Stock code: 6504

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the Three Months Ended March 31, 2017 and 2016 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 Subsidiaries
Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

We have reviewed the accompanying consolidated balance sheets of Nanliu Enterprise Company Limited and subsidiaries (the "Company") as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. 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.,

May 8, 2017

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.

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NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Balance Sheets

(All Amounts Expressed In Thousands of New Taiwan Dollars)

			March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	ASSETS	Note	Amount	%	Amount	%	Amount	%
	CURRENT ASSETS							
1100	Cash and cash equivalents	6(1)	$ 797,448	14.49	$ 577,150	10.72	$ 567,223	10.87
1150	Notes receivable, net	6(2)	90,378	1.64	95,609	1.77	62,891	1.21
1170	Accounts receivable, net	6(3)	1,130,127	20.54	1,226,592	22.78	1,034,237	19.83
1200	Other receivables		30,036	0.54	32,274	0.60	1,095	0.02
1310	Inventories	6(4)	867,278	15.76	928,930	17.25	965,126	18.50
1410	Prepayments		252,279	4.59	289,760	5.38	281,539	5.40
1470	Other current assets	8	80,694	1.47	67,944	1.26	64,269	1.23
	Total current assets		3,248,240	59.03	3,218,259	59.76	2,976,380	57.06
	NONCURRENT ASSETS							
1600	Property , plant and equipment	6(5) and 8	1,711,703	31.11	1,809,808	33.61	2,016,675	38.65
1780	Intangible assets		1,260	0.02	1,783	0.03	-	-
1840	Deferred income tax assets	4 and 6(13)	24,014	0.44	25,233	0.47	27,094	0.52
1915	Prepayments for equipment		375,730	6.83	182,617	3.39	73,178	1.40
1920	Refundable deposit	9	19,218	0.35	19,668	0.37	21,497	0.41
1985	Prepaid rent		119,722	2.18	125,624	2.33	99,479	1.91
1990	Other assets		2,364	0.04	2,364	0.04	2,413	0.05
	Total noncurrent assets		2,254,011	40.97	2,167,097	40.24	2,240,336	42.94
1xxx	Total assets		$ 5,502,251	100.00	$ 5,385,356	100.00	$ 5,216,716	100.00

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

See review report of independent accountants dated May 11, 2016.

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Balance Sheets

(All Amounts Expressed In Thousands of New Taiwan Dollars)

			March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	LIABILITIES AND EQUITY	Note	Amount	%	Amount	%	Amount	%
	CURRENT LIABILTIES							
2100	Short-term loans	6(6)	$ 452,430	8.22	$ 353,900	6.57	$ 369,653	7.09
2111	Short-term bills payable , net	6(7)	159,933	2.91	179,961	3.34	149,967	2.87
2150	Notes payable		590,993	10.74	590,061	10.96	486,786	9.33
2170	Accounts payable		451,975	8.21	477,654	8.87	429,068	8.22
2200	Other payable		142,751	2.59	166,447	3.09	156,073	2.99
2213	Payables on equipment		2,492	0.05	6,722	0.12	19,165	0.37
2230	Current tax liabilities	4 and 6(13)	58,350	1.06	59,215	1.10	95,965	1.84
2311	Unearned receipts		16,947	0.31	12,996	0.24	8,852	0.17
2322	Current portion of long-term bank borrowing	6(8)	37,972	0.69	53,559	0.99	87,617	1.68
2399	Other current liabilities		3,196	0.06	3,379	0.07	2,586	0.05
	Total current liabilities		$ 1,917,039	34.84	1,903,894	35.35	1,805,732	34.61
	NONCURRENT LIABILTIES							
2540	Long-term bank borrowing	6(8)	790,521	14.37	671,605	12.47	559,237	10.72
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.13	7,386	0.14	7,386	0.14
2572	Deferred income tax liabilities-income tax	4 and 6(13)	1,942	0.04	2,307	0.04	1,533	0.03
2640	Accrued pension liabilities	4 and 6(9)	70,078	1.27	78,091	1.45	75,549	1.45
2645	Guarantee deposits		970	0.02	462	0.02	497	0.01
	Total noncurrent liabilities		870,897	15.83	759,851	14.12	644,202	12.35
	Total liabilities		2,787,936	50.67	2,663,745	49.47	2,449,934	46.96
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
	Owners equity							
3100	Capital stock	6(10)	726,000	13.19	726,000	13.48	726,000	13.92
3200	Capital surplus	6(10)	453,467	8.24	453,467	8.42	453,467	8.69
3300	Retained earnings	6(10)						
3310	Legal reserve		259,498	4.72	259,498	4.82	201,355	3.86
3320	Special reserve		44,348	0.81	44,348	0.82	44,348	0.85
3350	Unappropriated earnings		1,527,583	27.76	1,393,965	25.88	1,270,389	24.35
3400	Other	6(10)						
3410	Financial statements translation differences for foreign operations		(296,581)	(5.39)	(155,667)	(2.89)	71,223	1.37
	Equity attributable to shareholders of the parent		2,714,315	49.33	2,721,611	50.53	2,766,782	53.04
	Total liabilities and equity		$ 5,502,251	100.00	$ 5,385,356	100.00	$ 5,216,716	100.00

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

See review report of independent accountants dated May 11, 2016.

