Stock code: 6504

NAN LIU Enterprise Co., Ltd. and Subsidiary
Consolidated Financial Statements for the
Nine Months Ended September30, 2016 and 2015 and
Independent Accountants’ Review Report

Company Address: No.88, Bixiu Road, Qiaotou District, Kaohsiung City
Telephone: 07-6116616

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
Consolidated Financial Statements for the
Nine Months Ended September 30, 2016 and 2015

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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 September 30, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the Nine Months Ended September 30, 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 Accouting Standard 34, "Interim Financial Reporting," endorsed by the Financial Supervisory Commission of the Republic of China.

YANGTZE CPAS & Co.,

November 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	September 30, 2016 (Reviewed) Amount	%	December 31, 2015 (Audited) Amount	%	September 30, 2015 (Reviewed) Amount	%
	CURRENT ASSETS							
1100	Cash and cash equivalents	6(1)	$ 418,952	8.29	$ 529,058	9.82	$ 533,682	10.14
1150	Notes receivable, net	6(2) and 7	66,297	1.31	58,691	1.09	62,474	1.19
1170	Accounts receivable, net	6(3) and 7	1,113,276	22.02	1,119,267	20.79	1,049,693	19.93
1200	Other receivables		5,575	0.11	1,495	0.03	2,586	0.05
1220	Income tax assets	6(13)	-	-	-	-	-	-
1310	Inventories	6(4)	958,786	18.96	991,811	18.42	944,718	17.94
1410	Prepayments		242,720	4.80	354,415	6.58	316,899	6.02
1470	Other current assets	8	68,632	1.36	44,938	0.83	51,659	0.98
	Total current assets		2,874,238	56.85	3,099,675	57.56	2,961,711	56.25
	NONCURRENT ASSETS							
1600	Property , plant and equipment	6(5) and 8	1,853,878	36.67	2,054,428	38.15	1,826,481	34.69
1780	Intangible assets		1,266	0.02	24	0.00	62	0.00
1840	Deferred income tax assets	4 and 6(13)	25,703	0.51	29,230	0.54	29,966	0.57
1915	Prepayments for equipment		180,475	3.57	76,135	1.41	321,724	6.11
1920	Refundable deposit	9	24,601	0.49	21,550	0.40	17,625	0.33
1985	Prepaid investments		92,872	1.84	101,322	1.88	105,205	2.00
1990	Other assets		2,364	0.05	2,463	0.06	2,512	0.05
	Total noncurrent assets		2,181,159	43.15	2,285,152	42.44	2,303,575	43.75
1xxx	Total assets		$ 5,055,397	100.00	$ 5,384,827	100.00	$ 5,265,286	100.00

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)

			September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
	LIABILITIES AND EQUITY	Note	Amount	%	Amount	%	Amount	%
	CURRENT LIABILTIES							
2100	Short-term loans	6(6)	$ 425,080	8.41	$ 207,307	3.85	$ 271,093	5.15
2110	Short-term bills payable , net	6(7)	109,986	2.17	164,931	3.06	274,650	5.22
2150	Notes payable		470,188	9.30	540,796	10.04	469,174	8.91
2170	Accounts payable		413,302	8.17	523,562	9.72	460,810	8.75
2200	Other payable		153,064	3.03	160,252	2.98	153,646	2.92
2213	Payables on equipment		5,650	0.11	37,893	0.70	31,209	0.59
2230	Current tax liabilities	4 and 6(13)	51,885	1.03	81,986	1.52	75,343	1.43
2311	Unearned receipts		15,642	0.31	9,569	0.18	8,964	0.17
2322	Current portion of long-term bank borrowing	6(8)	69,804	1.38	169,288	3.14	71,552	1.36
2399	Other current liabilities		2,511	0.05	2,973	0.06	2,440	0.05
	Total current liabilities		$ 1,717,112	33.96	1,898,557	35.25	1,818,881	34.55
	NONCURRENT LIABILTIES							
2540	Long-term bank borrowing	6(8)	660,551	13.07	722,425	13.42	723,759	13.75
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.15	7,386	0.14	7,386	0.14
2572	Deferred income tax liabilities-income tax	4 and 6(13)	1,631	0.03	2,744	0.05	3,612	0.07
2640	Accrued pension liabilities	4 and 6(9)	76,605	1.52	89,756	1.67	81,776	1.55
2645	Guarantee deposits		469	0.01	500	0.01	518	0.01
	Total noncurrent liabilities		746,642	14.78	822,811	15.29	817,051	15.52
	Total liabilities		2,463,754	48.74	2,721,368	50.54	2,635,932	50.07
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
	Owners equity							
3100	Capital stock	6(10)	726,000	14.36	726,000	13.49	726,000	13.79
3200	Capital surplus	6(10)	453,467	8.97	453,467	8.42	453,467	8.61
3300	Retained earnings	6(10)						
3310	Legal reserve		259,498	5.13	201,355	3.74	201,355	3.82
3320	Special reserve		44,348	0.88	44,348	0.82	44,348	0.84
3350	Unappropriated earnings		1,213,352	24.00	1,153,679	21.42	1,020,705	19.39
3400	Other	6(10)						
3410	Financial statements translation differences for foreign operations		(105,022)	(2.08)	84,610	1.57	183,479	3.48
	Equity attributable to shareholders of the parent		2,591,643	51.26	2,663,459	49.46	2,629,354	49.93
	Total liabilities and equity		$ 5,055,397	100.00	$ 5,384,827	100.00	$ 5,265,286	100.00

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)

