

NAN LIU Enterprise Co., Ltd. and Subsidiary
Consolidated Financial Statements for the first quarter of 2016 and
2015 and Independent Accountants' Review Report

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
First quarter financial statement of 2016
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

We have reviewed the accompanying consolidated balance sheets of Nanliu Enterprise Company Limited and subsidiaries (the "Company") as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Govern Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China.

YANGTZE CPAS & Co.,

May 11, 2016

Notice to Readers

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

For the convenience of readers, the accountants' review 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 accountant's review report and consolidated financial statements shall prevail.

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

ASSETS	Note	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)		
		Amount	%	Amount	%	Amount	%	
CURRENT ASSETS								
1100	Cash and cash equivalents	6(1)	\$ 567,223	10.87	\$ 529,058	9.82	\$ 373,409	7.25
1150	Notes receivable, net	6(2) and 7	62,891	1.21	58,691	1.09	67,891	1.32
1170	Accounts receivable, net	6(3) and 7	1,034,237	19.83	1,119,267	20.79	1,127,404	21.88
1200	Other receivables		1,095	0.02	1,495	0.03	24,504	0.48
1220	Income tax assets	6(13)	-	-	-	-	-	-
1310	Inventories	6(4)	965,126	18.50	991,811	18.42	799,686	15.52
1410	Prepayments		281,539	5.40	354,415	6.58	450,073	8.74
1470	Other current assets	8	64,269	1.23	44,938	0.83	58,661	1.14
	Total current assets		<u>2,976,380</u>	<u>57.06</u>	<u>3,099,675</u>	<u>57.56</u>	<u>2,901,628</u>	<u>56.33</u>
NONCURRENT ASSETS								
1600	Property , plant and equipment	6(5) and 8	2,016,675	38.65	2,054,428	38.15	1,851,691	35.95
1780	Intangible assets	6	-	-	24	0.00	133	0.00
1840	Deferred income tax assets	6(13)	27,094	0.52	29,230	0.54	28,317	0.55
1915	Prepayments for equipment		73,178	1.40	76,135	1.41	244,775	4.75
1920	Refundable deposit	9	21,497	0.41	21,550	0.40	15,538	0.30
1985	Prepaid investments		99,479	1.91	101,322	1.88	106,612	2.07
1990	Other assets		2,413	0.05	2,463	0.06	2,491	0.05
	Total noncurrent assets		<u>2,240,336</u>	<u>42.94</u>	<u>2,285,152</u>	<u>42.44</u>	<u>2,249,557</u>	<u>43.67</u>
1xxx	Total assets		<u>\$ 5,216,716</u>	<u>100.00</u>	<u>\$ 5,384,827</u>	<u>100.00</u>	<u>\$ 5,151,185</u>	<u>100.00</u>

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

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

	Note	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)		
		Amount	%	Amount	%	Amount	%	
LIABILITIES AND EQUITY								
CURRENT LIABILITIES								
2100	Short-term loans	6(6)	\$ 369,653	7.09	\$ 207,307	3.85	\$ 373,790	7.26
2111	Short-term bills payable , net	6(7)	149,967	2.87	164,931	3.06	79,960	1.55
2150	Notes payable		486,786	9.33	540,796	10.04	453,760	8.81
2170	Accounts payable		429,068	8.22	523,562	9.72	638,250	12.40
2200	Other payable		156,073	2.99	160,252	2.98	142,714	2.77
2213	Payables on equipment		19,165	0.37	37,893	0.70	25,621	0.50
2230	Current tax liabilities	6(13)	95,965	1.84	81,986	1.52	102,875	2.00
2311	Unearned receipts		8,852	0.17	9,569	0.18	12,493	0.24
2322	Current portion of long-term bank borrowi	6(8)	87,617	1.68	169,288	3.14	54,775	1.06
2399	Other current liabilities		2,586	0.05	2,973	0.06	2,374	0.05
	Total current liabilities		<u>\$ 1,805,732</u>	<u>34.61</u>	<u>1,898,557</u>	<u>35.25</u>	<u>1,886,612</u>	<u>36.64</u>
NONCURRENT LIABILITIES								
2540	Long-term bank borrowing	6(8)	559,237	10.72	722,425	13.42	703,875	13.66
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.14	7,386	0.14	7,386	0.14
2572	Deferred income tax liabilities-income tax	6(13)	1,533	0.03	2,744	0.05	532	0.01
2640	Accrued pension liabilities	6(9)	75,549	1.45	89,756	1.67	80,655	1.57
2645	Guarantee deposits		497	0.01	500	0.01	504	0.01
	Total noncurrent liabilities		<u>644,202</u>	<u>12.35</u>	<u>822,811</u>	<u>15.29</u>	<u>792,952</u>	<u>15.39</u>
	Total liabilities		<u>2,449,934</u>	<u>46.96</u>	<u>2,721,368</u>	<u>50.54</u>	<u>2,679,564</u>	<u>52.03</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Owners equity								
3100	Capital stock	6(10)	726,000	13.92	726,000	13.49	726,000	14.09
3200	Capital surplus	6(10)	453,467	8.69	453,467	8.42	453,467	8.80
3300	Retained earnings	6(10)						
3310	Legal reserve		201,355	3.86	201,355	3.74	159,340	3.09
3320	Special reserve		44,348	0.85	44,348	0.82	44,348	0.86
3350	Unappropriated earnings		1,270,389	24.35	1,153,679	21.42	974,497	18.92
3400	Other	6(10)						
3410	Financial statements translation differences for foreign operations		71,223	1.37	84,610	1.57	113,969	2.21
	Equity attributable to shareholders of the parent		<u>2,766,782</u>	<u>53.04</u>	<u>2,663,459</u>	<u>49.46</u>	<u>2,471,621</u>	<u>47.97</u>
	Total liabilities and equity		<u>\$ 5,216,716</u>	<u>100.00</u>	<u>\$ 5,384,827</u>	<u>100.00</u>	<u>\$ 5,151,185</u>	<u>100.00</u>

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Statements of Comprehensive income
(All Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

		Three Months Ended March 31			
		2016		2015	
Item	Note	Amount	%	Amount	%
4110	Sales revenue	\$ 1,455,764	101.32	\$ 1,498,416	100.57
4170	Less: Sales return	(10,224)	(0.71)	(3,823)	(0.26)
4190	Less: Sales allowances	(8,756)	(0.61)	(4,652)	(0.31)
4000	Net Sales	1,436,784	100.00	1,489,941	100.00
5000	Cost of goods sold	(1,165,072)	(81.09)	(1,206,484)	(80.98)
5900	Gross profit	271,712	18.91	283,457	19.02
6000	Operating expenses				
6100	Promotion expenses	(52,862)	(3.68)	(62,549)	(4.20)
6200	Management expenses	(67,051)	(4.67)	(48,298)	(3.24)
6300	Research expenses	(5,718)	(0.40)	(7,697)	(0.52)
6000	Total Operating expenses	(125,631)	(8.75)	(118,544)	(7.96)
6900	Operating profit	146,081	10.16	164,913	11.06
7000	Other non-operating income and expenses				
7020	Other income	17,870	1.24	34,595	2.32
7050	Finance costs	(4,626)	(0.32)	(6,036)	(0.41)
7000	Other non-operating income and expenses	13,244	0.92	28,559	1.91
7900	Income before income tax	159,325	11.08	193,472	12.97
7950	Income tax expense	(42,615)	(2.97)	(42,680)	(2.86)
8200	Net Income	116,710	8.11	150,792	10.11
8300	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Financial statements translation differences for foreign operations	(13,387)	(0.93)	(24,429)	(1.64)
8399	Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently	-	-	-	-
8300	Other comprehensive income(loss)for the period ,net of income tax	(13,387)	(0.93)	(24,429)	(1.64)
8500	Total comprehensive income for the period	\$ 103,323	7.18	\$ 126,363	8.47
8600	Net income attributable to :				
8610	Owners of parent	116,710	8.11	150,792	10.11
8620	Non-controlling interests	-	-	-	-
	Net income	116,710	8.11	150,792	10.11
8700	Comprehensive income attributable to :				
8710	Owners of parent	103,323	7.18	126,363	8.47
8720	Non-controlling interests	-	-	-	-
	Total comprehensive income for the period	103,323	7.18	126,363	8.47
9750	Basic earnings per share(NT dollars)	\$ 1.61		\$ 2.08	
9850	Diluted earnings per share(NT dollars)	\$ 1.61		\$ 2.08	