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive income

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

(Reviewed,Not Audited)

			Three Months Ended March 31			
			2017		2016	
	Item	Note	Amount	%	Amount	%
4000	Net Sales	6(11)	$ 1,502,743	100.00	$ 1,436,784	100.00
5000	Cost of goods sold	6(4)	(1,235,649)	(82.23)	(1,165,072)	(81.09)
5900	Gross profit		267,094	17.77	271,712	18.91
6000	Operating expenses					
6100	Promotion expenses		(63,894)	(4.25)	(52,862)	(3.68)
6200	Management expenses		(53,211)	(3.54)	(67,051)	(4.67)
6300	Research expenses		(11,829)	(0.79)	(5,718)	(0.40)
6000	Total Operating expenses		(128,934)	(8.58)	(125,631)	(8.75)
6900	Operating profit		138,160	9.19	146,081	10.16
7000	Other non-operating income and expenses					
7020	Other income	6(12)	35,564	2.37	17,870	1.24
7050	Finance costs	6(12)	(3,315)	(0.22)	(4,626)	(0.32)
7000	Other non-operating income and expenses		32,249	2.15	13,244	0.92
7900	Income before income tax		170,409	11.34	159,325	11.08
7950	Income tax expense	4 and 6(13)	(36,791)	(2.45)	(42,615)	(2.97)
8200	Net Income		133,618	8.89	116,710	8.11
8300	Other comprehensive income (loss)					
8360	Items that may be reclassified subsequently to profit or loss					
8361	Financial statements translation differences for foreign operations	6(10)	(140,914)	(9.38)	(13,387)	(0.93)
8399	Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently		-	-	-	-
8300	Other comprehensive income(loss)for the period ,net of income tax		(140,914)	(9.38)	(13,387)	(0.93)
8500	Total comprehensive income for the period		$ (7,296)	(0.49)	$ 103,323	7.18
8600	Net income attributable to :					
8610	Owners of parent		133,618	8.89	116,710	8.11
8620	Non-controlling interests		-	-	-	-
	Net income		133,618	8.89	116,710	8.11
8700	Comprehensive income attributable to :					
8710	Owners of parent		(7,296)	(0.49)	103,323	7.18
8720	Non-controlling interests		-	-	-	-
	Total comprehensive income for the period		(7,296)	(0.49)	103,323	7.18
9750	Basic earnings per share(NT dollars)	6(15)	$ 1.84		$ 1.61	
9850	Diluted earnings per share(NT dollars)	6(15)	$ 1.84		$ 1.61	

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

See review report of independent accountants dated May 11, 2016.

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, 2016	72,600	$ 726,000	$ 453,467	$ 201,355	$ 44,348	$ 1,153,679	$ 84,610	$ 2,663,459
Net income for the three months ended March 31,2016	-	-	-	-	-	116,710	-	116,710
Other comprehensive income for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	-	(13,387)	(13,387)
Balance as of March 31, 2016	72,600	$ 726,000	$ 453,467	$ 201,355	$ 44,348	$ 1,270,389	$ 71,223	$ 2,766,782
Balance as of January 1, 2017	72,600	$ 726,000	$ 453,467	$ 259,498	$ 44,348	$ 1,393,965	$ (155,667)	$ 2,721,611
Net income for the three months ended March 31,2017	-	-	-	-	-	133,618	-	133,618
Other comprehensive income for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	-	(140,914)	(140,914)
Balance as of March 31, 2017	72,600	$ 726,000	$ 453,467	$ 259,498	$ 44,348	$ 1,527,583	$ (296,581)	$ 2,714,315

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

See review report of independent accountants dated May 11, 2016.

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(All Amounts Expressed In Thousands of New Taiwan Dollars)

(Reviewed,Not Audited)

	Three Months Ended March 31	
	2017	2016
Cash flows from operating activities		
Consolidated Profit before income tax	$ 170,409	$ 159,325
Adjustments for ：		
Depreciation expense	70,558	73,999
Amortization expense	2,155	1,623
Provision (Reversal) for doubtful accounts	(1,205)	15,169
Other expense	41	54
Interest expense	3,315	4,626
Interest income	(606)	(681)
Provision for inventory market price decline	3,579	2,149
Loss on disposal of inventory	682	1,465
Loss on disposal of assets	1	1,398
(Reversal) Impairment of Assets	(324)	(2,283)
Foreign exchange loss (gain)	2,761	623
Total adjustments to reconcile profit or loss	80,957	98,142
Changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	5,231	(4,200)
Decrease in accounts receivable	93,715	64,312
Decrease in other receivable	2,428	377
Decrease in inventories	57,391	23,071
Decrease Decrease in prepayments	37,481	76,176
(Increase) in other current assets	(7,169)	(25,572)
(Decrease) in notes payable	(1,276)	(52,168)
(Decrease) Increase in accounts payable	(22,543)	(88,333)
(Decrease) in other payable	(23,611)	(4,119)
Increase (Decrease) in unearned receipts	3,951	(717)
(Decrease) in other current liabilities	(299)	-
(Decrease) in accrued pension liabilities	(8,013)	(14,207)
Total Changes in Operating Assets and Liabilities	137,286	(25,380)
Cash generated from operating	388,652	232,087
Interest received	416	704
Income taxes paid	(36,802)	(27,711)
Net cash generated by operating activities	352,266	205,080

(Continued)

Cash flows from investing activities		
Acquisition of property , plant and equipment	(28,863)	(38,153)
Disposal of property , plant and equipment	100	-
(Increase) in prepayments for equipment	(207,779)	(26,313)
Decrease in restricted assets	(5,867)	6,310
(Increase) Decrease in Instead of payment	286	(69)
Net cash used in investing activities	(242,123)	(58,225)
Cash Flows From Financing Activities		
Interest paid	(3,428)	(4,650)
Increase in short-term loans	98,530	162,346
(Decrease) in short-term bills payable	(20,000)	(15,000)
Increase (Decrease) in long-term loans	105,164	(245,359)
Increase (Decrease) in other current liabilities	116	(387)
Increase in guarantee deposits	529	-
Net cash used in financing activities	180,911	(103,050)
Effect of exchange rate changes on cash and cash equivalents	(70,756)	(5,640)
Net Increase in cash and cash equivalents	220,298	38,165
Cash and cash equivalents, beginning of period	577,150	529,058
Cash and cash equivalents, end of period	$ 797,448	$ 567,223

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

See review report of independent accountants dated May 11, 2016.