			For The Three Months Ended September 30				For The Nine Months Ended September 30			
			2016		2015		2016		2015	
	Item	Note	Amount	%	Amount	%	Amount	%	Amount	%
4000	Net Sales	6(11) and 7	1,499,129	100.00	1,434,973	100.00	4,465,890	100.00	4,438,015	100.00
5000	Cost of goods sold	6(4)	(1,209,574)	(80.69)	(1,143,162)	(79.66)	(3,612,392)	(80.89)	(3,531,157)	(79.57)
5900	Gross profit		289,555	19.31	291,811	20.34	853,498	19.11	906,858	20.43
6000	Operating expenses									
6100	Promotion expenses		(58,397)	(3.90)	(57,320)	(3.99)	(171,141)	(3.83)	(163,434)	(3.68)
6200	Management expenses		(50,816)	(3.39)	(46,452)	(3.24)	(155,730)	(3.49)	(154,428)	(3.48)
6300	Research expenses		(6,119)	(0.41)	(5,862)	(0.41)	(18,737)	(0.42)	(20,437)	(0.46)
6000	Total Operating expenses		(115,332)	(7.70)	(109,634)	(7.64)	(345,608)	(7.74)	(338,299)	(7.62)
6900	Operating profit		174,223	11.61	182,177	12.70	507,890	11.37	568,559	12.81
	Other non-operating income and expenses									
7020	Other income	6(12)	20,205	1.35	5,753	0.40	52,657	1.18	47,100	1.06
7050	Finance costs	6(12)	(3,191)	(0.21)	(6,543)	(0.46)	(11,520)	(0.26)	(18,933)	(0.43)
7000	Other non-operating income and expenses		17,014	1.14	(790)	(0.06)	41,137	0.92	28,167	0.63
7900	Income before income tax		191,237	12.75	181,387	12.64	549,027	12.29	596,726	13.44
7950	Income tax expense	4 and 6(13)	(44,837)	(2.99)	(49,155)	(3.43)	(148,071)	(3.32)	(154,431)	(3.48)
8200	Net Income		146,400	9.76	132,232	9.21	400,956	8.97	442,295	9.96
8300	Other comprehensive income (loss)									
8310	Items that will not be reclassified subsequently to profit or loss:									
8311	Remeasurement of defined benefit obligation		-	-	-	-	-	-	-	-
8349	Income tax (expense) related to components of the comprehensive income		-	-	-	-	-	-	-	-

（Continued）

	Item	Note	For The Three Months Ended September 30								For The Nine Months Ended September 30							
			2016			2015					2016				2015			
			Amount		%	Amount		%			Amount		%		Amount		%	
8300	Other comprehensive income (loss)																	
8360	Items that may be reclassified subsequently to profit or loss:																	
8361	Financial statements translation differences for foreign operations	6(10)		(99,603)	(6.64)		107,638	7.50				(189,632)	(4.25)			45,081	1.02	
8300	Other comprehensive income(loss)for the period ,net of income tax			(99,603)	(6.64)		107,638	7.50				(189,632)	(4.25)			45,081	1.02	
8500	Total comprehensive income for the period		$	46,797	3.12	$	239,870	16.71			$	211,324	4.72		$	487,376	10.98	
8600	Net income attributable to :																	
8610	Owners of parent			146,400	9.76		132,232	9.21				400,956	8.97			442,295	9.96	
8620	Non-controlling interests			-	-		-	-				-	-			-	-	
	Net income			146,400	9.76		132,232	9.21				400,956	8.97			442,295	9.96	
8700	Comprehensive income attributable to :																	
8710	Owners of parent			46,797	3.12		239,870	16.71				211,324	4.72			487,376	10.98	
8720	Non-controlling interests			-	-		-	-				-	-			-	-	
	Total comprehensive income for the period			46,797	3.12		239,870	16.71				211,324	4.72			487,376	10.98	
9750	Basic earnings per share(NT dollars)	4 and 6(15)	$	2.01		$	1.82				$	5.52			$	6.09		
9850	Diluted earnings per share(NT dollars)	4 and 6(15)	$	2.01		$	1.82				$	5.52			$	6.09		

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							
	Stock			Retained Earnings			Other equity items	
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	Total Equity
Balance as of January 1, 2015	72,600	$ 726,000	$453,467	$ 159,340	$ 44,348	$ 823,705	$ 138,398	$ 2,345,258
Legal reserve appropriated	-	-	-	42,015	-	(42,015)	-	-
Cash dividends of ordinary share	-	-	-	-	-	(203,280)	-	(203,280)
Net income for the nine months ended September 30,2015	-	-	-	-	-	442,295	-	442,295
Other comprehensive income for nine months ended September 30,2015	-	-	-	-	-	-	45,081	45,081
Balance as of September 30, 2015	72,600	$ 726,000	$453,467	$ 201,355	$ 44,348	$ 1,020,705	$ 183,479	$ 2,629,354
Balance as of January 1, 2016	72,600	$ 726,000	$453,467	$ 201,355	$ 44,348	$ 1,153,679	$ 84,610	$ 2,663,459
Legal reserve appropriated	-	-	-	58,143	-	(58,143)	-	-
Cash dividends of ordinary share	-	-	-	-	-	(283,140)	-	(283,140)
Net income for the nine months ended September 30,2016	-	-	-	-	-	400,956	-	400,956
Other comprehensive income for nine months ended September 30,2016	-	-	-	-	-	-	(189,632)	(189,632)
Balance as of September 30, 2016	72,600	$ 726,000	$453,467	$ 259,498	$ 44,348	$ 1,213,352	$ (105,022)	$ 2,591,643

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)

	Nine Months Ended September 30	
	2016	2015
Cash flows from operating activities		
Consolidated Profit before income tax	$ 549,027	$ 596,726
Adjustments for ：		
Depreciation expense	215,370	196,526
Amortization expense	5,475	4,855
Provision for doubtful accounts	(688)	5,574
Other expense	51	1,410
Interest expense	11,519	12,390
Interest income	(1,302)	(1,439)
Provision for inventory market price decline	13,005	-
(Profit) on physical inventory	(75)	(622)
Loss on disposal of inventory	6,323	4,842
Loss on disposal of assets	2,193	1,730
(Reversal) Impairment of Assets	(3,052)	(1,653)
Foreign exchange (gain)	(1,119)	(8,449)
Total adjustments to reconcile profit or loss	247,700	215,164
Changes in operating assets and liabilities		
(Increase) in notes receivable	(7,606)	(3,817)
Decrease (increase) in accounts receivable	5,242	8,514
Decrease (Increase) in other receivable	(4,169)	1,003
Decrease (Increase) in inventories	13,772	(178,153)
(Increase) decrease in prepayments	102,824	47,631
(Increase) decrease in other current assets	(33,727)	28,099
(Decrease) in notes payable	(72,777)	(58,505)
Increase (Decrease) in accounts payable	(108,329)	(91,161)
Increase (Decrease) in other payable	(6,875)	(3,059)
Increase (Decrease) in unearned receipts	6,073	(4,873)
(Decrease) Increase in accrued pension liabilities	(13,151)	1,683
Total Changes in Operating Assets and Liabilities	(118,723)	(252,638)
Cash generated from operating	678,004	559,252
Interest received	1,391	1,536
Income taxes paid	(175,758)	(157,912)
Net cash generated by operating activities	503,637	402,876