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

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

(Reviewed, Not Audited)

	Equity attributable to owners of parent								Total Equity
	Stock		Capital Surplus	Retained Earnings			Other equity items		
	Ordinary shares	Amounts		Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations		
Balance as of January 1, 2015	72,600	\$ 726,000	\$ 453,467	\$ 159,340	\$ 44,348	\$ 823,705	\$ 138,398	\$ 2,345,258	
Net income for the three months ended March 31, 2015	-	-	-	-	-	150,792	-	150,792	
Other comprehensive income for the three months ended March 31, 2015, net of income tax	-	-	-	-	-	-	(24,429)	(24,429)	
Balance as of March 31, 2015	72,600	\$ 726,000	\$ 453,467	\$ 159,340	\$ 44,348	\$ 974,497	\$ 113,969	\$ 2,471,621	
Balance as of January 1, 2016	72,600	\$ 726,000	\$ 453,467	\$ 201,355	\$ 44,348	\$ 1,153,679	\$ 84,610	\$ 2,663,459	
Net income for the three months ended March 31, 2016	-	-	-	-	-	116,710	-	116,710	
Other comprehensive income for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	-	(13,387)	(13,387)	
Balance as of March 31, 2016	72,600	\$ 726,000	\$ 453,467	\$ 201,355	\$ 44,348	\$ 1,270,389	\$ 71,223	\$ 2,766,782	

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(All Amounts Expressed In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2016	2015
Cash flows from operating activities		
Consolidated Profit before income tax	\$ 159,325	\$ 193,472
Adjustments for :		
Depreciation expense	73,999	64,646
Amortization expense	1,623	1,590
Provision for doubtful accounts	15,169	12,011
Other expense	54	-
Interest expense	4,626	6,036
Interest income	(681)	(736)
(Reversal of allowance) Provision for inventory market price decline	2,149	-
Loss on disposal of inventory	1,465	3
Loss on disposal of assets	1,398	798
(Reversal) Impairment of Assets	(2,283)	(551)
Foreign exchange loss (gain)	623	(386)
Total adjustments to reconcile profit or loss	98,142	83,411
Changes in operating assets and liabilities		
(Increase) in notes receivable	(4,200)	(14,478)
Decrease (Increase) in accounts receivable	64,312	(80,324)
Decrease (Increase) in other receivable	377	(21,021)
Decrease (Increase) in inventories	23,071	(28,904)
Decrease (Increase) Decrease in prepayments	76,176	(88,828)
(Increase) Decrease in other current assets	(25,572)	12,271
(Decrease) in notes payable	(52,168)	(76,114)
(Decrease) Increase in accounts payable	(88,333)	91,195
(Decrease) in other payable	(4,119)	(14,034)
(Decrease) in unearned receipts	(717)	(1,344)
(Decrease) Increase in accrued pension liabilities	(14,207)	562
Total Changes in Operating Assets and Liabilities	(25,380)	(221,019)
Cash generated from operating	232,087	55,864
Interest received	704	939
Income taxes paid	(27,711)	(20,060)
Net cash generated by operating activities	205,080	36,743

(Continued)

Cash flows from investing activities

Acquisition of property , plant and equipment	(38,153)	(61,382)
(Increase) in prepayments for equipment	(26,313)	(54,611)
Decrease in restricted assets	6,310	11,664
(Increase) Decrease in Instead of payment	(69)	739
Decrease in other noncurrent assets	-	146
(Increase) in refundable deposits	-	(68)
Net cash used in investing activities	<u>(58,225)</u>	<u>(103,512)</u>

Cash Flows From Financing Activities

Interest paid	(4,650)	(5,792)
Increase in short-term loans	162,346	115,032
(Decrease) in short-term bills payable	(15,000)	(10,000)
(Decrease) Increase in long-term loans	(245,359)	17,278
(Decrease) Increase in other current liabilities	(387)	98
Net cash used in financing activities	<u>(103,050)</u>	<u>116,616</u>
Effect of exchange rate changes on cash and cash equivalents	(5,640)	(15,773)
Net Increase in cash and cash equivalents	<u>38,165</u>	<u>34,074</u>
Cash and cash equivalents, beginning of period	529,058	339,335
Cash and cash equivalents, end of period	<u>\$ 567,223</u>	<u>\$ 373,409</u>

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
Notes to Consolidated financial statements
for the Three Months Ended March 31 of the 2016 and 2015
(After review, not in accordance with generally accepted auditing standards)
(Except for particular note, the unit is based on NT\$1000)

1. Company history

NAN LIU Enterprise Co., Ltd. (hereinafter referred to as the company) was established in 1973 and approved by the Ministry of Economic Affairs with the registered address of No.88, Bixiu Road, Qiaotou District, Kaohsiung City. NAN LIU Company was listed for trading in the Taiwan Stock Exchange Corporation on May 7th of 2013. The NAN LIU Group consolidated financial statements consist of NAN LIU Company and its Subsidiary, a group of associated enterprises and joint ventures controlled under individual rights (hereinafter referred to as the group), and concluded on March 31st of 2016. NAN LIU Group is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products as shown in appendix 14. The functional currency of the consolidated financial statements is the New Taiwan (NT) dollar.

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

Consolidated financial statements were approved and authorized for issue by the board of directors on May 11th of 2016.

3. Application of new standards, amendments and interpretations

(1) We have adopted the criteria for international financial reports approved by the Financial Supervisory Commission (FSC): None

(2) We have not adopted the new announcements and amendments of the criteria for international financial reports approved by FSC: None

The International Accounting Standards Board (IASB) has announced the criteria for international financial reports without approval by the Financial Supervisory Commission IFRS, IAS, IFRIC and SIC (hereafter referred as IFRSs) that have been announced by the ASB but have not been approved by the Financial Supervisory Commission are not suitable for NAN LIU Group. The Commission on March 10th of 2016 published IFRSs has been approved in 2017. The IASB announced on January 1st of 2016, that IFRSs took effect, not including IFRS9 for "financial instruments" and IFRS15 for "customer contract income" that had not been confirmed on the availability date of the IFRSs. In addition, the

Commission announced that public companies in Taiwan should begin employing IFRS15 in 2018. The FSC had not released a new correction/revision of its guidelines or other criteria than the effective dates before the publishing date of these consolidated financial reports.

New releases/corrections/amendments to the guidelines and explanations	The International Accounting Standards Board as of the effective date
The 9th International Financial Reporting Standard on "financial instruments"	On January 1st, 2018
The 7th and 9th International Financial Reporting Standards "mandatory effective date and transition revealed"	On January 1st, 2018
The 10th International Financial Reporting Standard and the 28th International Accounting Standard "investors asset sale between associated companies and joint ventures or invest"	Undecided
New releases/corrections/amendments to the guidelines and explanations	The International Accounting Standards Board as of the effective date
The 10th, 12th International Financial Reporting Standards and the 28th International Accounting Standard "investment entities: applying the consolidation exception"	On January 1st, 2016
Amendment to International Financial Reporting Standard 11 "accounting for acquisitions of interests in joint operations"	On January 1st, 2016
The 14th International Financial Reporting Standard "regulatory deferral accounts"	On January 1st, 2016
The 15th International Financial Reporting Standard "revenue from contracts with customers"	On January 1st, 2018
Amendment to the 15th International Financial Reporting Standard "clarifications to revenue from contracts with customers"	On January 1st, 2018
The 16th International Financial Reporting Standard "leases"	On January 1st, 2019
Amendment to the 11th International Accounting Standard "disclosure initiative"	On January 1st, 2016
Amendment to the 7th International Accounting Standard "disclosure initiative"	On January 1st, 2017
Amendment to the 12th International Financial Reporting Standard "recognition of deferred tax assets for unrealized losses"	On January 1st, 2017
Amendment to the 16th and 38th International Accounting Standards to clarify "acceptable methods of depreciation and amortization"	On January 1st, 2016

