~2017/12
Range of interest rates	1.88%~4.2%	2.05%~4.2%

A. For more information on collateral for long-term borrowing, please refer to note 6.

B.The Group signed a three-year NT$800 million, and US 25 million syndicated loan with MEGA BANK and other 10 banks on November 5, 2012, and initial utilized the loan on January 21, 2013, as agreed by both parties, the initial utilization of the loan shall be used to repay outstanding balance of original NT 720 million loan only, the loan then shall be repaired in accordance with new syndicated loan after initial utilization.

C. The following financial ratio restrictions (semi-annual and annual consolidated financial statements) between the Company and Mega Bank (Management bank) for syndicated loan could have effect in the Group’s operations:： (a1) current ratio shall not be lower than 110%; (b2) debt ratio (total debt plus contingent liabilities to net tangible equity ratio) shall not exceed 180% for 2012, 200% for 2013 and 2014、220% for 2015 and shall not exceed 150% after 2017, the net tangible equity refers to the amount of shareholder’s equity deducted by intangible assets; (c3) interest coverage ratio (the ratio of the sum of pre-tax and interest expense plus depreciation and amortization to interest) shall be no less than 550%; (d4) tangible net equity shall be no less than NT$800 million in 2012, no less than 1.1 billion in 2013 and 2014, shall not be less than NT$1.2 billion starting 2015.

D. The following financial ratio restrictions (semi-annual and annual consolidated financial statements) between the Group's subsidiary and Mega Bank for bank loans could have effect in the Company's operations: (a1) if average annual utilization is below 60% of line of credit under the loan agreement, additional 0.1% interest rate applies to interest rate of each currency. (b2) Cash flow management designated account: bank and the Company shall deposit collection of accounts receivables、 notes receivables or other cash flows, remittance into cash flow management designated account of the bank, and starting from the following month of the approval date of the agreement, review deposited amount of the Company, if total deposit does not exceed equivalent of NT 400 million, then additional 0.1% interest rate is applied to the loan.

(9) Pensions

A. Defined benefit plans:

The Group have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes an amount equal to 2% of the salaries paid each month to the Funds, which are administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name in the Bank of Taiwan.

(a) The amounts recognised in the balance sheet are determined as follows:

	December 31,2014	December 31,2013
Present value of funded obligations	$ (83,598)	$ (89,591)
Fair value of plan assets	3,505	10,021
	(80,093)	(79,570)
Unrecognized actuarial gains and losses	—	—
Unrecognized Prior Service cost	—	—
Net liability in the balance sheet	$ (80,093)	$ (79,570)

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

		2014		2013
Present value of funded obligations at January 1	$	89,591	$	84,780
Service cost		1,532		1,656
Interest expense		1,409		1,261
Benefits paid		(7,153)		—
Actuarial gain or loss		(1,781)		1,894
Present value of funded obligations at December 31	$	83,598	$	89,591

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

		2014		2013
Fair value of plan assets at January 1	$	10,021	$	9,450
Expected return on plan assets		93		162
Contributions on plan assets		445		449
Benefits paid on plan assets		(7,153)		—
Actuarial gain or loss on plan assets		99		(40)
Fair value of plan assets at December 31	$	3,505	$	10,021

(d) Amounts of expenses recognized in statements of comprehensive income are as follows:

		2014		2013
Service cost	$	1,532	$	1,655
Interest cost		1,409		1,261
Expected return on plan assets		(93)		(162)
Pension costs	$	2,848	$	2,754

Details of cost and expenses recognised in statements of comprehensive income are as follows:

		2014		2013
Cost of sales	$	1,604	$	1,311
Selling expenses		110		103
General and administrative expenses		913		1,224
Research and development expenses		221		116
Total	$	2,848	$	2,754

(e) Amounts recognised under other comprehensive income are as follows:

	2014		2013	
Current period	$	1,880	$	(1,934)
Accumulated amount	$	(223)	$	(2,103)

(f)The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

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

	December 31,2014	December 31,2013
Discount rate	1.75%	1.75%
Future salary rate increase	2.00%	2.00%
Expected rate of return on plan assets	1.75%	1.75%

(h) Historical information of experience adjustments was as follows:

	December 31,2014		December 31,2013		December 31,2012	
Present value of funded obligations	$	(83,598)	$	(89,591)	$	(84,780)
Fair value of plan assets		3,505		10,021		9,450
Plan deficit	$	(80,093)	$	(79,570)	$	(75,330)
Experience adjustments on plan liabilities	$	—	$	—	$	—
Experience adjustments on plan assets	$	—	$	—	$	—

(i) Expected total contributions paid to the defined benefit pension plans of the Group within one year from December 31, 2014 was NT$2,670 thousands.

B. Defined contribution plans:

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employee’ individual pension accounts ant the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) NANLIU ENTERPRISE (PINGHU) CO., LTD. in mainland China is subject to the government sponsored defined contribution plan. Monthly contributions based on a certain percentage of employees’ monthly salaries and wages are deposited to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC). Other than the monthly contributions, the Group has no further obligations.

(c) Pension costs of the Group under the above pension plans for years 2014 and 2013 were 15,530 thousands and 12,485 thousands, respectively.