(Continued)

Cash flows from investing activities		
Acquisition of intangible assets	(1,937)	-
Acquisition of property , plant and equipment	(94,315)	(115,587)
Disposal of property , plant and equipment	446	239
(Increase) in prepayments for equipment	(154,012)	(141,981)
Decrease in restricted assets	10,269	3,123
(Increase) decrease in other noncurrent assets	(236)	454
(Increase) in refundable deposits	(3,754)	(2,007)
Net cash used in investing activities	(243,539)	(255,759)
Cash Flows From Financing Activities		
Interest paid	(11,777)	(12,499)
Increase in short-term loans	217,773	12,052
(Decrease) Increase in short-term bills payable	(55,000)	185,000
(Decrease) in long-term bank borrowing	(163,299)	28,104
Cash dividends	(283,140)	(203,280)
(Decrease) increase in other current liabilities	(462)	164
Net cash used in financing activities	(295,905)	9,541
Effect of exchange rate changes on cash and cash equivalents	(74,299)	37,689
Net (Decrease) Increase Increase in cash and cash equivalents	(110,106)	194,347
Cash and cash equivalents, beginning of period	529,058	339,335
Cash and cash equivalents, end of period	$ 418,952	$ 533,682

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 Nine Months Ended September 30 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 September 30st 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 November 11th of 2016.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the 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 Company:

On July 18, 2016, according to Rule No. 1050026834 issued by the FSC. The Company has applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards, and Interpretations of IASs issued by the International Accounting Standards Board (IASB) and endorsed by Financial Supervisory Commission (FSC) with effective date starting 2017.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 (Note 2)

Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendment to IFRS 14 Regulatory Deferral Accounts	January 1, 2016
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 "agriculture: bearer plants"	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: The amendments apply prospectively to share-based payment transactions with a grant date on or after 1 July 2014. The amendments apply prospectively to business combination for which the acquisition date is on or after 1 July 2014. The amendments to IFRS 13 are effective from amend date. The other amendments are effective for annual periods beginning on or after 1 July 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

1. Amendment to IAS 19 Defined Benefit Plans: Employee Contributions

   The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

2. Annual Improvements to IFRSs 2010 - 2012 Cycle

(1) IFRS 2 Share-based Payment

To clarify vesting condition that only include of service condition and performance condition. Modified or add definition of service condition, performance condition and market condition.

(2) IFRS 3 Business Combinations

The amendments clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date. Changes in fair value (other than measurement period adjustments) should be recognized profit and loss.

(3) IFRS 8 Operating Segments

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

(4) IFRS 13 Measured at fair value

The basis for conclusions was amended to clarify that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

(5) IAS 16 Property, plant and equipment

The amended requirements clarify that the gross carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

(6) IAS 24 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity.

(7) IAS 38 Intangible Assets

The amendments regulate the calculation of accumulated amortization of intangible assets under revaluation method.

3. Annual Improvements to IFRSs 2011 - 2013 Cycle

(1) IFRS 3 Business Combinations

Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(2) IFRS 13 Measured at fair value

Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments.

4. Annual Improvements to IFRSs 2012 - 2014 Cycle

(1) IFRS 7 Financial Instruments: Disclosures

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. Amendments to IFRS 7 on offsetting disclosures should not be required in all condensed interim financial statements.

(2) IAS 19 Employee Benefits

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognized in retained at the beginning of that period.

(3) IAS 34 Interim Financial Reporting

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

5. IAS 36 Impairment of Assets

The amendments to IAS 36 clarify that the Company is required to disclose the recoverable amount of an asset or a cash-generating unit only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendments are effective from 2017.

(3) Effect of the IFRSs issued by IASB but not endorsed by FSC

The Group has not applied the following IFRS, IAS, IFRIC and SIC (collectively as IFRSs) issued by the IASB but not endorsed by the FSC. The IFRSs in issue on 3th October, 2016 by Financial Supervisory Commission (FSC) and endorsed from with effective date starting 2017. The IFRSs issued by IASB before 1 January, 2016 and endorsed from with effective date starting 2017.（The IFRSs effectively not yet and effective date confirmed not yet are not including of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.) FSC announced that Public entity must be applied IFRS 15 from 2018. As of the date that the consolidated financial statements were issued, the initial adoption to the new, revised or amended standards and interpretations except mentioned above 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
Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amended by Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 15 Revenue from Contracts with Customers	January 1, 2018

Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

As of the date that the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and operating results as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

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		
			105.9.30	104.12.31	104.6.30
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Overseas investment holding company	100	100	100
NANLIU ENTERPRISE	Nanliu Enterprises (Pinghu) Ltd.	Production and sales of special textiles,	100	100	100

(SAMOA) CO., LTD.	hair care, skin care, cosmetics and hygiene products

(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	September 30, 2016	December 31, 2015	September 30, 2015
Cash	$ 2,061	$ 2,296	$ 2,821
Demand deposits	215,655	260,375	265,139
Checking account	67	84	121
Foreign currency deposits	201,169	230,838	238,893
Time deposits	－	35,465	26,708

Total	$ 418,952	$ 529,058	$ 533,682

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	September 30, 2016	December 31, 2015	September 30, 2015
Non-related parties	$ 66,297	$ 58,691	$ 62,474
Related parties	—	—	—
Less: Allowance for doubtful receivables	—	—	—
Net	$ 66,297	$ 58,691	$ 62,474

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

(3) Accounts receivable, net

Items	September 30, 2016	December 31, 2015	September 30, 2015
Non-related parties	$ 1,124,371	$ 1,131,076	$ 1,061,457
Related parties	—	182	343
//Less: allowance for doubtful receivables	(11,095)	(11,991)	(12,107)
Net	$ 1,113,276	$ 1,119,267	$ 1,049,693

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

	September 30, 2016	December 31, 2015	September 30, 2015
Neither past due nor impaired	$ 1, 086, 400	$ 1,082,913	$ 1, 055, 354
Past due but not impaired			
Within 60 days	29, 335	86,525	49, 841
From 61 to 90 days	14, 183	7,361	6, 886
From 91 to 180 days	44, 346	1,149	86
Over 180 days	5, 309	10	—
Total	$ 1, 179, 573	$ 1,177,958	$ 1, 112, 167

2. Movements of the allowance for doubtful receivables:

From January 1st to September 30st 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	(90)	(598)	(688)
Exchange difference	(45)	(298)	(343)
On September 30st, 2016	$ 1, 490	$ 11, 095	$ 12, 585