Amendment of the 16th and 41st International Accounting Standards "agriculture: bearer plants"	On January 1st, 2016
Amendment to the 19th International Accounting Standard "defined benefit plans: employee contributions"	On July 1st, 2014
Amendment to the 27th International Accounting Standard "equity method in separate financial statements"	On January 1st, 2016
Amendment to the 36th International Accounting Standard "recoverable amount disclosures for non-financial assets"	On January 1st, 2014
Amendment to the 39th International Accounting Standard "continuing hedge accounting after novation"	On January 1st, 2014
Interpretations of the 21st International Financial Reporting Standard "taxation"	On January 1st, 2014
The improvements to International Financial Reporting Standards from 2010 to 2012	On July 1st, 2014
The improvements to International Financial Reporting Standards from 2011 to 2013	On July 1st, 2014
The improvements to International Financial Reporting Standards from 2012 to 2014	On January 1st, 2016

The NAN LIU Company continues to assess these criteria and an explanation of the impact of financial position and operating results will be revealed when the assessment is completed.

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter "the guidelines") and FSC recognized the 34th International Accounting Standard "interim financial reporting". The consolidated financial report does not contain data in accordance with FSC approved International Financial Reporting Standards, explanations and interpretations (hereinafter "FSC approved International Financial Reporting Standards"). Preparation of the annual consolidated financial statements should reveal all the necessary information.

Apart from the described in the following paragraphs, the consolidated quarterly statements adopted by major accounting policies is incorporated in the same consolidated financial statements of the 2015. Related information refers to consolidated financial statements noted as IV in 2015.

(2) Basis of Consolidation

Consolidated financial quarterly statement principles were consistent with consolidated financial statements in 2015. Please refer to note IV for related information.

Consolidated financial statements of subsidiaries including:

Investment company name	Subsidiary name	Business features	Percentage of ownership		
			105.3.31	104.12.31	104.3.31
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Overseas investment holding company	100	100	100
NANLIU ENTERPRISE (SAMOA) CO., LTD.	Nanliu Enterprises (Pinghu) Ltd.	Production and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100	100	100

(3) Other significant accounting policies

1. Income tax

This group is in accordance with the 34th International Accounting Standard "interim financial statements", referred to paragraph B12 regulations.

Measurement and disclosure of income tax expenses

Income tax expense to net profit before tax for the period is multiplied by management for the best estimate of the annual effective tax rate to measure and recognize as income tax expenses for the current period.

Income tax expenses are recognized directly in equity projects or other comprehensive income items, related assets and liabilities. The carrying amount for

financial statement purposes and their tax bases of temporary differences are based on the expected realization or the applicable tax rate to be measured.

2. Employee benefits

Pensions with benefit plan figures adopt previous year reports in accordance with the actuarial pension cost ratio. This is based on annual measurement, the reports of major future market fluctuations, significant cuts, liquidity or other significant events to be adjusted.

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

Management level is in accordance with the 34th International Accounting Standards approved by FSC of "interim financial reporting". The above states that consolidated financial statements must make judgments, estimations and assumptions that influence accounting policies of adopting assets, liabilities, income and expenses. Actual results and estimates will be differed.

When preparing the consolidated quarterly financial statements, management adopts combined company accounting policies to make significant judgments and estimates the main source of uncertainty that is consistent with consolidated financial statements, as note V.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	March 31, 2016	December 31, 2015	March 31, 2015
Cash	\$ 1,673	\$ 2,296	\$ 2,625
Demand deposits	264,229	260,375	236,174
Checking account	75	84	72
Foreign currency deposits	291,750	230,838	120,886
Time deposits	9,496	35,465	13,652
Total	\$ 567,223	\$ 529,058	\$ 373,409

1. NAN LIU Group possesses good credit with financial institutions and interacts with several financial institutions to diversify credit risk. The anticipated possibility of default is very low, and the balance sheet figure for exposure cash amount on maximum credit risks is same as cash equivalents

2. NAN LIU Group's cash and cash equivalents had not been provided to pledge.

(2) Notes receivable, net

Items	March 31, 2016	December 31, 2015	March 31, 2015
Non-related parties	\$ 62,891	\$ 58,691	\$ 70,513
Related parties	—	—	—
Less: Allowance for doubtful receivables	—	—	(2,622)
Net	\$ 62,891	\$ 58,691	\$ 67,891

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

(3) Accounts receivable, net

Items	March 31, 2016	December 31, 2015	March 31, 2015
Non-related parties	\$ 1,061,370	\$ 1,131,076	\$ 1,141,508
Related parties	—	182	311
//Less: allowance for doubtful receivables	(27,133)	(11,991)	(14,415)
Net	<u>\$ 1,034,237</u>	<u>\$ 1,119,267</u>	<u>\$ 1,127,404</u>

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

	March 31, 2016	December 31, 2015	March 31st, 2015
Neither past due nor impaired	\$ 1,029,368	\$ 1,082,913	\$ 1,096,373
Past due but not impaired			
Within 60 days	37,719	86,525	90,337
From 61 to 90 days	18,229	7,361	7,884
From 91 to 180 days	11,472	1,149	658
Over 180 days	340	10	43
Total	<u>\$ 1,097,128</u>	<u>\$ 1,177,958</u>	<u>\$ 1,195,295</u>

2. Movements of the allowance for doubtful receivables:

From January 1st to March 31st of 2016			
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2016	\$ 1,625	\$ 11,991	\$ 13,616
Provision (reversal) for impairment	(20)	15,189	15,169
Exchange difference	(3)	(47)	(50)
On March 31st, 2016	<u>\$ 1,602</u>	<u>\$ 27,133</u>	<u>\$ 28,735</u>
From January 1st to March 31st of 2015			
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2015	\$ 3,174	\$ 5,054	\$ 8,228
Provision (reversal) for impairment	(34)	12,045	12,011
Exchange difference	—	(62)	(62)
On March 31st, 2015	<u>\$ 3,140</u>	<u>\$ 17,037</u>	<u>\$ 20,177</u>

3. The asset impairment loss assessment of individual accounts receivable is located in the column, "other non-current assets".

4. For NAN LIU Group's accounts receivable on March 31st, 2016, December 31st and March 31st, the exposure amount of maximum credit risk is the book value for receivables.

5. NAN LIU Group did not hold collateral for accounts receivable.

(4) Net inventories

	March 31, 2016		
	Cost	Allowance for price decline of inventories	Book value
Raw materials	\$ 376,373	\$ 4,360	\$ 372,013
Supplies	77,884	6,323	71,561
Work in process	17,905	1,755	16,150
Finished goods	491,838	10,647	481,191
Merchandise inventory	4,730	838	3,892
Inventory in transit	20,319	—	20,319
Total	<u>\$ 989,049</u>	<u>\$ 23,923</u>	<u>\$ 965,126</u>

	December 31, 2015		
	Cost	Allowance for price decline of inventories	Book value
Raw material	\$ 386,122	\$ 7,081	\$ 379,041
Supplies	78,262	2,485	75,777
Work in process	19,140	2,400	16,740
Finished goods	505,934	9,110	496,824
Merchandise inventory	7,823	698	7,125
Inventory in transit	16,304	—	16,304
Total	<u>\$ 1,013,585</u>	<u>\$ 21,774</u>	<u>\$ 991,811</u>

	March 31, 2015		
	Cost	Allowance for price decline of inventories	Book value
Raw material	\$ 299,808	\$ 9,545	\$ 290,263
Supplies	81,464	2,832	78,632
Work in process	26,340	2,608	23,732
Finished goods	356,415	6,711	349,704
Merchandise inventory	11,147	78	11,069
Inventory in transit	46,286	—	46,286
Total	<u>\$ 821,460</u>	<u>\$ 21,774</u>	<u>\$ 799,686</u>