(10) Income Tax

A. Income Tax Expense

(a) Components of income tax expense:

Item	2014	2013
Current income tax		
Income tax incurred in current period	$ 135,186	$ 112,981
10% tax on unappropriated earnings	17,939	8,054
Income tax adjustments on prior years	4,733	1,530
10% Dividend tax through capitalization of retained earning’s by subsidiaries	16,534	—
Deferred income tax expense		
Recognition and reversal of temporary differences	1,413	(17,112)
Income tax expense	$ 175,805	$ 105,453

(b) The income tax relating to components of other comprehensive income is as follows:

Item	2014	2013
Currency translation differences	$ —	$ 5,608
Actuarial gains/losses on defined benefit obligations	320	(329)
Total	$ 320	$ 5,279

B. Reconciliation between income tax expense and accounting profit:

Item	2014	2013
Income before tax	$ 595,957	$ 482,240
Income tax expense at the statutory tax rate	$ 101,313	$ 81,981
Nondeductible (deductible) items in determining taxable income	4,233	1,185
Deferred tax:		
Recognition and reversal of temporary differences	1,413	(17,112)
10% tax on unappropriated earnings	17,939	8,054
Income tax adjustments on prior years	4,733	1,530
10% dividend tax through Ccapitalization of retained earnings by subsidiaries	16,534	—
Impact from different tax rates of subsidiaries operating in other jurisdictions	29,640	29,815
Income tax expense	$ 175,805	$ 105,453

C. Deferred tax assets or liabilities resulted from temporary differences, loss carryforwards and investment tax credits are as follows:

Item	2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
Impairment of assets	$ 3,077	$ (270)	$ —	$ 2,807
Loss on inventory market value decline	2,206	(465)	—	1,741
Unrealized exchange gains	(1,287)	(533)	—	(1,820)
Accrued pension cost	13,527	409	(320)	13,616
Currency translation differences (Note)	—	—	—	—
Others	3,646	(554)	—	3,092
Deferred income tax expense (benefit)		$ (1,413)	$ (320)	

(Continued)

Net deferred income tax assets(liabilities)	$ 21,169			$ 19,436
Express information in the balance sheet as follows:				
Deferred income tax assets	$ 22,858			$ 22,175
Deferred income tax liabilities	$ 1,689			$ 2,739

Item	2013			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
Impairment of assets	$ 3,457	$ (380)	$ ─	$ 3,077
Loss on inventory market value decline	2,081	125	─	2,206
Unrealized exchange gain	(289)	(998)	─	(1,287)
Investment income (Note)	(16,905)	16,905	─	─
Accrued pension cost	13,497	(299)	329	13,527
Currency translation differences (Note)	5,608	─	(5,608)	─
Others	1,887	1,759	─	3,646
Deferred income tax expense (benefit)		$ 17,112	$ (5,279)	
Net deferred income tax assets(liabilities)	$ 9,336			$ 21,169
Express information in the balance sheet as follows:				
Deferred income tax assets	$ 27,374			$ 22,858
Deferred income tax liabilities	$ 18,038			$ 1,689

(Note) The Company has control over dividends distribution decision of subsidiaries. The Company had planned to use the distribution of earnings of subsidiaries to support capital expenditure required by Yanchao Non-woven Technology Park (Yanchao Factory). But the Company has sufficient working capital and there is no significant capital expenditures at current stage, in addition, the Company planned to reinvest retained earnings of subsidiaries to expand operations of subsidiaries, therefore, based on evaluation conducted in 2013, the temporary differences resulted from undistributed retained earnings of subsidiaries and foreign currency translation differences were not expected to be reversed in foreseeable future, in accordance with paragraph 39 of IAS 12, the taxable temporary differences (including subsidiary's undistributed earnings and foreign currency translation differences) was not recognized as deferred tax liabilities.

D. The Company's income tax returns through 2012 have been assessed and approved by the Tax Authority.

E. Subsidiaries of the Company filed tax returns using applicable tax rates of each jurisdictions have been assessed and approved by respective tax authorities through 2012.

F. Unappropriated retained earnings:

Item	December 31,2014		December 31,2013	
Earnings generated in and before 1997	$	27,961	$	27,961
Earnings generated in 1998~2009		—		—
Earnings generated in and after 2010		795,744		560,019
Total	$	823,705	$	587,980

G. Imputation credit account and creditable ratio：

	December 31,2014		December 31,2013	
Imputation credit account balance	$	44,228	$	38,939
	2014 (Actual)		2013 (Actual)	
Creditable ratio for earnings distribution to resident shareholders	11.23%		15.76%	

(11) Captial and other equity

A. Common capital

As of January 1, 2013, authorized and issued capital of the Company were NT$1,000,000 thousands and NT$ 645,000 thousands, with par value of $10 per share, divided into 100,000 thousand shares and 64,500 thousand shares, respectively. On March 8, 2013, board of directors of the Company adopted a resolution to increase common capital NT$ 81,000 thousands. After aforementioned increase of capital, total authorized and issued capital were NT$1,000,000 thousands and NT$ 726,000 thousands, respectively as of December 31, 2014.

B. Capital surplus

Item	December 31,2014		December 31,2013	
Additional paid-in capital	$	439,404	$	439,404
Employee stock options		14,063		14,063
Total	$	453,467	$	453,467

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

C. Retained earnings and dividend policy

(a). According to provisions of imputation tax system which implemented in 1998, undistribution surplus before 1997, according to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining amount can be distributed in accordance with a resolution adopted by the Board of directors and approved at the shareholders' meeting. Employee bonus should be no less than one percent of distribution.