	From January 1st to September 30st 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	(755)	6,329	5,574
Write-off and unrecoverable	(770)	—	(770)
Exchange difference	23	724	747
On September 30st, 2015	$ 1,672	$ 12,107	$ 13,779

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 September 30st, 2016, December 31st and September 30st, 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

	September 30, 2016		
	Cost	Allowance for price decline of inventories	Book value
Raw materials	$ 355, 998	$ 7, 939	$ 348, 059
Supplies	91, 353	3, 922	87, 431
Work in process	33, 556	4, 816	28, 740
Finished goods	475, 407	17, 128	458, 279
Merchandise inventory	10, 811	974	9, 837
Inventory in transit	26, 440	—	26, 440
Total	$ 993, 565	$ 34, 779	$ 958, 786

	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	$ 1,013,585	$ 21,774	$ 991,811

	September 30, 2015		
	Cost	Allowance for price decline of inventories	Book value
Raw material	$ 352,440	$ 9,545	$ 342,895
Supplies	88,484	2,832	85,652
Work in process	20,144	2,608	17,536
Finished goods	464,384	6,711	457,673
Merchandise inventory	12,867	78	12,789
Inventory in transit	28,173	—	28,173
Total	$ 966,492	$ 21,774	$ 944,718

1. Inventories are provided without guarantee or pledge as of September 30st of 2016, December 31st and September 30st of 2015.
2. Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	2016/07/01~ 2016/09/30	2015/07/01~ 2015/09/30	2016/01/01~ 2016/09/30	2015/01/01~ 2015/09/30
Cost of goods sold	$ 1, 197, 477	$ 1, 151, 150	$ 3, 606, 995	$ 3, 554, 528
Idle capacity cost	6, 399	626	18, 231	5, 480
Revenue from sale of scraps	(8, 365)	(12, 381)	(32, 087)	(33, 071)
(Reversal of allowance) provision for inventory market price decline	9, 263	—	13, 005	—
Loss on disposal of inventory	4, 802	3, 767	6, 323	4, 842
Loss (profit) on physical inventory	(2)	—	(75)	(622)
Total	$ 1, 209, 574	$ 1, 143, 162	$ 3, 612, 392	$ 3, 531, 157

(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		—		—		11,878		31,533		550		—		25		6,912		13,343		64,241
Disposals or retirements		—		—		—		(1,490)		—		(592)		(3)		(112)		—		(2,197)
Deconsolidation		—		—		—		(442)		—		—		—		—		—		(442)
Other changes		—		—		24,342		38,486		3,159		—		—		617		(10,224)		56,380
Annual depreciation		—		—		(23,657)		(166,858)		(14,220)		(4,360)		(1,030)		(5,245)		—		(215,370)
Reversal of impairment		—		—		1,131		1,921		—		—		—		—		—		3,052
Effect of exchange rate changes		—		—		(22,387)		(68,007)		(5,825)		(352)		(56)		(1,019)		(8,568)		(106,214)
Balance on September 30st, 2016	$	46,046	$	11,264	$	410,418	$	1,213,113	$	88,897	$	13,778	$	2,144	$	27,339	$	40,879	$	1,853,878
Carrying value:																				
On September 30st, 2016:																				
Cost	$	46,046	$	11,264	$	645,769	$	2,758,548	$	204,194	$	52,304	$	20,139	$	77,729	$	40,879	$	3,856,872
Less: Accumulated depreciation and impairment		—		—		(235,351)		(1,545,435)		(115,297)		(38,526)		(17,995)		(50,390)		—		(2,002,994)
Balance on September 30st, 2016	$	46,046	$	11,264	$	410,418	$	1,213,113	$	88,897	$	13,778	$	2,144	$	27,339	$	40,879	$	1,853,878
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	–	–	2,419	17,316	1,487	7, 352	203	2,514	66,519	97,810
Disposal or retirements	–	–	–	(519)	(31)	(110)	(4)	(19)	–	(683)
Expired derecognition listed	–	–	–	(1,217)	(67)	–	–	(2)	–	(1,286)
Other changes	–	–	1, 449	32,999	–	–	–	659	–	35,107
Annual depreciation	–	–	(19,474)	(154,160)	(11,920)	(4,633)	(1,274)	(5,065)	–	(196,526)
Reversal of impairment	–	–	1,205	448	–	–	–	–	–	1,653
Effect of exchange rate changes	–	–	4,712	21,144	940	148	16	314	(1,235)	26,039
Balances on September 30st, 2015	$ 46,046	$ 11,264	$ 325,832	$ 1,149,480	$ 58,267	$ 20,320	$ 3,561	$ 26,141	$ 185,570	$ 1,826,481
Book value:										
On September 30st, 2015:										
Cost	$ 46,046	$ 11,264	$ 537,813	$ 2,568,924	$ 165,075	$ 56,606	$ 20,928	$ 71,424	$ 185,570	$ 3,663,650
Less: accumulated depreciation and impairment	–	–	(211,981)	(1,419,444)	(106,808)	(36,286)	(17,367)	(45,283)	–	(1,837,169)
Balances on September 30st, 2015	$ 46,046	$ 11,264	$ 325,832	$ 1,149,480	$ 58,267	$ 20,320	$ 3,561	$ 26,141	$ 185,570	$ 1,826,481

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

2. In the nine months ended September 30 of 2016 and 2015, capitalized interest is NT$ 0.

(6) Short-term borrowings

Items	September 30, 2016 Amount	Interest rate
Credit loans	$ 425, 080	0. 85%~1. 18%
Total	$ 425, 080	

Items	December 31, 2015 Amount	Interest rate
Credit loans	$ 207, 307	1. 20%~2. 748%
Total	$ 207, 307	

Items	September 30, 2015 Amount	Interest rate
Credit loan s	$ 271,093	1. 31%~3. 276%
Total	$ 271,093	

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

September 30, 2016

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	105/07/05~105/10/03	0. 692%	$ 30, 000
Short-term notes and bills payable	Wan tong Bills.	105/08/08~105/10/03	0. 502%	20, 000
Short-term notes and bills payable	Wan tong Bills.	105/08/17~105/10/03	0. 552%	10, 000
Short-term notes and bills payable	China Bills Finance Corp.	105/07/22~105/10/22	0. 472%	50, 000
Total				110, 000
Less: discount on short-term notes and bills				(14)
Short-term net notes and bills				$ 109, 986