1. Inventories are provided without guarantee or pledge as of March 31st of 2016, December 31st and March 31st of 2015.

2. Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	On January 1st to March 31st, 2016	On January 1st to March 31st, 2015
Cost of goods sold	\$ 1,165,566	\$ 1,211,809
Idle capacity cost	6,857	2,978
Revenue from sale of scraps	(10,965)	(8,306)
(Reversal of allowance) provision for inventory market price decline	2,149	—
Loss on disposal of inventory	1,465	3
Loss (profit) on physical inventory	—	—
Total	\$ 1,165,072	\$ 1,206,484

(5) Property, plant and equipment

Value added	Land	Land revaluation	Building and construction	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2016	\$ 46,046	\$ 11,264	\$ 419,111	\$ 1,377,970	\$ 105,233	\$ 19,082	\$ 3,208	\$ 26,186	\$ 46,328	\$ 2,054,428
Added	—	—	108	13,220	—	—	26	1,813	2,416	17,583
Disposals or retirements	—	—	—	(1,398)	—	—	—	—	—	(1,398)
Deconsolidation	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	—	25,101	—	—	—	654	—	25,755
Annual depreciation	—	—	(7,585)	(58,210)	(4,462)	(1,550)	(416)	(1,776)	—	(73,999)
Reversal of impairment	—	—	392	1,891	—	—	—	—	—	2,283
Effect of exchange rate changes	—	—	(2,179)	(5,158)	(444)	(29)	(3)	(77)	(87)	(7,977)
Balance on March 31st, 2016	\$ 46,046	\$ 11,264	\$ 409,847	\$ 1,353,416	\$ 100,327	\$ 17,503	\$ 2,815	\$ 26,800	\$ 48,657	\$ 2,016,675

Carrying value:

On March 31st, 2016:

Cost	\$ 46,046	\$ 11,264	\$ 647,777	\$ 2,846,762	\$ 209,396	\$ 55,167	\$ 20,625	\$ 74,828	\$ 48,657	\$ 3,960,522
Less: Accumulated depreciation and impairment	—	—	(237,930)	(1,493,346)	(109,069)	(37,664)	(17,810)	(48,028)	—	(1,943,847)
Balance on March 31st, 2016	\$ 46,046	\$ 11,264	\$ 409,847	\$ 1,353,416	\$ 100,327	\$ 17,503	\$ 2,815	\$ 26,800	\$ 48,657	\$ 2,016,675

Carrying value:

On December 31st, 2015:

Cost	\$ 46,046	\$ 11,264	\$ 649,814	\$ 2,822,677	\$ 210,135	\$ 55,241	\$ 20,632	\$ 72,526	\$ 46,328	\$ 3,934,663
Less: Accumulated depreciation and impairment	—	—	(230,703)	(1,444,707)	(104,902)	(36,159)	(17,424)	(46,340)	—	(1,880,235)
Balances on December 31st, 2015	\$ 46,046	\$ 11,264	\$ 419,111	\$ 1,377,970	\$ 105,233	\$ 19,082	\$ 3,208	\$ 26,186	\$ 46,328	\$ 2,054,428

Value added	Land	Land revaluation	Building and construction	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Unfinished construction	Total
Balances on January 1st, 2015	\$ 46,046	\$ 11,264	\$ 335,521	\$ 1,233,469	\$ 67,858	\$ 17,563	\$ 4,620	\$ 27,740	\$ 120,286	\$ 1,864,367
Addition	—	—	1,356	9,796	75	—	29	1,109	27,847	40,212
Disposal or retirements	—	—	—	(23)	—	—	—	—	—	(23)
Expired derecognition listed	—	—	—	(775)	—	—	—	—	—	(775)
Other changes	—	—	—	26,885	—	—	—	—	—	26,885
Annual depreciation	—	—	(6,418)	(50,684)	(4,032)	(1,449)	(424)	(1,639)	—	(64,646)
Reversal of impairment	—	—	403	148	—	—	—	—	—	551
Effect of exchange rate changes	—	—	(2,178)	(10,481)	(537)	(86)	(9)	(179)	(1,410)	(14,880)
Balances on March 31st, 2015	\$ 46,046	\$ 11,264	\$ 328,684	\$ 1,208,335	\$ 63,364	\$ 16,028	\$ 4,216	\$ 27,031	\$ 146,723	\$ 1,851,691
Book value:										
On March 31s, 2015:										
Cost	\$ 46,046	\$ 11,264	\$ 541,682	\$ 2,512,922	\$ 161,018	\$ 56,687	\$ 20,706	\$ 69,064	\$ 146,723	\$ 3,568,946
Less: accumulated depreciation and impairment	—	—	(212,998)	(1,304,587)	(97,654)	(40,659)	(16,490)	(42,033)	—	(1,717,255)
Balances on March 31st, 2015	\$ 46,046	\$ 11,264	\$ 328,684	\$ 1,208,335	\$ 63,364	\$ 16,028	\$ 4,216	\$ 27,031	\$ 146,723	\$ 1,851,691

1. Property, plant and equipment are pledged as collateral information. Please see the attached note VIII.

2. In the first quarters of 2016 and 2015, capitalized interest is NT\$ 0.

(6) Short-term borrowings

		March 31, 2016	
Items		Amount	Interest rate
Credit	loans	\$ 369,653	1.10%~2.332%
	Total	\$ 369,653	
		December 31, 2015	
Items		Amount	Interest rate
Credit	loans	\$ 207,307	1.20% ~2.748%
	Total	\$ 207,307	
		March 31, 2015	
Items		Amount	Interest rate
Credit	loans	\$ 332,944	1.25% ~1.328%
	Foreign exchange loans	40,846	1.26% ~2.0316%
	Total	\$ 373,790	

For short-term loans, NAN LIU Group assign Huang Chin-San and Huang Ho-Chun as joint guarantors. Please refer to notes VII and VIII.

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

March 31, 2016				
Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Mega Bills	From January 11th to April 8th, 2016	0.852%	\$ 80,000
Short-term notes and bills payable	Dah Chung Bills Finance Corp.	From March 11th to April 8th, 2016	0.792%	20,000
Short-term notes and bills payable	International Bills Finance Corp.	From February 24th to April 25th, 2016	0.050%	50,000
	Total			150,000
	Less: discount on short-term notes and bills			(33)
	Short-term net notes and bills			\$ 149,967

December 31, 2015				
Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	From November 26th, 2015 to February 24th, 2016	0.892%	\$ 25,000
Short-term notes and bills payable	Dah Chung Bills Finance Corp.	From November 13th, 2015 to January 12th, 2016	0.832%	60,000

Short-term notes and bills payable	International Bills Finance Corporation	From December 1st, 2015 to January 11th, 2016	0.962%	80,000
Total				165,000
Less: discount on Short-term notes and bills				(69)
Short-term net notes and bills				\$ 164,931

March 31, 2015

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	From January 22nd to April 22nd, 2015	0.860%	\$ 50,000
Short-term notes and bills payable	China Bills Finance Corporation	From January 26th to April 24th, 2015	0.782%	30,000
Total				80,000
Less: discount on short-term notes and bills discount				(40)
Short-term net notes and bills				\$ 79,960

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

	March 31, 2016	December 31, 2015	March 31, 2015
Credit loans	\$ 646,854	\$ 891,713	\$ 758,650
Secured bank borrowings	—	—	—
Subtotal	646,854	891,713	758,650
Less: current portion of long-term bank borrowings	(87,617)	(169,288)	(54,775)
Total	\$ 559,237	\$ 722,425	\$ 703,875
Range of maturity dates	From January 2015 to March 2022	From January 2014 to March 2022	From January 2012 to March 2022
Range of interest rates	1.359% ~1.71%	1.51% ~1.95%	1.75% ~4.20%

1. NAN LIU Group pledges some part of its assets as collateral against the loans listed above. Please refer to note VIII.
2. NAN LIU Group's Subsidiary borrowed money from Mega Bank. Aside from other regulations affecting company operation of its financial ratio, the first half and annual consolidated financial statements is limited to (1) contract average annual use rate under 60% (covering) with an interest rate according to the currency added 0.1% (these

conditions have been canceled as of July 1st, 2015) and (2) a cash flow management account, in that the loaning bank and this Group should remit payment, receivable notes or other cash flows to the cash flow management account. Please review the Group's parent company half-year remittances from the contract approved date. In the next month, if the total amount does not exceed 400 million dollars, the interest rates shall be raised by 0.1%.