NAN LIU Enterprise Co., Ltd. and Subsidiaries
Notes to Consolidated financial statements
for the Three Months Ended March31, 2017 and 2016
(After review, not in accordance with generally accepted auditing standards)
(Except for particular note, the unit is based on NT$1000)

1. Company history

NAN LIU Enterprise Co., Ltd. (hereinafter referred to as the company) was established in 1973 and approved by the Ministry of Economic Affairs with the registered address of No.88, Bixiu Road, Qiaotou District, Kaohsiung City. NAN LIU Company was listed for trading in the Taiwan Stock Exchange Corporation on May 7th of 2013. The NAN LIU Group consolidated financial statements consist of NAN LIU Company and its Subsidiary, a group of associated enterprises and joint ventures controlled under individual rights (hereinafter referred to as the group), and concluded on March 31st of 2017. NAN LIU Group is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products. The functional currency of the consolidated financial statements is the New Taiwan (NT) dollar.

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

Consolidated financial statements were approved and authorized for issue by the board of directors on May 8, 2017.

3. Application of new standards, amendments and interpretations

(1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) for application starting from 2017 (collectively, “IFRSs”).

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) before January 1, 2016 and endorsed by Financial Supervisory Commission (FSC) with effective date starting January 1, 2017.

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

Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016
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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC for application starting from 2017 would not have a significant effect on the Company’s accounting policies:

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) 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 10th March, 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 IFRS9 and 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 (Note1)
Annual Improvements to IFRSs 2012 - 2014 Cycle	Note 2
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
Amendment to IAS 40 Transfers of Investment Property	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1. IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation and its subsidiaries' debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

(1) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

(2) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation and its subsidiaries may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For originated credit-impaired financial assets, the Corporation and its subsidiaries take into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

<u>Transition</u>

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2. Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when the Corporation and its subsidiaries sell or contribute assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation and its subsidiaries lose control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation and its subsidiaries sell or contribute assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the Corporation and its subsidiaries' share of the gain or loss is eliminated. Also, when the Corporation and its subsidiaries lose control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the Corporation and its subsidiaries' shares of the gain or loss are eliminated.

3. IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

Recognize revenue when the entity take goods or provide services. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset.

The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

When applying IFRS 15, the Corporation and its subsidiaries shall recognize revenue by applying the following steps:

(1) Identify the contract with the customer;

(2) Identify the performance obligations in the contract;

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract; and

(5) Recognize revenue when the Corporation and its subsidiaries satisfy a performance obligation.

When IFRS 15 and related amendment are effective, the Corporation and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4. Amendments to explanation of IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. Except above clarifies, the amendments include of two added simplified rules decrease cost and complication when the company apply new Standards at the first time.

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

5. IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation and its subsidiaries are a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation and its subsidiaries may elect to apply the accounting method similar to the accounting for operating lease under

IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability and the interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation and its subsidiaries as lessor.

When IFRS 16 becomes effective, the Corporation and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

6. Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation and its subsidiaries expect to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation and its subsidiaries should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation and its subsidiaries assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation and its subsidiaries will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

As of the date the consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries are in the process of estimating the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

4. Summary of significant accounting policies

(1) Statement of Compliance

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

Apart from the described in the following paragraphs, the consolidated quarterly statements adopted by major accounting policies is incorporated in the same consolidated financial statements of the 2016. Related information refers to consolidated financial statements noted as IV in 2016.

(2) Basis of Consolidation

Consolidated financial quarterly statement principles were consistent with consolidated financial statements in 2016. Please refer to note IV for related information.

Consolidated financial statements of subsidiaries including:

Investment company name	Subsidiary name	Business features	Percentage of ownership		
			2017.3.31	2016.12.31	2016.3.31
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Overseas investment holding company	100	100	100
NANLIU ENTERPRISE (SAMOA) CO., LTD.	Nanliu Enterprises (Pinghu) Ltd.	Production and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100	100	100

(3) Other significant accounting policies

1. Income tax

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

Measurement and disclosure of income tax expenses

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

Income tax expenses are recognized directly in equity projects or other comprehensive income items, related assets and liabilities. The carrying amount for financial statement purposes and their tax bases of temporary differences are based on the expected realization or the applicable tax rate to be measured.

2. Employee benefits

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

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

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

When preparing the consolidated quarterly financial statements, management adopts combined company accounting policies to make significant judgments and estimates the main source of uncertainty that is consistent with consolidated financial statements as note V in 2016,

6. Details of significant accounts

(1) Cash and cash equivalents

Items	March 31, 2017	December 31, 2016	March 31, 2016
Cash	$ 1,831	$ 1,765	$ 1,673
Demand deposits	360,878	227,269	264,229
Checking account	94	69	75
Foreign currency deposits	412,610	338,871	291,750
Time deposits	22,035	9,176	9,496
Total	$ 797,448	$ 577,150	$ 567,223

1. NAN LIU Group possesses good credit with financial institutions and interacts with several financial institutions to diversify credit risk. The anticipated possibility of default is very low, and the balance sheet figure for exposure cash amount on maximum credit risks is same as cash equivalents
2. NAN LIU Group's cash and cash equivalents had not been provided to pledge.