December 31, 2015

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	2015/11/26~ 2016/02/24	0.892%	$ 25,000
Short-term notes and bills payable	Dah Chung Bills Finance Corp.	2015/11/13~ 2016/01/12	0.832%	60,000

Short-term notes and bills payable	International Bills Finance Corporation	2015/12/01~ 2016/01/11	0.962%	80,000
Total				165,000
Less: discount on Short-term notes and bills				(69)
Short-term net notes and bills				$ 164,931

September 30, 2015

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	104/08/28~104/11/26	0.932%	$ 25,000
Short-term notes and bills payable	Mega Bills	104/07/15~104/10/13	0.962%	40,000
Short-term notes and bills payable	Dah Chung Bills Finance	104/09/16~104/11/13	0.852%	60,000
Short-term notes and bills payable	International Bills Finance	104/09/02~104/12/01	1.042%	80,000
Short-term notes and bills payable	China Bills Finance Corporation	104/09/24~104/12/23	0.640%	70,000
Total				275,000
Less: discount on short-term notes and bills discount				(350)
Short-term net notes and bills				$ 274,650

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

	September 30, 2016	December 31, 2015	September 30, 2015
Credit loans	$ 730,355	$ 891,713	$ 795,311
Secured bank borrowings	—	—	—
Subtotal	730,355	891,713	795,311
Less: current portion of long-term bank borrowings	(69,804)	(169,288)	(71,552)
Total	$ 660,551	$ 722,425	$ 723,759
Range of maturity dates	From January 2015 to March 2022	From January 2014 to March 2022	From January 2014 to March 2022
Range of interest rates	1.10% ~1.375%	1.51% ~1.95%	1.72% ~2.0913%

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 that 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 NT$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:

	2016/07/01~ 2016/09/30	2015/07/01~ 2015/09/30	2016/01/01~ 2016/09/30	2015/01/01~ 2015/09/30
Cost of goods sold	$ 320	$ 336	$ 963	$ 1,038
Selling expenses	17	25	61	74
General and administrative expenses	218	226	645	620
Research and development expenses	80	81	236	271
Total	$ 635	$ 668	$ 1,905	$ 2,003

2. Contribution plans

The pension costs (including pension insurance) under the Group's defined contribution pension plans for the half year ending on September 30, 2015 and 2016 were $12,303 thousand and $12,031 thousand, respectively.

(10) Capital and other equity

1. Common stock

Up to September 30st, 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

	September 30, 2016	December 31, 2015	September 30, 2015
Additional paid-in capital	$ 439,404	$ 439,404	$ 439,404
Employee stock options	14,063	14,063	14,063
Total	$ 453,467	$ 453,467	$ 453,467

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:

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$5,226 thousand for the nine months ended September 30, 2016. NAN LIU Company accrued profit sharing bonus to employees based on certain percentage of net income during the period, which amounted to NT$8,448 thousand for the nine months ended September 30, 2015. Compensation to directors was expensed based on estimated amount payable, which amounted to NT$5,226 thousand and NT$4,224 thousand for the nine months ended September 30, 2016 and 2015, respectively. 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) The distributions of retained earnings for 2015 and 2014 were approved by the shareholders' meeting on June 13, 2016 and June 2, 2015, respectively. The appropriations and dividends per share were as follows:

	2015		2014	
	Dividends per share (NT$)	Amount	Dividends per share (NT$)	Amount
Cash	3.9	$ 283,140	2.8	$ 203,280
Shares	—	—	—	—
		$ 283,140		$ 203,280
Bonus to employees - cash		$ 8,448		$ 7,563
Remuneration to directors and supervisors		4,224		3,781
		$ 12,672		$ 11,344

The appropriations of Earnings of 2015 were as follows:

	2015		
	The amount to be allocated by the Board of Directors allotment case	Estimated annual cost recognized in the estimated amount	Differences
1. Distribution			

Cash bonus to employees	$	8, 448	$	8, 448	$	—
Remuneration of directors and supervisors	$	4, 224	$	4, 224	$	—

Distribution of 2015 retained earnings was the same as proposal by the Board of Directors on March 18, 2016 and the shareholder resolution made on June 13, 2016. 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)		(189, 632)
On September 30st, 2016	$	(105,022)
On January 1st, 2015	$	138, 398
Currency translation differences (after tax)		45, 081
On September 30st, 2015	$	183, 479

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

Items	2016/07/01~ 2016/09/30		2015/07/01~ 2015/09/30		2016/01/01~ 2016/09/30		2015/01/01~ 2015/09/30	
Sale of goods	$	1, 499, 005	$	1, 434, 928	$	4, 465, 494	$	4, 437, 839
Sale of processing		124		45		396		176
Total	$	1, 499, 129	$	1, 434, 973	$	4, 465, 890	$	4, 438, 015

(12) Non-operating income and expenses

1. Other

Items	2016/07/01~ 2016/09/30	2015/07/01~ 2015/09/30	2016/01/01~ 2016/09/30	2015/01/01~ 2015/09/30
Interest income	$ 489	$ 731	$ 1,791	$ 2,170
Impairment or reversal of assets	376	555	3,052	1,653
gain on disposal of assets	(626)	(44)	(2,193)	(1,730)
Foreign exchange gain, net	7,369	(1,792)	13,201	11,236
Other income	12,597	6,303	36,806	33,771
Total	$ 20,205	$ 5,753	$ 52,657	$ 47,100

2. Finance costs

Items	2016/07/01~ 2016/09/30	2015/07/01~ 2015/09/30	2016/01/01~ 2016/09/30	2015/01/01~ 2015/09/30
Interest expense (Bank loans)	$ 3,191	$ 6,543	$ 11,520	$ 18,933

(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	2016/07/01~ 2016/09/30	2015/07/01~ 2015/09/30	2016/01/01~ 2016/09/30	2015/01/01~ 2015/09/30
Current income tax				
Income tax incurred in current period	$ 44,375	$ 44,236	$ 122,091	$ 141,164
10% tax on unappropriated earnings	—	—	23,399	17,486
Income tax adjustments on prior years	(5)	2,717	167	2,699
Deferred income tax expense				
Recognition and reversal of temporary differences	467	2,202	2,414	(6,918)
Income tax expense	$ 44,837	$ 49,155	$ 148,071	$ 154,431