(9) Pensions

1. Defined benefit plan;

(1) There were no major market fluctuations, significant reductions, liquidations or other significant events. Thus, NAN LIU Group adopted the actuarial cost method to measure and report the pension costs during the period of 2015 and December 31st, 2014.

(2) NAN LIU Group recognized the cost and details of each item in the statements of comprehensive income areas follows:

	First quarter of 2016	First quarter of 2015
Cost of goods sold	\$ 317	\$ 350
Selling expenses	23	24
General and administrative expenses	217	187
Research and development expenses	78	107
Total	<u>\$ 635</u>	<u>\$ 668</u>

2. Contribution plans

The pension costs (including pension insurance) under the Group's defined contribution pension plans for the quarter ending on March 31, 2016 and 2015 were \$4,042 thousand and \$4,022 thousand, respectively.

(10) Capital and other equity

1. Common stock

Up to March 31st, 2016, the nominal capital of NAN LIU Group's parent company is NT\$ 1,000,000 thousand, and paid-in stock capital is NT\$ 726,000 thousand.

2. Additional paid-in capital

	March 31, 2016	December 31, 2015	March 31, 2015
Additional paid-in capital	\$ 439,404	\$ 439,404	\$ 439,404
Employee stock options	14,063	14,063	14,063
Total	<u>\$ 453,467</u>	<u>\$ 453,467</u>	<u>\$ 453,467</u>

According to the provisions of the Company Act concerning the face value of share premiums, gifts of assets donated to additional paid-in capital are to be used for covering any deficit. If there is no accumulated deficit in the company, the company shall issue new shares with the existing shares or cash ratio to shareholders. According to the relevant provisions of the Securities Exchange Act, allocated capital from additional paid-in capital, its maximum not exceeding the limit of 10% of the paid-up capital each year and the company in surplus reserves filling the capital loss still remaining insufficient, may not be complemented by additional paid-in capital.

3. Retained earnings and dividend policy

(1) According to the Company's Articles of Incorporation (to be resolved by the Shareholders' Meeting on June 13, 2015):

- a. Over 1% of the current year's earnings, if there were earnings, shall be distributed as employee bonuses and less than 2% as director and supervisor remuneration. However, if the Company still has accumulated loss, the compensation shall be kept.
- b. Remuneration of employees shall be paid by stock or cash, including employees of affiliated companies who meet certain criteria. Remuneration of directors and supervisors may be paid in cash.
- c. 10% of the annual net income, after offsetting any loss from prior years and paying all taxes and dues, shall be set aside as legal reserve. Then, special reserve is set aside or reserved according to laws or competent authority. The appropriation of the remaining amount, along with any unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders to be distributed as dividends. Cash dividends, however, shall be no less than 20% of total dividends.
- d. Aforementioned distribution of earnings shall be resolved and recognized in the shareholders' meeting held in the following year.

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

- (3) NAN LIU Company accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period, which amounted to NT\$1,469 thousand for the three months ended March 31, 2016. NAN LIU Company accrued profit sharing bonus to employees based on certain percentage of net income during the period, which amounted to NT\$2,714 thousand for the three months ended March 31, 2015. Compensation to directors was expensed based on estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.
- (4) NAN LIU's profit sharing bonus to employees and compensation to directors in the amounts of NT\$8,448 thousand and NT\$4,224 thousand in cash for 2015, respectively, had been approved by the Board of Directors on March 18, 2016. The aforementioned approved amount has no difference with the one recognized in the consolidated financial statements for the years ended December 31, 2015. The distribution of profits for 2015 will be resolved by shareholders on June 13th, 2016.
- (5) The distributions of retained earnings for 2014 and 2013 were approved by the shareholders' meeting on June 2, 2015 and June 6, 2014, respectively. The appropriations and dividends per share were as follows:

	2014		2013	
	Dividends per share (NT\$)	Sum	Dividends per share (NT\$)	Amount
Cash	2.8	\$ 203,280	2.2	\$ 159,720
Shares	—	—	—	—
		<u>\$ 203,280</u>		<u>\$ 159,720</u>
Bonus to employees - cash		\$ 7,563		\$ 6,782
Remuneration to directors and supervisors		3,781		3,391
		<u>\$ 11,344</u>		<u>\$ 10,173</u>

The appropriations of Earnings of 2014 were as follows:

2014		
The amount to be allocated by the Board of Directors allotment case	Estimated annual cost recognized in the	Differences

	estimated amount		
1. Distribution			
Cash bonus to employees	\$ 7,563	\$ 7,563	\$ —
Remuneration of directors and supervisors	\$ 3,781	\$ 3,781	\$ —

Distribution of 2014 retained earnings was the same as proposal by the Board of Directors on May 12, 2015 and the shareholder resolution made on June 2, 2015. Please refer to the Taiwan Stock Exchange website under “Market Observation Post System” for the resolutions of the Board of Directors and shareholders’ meeting.

4. Other equity

	Foreign Currency Translation Difference	
On January 1st, 2016	\$	84,610
Currency translation differences (after tax)		(13,387)
On March 31st, 2016	\$	71,223
On January 1st, 2015	\$	138,398
Currency translation differences (after tax)		(24,429)
On March 31st, 2015	\$	113,969

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

(11) Net Sales

	First quarter of 2016	First quarter of 2015
Sale of goods	\$ 1,436,661	\$ 1,489,933
Sale of processing	123	8
Total	\$ 1,436,784	\$ 1,489,941

(12) Non-operating income and expenses

1. Other

	First quarter of 2016	First quarter of 2015
--	-----------------------	-----------------------

Interest income	\$	681	\$	736
Impairment (reversal gain) of PPE		2,283		551
(gain) on disposal of PPE		(1,398)		(798)
Net currency exchange gain		(4,575)		10,802
Other income		20,879		23,304
Total	\$	<u>17,870</u>	\$	<u>34,595</u>

2. Financial costs

		First quarter of 2016		First quarter of 2015
Interest expense (Bank loans)	\$	<u>4,626</u>	\$	<u>6,036</u>

(13) Income taxes

NAN LIU Group is in compliance with the 34th International Accounting Standard "interim financial reporting". Paragraph B12 provides the measurement and disclosure of income tax expenses during the period.