(b). The distributions of retained earnings for 2013 and 2012 were adopted by Board of Directors held on March 17, 2014 and approved by the shareholders' meeting on April 30, 2013. The appropriations and dividends per share were as follows:

	2013		2012	
	Dividend per share (in dollar)	Amount	Dividend per share (in dollar)	Amount
Cash	2.20	$ 159,720	1.50	$ 96,750
Stock	—	—	—	—
		$ 159,720		$ 96,750
Bonus to employees		$ 6,782		$ 3,546
Renumeration to directors and supervisors		3,391		1,013
		$ 10,173		$ 4,559

The appropriation of Earnings of 2013 were as follows:

	2013		
	The amount to be allocated by the board of directors	Estimated annual cost recognized in the amount	Different
Allotment case:			
Bonus to employees	$ 6,782	$ 6,782	$ —
Renumeration to directors and supervisors	$ 3,391	$ 3,391	$ —

Distribution of 2013 retained earnings was the same as proposal by board of directors on March 17, 2014 and shareholder resolution on June 6, 2014. Please refer to “Market Observation Post System”, website of the Taiwan Stock Exchange for resolution of board of directors and shareholders’ meeting.

(c).The legal capital reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital.

(d). For years 2014 and 2013, employees’ bonus 7,563 thousand and 6,782 thousand, directors’ and supervisors’ remuneration 3,781 thousand and 3,391 thousand, respectively, were accrued based on the after tax earnings of related years, considering legal reserve calculated by the percentage prescribed under the Company’s Articles of Incorporation and recognized as operating cost and operating expenses. If the resolutions of the shareholders meeting were different from the accrued amount, the difference will be adjusted to profit and loss of the year of shareholders’ meeting.

(e). Other equity

	Foreign Currency Translation Difference
January 1,2014	$ 51,683
Currency translation differences	86,715
December 31,2014	$ 138,398
January 1,2013	$ (27,381)
Currency translation differences	79,064
December 31,2013	$ 51,683

(12) Share-based payments

A.Agreements about the Group’s share-based payments for the years ended December31,2014 and 2013 were as follow：

Type of Agreement	Grant date (Note)	Number of stock options	Term of agreement	Vested Conditions
Employee stock options	March 21, 2013	810 thousand	No	Activie employees

(Note) The Board of Directors of the Group resolved on March 8, 2013 the issuance of new shares and allocated 10% for 2013 stock option plan, for employees to subscribe to, according to the Company Law. The grant date of aforementioned stock options was March 21, 2013, payment due date was on May 2, 2013, delivery date was on May 6, 2013.

B. The detail informations of share-based payment were as follows：

	2013	
	Number of Stock Options (In Thousands)	Weighted-average Exercise Price(NT$)
Balance,beginning of year	—	—
Stock options granted	810	51
Stock options exercised	(810)	(51)
Balance,end of year	—	
Balance exercisable, end of year	—	

C. Weighted-average fair value of stock options executed was NT$64.31 at the exercise date of 2013.

D. The Group used the Black-Scholes model to determine the fair value of the stock options. The valuation assumptions were as follows:

2013

Type of Agreement	Grant date	Stock price on grant date	Exercise price(NT $/share)	Expected volatility	Expected life	Expected dividend	Risk free interest rate	Fair value per unit
Employee stock options	March 21,2013	64.31	51.00	59.51%	46 days	—	1.30%	14.21

E. Expenses of the aforementioned stock options was recognized as follows:

	2013
Employee share option expense	$ 11,512

F. No amendment to share-based payment agreements during the year.

(13) Earnings per share

	For the year ended December 31, 2014		
	Income after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 420,152	72,600	$ 5.79
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	—	54	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 420,152	72,654	$ 5.78

	For the year ended December 31, 2013		
	Income after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	$ 376,787	69,893	$ 5.39
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	—	678	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 376,787	70,571	$ 5.34

Starting 2008, in accordance with (96) Interpretation 052 of Accounting Research and Development Foundation, all employee bonus and remunerations of directors and supervisors should be treated as expenses not distribution of retained earnings. As employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuances in the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior years' earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

Weighted average number of the outstanding shares of 2013 was calculated as follows：

	2013	
Shares (thousand)	Outstanding	Weighted average number of shares outstanding (thousand)
64,500	January 1, 2013-December 31,2013	64,500
8,100	May 3, 2013~ December 31, 2013	5,393
72,600		69,893

(14) Net sales

	2014	2013
Net sale of goods	$ 5,343,400	$ 4,567,420
Net sale of services	591	794
Total	$ 5,343,991	$ 4,568,214

(15) Other non-operating income and expenses

A.Other income

	2014	2013
Interest income	$ 2,706	$ 1,553
Impairment (Reversal Gain) of PPE	2,170	(160)
(Gain) on disposal of PPE	(950)	(3,431)
Net currency exchange gain	782	7,190
Others	16,243	2,040
Total	$ 20,951	$ 7,192

B. Finance costs

	2014	2013
Interest expense (Bank borrowings)	$ 23,782	$ 31,485
Total	$ 23,782	$ 31,485

