

Nanliu Enterprise Company Limited

Parent Company Only Financial  
Statements for the Years Ended  
December 31, 2014 and 2013 and  
Independent Auditors' Report

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# Nanliu Enterprise Company Limited

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Nanliu Enterprise Company Limited

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

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

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

YANGTZE CPAS & Co.,

March 16, 2015

*Notice to Readers*

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

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

NAN LIU ENTERPRISE CO., LTD  
Parent Company Only Balance Sheets  
December 31,2014 and December 31,2013  
(All amounts expressed In Thousands of New Taiwan Dollars)

ASSETS			December 31,2014		December 31,2013		LIABILITIES AND EQUITY			December 31,2014		December 31,2013	
			Amount	%	Amount	%				Amount	%	Amount	%
CURRENT ASSETS						CURRENT LIABILITIES							
1100	Cash and cash equivalents	4、6(1)	\$ 107,124	3.04	\$ 119,552	4.07	2100	Short-term loans	6(7)	\$ 165,567	4.69	\$ 90,000	3.07
1150	Notes receivable, net	4、6(2)、7	53,646	1.52	32,639	1.11	2110	Short-term bills payable, net	6(8)	89,952	2.55	49,999	1.70
1170	Accounts receivable, net	4、6(3)、7	516,361	14.64	387,655	13.21	2150	Notes payable	4	146,974	4.17	88,163	3.00
1200	Other receivables		3,702	0.10	3,717	0.13	2170	Accounts payable	4	228,252	6.47	210,343	7.16
1310	Inventories	4、5、6(4)	265,136	7.52	270,119	9.20	2230	Current tax liabilities	4、6(11)	52,042	1.48	21,044	0.72
1410	Prepayments		64,026	1.81	34,209	1.17	2200	Other payable		66,158	1.88	64,171	2.19
1470	Other current assets	8	35,105	1.00	39,102	1.33	2213	Payables on equipment		1,188	0.03	1,030	0.04
	Total current assets		<u>1,045,100</u>	<u>29.63</u>	<u>886,993</u>	<u>30.22</u>	2310	Unearned receipts		2,633	0.07	701	0.02
							2322	Current portion of long-term bank borrowing	6(9)	32,000	0.91	172,800	5.89
							2399	Other current liabilities		1,317	0.04	1,304	0.04
								Total current liabilities		<u>\$ 786,083</u>	<u>22.29</u>	<u>699,555</u>	<u>23.83</u>
NONCURRENT ASSETS						NONCURRENT LIABILITIES							
1550	Investments accounted for using equity method	4、6(5)、8	2,116,286	59.99	1,726,804	58.83	2540	Long-term bank borrowing	6(9)	306,000	8.67	150,000	5.11
1600	Property, plant and equipment	4、6(6)、8	274,002	7.77	246,108	8.39	2571	Deferred income tax liabilities-Land value increment tax		7,386	0.21	7,386	0.25
1780	Intangible assets	4	-	-	-	-	2572	Deferred income tax liabilities-income tax	4、6(11)	2,739	0.08	1,689	0.06
1840	Deferred income tax assets	4、5、6(11)	19,630	0.56	20,564	0.70	2640	Accrued pension liabilities	4、5、6(10)	80,093	2.27	79,570	2.71
1915	Prepayments for equipment		17,996	0.51	40,441	1.38		Total noncurrent liabilities		<u>396,218</u>	<u>11.23</u>	<u>238,645</u>	<u>8.13</u>
1920	Refundable deposit	9	9,836	0.28	12,788	0.44		Total liabilities		<u>1,182,301</u>	<u>33.52</u>	<u>938,200</u>	<u>31.96</u>
1985	Prepaid investments	4、8	42,012	1.19	-	-							
1990	Other assets		2,637	0.07	1,053	0.04							
	Total noncurrent assets		<u>2,482,399</u>	<u>70.37</u>	<u>2,047,758</u>	<u>69.78</u>							
						EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
							3100	Owners equity					
							3200	Capital stock	6(12)	726,000	20.58	726,000	24.74
							3300	Capital surplus	6(12)	453,467	12.85	453,467	15.45
							3310	Retained earnings	6(12)				
							3320	Legal reserve		159,340	4.52	121,661	4.15
							3330	Special reserve		44,348	1.26	55,760	1.90
							3350	Unappropriated earnings		823,705	23.35	587,980	20.04
							3400	Other	6(12)				
							3410	Financial statements translation differences for foreign operations		138,398	3.92	51,683	1.76
								Equity attributable to shareholders of the parent		<u>2,345,258</u>	<u>66.48</u>	<u>1,996,551</u>	<u>68.04</u>
1xxx	Total assets		<u>\$ 3,527,499</u>	<u>100.00</u>	<u>\$ 2,934,751</u>	<u>100.00</u>		Total liabilities and equity		<u>\$ 3,527,559</u>	<u>100.00</u>	<u>\$ 2,934,751</u>	<u>100.00</u>