(2) Notes receivable, net

Items	March 31, 2017	December 31, 2016	March 31, 2016
Non-related parties	$ 90,378	$ 95,609	$ 62,891
Related parties	—	—	—
Less: Allowance for doubtful receivables	—	—	—
Net	$ 90,378	$ 95,609	$ 62,891

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

(3) Accounts receivable, net

Items	March 31, 2017	December 31, 2016	March 31, 2016
Non-related parties	$ 1,139,844	$ 1,237,761	$ 1,061,370
Related parties	—	—	—
Less: Allowance for doubtful receivables	(9,717)	(11,169)	(27,133)
Net	$ 1,130,127	$ 1,226,592	$ 1,034,237

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

	March 31, 2017	December 31, 2016	March 31, 2016
Neither past due nor impaired	$ 1,107,697	$ 1,189,311	$ 1,029,368
Past due but not impaired			
Within 60 days	37,984	50,368	37,719
From 61 to 90 days	28,435	31,085	18,229
From 91 to 180 days	45,728	51,224	11,472
Over 180 days	661	213	340
Total	$ 1,220,505	$ 1,322,201	$ 1,097,128

2. Movements of the allowance for doubtful receivables:

	From January 1st to March 31st of 2017		
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2017	$ 1,274	$ 11,169	$ 12,443
Provision (reversal) for impairment	(40)	(1,165)	(1,205)
Write-off	(519)	—	(519)
Exchange difference	—	(287)	(287)
March 31, 2017	$ 715	$ 9,717	$ 10,432

	From January 1st to March 31st of 2016		
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2016	$ 1,625	$ 11,991	$ 13,616
Provision (reversal) for impairment	(20)	15,189	15,169
Exchange difference	(3)	(47)	(50)
March 31, 2016	$ 1,602	$ 27,133	$ 28,735

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

4. For NAN LIU Group's accounts receivable on March 31, 2017, December 31,2016 and March 31, 2016, the exposure amount of maximum credit risk is the book value for receivables.
5. NAN LIU Group did not hold collateral for accounts receivable.

(4) Net inventories

	March 31, 2017		
	Cost	Allowance for price decline of inventories	Book value
Raw materials	$ 322, 927	$ 6, 209	$ 316, 718
Supplies	79, 103	2, 455	76, 648
Work in process	24, 125	1, 872	22, 253
Finished goods	419, 142	17, 926	401, 216
Merchandise inventory	9, 068	1, 500	7, 568
Inventory in transit	42, 875	—	42, 875
Total	$ 897, 240	$ 29, 962	$ 867, 278

	December 31, 2016		
	Cost	Allowance for price decline of inventories	Book value
Raw material	$ 342,577	$ 6,173	$ 336,404
Supplies	75,612	2,087	73,525
Work in process	26,368	1,811	24,557
Finished goods	466,146	14,973	451,173
Merchandise inventory	8,048	1,339	6,709
Inventory in transit	36,562	—	36,562
Total	$ 955,313	$ 26,383	$ 928,930

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

1. Inventories are provided without guarantee or pledge as of March 31, 2017, December 31, 2016 and March 31, 2016.
2. Inventory related to charges recognized in the losses of the current period is detailed as follows:

Items	2017/01/01~2017/03/31	2016/01/01~2016/03/31
Cost of goods sold	$ 1,237,611	$ 1,165,566
Idle capacity cost	2,701	6,857
Revenue from sale of scraps	(8,924)	(10,965)
Provision for inventory market price decline	3,579	2,149
Loss on disposal of inventory	682	1,465
Loss (profit) on physical inventory	$ 1,235,649	$ 1,165,072
Total		

(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 1, 2017	$ 46,046	$ 11,264	$ 399,286	$ 1,166,603	$ 85,398	$ 14,994	$ 1,984	$ 25,757	$ 58,476	$ 1,809,808
Added	–	–	2,836	6,438	410	–	53	194	16,910	26,841
Disposals or retirements	–	–	–	(101)	–	–	–	–	–	(101)
Deconsolidation	–	–	–	–	–	–	–	–	–	–
Other changes	–	–	1,217	12,578	–	–	–	133	(159)	13,769
Annual depreciation	–	–	(7,745)	(55,109)	(4,297)	(1,481)	(188)	(1,738)	–	(70,558)
Reversal of impairment	–	–	324	–	–	–	–	–	–	324
Effect of exchange rate changes	–	–	(16,868)	(46,333)	(3,488)	(252)	(29)	(723)	(687)	(68,380)
Balance on March 31, 2017	$ 46,046	$ 11,264	$ 379,050	$ 1,084,076	$ 78,023	$ 13,261	$ 1,820	$ 23,623	$ 74,540	$ 1,711,703
Carrying value:										
On March 31, 2017:										
Cost	$ 46,046	$ 11,264	$ 636,610	$ 2,690,350	$ 187,244	$ 54,131	$ 19,819	$ 76,245	$ 74,540	$ 3,796,249
Less: Accumulated depreciation and impairment	–	–	(257,560)	(1,606,274)	(109,221)	(40,870)	(17,999)	(52,622)	–	(2,084,546)
Balance on March 31, 2017	$ 46,046	$ 11,264	$ 379,050	$ 1,084,076	$ 78,023	$ 13,261	$ 1,820	$ 23,623	$ 74,540	$ 1,711,703
Carrying value:										
On March 31, 2016:										
Cost	$ 46,046	$ 11,264	$ 654,607	$ 2,756,589	$ 194,307	$ 54,849	$ 20,076	$ 77,614	$ 58,476	$ 3,873,828
Less: Accumulated depreciation and impairment	–	–	(255,321)	(1,589,986)	(108,909)	(39,855)	(18,092)	(51,857)	–	(2,064,020)
Balance on March 31, 2016	$ 46,046	$ 11,264	$ 399,286	$ 1,166,603	$ 85,398	$ 14,994	$ 1,984	$ 25,757	$ 58,476	$ 1,809,808