(16) Additional information of expenses by nature and Employee benefit expense:

	For the year ended December 31, 2014		
	Operating costs	Operating expenses	Total
Employee benefits expenses	$ 236,614	$ 105,883	$ 342,497
Wages and salaries	199,949	94,561	294,510
Labor and health insurance expenses	19,234	6,257	25,491
Pension costs	5,676	3,668	9,344
Other personnel expenses	11,755	1,397	13,152
Depreciation	253,727	8,469	262,196
Amortization	47	6,332	6,379

	For the year ended December 31, 2013		
	Operating costs	Operating expenses	Total
Employee benefits expenses	$ 193,948	$ 108,856	$ 302,804
Wages and salaries	163,080	97,854	260,934

(Continued)

Labor and health insurance expenses	16,191	5,976	22,167
Pension costs	4,814	3,791	8,605
Other personnel expenses	9,863	1,235	11,098
Depreciation	205,739	10,488	216,227
Amortization	38	1,590	1,628

7. RELATED PARTY TRANSACTIONS

(1)A. The names and relationships of the Group

Name of related party	Relationship with the Group
Huang Chin-San	Chairman of the Company of the Group
Huang Hsieh Mei-Yun	Spouse of the chairman of the parent company
Huang Ho-Chun	General Manager of the Company
BEAUTY EXPRESS CO.	Deemed related party of the parent company

(2)B. Significant transactions and balances with related parties:

A.(a). Purchases: None.

B.(b). Sales：

	2014		2013	
Name of related party	Amount	%	Amount	%
BEAUTY EXPRESS CO.	$ 899	0.02	$ 2,476	0.05

The selling prices and collection terms to related parties are the same as ordinary sales.

C(c). Notes and accounts payable：None.

D(d). Notes and accounts receivable：

		December31,2014		December31,2013	
Name of related party	Item	Amount	%	Amount	%
BEAUTY EXPRESS CO.	Note receivable	$ －	－	$ 633	1.61
BEAUTY EXPRESS CO.	Account receivable	246	0.02	183	0.12

E(e). Property transactions：None.

F(f). Rental expenses：

(a1) The Groups' parent company rent houses from Huang Hsieh Mei-Yun and Huang Ho-Chun as employees' dormitories since February 2008. Rental period is from February 1, 2008 to January 31, 2011 at monthly rent NT 8,000 and renewed on November 20, 2010 for period from February 1, 2011 to December

31, 2014. Annual rental expenses were NT 200,000 for 2014 and 2013. As of December 31, 2014 and 2013, the above amounts were settled.

(b2) The Groups' parent company leased land from Huang Hsieh Mei-Yun and Huang Ho-Chun since July 2011 for monthly rent 10 thousand. Annual rental expenses were 240 thousand for 2014 and 2013. As December 31, 2014 and 2013, the above amounts were settled.

G (g) Others：

(a)Except a bank loan for machineries by a subsidiary borrowed from Mega bank in 2012 was guaranteed by Huang Chin-San, Huang Hsieh Mei-Yun and Huang Ho-Chun, the rest of bank loans of the Group were guaranteed by Huang Chin-San, Huang Hsieh Mei-Yun and Huang Ho-Chun.

(b)Key management compensation:

Item	2014	2013
Salaries	$ 9,944	$ 12,170
Bonus	2,747	2,853
		(Continued)
Service allowance	590	810
Distribution of surplus items	4,038	1,458
Total	$ 17,319	$ 17,291

(i2-1) Salaries include salary, allowances, pensions, severance pay, etc.

(ii2-2) Bonuses include bonuses, incentives, etc.

(iii2-3) Service allowances include travelling expenses, special allowances, various allowances, dormitories, company cars, etc.

(iv)2-4) Distribution of surplus items are remuneration to directors and supervisors and employee bonuses.

(v2-5) Related information can also be found in annual report of the Company.

8. PLEDGED ASSETS

The Groups assets pledged as collateral were as follows:

Item	December 31,2014	December 31,2013
Restricted assets	$ 43,771	$ 65,341
Land use rights	—	57,215
Land	48,744	48,744
Building	2,346	98,882
Machinery equipment	—	197,969
Total	$ 94,861	$ 468,151

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

A. The Group's commitments and contingent liabilities were as follows：

Item	December 31,2014		December 31,2013	
Guarantee notes payable issued for loans and purchases.	NTD	270,000	NTD	260,000
Guarantee notes payable issued for loans and purchases.	USD	—	USD	2,000

B. As of December 31, 2014 and 2013,amounts of unused letters of credit and deposits were as follows:

December 31,2014			December 31,2013		
Letter of credit		L/C deposit	Letter of credit		L/C deposit
USD	4,410		USD	3,895	
EUR	1,122	$ —	EUR	612	$ —
JYP	18,600		JYP	51,000	

C. In September 2011, the Company entered into a creation of superficies agreement with Taiwan Sugar Corporation for 4 pieces of land located at No. 4 Dai Tien Fu Section, Yanchao, Kaohsiung as the land of new factory, the Company has paid NT 8,153 thousand dollars as deposit and listed as "Refundable Deposits". Both parties agreed official agreement shall be signed after Taiwan Sugar Corporation changed usage of land based on superficies agreement and the Company shall pay 10 year royalty amounting to NT 46,680 thousand to Taiwan Sugar Corporation. Superficies agreement is valid through January 9, 2024, can be extended by paying royalty after expiry of current agreement, but total accumulated period of creation of superfices shall not exceed 50 years, the agreement is not extendable after total accumulated years reaches 50 years.