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

NAN LIU ENTERPRISE CO., LTD

Parent Company Only Statements of Comprehensive income

For the Year Ended December 31 ,2014 and 2013

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

		For the year ended December 31			
		2014		2013	
Item	Note	Amount	%	Amount	%
4110	Sales revenue	\$ 2,761,340	100.53	\$ 2,360,771	100.54
4170	Less: Sales return	(2,019)	(0.07)	(1,558)	(0.07)
4190	Less: Sales allowances	(12,767)	(0.46)	(11,112)	(0.47)
4000	Net Sales	2,746,554	100.00	2,348,101	100.00
5000	Cost of goods sold	(2,304,047)	(83.89)	(1,985,137)	(84.54)
5900	Gross profit	442,507	16.11	362,964	15.46
5910	Unrealized gain on sales	(10,400)	(0.38)	(4,351)	(0.19)
5920	Realized gain on sales	9,109	0.33	230	0.01
5950	Net Gross Profit From Operations	441,216	16.06	358,843	15.28
6000	Operating expenses				
6100	Promotion expenses	(84,960)	(3.09)	(97,424)	(4.15)
6200	Management expenses	(94,710)	(3.45)	(124,089)	(5.28)
6300	Research expenses	(13,680)	(0.50)	(9,999)	(0.43)
6000	Total Operating expenses	(193,350)	(7.04)	(231,512)	(9.86)
6900	Operating profit	247,866	9.02	127,331	5.42
	Other non-operating income and expenses				
7020	Other income	250,295	9.11	277,580	11.82
7510	Finance costs	(9,282)	(0.34)	(12,685)	(0.54)
7000	Other non-operating income and expenses	241,013	8.77	264,895	11.28
7900	Income before income tax	488,879	17.79	392,226	16.70
7950	Income tax expense	(68,727)	(2.51)	(15,429)	(0.67)
8200	Net Income	420,152	15.28	376,797	16.03
	Other comprehensive income (loss)				
8310	Financial statements translation differences for foreign operations	86,715	3.16	84,672	3.61
8330	Defined benefit plan actuarial gains(losses)	1,880	0.07	(1,934)	(0.08)
8390	Income tax (expense) related to components of the comprehensive income	(320)	(0.01)	(5,279)	(0.22)
8300	Other comprehensive income(loss)for the period ,net of income tax	88,275	3.22	77,459	3.31
8500	Total comprehensive income for the period	\$ 508,427	18.50	\$ 454,256	19.34
9750	Basic earnings per share(NT dollars)	4 · 6(14)	\$ 5.79	\$ 5.39	
9850	Diluted earnings per share(NT dollars)	4 · 6(14)	\$ 5.78	\$ 5.34	

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

NAN LIU ENTERPRISE CO., LTD  
Parent Company Only Statements of Changes in Equity  
For the year ended December 31, 2014 and 2013  
(All amounts expressed In Thousands of New Taiwan Dollars)

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

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

NAN LIU ENTERPRISE CO., LTD  
Parent Company Only Statements of Cash Flows  
For the Year Ended December 31 ,2014 and 2013  
(All Amounts Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2014	2013
<b>Cash flows from operating activities</b>		
Profit before income tax	\$ 488,879	\$ 392,216
<b>Adjustments for :</b>		
Depreciation expense	63,759	75,912
Amortization expense	4,668	-
Employee share option expense	-	11,512
Other expense	327	10
Share of profit of subsidiaries and associates accounted for using equity method	(222,701)	(264,842)
Unrealized gain on sales	10,400	4,351
Realized gain on sales	(9,109)	(230)
Interest expense	9,282	12,695
Interest income	(1,427)	(583)
Provision for doubtful accounts	-	107
(Reversal of allowance) Provision for inventory market price decline	(2,737)	739
Loss on disposal of inventory	4,574	2,751
Loss (profit) on physical inventory	32	(581)
Loss on disposal of assets	(365)	1,278
(Reversal )Impairment of Assets	(1,588)	(2,236)
Foreign exchange(gain)loss	(6,529)	(6,095)
<b>Changes in operating assets and liabilities</b>		
(Increase) in notes receivable	(21,007)	(3,573)
(Increase) in accounts receivable	(121,707)	(118,508)
Decrease in other receivable	2	1,863
Decrease (Increase) in inventories	2,639	(37,323)
(Increase) Decrease in prepayments	(33,132)	3,185
(Increase) in other current assets	(26,026)	(8,854)
Increase in notes payable	57,479	10,589
Increase in accounts payable	15,218	115,862
Increase in other payable	2,226	8,891
Increase (Decrease) in unearned receipts	1,932	(373)
Increase in accrued pension liabilities	2,403	2,306
Cash generated from operating	217,492	201,069