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 1, 2016	$ 46,046	$ 11,264	$ 419,111	$ 1,377,970	$ 105,233	$ 19,082	$ 3,208	$ 26,186	$ 46,328	$ 2,054,428
Added	–	–	108	13,220	–	–	26	1,813	2,416	17,583
Disposals or retirements	–	–	–	(1,398)	–	–	–	–	–	(1,398)
Deconsolidation	–	–	–	–	–	–	–	–	–	–
Other changes	–	–	–	25,101	–	–	–	654	–	25,755
Annual depreciation	–	–	(7,585)	(58,210)	(4,462)	(1,550)	(416)	(1,776)	–	(73,999)
Reversal of impairment	–	–	392	1,891	–	–	–	–	–	2,283
Effect of exchange rate changes	–	–	(2,179)	(5,158)	(444)	(29)	(3)	(77)	(87)	(7,977)
Balance on March 31, 2016	$ 46,046	$ 11,264	$ 409,847	$ 1,353,416	$ 100,327	$ 17,503	$ 2,815	$ 26,800	$ 48,657	$ 2,016,675
Carrying value:										
On March 31, 2016:										
Cost	$ 46,046	$ 11,264	$ 647,777	$ 2,846,762	$ 209,396	$ 55,167	$ 20,625	$ 74,828	$ 48,657	$ 3,960,522
Less: Accumulated depreciation and impairment	–	–	(237,930)	(1,493,346)	(109,069)	(37,664)	(17,810)	(48,028)	–	(1,943,847)
Balance on March 31, 2016	$ 46,046	$ 11,264	$ 409,847	$ 1,353,416	$ 100,327	$ 17,503	$ 2,815	$ 26,800	$ 48,657	$ 2,016,675

1. Property, plant and equipment are pledged as collateral information. Please see the attached note 8.

2. In the three months ended March 31 of 2017 and 2016, capitalized interest is NT$ 0.

(6) Short-term borrowings

Items	March 31, 2017 Amount	Interest rate
Credit loans	$ 452,430	0.83%~1.11%
Total	$ 452,430	

Items	December 31, 2016 Amount	Interest rate
Credit loans	$ 353,900	0.72%~1.18%
Total	$ 353,900	

Items	March 31, 2016 Amount	Interest rate
Credit loans	$ 369,653	1.10%~2.332%
Total	$ 369,653	

For short-term loans, NAN LIU Group assign Huang Chin-San and Huang Ho-Chun as joint guarantors. Please refer to notes 7 and 8.

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

March 31, 2017

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	2017/03/03~2017/05/02	0.55%	$ 80,000
Short-term notes and bills payable	International Bills	2017/03/31~2017/04/28	0.66%	30,000
Short-term notes and bills payable	China Bills	2017/03/22~2017/04/21	0.53%	50,000
Total				160,000
Less: discount on short-term notes and bills				(67)
Short-term net notes and bills				$ 159,933

December 31, 2016

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	2016/12/05~2017/02/03	0.710%	$ 20,000
Short-term notes and bills payable	Wan tong Bills	2016/10/03~2017/01/04	0.642%	70,000
Short-term notes and bills payable	Mega Bills	2016/11/22~2017/01/20	0.612%	40,000
Short-term notes and bills payable	China Bills	2016/10/20~2017/01/18	0.432%	50,000
Total				180,000
Less: discount on short-term notes and				(39)

bills	
Short-term net notes and bills	$ 179,961

March 31, 2016

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Mega Bills	2016/01/11~2016/04/08	0.852%	$ 80,000
Short-term notes and bills payable	Dah Chung Bills	2016/03/11~2016/04/08	0.792%	20,000
Short-term notes and bills payable	China Bills	2016/02/24~2016/04/25	0.500%	50,000
Total				150,000
Less: discount on short-term notes and bills				(33)
Short-term net notes and bills				$ 149,967

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

	March 31, 2017	December 31, 2016	March 31, 2016
Credit loans	$ 828,493	$ 725,164	$ 646,854
Secured bank borrowings	—	—	—
Subtotal	828,493	725,164	646,854
Less: current portion of long-term bank borrowings	(37,972)	(53,559)	(87,617)
Total	$ 790,521	$ 671,605	$ 559,237
Range of maturity dates	104/01~111/03	104/01~111/03	104/01~111/03
Range of interest rates	1.10% ~1.43%	1.10%~1.38%	1.359% ~1.71%

1. NAN LIU Group pledges some part of its assets as collateral against the loans listed above. Please refer to note 8.
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 2016 and December 31st, 2015.

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

	2017/01/01~ 2017/03/31	2016/01/01~ 2016/03/31
Cost of goods sold	$ 254	$ 317
Selling expenses	—	23
General and administrative expenses	191	217
Research and development expenses	81	78
Total	$ 526	$ 635

2. Contribution plans

The pension costs (including pension insurance) under the Group's defined contribution pension plans for the three months ending on March 31, 2017 and 2016 were $4,309 thousand and $4,042 thousand, respectively.