D. The Group's subsidiary signed a construction agreement amounting to RMB 17,800 thousand with Pingnan Construction Engineering Co., Ltd. in Pinghu city, China, to build the fourth stage of engineering research and development workshop. As of December 31, 2014 the subsidiary has paid RMB 14,240 thousand.

10. <u>CASUALTY LOSSES</u>：None.

11. <u>SUBSEQUENT EVENTS</u>：None.

12. OTHER DISCLOSURES FOR FINANCIAL INTRUMENTS：

A. Capital risk management

The main objective of the Group's capital management is to maintain healthy and good capital ratios to support business operations and maximize shareholders' equity. The Group adjusts capital structure based on economic conditions and debt ratio by means of adjusting the dividends paid to shareholders, or issuing new shares.

The Group periodically reviews its debt-equity ratio to monitor funds. The debt-equity ratio at reported date were as follows:

Item	December 31,2014	December 31,2013
Total liabilities	$ 2,558,425	$ 2,440,090
Total equity	2,345,258	1,996,551
Debt to equity ratio	109.09%	122.22%

B. Financial instruments

(a). Fair value information of financial instruments

	December 31,2014		December 31,2013	
Item	Book Value	Fair Value	Book Value	Fair Value
Assets:				
Cash and cash equivalents	$ 339,335	$ 339,335	$ 398,417	$ 398,417
Notes and accounts receivable	1,117,356	1,117,356	890,533	890,533
Restricted assets	43,771	43,771	65,341	65,341
Other current assets	38,363	38,363	8,854	8,854
Refundable deposit	15,524	15,524	15,353	15,353
Liabilities:				
Short-term borrowing	259,041	259,041	246,297	246,297
Short-term bills payable net	89,952	89,952	49,999	49,999
Notes and accounts payable	1,234,329	1,234,329	1,073,162	1,073,162
Payables on equipment	47,221	47,221	59,129	59,129
Current portion of long-term bank borrowing	87,388	87,388	391,867	391,867
Long-term bank borrowing	661,748	661,748	466,959	466,959

(b). Financial risk management policies

The Group uses a comprehensive risk management and control systems to clearly identify, measure and control all of the Group's risks (including market risk, credit risk, liquidity risk and cash flow risk) for the Group's management to effectively control and measure market risk, credit risk, liquidity risk and cash flow risk.

The Group’s management evaluates economic conditions, completion and effect of market value risks to control various market risks effectively, to optimize risk position, to maintain proper liquidity and central control of market risks

(c). Market risk

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

(i1) Foreign exchange risk

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

(i1-1). Exchange rate risk exposures

At the balance sheet date, the book value of monetary assets and liabilities, which denominated in non-functional currency were as follows:

	December 31,2014			December 31,2013		
Item	Foreign currency amount (in thousands)	Exchange rate	NT$	Foreign currency amount (in thousands)	Exchange rate	NT$
Financial assets						
Monetary items						
USD	$ 18,800	31.650	$ 595,030	$ 24,558	29.805	$ 731,966
RMB	6,995	5.092	35,618	8,510	4.919	41,862
EUR	19	38.470	738	71	41.090	2,946
Financial liabilities						
Monetary items						

(Continued)

USD	19,874	31.650	629,020	30,270	29.805	902,206
EUR	2,576	38.470	99,088	6,280	41.090	258,034
JPY	18,600	0.264	4,921	52,145	0.284	14,804

(i1-2). Sensitivity analysis

The Group's risk of exchange rate is mainly from the conversion of cash and cash equivalents, receivables (payable) other receivable (payable), and bank borrowings, which is denominated in non-functional currency. As of December 31,2014 and 2013, if the NTD:USD(/ RMB / EUR) exchange rate appreciates / depreciates by 1% with all other factors remaining constant, the company’s pre-tax profit for the years ended December 31,2014 and 2013 would increase / decrease by $1,016 thousand and $3,983 thousand respectively. The analysis is using the same basis with prior period.

(ii2) Interest rate risk

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

The Group’s exposure to interest risk of financial liabilities is described in the liquidity risk of this note. The following sensitivity analysis is according to the non-derivative instrument’s interest risk at the reporting date. The analysis assumed the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period. A hypothetical increase / decrease 1% in interest rate would have resulted in an increase / decrease in net income by approximately $10,981 thousand and $11,551 thousand for the years ended December 31, 2014 and 2013.

(iii3) Credit risk:

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

(iv4) Liquidity risk:

The Group manage and maintain sufficient cash and cash equivalents to support the Group's operations and ease the effects of fluctuations in cash flows. The Group's management supervise utilization of bank facilities to ensure compliance of loan agreements.