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

Items	2016/07/01~ 2016/09/30	2015/07/01~ 2015/09/30	2016/01/01~ 2016/09/30	2015/01/01~ 2015/09/30
Currency translation differences	$ —	$ —	$ —	$ —
Actuarial gains/losses on defined benefit obligations	—	—	—	—
Total	$ —	$ —	$ —	$ —

2. Reconciliation between income tax expense and accounting profit:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30,2015
Income before income tax	$ 549,027	$ 596,726
Income tax expense at the statutory 17% tax rate	$ 93,335	$ 101,443
Nondeductible (deductible) items in determining taxable income	(1,829)	9,427
10% tax on unappropriated earnings	23,399	17,486
Prior year income tax underestimation	167	2,699
10% dividend tax through capitalization of retained earnings by subsidiaries	30,585	30,294
Changes of deferred tax		
Temporary differences	2,414	(6,918)
Income tax expense	$ 148,071	$ 154,431

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

	Nine Months Ended September 30, 2016			
Items	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,534	$ (192)	$ —	$ 2,342
Loss on inventory market value decline	1,741	—	—	1,741
Unrealized gross profit	5,983	(47)	—	5,936
Exchange gain or loss	(1,539)	1,590	—	51
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	15,259	(2,617)	—	12,642
Currency translation differences(Note)	—	—	—	—
Others	2,508	(1,148)	—	1,360

Deferred tax income(expenses)		$ (2,414)	$ —	
Net deferred tax assets(liabilities)	$ 26,486			$ 24,072
The balance sheet information is as follows:				
Deferred tax assets	$ 29,230			$ 25,703
Deferred tax liabilities	$ 2,744			$ 1,631

Items	Nine Months Ended September 30, 2015			
	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,807	$ (205)	$ —	$ 2,602
Loss on inventory market value decline	1,741	—	—	1,741
Unrealized gross profit	1,463	6,363	—	7,826
Exchange gain or loss	(1,820)	(483)	—	(2,303)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	13,616	286	—	13,902
Currency translation differences(Note)	—	—	—	—
Others	1,629	957	—	2,586
Deferred tax income(expenses)		$ 6,918	$ —	
Net deferred tax assets(liabilities)	$ 19,436			$ 26,354
The balance sheet information is as follows:				
Deferred tax assets	$ 22,175			$ 29,966
Deferred tax liabilities	$ 2,739			$ 3,612

NAN LIU Company controls its subsidiary's dividends. NAN LIU Plans to support its subsidiary in establishing nonwoven fabric at the Science and Technology Park in Yanchao District through 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 exchange differences), the above are not accounted-as deferred tax liabilities.

4. NAN LIU Group's parent company annual profit-seeking enterprise income tax for last year had been approved by Tax Collection agency in 2014.
5. NAN LIU Group’s subsidiary income tax was calculated according to the local income tax rates approved by the Tax Collection agency in 2015.
6. Information of undistributed earnings:

Items	September 30, 2016	December 31, 2015	September 30, 2015
Before 1997	$ 27,961	$ 27,961	$ 27,961
From 1998 to 2009	—	—	—
After 2010	1,185,391	1,125,718	992,744
Total	$ 1,213,352	$ 1,153,679	$ 1,020,705

7. Imputation credit account and creditable ratio:

	September 30, 2016	December 31, 2015	September 30, 2015
Imputation credit account balance	$ 109,039	$ 79,074	$ 76,782

	2015 (forecast)	2015 (forecast)	2014 (actual)
Tax deduction ratio	13.90%	13.90%	11.23%

Tax deduction ratio of forecast in 2015 and actual earnings in 2014 were 13.90% and 13.46%, 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:

	Three Months Ended September 30, 2016		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 71,902	$ 28,548	$ 100,450
Wages and salaries	60,011	25,391	85,402
Labor and health insurance costs	7,045	1,824	8,869
Pension and severance expenses	1,243	935	2,178
Other personnel expenses-food expenses	3,603	398	4,001
Depreciation	65,901	2,058	67,959

Amortization	—	1,891	1,891

	Three Months Ended September 30, 2015		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 67,623	$ 34,836	$ 102,459
Wages and salaries	56,466	31,547	88,013
Labor and health insurance expenses	6,578	1,990	8,568
Pension and severance expenses	1,292	929	2,221
Other personnel expenses-food	3,287	370	3,657
Depreciation	66,487	2,485	68,972
Amortization	63	1,622	1,685

	Nine Months Ended September 30, 2016		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 210,892	$ 85,405	$ 296,297
Wages and salaries	176,564	75,588	252,152
Labor and health insurance expenses	20,774	5,922	26,696
Pension and severance expenses	3,721	2,783	6,504
Other personnel expenses-food	9,833	1,112	10,945
Depreciation	208,670	6,700	215,370
Amortization	107	5,368	5,475

	Nine Months Ended September 30, 2015		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ $ 198,229	$ $ 90,062	$ $ 288,291
Wages and salaries	166,027	80,423	246,450
Labor and health insurance expenses	18,535	5,814	24,349
Pension and severance expenses	3,904	2,778	6,682
Other personnel expenses-food	9,763	1,047	10,810
Depreciation	189,916	6,610	196,526
Amortization	86	4,769	4,855

There were 805 and 779 workers in NAN LIU Company on September 30, 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.

	Three Months Ended September 30, 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	$ 146,400	72,600	$ 2.01
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	35	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 146,400	72,635	$ 2.01

	Three Months Ended September 30, 2015		
	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	$ 132,232	72,600	$ 1.82
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	49	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 132,232	72,649	$ 1.82

	Nine Months Ended September 30, 2016		
	After-tax amount	Weighted average number of	Earnings per share (NT$)

	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	$ 400,956	72,600	$ 5.52
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	35	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 400,956	72,635	$ 5.52

	Nine Months Ended September 30, 2015		
	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	$ 442,295	72,600	$ 6.09
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	49	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 442,295	72,649	$ 6.09

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	Director 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:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
Related party	Total	Percentage	Total	Percentage
BEAUTY EXPRESS CO.	$ —	—	$ 239	0.02

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Related party	Total	Percentage	Total	Percentage
BEAUTY EXPRESS CO.	$ —	—	$ 675	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:

		September 30, 2016		December 31, 2015		September 30, 2015	
Related party	Subjects	Total	Percentage	Total	Percentage	Total	Percentage
BEAUTY EXPRESS CO.	Notes receivable	$ —	—	$ —	—	$ —	—
BEAUTY EXPRESS CO.	Accounts receivable	—	—	182	0.02	343	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. Nine months ended September 30 of rent was NT$ 150 thousand in 2016 and 2015. As of September 30, 2016 and 2015, the above amounts were settled.