(10) Capital and other equity

1. Common stock

Up to March 31, 2017, the nominal capital of NAN LIU Group's parent company is NT$ 1,000,000 thousand, and paid-in stock capital is NT$ 726,000 thousand.

2. Additional paid-in capital

	March 31, 2017	December 31, 2016	March 31, 2016
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) The Company accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period, which amounted to NT$1,695 thousand and 1,469 thousand for the three months ended March 31, 2017 and March 31, 2016, respectively. Compensation to directors was expensed based on estimated amount payable, which amounted to NT$1,695 thousand and NT$1,469 thousand for the three months ended March 31, 2017 and March 31, 2016, 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 bonus to employees and remuneration of directors and supervisors were NT$8,142 thousand and NT$5,226 thousand, respectively proposed by the Board of Directors on March 14, 2017. There was no difference between the actual amounts of bonus to employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016. The distribution of the 2016 will be approved in the shareholders' meeting on May 31, 2017.

(5) The distributions of profit 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 1, 2017	$	(155,667)
Currency translation differences (after tax)		(140, 914)
On March 31, 2017	$	(296,581)
On January 1, 2016	$	84, 610
Currency translation differences (after tax)		(13,387)
On March 31, 2016	$	71, 223

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Sale of goods	$ 1, 502, 733	$ 1, 436, 661
Sale of processing	10	123
Total	$ 1, 502, 743	$ 1, 436, 784

(12) Non-operating income and expenses

1. Others

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Interest income	$ 606	$ 681
Impairment or reversal of assets	324	2, 283
gain on disposal of assets	(1)	(1, 398)
Foreign exchange gain, net	5, 694	(4, 575)
Other income	28, 941	20, 879
Total	$ 35, 564	$ 17, 870

2. Finance costs

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Interest expense (Bank loans)	$ 3, 315	$ 4, 626

(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	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Current income tax		
Income tax incurred in current period	$ 35,937	$ 41,690
10% tax on unappropriated earnings	—	—
Income tax adjustments on prior years	—	—
Deferred income tax expense		
Recognition and reversal of temporary differences	854	925
Income tax expense	$ 36,791	$ 42,615

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

Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Currency translation differences	$ —	$ —
Actuarial gains/losses on defined benefit obligations	—	—
Total	$ —	$ —

2. Reconciliation between income tax expense and accounting profit:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Income before income tax	$ 170,409	$ 159,325
Income tax expense at the statutory 17% tax rate	$ 28,969	$ 27,085
Nondeductible (deductible) items in determining taxable income	(3,112)	3,595
10% tax on unappropriated earnings	—	—
Prior year income tax underestimation	—	—
10% dividend tax through capitalization of retained earnings by subsidiaries	10,080	11,010
Changes of deferred tax		
Temporary differences	854	925

Income tax expense	$ 36,791	$ 42,615

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

Items	Three Months Ended March 31, 2017			
	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,283	$ (55)	$ —	$ 2,228
Loss on inventory market value decline	1,741	608	—	2,349
Unrealized gross profit	5,473	(1,323)	—	4,150
Exchange gain or loss	(398)	992	—	594
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	12,896	(981)	—	11,915
Currency translation differences(Note)	—	—	—	—
Others	931	(95)	—	836
Deferred tax income(expenses)		$ (854)	$ —	
Net deferred tax assets(liabilities)	$ 22,926			$ 22,072
The balance sheet information is as follows:				
Deferred tax assets	$ 25,233			$ 24,014
Deferred tax liabilities	$ 2,307			$ 1,942

Items	Three Months Ended March 31, 2016			
	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,534	$ (66)	$ —	$ 2,468
Loss on inventory market value decline	1,741	—	—	1,741
Unrealized gross profit	5,983	—	—	5,983
Exchange gain or loss	(1,539)	1,590	—	51
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	15,259	(2,797)	—	12,462
Currency translation differences(Note)	—	—	—	—
Others	2,508	348	—	2,856

Deferred tax income(expenses)		$ (925)	$ —	
Net deferred tax assets(liabilities)	$ 26,486			$ 25,561
The balance sheet information is as follows:				
Deferred tax assets	$ 29,230			$ 27,094
Deferred tax liabilities	$ 2,744			$ 1,533

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 for the three months ended March 31, 2017. 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	March 31, 2017	December 31, 2016	March 31, 2016
Before 1997	$ 27,961	$ 27,961	$ 27,961
From 1998 to 2009	—	—	—
After 2010	1,499,622	1,366,004	1,242,428
Total	$ 1,527,583	$ 1,393,965	$ 1,270,389

7. Imputation credit account and creditable ratio:

	March 31, 2017	December 31, 2016	March 31, 2016
Imputation credit account balance	$ 139,122	$ 139,122	$ 79,074

	2017 (forecast)	2016 (forecast)	2015 (actual)
Tax deduction ratio	13.32%	13.32%	13.90%

Tax deduction ratio of forecast in 2016 and actual earnings in 2015 were 13.32% and 13.90%, 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 March 31, 2017		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 73,105	$ 33,150	$ 106,255
Wages and salaries	60,962	29,377	90,339
Labor and health insurance costs	7,368	1,997	9,365
Pension and severance expenses	1,268	872	2,140
Other personnel expenses-food expenses	3,507	904	4,411
Depreciation	68,392	2,166	70,558
Amortization	69	2,086	2,155