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

Item	December 31, 2014 Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term borrowing	$ 259,041	$ —	$ —	$ —	$ 259,041
Short-term bills payable , net	89,952	—	—	—	89,952
Notes payable	529,444	—	—	—	529,444
Accounts payable	548,373	—	—	—	548,373
Other payable	156,512	—	—	—	156,512
Payables on equipment	47,221	—	—	—	47,221
Long-term bank borrowing (including Current portion of long-term bank borrowing)	87,388	661,748	—	—	749,136

Item	December 31, 2013 Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5years	Contractual cash flows
Short-term borrowing	$ 246,297	$ —	$ —	$ —	$ 246,297
Short-term bills payable , net	49,999	—	—	—	49,999
Notes payable	442,066	—	—	—	442,066
Accounts payable	450,289	—	—	—	450,289
Other payable	180,807	—	—	—	180,807
Payables on equipment	59,129	—	—	—	59,129
Long-term bank borrowing (including Current portion of long-term bank borrowing)	391,867	466,959	—	—	858,826

The cash flow risk of changes in interest rate:

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

C. Financial instruments with off-balance sheet credit risk

(a) The Group provides endorsement, guarantee commitment to subsidiaries in accordance with “Regulations governing endorsements and guarantees”. Because the Group has full control over the subsidiaries’ credit status, no collateral was requested. In default of subsidiaries, the possible loss are the same amount as the guarantee or endorsement provided.

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

Item	December 31,2014	December 31,2013
Endorsements / guarantees provided to subsidiaries	$ 1,040,694	$ 1,376,780

D. Fair value estimation

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

13. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Group:

A. Financings provided: Please see Table 1 attached.

B. Endorsement/guarantee provided: Please see Table 2 attached.

C. Marketable securities held (excluding investments in subsidiaries, associates and jointly control identities): None

D. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

E. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None

F. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table3 attached

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

I. Information about the derivative financial instruments transaction: None

J. Other: The business relationship between the parent and subsidiaries and significant transactions between them : Please see Table 4 attached

K. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 5 attached

L. Information on investment in Mainland China

(a) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 6 attached

(b) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 2, Table 4, Table 6 attached.

TABLE 1
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (US$ in Thousands) (Note 3)	Ending Balance (US$ in Thousands) (Note 8)	Amount Actually Drawn (US$ in Thousands)	Interest Rate	Nature for Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 7)	Financing Company's Total Financing Amount Limits (Note 7)
													Item	Value		
1	NANLIU ENTERPRISE(SAMOA) CO.,LTD.	NANLIU ENTERPRISE (PINGHU) CO., LTD.	Other receivables	Yes	USD 3,000	USD —	USD 3,000	4.2%	The need for short-term financing	—	For its business turnover	—	—	—	—	NTD 938,103 Net worth of the Company NTD 2,345,258×40% ＝938,103

Note 1: Description No. column are as follows
(1)Issuer fill 0.
(2)Investee companies according to the company do not sequentially numbered by the Arabic numerals 1.
Note 2: Accounts receivable column sums of affiliates, accounts receivable relationship between man, shareholders exchanges, advance payment, temporary payment ... and other projects, such as the case of loans to the nature of those who are required to fill in this field.
Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.
Note 4: Loans to the nature of the case should be listed with the case of a business or those who need short-term financial intermediation.
Note 5: Loan funds and nature of a business person, business should fill amount, the amount of business the company refers to lend money and the amount of business loans and objects of the most recent year.
Note 6: Loans to the nature of the case it is necessary to short-term financial intermediation, should specify the reasons and the necessary capital for the loan and the loan with the object of the use of funds, for example: to repay loans, purchase of equipment, operating working capital ... etc.
Note 7:Should fill according to the company loans to others operating procedures laid down for individual objects capital loans and loans to the limit with the overall limits, and in the remarks column of calculating the loans to the overall limits of individual objects and methods.
Note 8: If a public company based public company loans to ensure treatment guidelines and endorsement of Article 14, paragraph 1 loans to individually mention the board resolution, although not yet allocated, it should still be the Board Announcement balance amount included in the resolution, in order to expose their own risk; but subsequent repayment of funds should disclose after their outstanding balances, in order to adjust the risk of reaction. If a public company based treatment guidelines for Article 14, paragraph 2, the board of directors to authorize the Chairman within a period of one year and a certain amount of the loan or sub-sub-dial cycle use, should continue to fund the loan and the amount approved by the Board announcement of the declaration of a balance, although the subsequent repayment of funds, but may still be set aside to consider the loan again, it should continue to fund the loan and the amount approved by the Board announcement of the declaration of a balance.

TABLE 2
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note 3)	Maximum Balance for the Period (US$ in Thousands) (Note 4)	Ending Balance (US$ in Thousands) (Note 5)	Amount Actually Drawn (US$ in Thousands) (Note 6)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland China (Note 7)
		Name (Note 1)	Nature of Relationship (Note 2)										
0	The Company	NANLIU ENTERPRISE (SAMOA) CO.,LTD.	2	NTD 4,690,516	USD 58,125	USD 26,125	USD 8,875 EUR 2,061.9	NTD —	34.48%	NTD 2,345,258 ×200% =NTD 4,690,516	Y	N	N
0	The Company	NANLIU ENTERPRISE (PINGHU) CO., LTD.	3	NTD 4,690,516	USD 7,500	USD 7,500	USD 3,000 RMB 10,000	NTD —	9.90%		Y	N	Y

Note 1: Description No. column are as follows
(1) Issuer fill 0.
(2)Investee companies according to the company do not sequentially numbered by the Arabic numerals 1.