(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. Nine months ended September 30 of rent was NT$ 180 thousand in 2016 and 2015. As of June, 30st, 2016 and 2015, 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 guaranteed by related parties, Huang Chin-San and Huang Ho-Chun.

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

Items	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30,2015
Salary	$ 2,758	$ 2,745	$ 8,257	$ 8,473
Bonus	—	—	2,645	2,683
Service allowance	200	180	480	360
Distribution of surplus items	4,675	4,075	4,675	4,075
Total	$ 7,633	$ 7,000	$ 16,057	$ 15,591

8. Pledged Assets

The Groups assets pledged as collateral were as follows:

Items	September 30, 2016	December 31, 2015	September 30, 2015
Restricted assets	$ 33,838	$ 44,107	$ 40,648
Land	—	48,744	48,744
Building	—	1,697	1,697
Total	$ 33,838	$ 94,548	$ 91,089

9. Major commitments and contingencies

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

September 30, 2016		December 31, 2015		September 30, 2015	
Letter of credit	L/C deposit	Letter of credit	L/C deposit	Letter of credit	L/C deposit
USD 745	$ —	USD 1,697	$ —	USD 611	$ —
EUR 1,503	$ —	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-years premium of NT$ 46,680 thousand to Taiwan Sugar Corporation. As of December 31st, 2013, the land changes were approved by Kaohsiung Government, and notarization of the superficies agreements was finalized on January 10th, 2014. The duration of the superficies agreements ends on January 9th, 2024. When the agreement expires, an extended contract shall be negotiated by both parties after submitting the premium. However, the duration of superficies shall not exceed 50 years, so the expiration of 50 years shall not be extended.

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	September 30, 2016	December 31, 2015	September 30, 2015
Total liabilities	$ 2,463,754	$ 2,721,368	$ 2,635,932
Total equity	2,591,643	2,663,459	2,629,354
Debt to equity ratio	95.07%	102.17%	100.25%

(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.

September 30, 2016

Items	Book value	The fair value of			
		The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 418, 952	$ —	$ —	$ —	$ —
Notes and accounts receivable	1, 185, 148	—	—	—	—
Restricted assets	33, 838	—	—	—	—
Other current assets	34, 258	—	—	—	—
Refundable deposit	24, 601	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	425, 080	—	—	—	—
Short-term bills payable	109, 986	—	—	—	—
Notes payable and payment	1, 036, 554	—	—	—	—
Equipment payment	5, 650	—	—	—	—
Long-term liabilities due within a year	69, 804	—	—	—	—
Long-term liabilities	660, 551	—	—	—	—

	December 31, 2015				
Items	Book value	The fair value			
		The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 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	—	—	—	—

Items	September 30, 2015				
	Book value	The fair value			
		The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 533, 682	$ —	$ —	$ —	$ —
Notes and accounts payable	1, 114, 753	—	—	—	—
Restricted assets	40, 648	—	—	—	—
Other current assets	9, 731	—	—	—	—
Refundable deposit	17, 625	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	271, 093	—	—	—	—
Short-term notes and bills payable	274, 650	—	—	—	—
Notes payable and payment	1, 083, 630	—	—	—	—
Equipment payment	31, 209	—	—	—	—
Long-term liabilities due within a year	71, 552	—	—	—	—
Long-term liabilities	723, 759	—	—	—	—

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

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

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

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

a. Non-derivative financial instruments

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

The combined company holds financial assets that have standard terms and conditions and are trading in active markets, such as shares from listed companies, mutual funds and bonds, their fair value is determined by market price quotes.

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

b. Derivative financial instruments

The combined company currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transfer in the nine months ended September 30, 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.

	September 30, 2016			December 31, 2015			September 30, 2015		
Items	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets									
Monetary items									
USD	$ 26,409	31.360	828,208	$ 23,639	32.825	$ 775,956	$ 25,798	32.870	$ 847,988
RMB	7,545	4.693	35,410	375	4.995	1,873	339	5.176	1,753
Euro	154	35.080	5,413	57	35.880	2,053	12	36.920	454
Financial liabilities									
Monetary items									
USD	19,073	31.360	$ 598,129	17,146	32.825	562,817	24,315	32.870	799,225
Euro	8,158	35.080	286,176	9,407	35.880	337,524	2,455	36.920	90,631
Yen	—	—	—	120	0.2727	32	—	—	—

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 nine months ended September 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 nine months ended September 30, 2016 and 2015,the company’s income before income tax would increase/decrease by $153 thousand and $397 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 $9,491 thousand and $10,058 thousand for nine months ended September 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	September 30, 2016				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 425,080	$ －	$ －	$ －	$ 425,080
Short-term notes and bills payable	109,986	－	－	－	109,986
Notes payable	470,188	－	－	－	470,188
Accounts payable	413,302	－	－	－	413,302
Other accounts payable	158,714	－	－	－	158,714
Long-term loans (including one year or	69,804	660,311	－	240	730,355

one business operating cycle)

Items	December 31, 2015				
	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

Items	September 30, 2015				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 271, 093	$ －	$ －	$ －	$ 271, 093
Short-term notes and bills payable	274, 650	－	－	－	274, 650
Notes payable	469, 174	－	－	－	469, 174
Accounts payable	460, 810	－	－	－	460, 810
Other accounts payable	184, 855	－	－	－	184, 855
Long-term loans (including one year or one business operating cycle)	71, 552	589, 341	134,178	240	795, 311

(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.

(3) 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	September 30, 2016		December 31, 2015		September 30, 2015	
Endorsements / guarantees provided to subsidiaries	USD	8,365	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. Disclosure items

(1) Significant transactions and (2) Business investments

1. Offer loans to others: none.
2. The endorsement for others: As note I.
3. Final marketable securities: none
4. Accumulated to buy or sell the same marketable securities amount to NT $300 million or more than 20% of the paid-up capital: none
5. Real estate amounting to NT $300 million or more than 20% of the paid-up capital: none
6. Disposal real estate amounting to NT $300 million or more than 20% of the paid-up capital: none
7. Purchase and sale with related parties amounting to NT $100 million or more than 20% of the paid-up capital: As note II
8. Receivables from related parties amounting to NT $100 million or more than 20% of the paid-up capital: none
9. Engaging in derivatives transactions: none
10. Others: Business relations between parent company and subsidiaries, important dealing conditions and amounts: As note III
11. Investee company name/location related information: As note IV.