	Three Months Ended March 31, 2016		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 66,166	$ 27,641	$ 93,807
Wages and salaries	55,202	24,474	79,676
Labor and health insurance costs	6,772	1,891	8,663
Pension and severance expenses	1,206	920	2,126
Other personnel expenses-food expenses	2,986	356	3,342
Depreciation	71,630	2,369	73,999
Amortization	58	1,565	1,623

There were 823 and 786 workers in the Company on March 31, 2017 and 2016, 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 March 31, 2017		
	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	$ 133, 618	72, 600	$ 1. 84
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	11	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 133, 618	72, 611	$ 1. 84

	Three Months Ended March 31, 2016		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent	$ 116,710	72, 600	$ 1. 61
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	10	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 116, 710	72, 610	$ 1. 61

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

(2) Significant transactions and balances with related parties:

1. Purchasing: None.

2. Sales: None.

3. Notes and accounts payable: None.

4. Notes and accounts receivable: None.

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. Three months ended March 31 of rent was NT$ 50 thousand in 2017 and 2016. As of March 31, 2017 and 2016, 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. Three months ended March 31 of rent was NT$ 60 thousand in 2017 and 2016. As of March 31, 2017 and 2016, the above amounts were settled.

7. Others:

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

Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Salary	$ 3,529	$ 2,753
Bonus	2,641	2,645
Service allowance	100	90

Distribution of surplus items	—	—
Total	$ 6, 270	$ 5, 488

8. Pledged Assets

The Groups assets pledged as collateral were as follows:

Items	March 31, 2017	December 31, 2016	March 31, 2016
Restricted assets	$ 48, 543	$ 42, 676	$ 37,797
Land	—	—	48, 744
Building	—	—	1,275
Total	$ 48, 543	$ 42, 676	$ 87, 816

9. Significant contingent liabilities and unrecognized commitments

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting date, excluding those disclosed in other notes, were as follows:

(1) Significant commitments

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

March 31, 2017		December 31, 2016		March 31, 2016	
Letter of credit	L/C deposit	Letter of credit	L/C deposit	Letter of credit	L/C deposit
USD 104	$ —	USD 2, 174	$ —	USD 3, 410	$ —
EUR 98	$ —	—	$ —	—	$ —

2. 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.

3. Unrecognized commitments of the Company and subsidiaries were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Purchase property , plant and equipment	$ 293, 914	$ —	$ —

10. Major damage losses: None.

11. Major subsequent events:

The company signed a construction contract with Chang-Lun construction Co., Ltd. for Yanchao new plant. The total amount of contract is NT950 thousand (after tax). It will build plants and office on 4 pieces of land located at No. 4 Dai Tien Fu Section, Yanchao, Kaohsiung.

12, Others:

(1) Capital risk management

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

Items	March 31, 2017	December 31, 2016	March 31, 2016
Total liabilities	$ 2, 787, 936	$ 2,663,745	$ 2, 449, 934
Total equity	2, 714, 315	2,721,611	2, 766, 782
Debt to equity ratio	102. 71%	97. 87%	88. 55%

(2) Financial instruments

1. The totality of financial instruments and fair value information

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

	March 31, 2017				
		The fair value			
Items	Book value	The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 797, 448	$ —	$ —	$ —	$ —
Notes and accounts receivable	1, 250, 541	—	—	—	—

Restricted assets		48, 543	—	—	—	—
Other current assets		31, 951	—	—	—	—
Refundable deposit		19, 218	—	—	—	—
Financial liabilities:						
Financial liabilities measured at amortized costs						
Short-term loans		452, 430	—	—	—	—
Short-term bills payable		159, 933	—	—	—	—
Notes payable and payment		1, 185, 719	—	—	—	—
Equipment payment		2, 492	—	—	—	—
Long-term liabilities due within a year		37, 972	—	—	—	—
Long-term liabilities		790, 521	—	—	—	—

	December 31, 2016									
			The fair value							
Items	Book value		The first level		The second level		The third level		Total	
Financial assets:										
Loans and account receivables										
Cash and cash equivalents	$	577, 150	$	—	$	—	$	—	$	—
Notes and accounts receivable		1,354,475		—		—		—		—
Restricted assets		42, 676		—		—		—		—
Other current assets		24,782		—		—		—		—
Refundable deposit		19,668		—		—		—		—
Financial liabilities:										
Financial liabilities measured at amortized costs										
Short-term loans		353,900		—		—		—		—
Short-term notes and bills payable		179,961		—		—		—		—
Notes and accounts payable		1,234,162		—		—		—		—
Equipment payment		6,722		—		—		—		—
Long-term liabilities due within a year		53,559		—		—		—		—
Long-term liabilities		671,605		—		—		—		—

	March 31, 2016									
			The fair value							
Items	Book value		The first level		The second level		The third level		Total	
Financial assets:										
Loans and account receivables										
Cash and cash equivalents	$	567, 223	$	—	$	—	$	—	$	—

Notes and accounts payable	1, 098, 223	—	—	—	—
Restricted assets	37,797	—	—	—	—
Other current assets	26, 103	—	—	—	—
Refundable deposit	21, 497	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	369, 653	—	—	—	—
Short-term notes and bills payable	149, 967	—	—	—	—
Notes payable and payment	1, 071, 927	—	—	—	—
Equipment payment	19, 165	—	—	—	—
Long-term liabilities due within a year	87, 617	—	—	—	—
Long-term liabilities	559, 237	—	—	—	—

(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 three months ended March 31, 2017 and 2016.

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.