1. Income tax expense

(1) Components of income tax expense:

Items		First quarter of 2016		First quarter of 2015
Current income tax				
Income tax incurred in current period	\$	41,690	\$	50,603
10% tax on unappropriated earnings		—		—
Income tax adjustments on prior years		—		426
Deferred income tax expense				
Recognition and reversal of temporary differences		925		(8,349)
Income tax expense	\$	<u>42,615</u>	\$	<u>42,680</u>

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

Items		First quarter of 2016		First quarter of 2015
Currency translation differences	\$	—	\$	—
Actuarial gains/losses on defined benefit obligations		—		—
Total	\$	<u>—</u>	\$	<u>—</u>

2. Reconciliation between income tax expense and accounting profit:

	First quarter of 2016	First quarter of 2015
Income before tax	\$ 159,325	\$ 193,472
Income tax expense at the statutory 17% tax rate	\$ 27,085	\$ 32,890
Nondeductible (deductible) items in determining taxable income	3,595	7,871
10% tax on unappropriated earnings	—	—
Prior year income tax underestimation	—	426
10% dividend tax through capitalization of retained earnings by subsidiaries	11,010	9,842
Changes of deferred tax		
Temporary differences	925	(8,349)
Income tax expense	\$ 42,615	\$ 42,680

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

Items	First quarter of 2016			
	Beginning balance	Recognized in (Loss) benefit	Recognized in other Comprehensive (loss) benefit	Ending balance
Temporary differences				
Impairment of assets	\$ 2,534	\$ (66)	\$ —	\$ 2,468
Loss on inventory market value decline	1,741	—	—	1,741
	(Continue on next page)			
	(Continued from previous page)			
Unrealized gross profit	5,983	—	—	5,983
Exchange gain or loss	(1,539)	1,590	—	51
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	15,259	(2,797)	—	12,462
Currency translation differences (Note)	—	—	—	—
Others	2,508	348	—	2,856
		\$ (925)	\$ —	
Deferred income tax benefit (expense)	\$ 26,486			\$ 25,561

The balance sheet information is as follows:

Deferred income tax assets	\$	29,230	\$	27,094
Deferred income tax liabilities	\$	2,744	\$	1,533

First quarter of 2015

Items	Beginning balance	Recognized in (Loss) benefit	Recognized in other Comprehensive (loss) benefit	Ending balance
Temporary differences				
Impairment of assets	\$ 2,807	\$ (69)	\$ —	\$ 2,738
Loss on inventory market value decline	1,741	—	—	1,741
Unrealized gross profit	1,463	5,890	—	7,353
Exchange gain or loss	(1,820)	1,808	—	(12)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liabilities	13,616	105	—	13,721
Currency translation differences (Note)	—	—	—	—
Others	1,629	615	—	2,244
Deferred income tax benefit (expense)		\$ 8,349	\$ —	
Deferred income tax assets (liability), net	\$ 19,436			\$ 27,785

The information in the balance sheet is as follows:

Deferred income tax assets	\$	22,175	\$	28,317
Deferred income tax liabilities	\$	2,739	\$	532

NAN LIU Company controls its subsidiary's dividends and plans to support its subsidiary in establishing nonwoven fabric at the Science and Technology Park in Yanchao District through earnings distribution. Because the company's current funds are sufficient and a new factory is not a major capital expenditure at this stage, it is unnecessary for the subsidiary to allocate its earnings. At the same time, NAN LIU Company actively plans to apply retained earnings to extend subsidiary operations. Therefore, undistributed profits and foreign conversion differences were evaluated for the future without rotation in 2013. According to IAS12's 39th provision for investment subsidiaries related to taxable temporary differences (including subsidiaries'

undistributed earnings and foreign currency conversion differences), the above are not accounted- as deferred income tax liabilities.

4. NAN LIU Group's parent company annual profit-seeking enterprise income tax for last year had been approved by tax agency in 2014.
5. NAN LIU Group's subsidiary income tax was calculated according to the income tax rates approved by the agency in 2014.
6. Unappropriated retained earnings:

Items	March 31, 2016	December 31, 2015	March 31, 2015
Before 1997	\$ 27,961	\$ 27,961	\$ 27,961
From 1998 to 2009	—	—	—
After 2010	1,242,428	1,125,718	946,536
Total	\$ 1,270,389	\$ 1,153,679	\$ 974,497

7. Imputation credit account and creditable ratio:

	March 31, 2016	December 31, 2015	March 31, 2015
Imputation credit account balance	\$ 79,074	\$ 79,074	\$ 55,463
Tax deduction ratio	2015 (forecast) 13.45%	2015 (forecast) 13.45%	2014-(actual) 11.23%

Tax deduction ratio of forecast in 2015 and actual earnings in 2014 were 13.45% and 11.23%, respectively. However, according to the 66th new amended income tax law article 6, the tax deductible rate for shareholders living in the territory of the Republic China can be cut in half. Surplus allocation became available since January 1st, 2015. Actual distribution to shareholders' deductible tax is shareholders account balances for deduction, because the tax deduction ratio based on planned earnings distributions may vary from the tax deduction ratio of actual shareholder distributions.

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

	First quarter of 2016		
	Operating cost	Operating expenses	Total
Employee benefit expense\$	66,166	\$ 27,641	\$ 93,807
Wages and salaries	55,202	24,474	79,676
Labor and health insurance costs	6,772	1,891	8,663
Pension and severance expenses	1,206	920	2,126

Other personnel expenses- food expenses	2,986	356	3,342
Depreciation	71,630	2,369	73,999
Amortization	58	1,565	1,623

	First quarter of 2015		
	Operating cost	Operating expenses	Total
Employee benefit expense\$	62,821	\$ 29,970	\$ 92,791
Wages and salaries	52,239	26,953	79,192
Labor and health insurance expenses	6,095	1,766	7,861
Pension and severance expenses	1,321	917	2,238
Other personnel expenses- food	3,166	334	3,500
Depreciation	62,568	2,078	64,646
Amortization	12	1,578	1,590

There were 786 and 836 workers in NAN LIU Company in the first quarter of 2016 and 2015, respectively.

(15) Earnings per share

1. Basic earnings per share

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

2. Dilute earnings per share

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

	First quarter of 2016		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
Basic earnings per share			
Profit attributable to common stock holders of the parent	\$ 116,710	72,600	\$ 1.61
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	10	

	First quarter of 2015		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 116,710	72,610	\$ 1.61
Basic earnings per share			
Profit attributable to common stock holders of the parent	\$ 150,792	72,600	\$ 2.08
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	17	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	\$ 150,792	72,617	\$ 2.08

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

7. Related party transactions

(1) Name of related parties and relationship

Name of related party	Relationship with the company
Huang Chin-San	Chairman of NAN LIU Group's parent company
Huang Hsieh Mei-Yun	Spouse, Chairman of NAN LIU Group's parent company
Huang Ho-Chun	Directors of NAN LIU Group's parent company
BEAUTY EXPRESS CO.	Deemed related party of the parent company

(2) Significant transactions and balances with related parties:

1. Purchasing: none.
2. Sales:

Related party	First quarter of 2016		First quarter of 2015	
	Total	Percentage	Total	Percentage
BEAUTY EXPRESS CO.	\$ —	—	\$ 243	0.02

The selling prices between NAN LIU Group and the related party are same as trading prices. Payment terms are based on general business conditions.

3. Notes and accounts payable: None.

4. Notes and accounts receivable:

Related party	Subjects	March 31, 2016		December 31, 2015		March 31, 2015	
		Total	Percentage	Total	Percentage	Total	Percentage
BEAUTY EXPRESS CO.	Notes receivable	\$ —	—	\$ —	—	\$ —	—
BEAUTY EXPRESS CO.	Accounts receivable	—	—	182	0.02	311	0.03

5. Property transactions: none.

6. Rent expenses:

(1) NAN LIU Company rented the house located in Loung-Shua Lane, No.11 and No.19 in Bixiu Road, Qiaotou District, Kaohsiung City from the related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in February, 2008 as a staff dormitory. The lease time was from February 1st, 2008 to December 31st, 2014, and the rent was NT 8000 per month. From December 31st, 2014, the contract was renewed until December 31st, 2017. The first quarter of rent was NT\$ 50 thousand in 2016 and 2015, and all payments were met as of 2016 and March, 31st, 2015.

(2) NAN LIU Company rented the land in Bixiu No 613, Qiaotou District, Kaohsiung City with NT\$ 10 thousand per month from related parties, Huang Hsieh Mei-Yun and Huang Ho-Chun in July of 2011. The lease time was from July 1st, 2011 to December 31st, 2015, which the contract was extended to December 31st, 2018. The first quarter of rent of NT\$ 60 thousand has been paid off for 2016 and 2015. As of March, 31st, 2015 and 2016, the above amounts were settled.

7. Others:

(1) NAN LIU Group borrowed money from banks that was paid off in advance in June, 2015. However, NAN LIU Group's subsidiary borrowed money from Mega Bank by Huang Chin-San, with Huang Ho-Chun and Huang Hsieh Mei-Yun as guarantors for purchasing machines. Thus, the rest of the debt was possessed by related parties, Huang Chin-San and Huang Ho-Chun.