Note 2: Endorsement of the endorsee guarantee guarantor relationship with any of the following six objects, labeled species can:
(1) Company has a business relationship.
(2) Directly holds more than fifty percent stake in common shares of the subsidiary.
(3) Parent and subsidiary equity holders of ordinary shares to calculate more than fifty percent of consolidated investee companies.
(4) For direct or indirect ownership via subsidiaries more than fifty percent stake in common shares of the parent company.
(5) The mutual insurance company based on the contract between the engineering needs of the industry in accordance with contract provisions
(6) Investor Relations funded by common shareholders of each company according to their stake its guarantee of endorsement

Note 3: For others, according to the company should fill endorsement ensure operating procedures laid down limits on individual objects and endorsements guarantee of endorsement and guarantee ceiling, and in remarks column of endorsement and guarantee individual objects and calculate the overall limits of the method.

Note 4: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 5: By the end of Jufan company signed a endorsement to the bank guarantee amount of the contract or the approved bills that bear an endorsement or guarantee liability; another endorsement guarantee other related circumstances who are crediting endorsement should ensure balance.

Note 6: Enter the endorsement should be to ensure that companies using actual moving branch endorsement that the balance amount within the range.

Note 7.Is a listed subsidiary of the parent company cabinet endorsement guarantor, is a subsidiary of the listed parent company endorsement guarantor cabinet, is the mainland's endorsement certificate shall be required for loss Y.

TABLE 3

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note1)		Notes/Accounts Payable or Receivable		Note (Note2)
			Purchases/ Sales	Amount (Foreign Currencies in Thousands)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Foreign Currencies in Thousands)	% to Total	
The Company	NANLIU ENTERPRISE(PINGHU) CO.,LTD.	The Company invested NANLIU ENTERPRISE (SAMOA) CO., LTD. Mining equity method investee companies	Purchase	671,637	35.32%	With the same general terms and conditions	—	—	(126,201)	11.71%	—

Note 1: Related party transactions and general trading conditions, such conditions are different, should be in the field during the unit price and the credit situation and stating the reasons for the differences.

Note 2: If advance (pay) paid in the case, shall state the reasons in the remarks column, the terms of the contract agreement, the amount of the transaction patterns and differences with the general situation.

Note 3: Paid-in capital refers to the parent company's paid-in capital. Issuer shares without denomination or non-denomination belongs to NT $ per person ten dollars, paid-in capital relating to twenty percent of the transaction amount. Provisions to the balance sheet equity attributable to owners of the parent company ten percent calculation.

TABLE 4
SIGNIFICANT INTERCOMPANY TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	The Company	NANLIU ENTERPRISE (PINGHU) CO.	1	Sales	74,117	—	1.39%
0	The Company	NANLIU ENTERPRISE (PINGHU) CO.	1	Accounts receivable	51,261	—	1.05%
0	The Company	NANLIU ENTERPRISE (PINGHU) CO.	1	Purchases	671,637	—	12.57%
0	The Company	NANLIU ENTERPRISE (PINGHU) CO.	1	Accounts payable	126,201	—	2.57%

Note 1:No. 0 represents the Company, starting from No. 1 represents various subsidiaries.

Note 2: Trader’s relationship with the following three, labeled species can be (if line between the parent company with its subsidiaries from time to time deal, you do not need to repeat expose as: trading subsidiaries of the parent, if the parent company has revealed, the subsidiary shall not be required to repeat uncovered; subsidiaries of subsidiary transaction, if one of its subsidiaries has been revealed, the other subsidiaries need not be repeated - revealed):

(1) The parent company to subsidiaries.
(2) A subsidiary of the parent company.
(3) Subsidiaries of subsidiaries

Note 3: Dealings amount of computing consolidated revenue account or a ratio of total assets, if the items that belong to the balance to the ending balance of consolidated total assets accounted manner calculated; if those who profit and loss items belong to the cumulative amount of interim consolidated total revenues accounted for the way calculations.

Note 4: Important dealings was the case of this form by the company in accordance with the principle of materiality in deciding whether to lists.

TABLE 5

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

DECEMBER 31, 2014

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

Investor Company	Investee Company (Note 1 and 2)	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2014			Net Income (Losses) of the Investee (NT$ in Thousands) (Note 2(2))	Share of Profits/Losses of Investee (Note 2(3)) (NT$ in Thousands)	Note
				December 31 2014 (NT$ in Thousands)	December 31, 2013 (NT$ in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (NT$ in Thousands)			
The Company	NANLIU ENTERPRISE(SAMOA) CO.,LTD	SAMOA	Investment activities	1,325,860	1,245,143	42,728	100%	2,116,286	221,076	221,076	—

Note 1: As a public company with a foreign holding company and in accordance with local laws and regulations to the consolidated financial statements as the primary financial statements who uncovered information about the investment company abroad, only to have to disclose relevant information to the holding company

Note 2: Note the case of a situation of non-person, fill in accordance with the following provisions:

(1)"Investee company name", "area", "Main Business" column "of the original investment amount" and "shareholders holding situation", etc., should be under this (public offering) company reinvestment situation and every direct or indirect control the investment company sub-investment case is filled sequentially, and each investee companies and the (public offering) and companies (such as lines or owned subsidiary of Sun company) in the remarks column.

(2)"Investee company's current profit and loss." , should fill in the period by the amount of the investment company's profit and loss.