March 31, 2017	December 31, 2016	March 31, 2016

Items	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets									
Monetary items									
USD	$ 28,811	30.33	$ 873,848	$ 28,349	32.250	$ 914,267	$ 24,893	32.185	$ 801,170
RMB	7,553	4.407	33,285	7,522	4.617	34,730	7,460	4.972	37,092
Euro	120	32.43	3,901	120	33.900	4,060	57	36.510	2,090
Financial liabilities									
Monetary items									
USD	9,987	30.33	302,892	11,897	32.250	383,667	15,536	32.185	500,028
Euro	7,768	32.43	251,910	2,666	33.900	90,383	8,750	36.510	319,469
Yen	—	—	—	—	—	—	—	—	—

B. Sensitivity analysis

The Group's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. As of three months ended March 31, 2017 and 2016, if the NTD/USD, NTD/RMB, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, As of three months ended March 31, 2017 and 2016, the company’s income before income tax would increase/decrease by $3,602 thousand and $2,916 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 $3,602 thousand and $2,916 thousand for three months ended March 31, 2017 and 2016, mainly due to floating rate loans.

(3) Credit risk:

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

(4) Liquidity risk:

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

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

Items	March 31, 2017				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 452, 430	$ —	$ —	$ —	$ 452, 430
Short-term notes and bills payable	159, 933	—	—	—	159, 933
Notes payable	590, 993	—	—	—	590, 993
Accounts payable	451, 975	—	—	—	451, 975
Other accounts payable	142, 751	—	—	—	142, 751
Payables on equipment	2, 492	—	—	—	2, 492
Long-term loans (including due within one year or one operating cycle)	37, 972	790, 281	—	240	828, 493

Items	December 31, 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	$ 353, 900	$ —	$ —	$ —	$ 353, 900
Short-term notes and bills payable	179, 961	—	—	—	179, 961
Notes payable	590, 061	—	—	—	590, 061
Accounts payable	477, 654	—	—	—	477, 654
Other accounts payable	166, 447	—	—	—	166, 447
Payables on equipment	6, 722	—	—	—	6, 722
Long-term loans (including due within one year or one operating cycle)	53, 559	671, 365	—	240	725, 164

Items	March 31, 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	$ 369,653	$ —	$ —	$ —	$ 369,653
Short-term notes and bills payable	149,967	—	—	—	149,967
Notes payable	486,786	—	—	—	486,786
Accounts payable	429,068	—	—	—	429,068
Other accounts payable	175,238	—	—	—	175,238
Payables on equipment	19,165	—	—	—	19,165
Long-term loans (including due within one year or one operating cycle)	87,617	531,107	27,890	240	646,854

(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	March 31, 2017	December 31, 2016	March 31, 2016
Endorsements / guarantees provided to subsidiaries	USD 2,029	USD 2,830	USD 23,209

(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 Three Months Ended March 31, 2017

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	$ 5,428,630	$ 79,323	$ 65,425	$ 65,425	$ —	2.41%	$ 5,428,630	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) Enter ‘0’ for the Issuer.
(2) The investees are numbered in serial order starting from ‘1’.
Note 2: Relationship between the endorser/guarantor and the Company is classified into the following six categories (just mark the category number):
(1) Companies with business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) More than 50% voting shares of the subsidiary directly held by the endorser/guarantor parent company or indirectly held by subsidiary.
(5) Companies which guarantee each other according to contract based on contractor relationship.
(6) Joint venture endorsed/guaranteed by shareholders based on their holding ratio.

NAN LIU Enterprise Co., Ltd. and Subsidiary

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE Three Months Ended March 31, 2017

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	$ 341,267	26.18%	With the same general terms and conditions	0	0	$ (212,620)	20.39%	0

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE Three Months Ended March 31, 2017

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	$ 10,695	The same as other companies	0.71%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	3,898	The same as other companies	0.07%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	341,261	The same as other companies	22.71%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	212,620	The same as other companies	3.86%

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 Three Months Ended March 31, 2017

Note IV

Unit: Thousand NT$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				March 31, 2017	December 31, 2016	Shares	Percentage of ownership	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	$ 1,487,607	$ 1,487,607	47,728	100.00%	$ 2,724,370	$ 104,039	$ 104,039	

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 Three Months Ended March 31, 2017

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, 2017	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of March 31, 2017	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of March 31, 2017	Accumulated Inward Remittance of Earnings as of March 31, 2017	Remarks
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	$ 1,846,701	2	$ 1,487,607	$ —	$ —	$ 1,487,607	$ 90,998	100.00%	$ 90,998	$ 2,982,661	$ —	

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 March 31, 2017

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	$ 768,716	$ 734,027	$ －	$ 1,502,743
Net revenue from sales among intersegments	10,695	341,261	(351,956)	－
Segment revenue	$ 779,411	$ 1,075,288	$ (351,956)	$ 1,502,743
Segment income	$ 42,063	$ 96,097	$ －	$ 138,160
Segment assets	$ 640,957	$ 1,446,476	$ －	$ 2,087,433

For the three months ended March 31, 2016

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	$ 761,284	$ 675,500	$ －	$ 1,436,784
Net revenue from sales among intersegments	3,555	314,186	(317,741)	－

Segment revenue	$ 764,839	$ 989,686	$ (317,741)	$ 1,436,784
Segment income	$ 42,148	$ 103,933	$ －	$ 146,081
Segment assets	$ 341,776	$ 1,748,077	$ －	$ 2,089,853

(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 March 31, 2017	Three Months Ended March 31, 2016
Reportable segments income	$ 138,160	$ 146,081
Unallocated amounts:		
Non-operating income and expense	32,249	13,244
Income before income tax	$ 170,409	$ 159,325