(2) Investment information in China:

1. China investee company name, business items, amount of paid-up capital, investment methods, capital transaction conditions, shareholding ratio, investment gains and losses, final investment book value, investment income repatriation and China investment limits: As note V
2. Significant transactions with China investee company through direct or indirect third regions and their prices, terms of payment, unrealized gains and losses:
   (1) Purchase amount percentage and the final balance percentage of payment: As note II
   (2) Sales amount percentage and the final balance percentage of receivables: none.
   (3) Property transaction amount and the amount of profits and losses: none

(4) The note endorsement guarantee or collateral providing balance and purpose: As note I

(5) The highest of the financing balance, ending balance, interest rate range and total amount of current interests: none

(6) Other statement or financial condition that has a significant impact on transactions, such as providing or receiving services: none

NAN LIU Enterprise Co., Ltd. and Subsidiary
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 of Relationship											
0	Nan Liu Enterprise Co., Ltd.	NAN LIU ENTERPRISE (SAMOA) CO., LTD.	Directly possesses more than 50% shares of common stock of the subsidiary	$ 5,183,286	$ 586,017	$ 269,980	$ 112,336	$ —	10.42%	$ 5,183,286	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	5,183,286	177,513	—	—	—	—	5,183,286	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 NINE MONTHS ENDED SEPTEMBER 30, 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	Indirect subsidiary	Purchase	$ 1,022,631	23.62%	With the same general terms and conditions	0	0	$ (266,556)	30.17%	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 NINE MONTHS ENDED SEPTEMBER 30, 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	Sales	$ 19,547	The same as other companies	0.44%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	8,400	The same as other companies	0.17%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	1,022,631	The same as other companies	22.90%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	266,556	The same as other companies	5.27%

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

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

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

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

Note IV

Unit: Thousand NT$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of September 30,2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				September 30,2016	December 31, 2015	Shares	Percentage of ownership	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	$ 1,487,607	$ 1,383,441	47,728	100.00%	$ 2,672,120	$ 315,096	$ 315,096	

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 NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2016	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of September 30, 2016	Accumulated Inward Remittance of Earnings as of September 30, 2016	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	$ 1,846,701	2	$ 1,383,441	$ 104,166	$ —	$ 1,487,607	$ 302,023	100.00%	$ 302,023	$ 2,958,212	$ —	

Accumulated Investment in Mainland China as of September 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment by Investment Commission, MOEA
$ 1,487,607	$ 1,877,537	$ —

Note 1: Investments are divided into the following three categories (Please enter the category number):
(1) Direct investment in mainland China.
(2) Investments in mainland China through companies in the third region (please specify the investment company in the third region).
(3) Other methods
Note 2: Investment gains and losses recognized in the current period column:
(1) In case of preparation, it should be specified if there is no investment income.
(2) The recognition basis of investment gains and losses is divided into the following three categories and should be specified:
(a) Certified financial statements audited by CPA firms in the Republic of China that have partnership with international CPA firms.
(b) Financial statements audited by the CPA firm of Taiwan's parent company.
(c) Others.
Note 3: The amounts in this table should be shown in New Taiwan Dollars.

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 September 30, 2016

Items	Air -through nonwoven fabric	Spunlace	Bio-technology	B2 Processing line	Others	Total
Net revenue from external customers	$ 284, 825	$ 383, 904	$ 548, 755	$ 278, 160	$ 3, 485	$ 1,499,129
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment revenue	$ 284, 825	$ 383, 904	$ 548, 755	$ 278, 160	$ 3, 485	$ 1,499,129
Segment income	$ 26, 934	$ (309)	$ 49, 370	$ 97, 150	$ 1, 078	$ 174, 223
Segment assets	$ 520, 039	$ 924, 616	$ 422, 691	$ 74, 468	$ 92, 539	$ 2, 034, 353

For the three months ended September 30, 2015

Items	Air-through nonwovens	Spunlace fabric	Bio-technology	B2 Processing line	Others	Total

Net revenue from external customers	$ 258, 652	$ 378, 882	$ 525, 079	$ 271, 934	$ 426	$ 1,434,973
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment revenue	$ 258, 652	$ 378, 882	$ 525, 079	$ 271, 934	$ 426	$ 1,434,973
Segment income	$ 27, 724	$ 32, 699	$ 67, 951	$ 53, 887	$ (84)	$ 182,177
Segment assets	$ 577, 811	$ 957, 205	$ 433, 746	$ 91, 273	$ 88, 170	$ 2,148,205

For the nine months ended September 30, 2016

Items	Air -through nonwoven fabric	Spunlace	Bio-technology	B2 Processing line	Others	Total
Net revenue from external customers	$ 885, 253	$ 1, 179, 176	$ 1, 654, 124	$ 735, 808	$ 11, 529	$ 4,465,890
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment revenue	$ 885, 253	$ 1, 179, 176	$ 1, 654, 124	$ 735, 808	$ 11, 529	$ 4,465,890
Segment income	$ 86, 367	$ 39, 349	$ 186, 676	$ 191, 333	$ 4, 165	$ 507, 890
Segment assets	$ 520, 039	$ 924, 616	$ 422, 691	$ 74, 468	$ 92, 539	$ 2, 034, 353

For the nine months ended September 30, 2015

Items	Air-through nonwovens	Spunlace fabric	Bio-technology	B2 Processing line	Others	Total
Net revenue from external customers	$ 826, 267	$ 1, 115, 892	$ 1, 823, 195	$ 665, 372	$ 7, 289	$ 4,438,015
Net revenue from sales among intersegments	—	—	—	—	—	—
Segment revenue	$ 826, 267	$ 1, 115, 892	$ 1, 823, 195	$ 665, 372	$ 7, 289	$ 4,438,015
Segment income	$ 89, 960	$ 101, 840	$ 263, 201	$ 110, 781	$ 2, 777	$ 568,559
Segment assets	$ 577, 811	$ 957, 205	$ 433, 746	$ 91, 273	$ 88, 170	$ 2,148,205

(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:

Item	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30,2015
Reportable segments income	$ 174, 223	$ 182, 177	$ 507, 890	$ 568, 559
Unallocated amounts:				
Non-operating income and expense	17, 014	(790)	41, 137	28, 167
Income before income tax	$ 191, 237	$ 181, 387	$ 549, 027	$ 596, 726