(3)"Current investment gains and losses recognized in the" Box B, only need to fill this (public offering) is the amount of each company recognized gains and losses of direct investment companies and reinvestment of all mining equity method subsidiaries, we have Maintain. To fill in "gains and losses recognized in each period direct subsidiaries of the amount of reinvestment", should confirm the current amount of profit or loss of subsidiaries already contains its sub-investment should be recognized in accordance with the provisions of investment gains and losses.

TABLE 6
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2014 (NT$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014 (NT$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/ Losses (Note 2)	Carrying Amount as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
NANLIU ENTERPRISE(PINGHU) CO.,LTD	Non-woven and other manufacturing and processing	1,690,501	Note 1	1,245,143	80,717	—	1,325,860	239,731	100%	239,731	2,374,752	—

Accumulated Investment in Mainland China as of December 31, 2014 (NT$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (NT$ in Thousands)	Upper Limit on Investment (NT$ in Thousands)
1,325,860	1,877,537	None

Note 1: Investment is divided into the following three, labeling categories to:
(1) Direct investment in the mainland area.
(2) Through the third regional companies to invest in mainland (please specify this third area of investment company).
(3) other methods

Note 2: Investment gains and losses recognized in the current period bar:
(1) If the case of preparation, there is no investment income persons should be specified
(2) Investment gains and losses recognized basis into the following three should be specified
(a) After the Republic of China have international partnership accounting firm of Certified Public Accountants attested financial Statements.
(b) Taiwan parent company by a CPA financial statements visa
(c) Other.

14. OPERATING SEGMENTS INFORMATION

A. General information:

The Group has four reportable segments, including thermal-bonded nonwovens fabrics, Spunlace nonwovens fabrics, Biotechnology and Post-processing, mainly engaged in manufacturing and subcontract of thermal-bonded nonwovens fabrics, wet wipes, facial mask and skin care products, segments are classified based on nature of products.

The Group identified reportable segement for operating segments exceeded the quantitative threshold. Operating segments that did exceed the quantitative threshold for separate reporting were included in "Others". The measurement for operating segments was provided to chief operating decision-maker for allocation of resources among segment and performance evaluation. There were no material differences between the accounting policies of the operating segment and the accounting policies desceribed in Note 2.

B. Measurement of segment information

The Group uses the income from operations as measurement for segment profit and the basis of performance assessment.

C. Segment profit, losses and asset information

For the year ended December 31,2014：

Item	Air-through nonwovens	Spunlace nonwovens	Biotechnology	Post-processing	Others	Total
Net revenue from external customers	$ 1,043,872	$ 1,325,217	$ 2,236,726	$ 727,589	$ 10,587	$ 5,343,991
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment Revenue	$ 1,043,872	$ 1,325,217	$ 2,236,726	$ 727,589	$ 10,587	$ 5,343,991
Segment Income	$ 107,001	$ 89,031	$ 337,067	$ 61,493	$ 4,196	$ 598,788
Segment Assets	$ 468,880	$ 1,030,085	$ 430,980	$ 100,788	$ 54,851	$ 2,085,584

For the year ended December 31,2013：

Item	Air-through nonwovens	Spunlace nonwovens	Biotechnology	Post-processing	Others	Total
Net revenue from external customers	$ 855,894	$ 1,293,003	$ 1,896,698	$ 505,908	$ 16,711	$ 4,568,214
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment Revenue	$ 855,894	$ 1,293,003	$ 1,896,698	$ 505,908	$ 16,711	$ 4,568,214
Segment Income	$ 92,775	$ 59,058	$ 308,104	$ 44,339	$ 2,257	$ 506,533
Segment Assets	$ 230,662	$ 1,081,404	$ 474,935	$ 112,880	$ 55,295	$ 1,955,176

D. Reconciliation for segment income (loss) :

(a). Measurement of segments income or loss:

The Group uses the income from operations as measurement for segment profit and the basis of performance assessment.

(b). Reconcilation for segment income (loss).

The segments operating income reported to the chief operating decision-maker was measured in a manner consistent with that in the statement of comprehensive income. The Group did not provide the amount of total assets and total liabilities to the chief operating decision-maker.

The reconciliation of reportable segment income or loss to income before income tax is provided as follows:

	2014		2013	
Reportable segments income	$	598,788	$	506,533
Unallocated amounts：				
Other non-operating income and expense		(2,831)		(24,293)
Income before income tax	$	595,957	$	482,240

E. Geographic information

The company distinguishes the following information, which the revenue based on customer classification based on geographic location, rather than the non-current assets are classified based on geographical location of assets.

(a).Revenue from external customers

Area	2014		2013	
Taiwan	$	1,342,229	$	1,105,021
China		2,546,167		2,006,544
Asia		1,283,693		1,347,660
Others		171,902		108,989
Total	$	5,343,991	$	4,568,214

(b). Non-current Assets

Area	December31,2014		December31,2013	
Taiwan	$	346,483	$	300,390
China		1,866,229		1,737,509
Total	$	2,212,712	$	2,037,899

F. Major customers representing at least 10% of net revenue:

	2014	
Name	Amount	%
Customer A	$ 781,107	14.65%
Total	$ 781,107	14.65%

	2013	
Name	Amount	%
Customer A	$ 820,225	17.97%
Total	$ 820,225	17.97%