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

Items	First quarter of 2016	First quarter of 2015
Salary	\$ 2,753	\$ 2,420
Bonus	2,645	2,683
Service allowance	90	90
Distribution of surplus items	—	—
Total	\$ 5,488	\$ 5,193

A. Salary structure includes salary, allowances, pensions, severance, etc.

B. Bonus structure includes bonuses, incentives, etc.

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

D. Earnings distribution item refers to the payment of director remunerations and employee bonuses.

E. For related information, please refer NAN LIU annual report.

8. Pledged Assets

The Groups assets pledged as collateral were as follows:

Items	March 31, 2016	December 31, 2015	March 31, 2015
Restricted assets	\$ 37,797	\$ 44,107	\$ 32,107
Land	48,744	48,744	48,744
Building	1,275	1,697	2,125
Total	\$ 87,816	\$ 94,548	\$ 82,976

9. Major commitments and contingencies

1. NAN LIU Group's commitments and contingent liabilities are as follows:

Items	March 31, 2016	December 31, 2015	March 31, 2015
Guarantee notes payable issued for loans and purchases.	NTD 260,000	NTD 355,000	NTD 360,000
Guarantee notes payable issued for loans and purchases.	USD -	USD -	USD 3,000

2. Amounts of unused letters of credit and deposits were as follows:

March 31, 2016		December 31, 2015		March 31, 2015	
Letter of credit	L/C deposit	Letter of credit	L/C deposit	Letter of credit	L/C deposit
USD 3,410	\$ —	USD 1,697	\$ —	USD 3,339	\$ —
EUR —	\$ —	EUR 165	\$ —	EUR 165	\$ —

3. In September 2011, the Company signed a superficies agreement with Taiwan Sugar Corporation for 4 pieces of land located at No. 4 Dai Tien Fu Section, Yanchao,

Kaohsiung as the land for a new factory. NAN LIU Group's parent company has paid NT\$ 8,153 thousand already as a rent deposit and accounted for "refundable deposits". As Taiwan Sugar Corporation completed land changes according to the superficies agreements and signed official contracts, NAN LIU Group paid a 10-year premium of NT\$ 46,680 thousand to Taiwan Sugar Corporation. As of December 31st, 2013, the land changes were approved by Kaohsiung Government, and notarization of the superficies agreements was finalized on January 10th, 2014. The duration of the superficies agreements ends on January 9th, 2024. When the agreement expires, an extended contract shall be negotiated by both parties after submitting the premium. However, the duration of superficies shall not exceed 50 years, so the expiration of 50 years shall not be extended.

10. Major damage losses: none.

11. Major subsequent events: none.

12. Others:

(1) Capital risk management

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

Items	March 31, 2016	December 31, 2015	March 31, 2015
Total liabilities	\$ 2,449,934	\$ 2,721,368	\$ 2,679,564
Total equity	2,766,782	2,663,459	2,471,621
Debt to equity ratio	88.55%	102.17%	108.41%

(2) Financial instruments

1. The totality of financial instruments and fair value information

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

value cannot be provided through the equity method. It is unnecessary to reveal fair value information according to provisions.

March 31, 2016

Items	Book value	The fair value of			Total
		The first level	The second level	The third level	
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	\$ 567,223	\$ —	\$ —	\$ —	\$ —
Notes and accounts receivable	1,098,223	—	—	—	—
Restricted assets	37,797	—	—	—	—
Other current assets	26,103	—	—	—	—
Refundable deposit	21,497	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	369,653	—	—	—	—
Short-term bills payable	149,967	—	—	—	—
Notes payable and payment	1,071,927	—	—	—	—
Equipment payment	19,165	—	—	—	—
Long-term liabilities due within a year	87,617	—	—	—	—
Long-term liabilities	559,237	—	—	—	—

December 31, 2015

Items	Book value	The fair value			Total
		The first level	The second level	The third level	
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	\$ 529,058	\$ —	\$ —	\$ —	\$ —
Notes and accounts receivable	1,179,453	—	—	—	—
Restricted assets	44,107	—	—	—	—
Other current assets	531	—	—	—	—
Refundable deposit	21,550	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	207,307	—	—	—	—
Short-term notes and bills payable	164,931	—	—	—	—
Notes and accounts payable	1,224,610	—	—	—	—

Equipment payment	37,893	—	—	—	—
Long-term liabilities due within a year	169,288	—	—	—	—
Long-term liabilities	722,425	—	—	—	—

March 31, 2015

Items	Book value	The fair value			Total
		The first level	The second level	The third level	
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	\$ 373,409	\$ —	\$ —	\$ —	\$ —
Notes and accounts payable	1,219,799	—	—	—	—
Restricted assets	32,107	—	—	—	—
Other current assets	26,092	—	—	—	—
	(Continued on next page)				
	(Continued from previous page)				
Refundable deposit	15,538	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs	373,790	—	—	—	—
Short-term notes and bills payable	79,960	—	—	—	—
Notes payable and payment	1,234,724	—	—	—	—
Equipment payment	25,621	—	—	—	—
Long-term liabilities due within a year	54,775	—	—	—	—
Long-term liabilities	703,875	—	—	—	—

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

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

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

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

A. Non-derivative financial instruments

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

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

B. Derivatives financial instruments

The combined company currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transfer in the first quarter of 2016 and 2015.

2. Financial risk management policies

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

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

3. Market risk

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

to control the degree of market risk within bearable range and to maximize the return on investment.

(1) Foreign exchange risk:

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

A. Exchange rate risk exposures

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

Items	March 31, 2016			December 31, 2015			March 31, 2015		
	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets									
Monetary items									
USD	\$ 24,893	32.185	\$ 801,170	\$ 23,639	32.83	\$ 775,956	\$ 21,676	31.30	\$ 678,474
RMB	7,460	4.972	37,092	375	5.00	1,873	7,129	5.04	35,961
Euro	57	36.510	2,090	57	35.88	2,053	11	33.65	3,738
Financial liabilities									
Monetary items									
USD	15,536	32.185	500,028	17,146	32.83	562,817	27,067	31.30	847,199
Euro	8,750	36.510	319,469	9,407	33.88	337,524	2,987	33.65	100,525
Yen	—	—	—	120	0.2727	32	6,600	0.26	1,719

B. Sensitivity analysis

The Group's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. As of three months ended June 30, 2016 and 2015, if the NTD/USD, NTD/RMB, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, As of three months ended June 30, 2016 and 2015, the company's income before income tax would increase/decrease by \$207 thousand and \$2,313 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

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

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

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Group's net income by approximately \$2,916 thousand and \$3,031 thousand for three months ended June 30, 2016 and 2015, mainly due to floating rate loans.

(3) Credit risk:

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

(4) Liquidity risk:

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

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

Items	March 31, 2016					Contractual cash flows
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years		
Short-term loans	\$ 369,653	\$ —	\$ —	\$ —	\$ 369,653	
Short-term notes and bills payable	149,967	—	—	—	149,967	

Notes payable	486,786	—	—	—	486,786
Accounts payable	429,068	—	—	—	429,068
Other accounts payable	175,238	—	—	—	175,238
Long-term loans (including one year or one business operating cycle)	87,617	531,107	27,890	240	646,854

December 31, 2015

Items	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	\$ 207,307	\$ —	\$ —	\$ —	\$ 207,307
Short-term notes and bills payable	164,931	—	—	—	164,931
Notes payable	540,796	—	—	—	540,796
Accounts payable	523,562	—	—	—	523,562
Other accounts payable	198,145	—	—	—	198,145
Long-term loans (including one year or one business operating cycle)	169,288	694,295	27,890	240	891,713

March 31, 2015

Items	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	\$ 373,790	\$ —	\$ —	\$ —	\$ 373,790
Short-term notes and bills payable	79,960	—	—	—	79,960
Notes payable	453,760	—	—	—	453,760
Accounts payable	638,250	—	—	—	638,250
Other accounts payable	168,335	—	—	—	168,335
Long-term loans (including one year or one business operating cycle)	54,775	626,913	76,805	157	758,650

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

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

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

- (1) The Group provides endorsement and guarantees commitment to subsidiaries in accordance with “Regulations Governing Endorsements and Guarantees”. Because the Group has full control over the subsidiaries’ credit status, no

collateral was requested. In case of the default of subsidiaries, the possible loss is the same amount as the guarantee or endorsement provided.

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

Items	March 31, 2016	December 31, 2015	March 31, 2015
Endorsements / guarantees provided to subsidiaries	USD 23,209	USD 23,657	USD 33,625

(4) Fair value estimation

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

13. Additional disclosures

(A) Major transactions (B) Related information of reinvestments:

- A. Financings provided: None.
- B. Endorsement/guarantee provided: Please see Table 1, attached.
- C. Marketable securities held (excluding investments in subsidiaries, associates and jointly control identities): None.
- D. Marketable securities acquired and disposed of at 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 Table 2, 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 3, attached.
- K. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 4, attached.

(C) Information on investment in Mainland China:

1. The name of the investee in Mainland China, the main businesses and products, 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 limitations on investee: Please see Table 5, attached.
2. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss:
 - (1) Purchase amount and percentage and ending accounts payable balances and percentage: Please see Table 2, attached.
 - (2) Sale amount and percentage and ending accounts receivable balances and percentage: None.
 - (3) Assets transaction amount, gain and loss: None.
 - (4) Ending balance of endorsement/guarantee or collateral provided and purposes: Please see Table 1, attached.
 - (5) Maximum balance of financing, ending balance, interest rate range and total interest in the period: None.
 - (6) Transactions with significant impact on gain, loss or financial conditions for the period, such as providing or receiving services: None.

NAN LIU Enterprise Co., Ltd. and Subsidiary
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2016

Note I

Unit: Thousand NT\$

No	Endorsement guarantor Company name	Guarantee object by endorsement		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance of Endorsement/Guarantee for the Period	Ending Balance of Endorsement/Guarantee	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsement/ Guarantee Maximum Amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Company name	Nature Relationship											
0	Nan Liu Enterprise Co., Ltd.	NAN LIU ENTERPRISE (SAMOA) CO., LTD.	Directly possesses more than 50% shares of common stock of the subsidiary	\$ 5,533,564	\$ 596,004	\$ 581,295	\$62,470	\$ —	21.01%	\$ 5,533,564	Y	N	N	
0	Nan Liu Enterprise Co., Ltd.	Nan Liu Enterprise (Pinghu) Corporation limited	Combined common stock owned by subsidiary and parent Company more than 50% of investee companies	5,533,564	180,538	180,538	98,475	—	6.53%	5,533,564	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) Enter '0' for the Issuer.

(2) The investees are numbered in serial order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the Company is classified into the following six categories (just mark the category number):

(1) Companies with business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) More than 50% voting shares of the subsidiary directly held by the endorser/guarantor parent company or indirectly held by subsidiary.

(5) Companies which guarantee each other according to contract based on contractor relationship.

(6) Joint venture endorsed/guaranteed by shareholders based on their holding ratio.

NAN LIU Enterprise Co., Ltd. and Subsidiary
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2016

Note II

Unit: Thousand NT\$

Purchase (sales) company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Nan Liu Enterprise Corporation limited	Nan Liu Enterprise (Pinghu) Corporation limited	The investee company, NANLIU ENTERPRISE (SAMOA)CO., LTD. adopts equity methods to evaluate	Purchase	\$ 314,186	26.78%	Same as usual trading terms	0	0	\$ 197,279	21.54%	0

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2016

Note III

Unit: Thousand NT\$

No	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial statements item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Income from sales	\$ 3,555	Same as general vendors	0.24%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	4,171	Same as general vendors	0.08%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	314,186	Same as general vendors	21.87%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	197,279	Same as general vendors	3.78%

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

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

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

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE THREE MONTHS ENDED MARCH 31, 2016

Note IV

Unit: Thousand NT\$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				March 31, 2016	December 31, 2015	Shares	Percentage of ownership	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	\$ 1,422,782	\$ 1,383,441	45,728	100.00 %	\$ 2,541,251	\$ 78,864	\$ 78,864	

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

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

(1) "Investee company name", "Area", "Main Business", "The original investment amount" and "Ending shareholding situation", etc., should be filled in according to the Company's (public) reinvestment situation and reinvestment of directly or indirectly controlled

Investment. The relationship (if they are subsidiaries or subsidiaries of subsidiaries) between investee companies and the Company (public) should be specified in Note column.

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
Information on Investment in Mainland China
FOR THE THREE MONTHS ENDED MARCH 31, 2016

Note v

Unit: Thousand NT\$

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2016	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of March 31, 2016	Accumulated Inward Remittance of Earnings as of March 31, 2016	Remarks
					Outflow	Inflow							
Nan Liu Enterprise (Pinghu) Corporation limited	Nonwoven fabric manufacturing	\$ 1,846,701	2	\$ 1,383,441	\$ 39,341	\$ —	\$ 1,422,782	\$ —	100.00 %	\$ 83,636	\$ 2,917,262	\$ —	
Accumulated Investment in Mainland China as of March 31, 2016		Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment by Investment Commission, MOEA									
\$ 1,422,782		\$ 1,877,537		\$ —									

Note 1: There are three types of investment methods, marked as follows:

- (1) Investment in China
- (2) Invest in China through the third region company (please note the third region company)
- (3) Others

Note 2: The current recognized investment loss and profit in column:

- (1) If the company is in preparation status and no investment loss and profit occurs, it shall be noted.
- (2) There are three types of recognized investment loss and profit. They are and shall be noted as follows:
 - A. The financial statements certified by international accounting firms that have relationships with CPA Republic of China
 - B. The financial statements certified by accountant through Taiwan parent company
 - C. Others

Note 3: The amount shall be listed in NTD in column.

14. Operating segments information:

(1) General information:

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

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

(2) Measurement of segment information:

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

(3) Segment profit/losses and asset information :

For the three months ended March 31, 2016

Items	Air -through nonwoven fabric	Spunlace	Bio- technology	B2 Processing line	Others	Total
Net revenue from external customers	\$ 318,837	\$ 374,490	\$ 504,714	\$ 234,581	\$ 4,162	\$ 1,436,784
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment revenue	\$ 318,837	\$ 374,490	\$ 504,714	\$ 234,581	\$ 4,162	\$ 1,436,784
Segment income	\$ 35,276	\$ 29,084	\$ 22,788	\$ 57,386	\$ 1,547	\$ 146,081
Segment assets	\$ 559,747	\$ 909,251	\$ 442,531	\$ 83,450	\$ 94,874	\$ 2,089,853

For the three months ended March 31, 2015

Items	Air-through nonwovens	Spunlace fabric	Bio- technology	B2 Processing line	Others	Total
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Net revenue from external customers	\$ 314,520	\$ 348,326	\$ 622,576	\$ 198,822	\$ 5,697	\$ 1,489,941
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment revenue	\$ 314,520	\$ 348,326	\$ 622,576	\$ 198,822	\$ 5,697	\$ 1,489,941
Segment income	\$ 37,290	\$ 21,879	\$ 78,435	\$ 24,300	\$ 3,009	\$ 164,913
Segment assets	\$ 518,826	\$ 996,108	\$ 430,157	\$ 96,172	\$ 55,203	\$ 2,096,466

(4) Reconciliation for segment income (loss):

(a). Measurement of segments gain or loss:

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

(b) Reconciliation for segment income (loss):

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

	First quarter of 2016	First quarter of 2015
Reportable segments income	\$ 146,081	\$ 164,913
Unallocated amounts:		
Non-operating income and expense	13,244	28,559
Income before income tax	\$ 159,325	\$ 193,472