( Continued )



	For the year ended December 31	
	2014	2013
Interest received	1,440	371
Income taxes paid	(36,064)	(21,687)
Net cash generated by operating activities	182,868	179,753
Cash flows from investing activities		
Acquisition of property , plant and equipment	(27,825)	(35,653)
Disposal of property , plant and equipment	65	208
Acquisition of investments accounted for using equity method	(80,717)	(173,653)
(Increase) in prepayments for equipment	(35,183)	(47,397)
Decrease in restricted assets	29,944	95,464
(Increase) in long-term prepaid rent	(46,680)	-
Decrease in Instead of payment	19	42
(Increase)in other noncurrent assets	(1,509)	-
Decrease in refundable deposits	2,952	-
Net cash used in investing activities	(158,934)	(160,989)
Cash Flows From Financing Activities :		
Interest paid	(9,568)	(14,826)
Increase in short-term loans	75,363	52,356
Increase (decrease) in short-term bills payable	40,000	(90,000)
Increase (Decrease) in long-term bank borrowing	15,200	(210,000)
Capital increase in cash	-	410,100
Cash dividends	(159,720)	(96,750)
Increase in other current liabilities	13	238
Net cash used in financing activities	(38,712)	51,118
Effect of exchange rate changes on cash and cash equivalents	2,350	4,619
Net (Decrease) Increase in cash and cash equivalents	(12,428)	74,501
Cash and cash equivalents, beginning of year	119,552	45,051
Cash and cash equivalents, end of year	\$ 107,124	\$ 119,552

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

Nanliu Enterprise Company Limited  
Notes to Parent Company Only Financial Statements  
For The Years Ended December 31, 2014 And 2013

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

**1. GENERAL**

Nanliu Enterprise Company Limited (the “Company”), a Republic of China (R.O.C.) corporation, was incorporated by Ministry of Economic Affairs, R.O.C. in 1978. The address of its registered office and principal place of business is No.88, Bixiu Rd., Qiaotou Dist, Kaohsiung City, Taiwan. The principal operating activities of the Company include Air-Through/Thermal-Bonded Nonwovens Fabrics、Spunlace Nonwovens Fabrics、High-tech woodpulp spunlace Fabrics、Wet Wipes、Facial Mask and care products...etc., please refer to Notes 14. As of December 31, 2014, total employees of the company were 271.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

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

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- (1) Effect of the adoption of new issuances or amendments to International Financial Reporting Standards (IFRS) issued by Financial Supervisory Commission (FSC) : None.
- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group :

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

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

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

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

a. Amendments to IAS 19, "Employee Benefits"

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

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

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

c. IFRS 12, “Disclosure of Interests in Other Entities”

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

d. IFRS 13, “Fair Value Measurement”

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

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

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

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

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB</b>
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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **(1) Statement of Compliance**

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

##### **(2) Basis of Preparation**

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

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

### **(3) Foreign Currencies Translation**

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

#### **A. Foreign currency transactions and balances**

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

#### **B. Translation of foreign operations**

- (a) The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) Financial statements of foreign entities reported in the currency of a hyperinflationary economy should be restated by applying a general price index of balance sheet date, Restated financial statements are then translated into currency of the Group using exchange rate of balance sheet date.
  - (c) Translation difference from net investment of foreign operations, loans with long-term investment nature, and other monetary instruments designated as hedging instruments for such investments are recognized as other comprehensive income.
  - (d) Upon partial disposal or sale of the foreign operation, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the profit or loss on sale. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
  - (e) Goodwill and fair value adjustments generated from acquiring the foreign entity are considered as the assets and liabilities of the foreign entity, and are translated using the closing exchange rate at the date that balance sheet.

#### **(4) Classification of Current and Non-current Items**

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (b) Assets held mainly for trading purposes.
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date.
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more

than twelve months after the balance sheet date.

**(5) Cash Equivalents**

- A. Cash and cash equivalents in parent company only cash flow statements include cash, bank deposits, and other short-term highly liquid investments due within three months from the date of acquisition.
- B. Cash equivalents refer to short-term highly liquid investments that meet the following criteria :
  - (a) Readily convertible to known amount of cash
  - (b) Subject to insignificant risk of changes in value.

**(6) Notes and Accounts Receivable**

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

**(7) Impairment of Financial Assets**

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

**(8) Derecognition of Financial Assets**

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. Almost all risks and returns of the ownership of the financial assets that is neither transferred nor reserved; not reserving the control over the financial assets.

**(9) Inventories**

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



## **(10) Investments Accounted for Using Equity Method**

The Company adopts the equity method to deal with the investment of the subsidiary, which refers to the entity that the Company takes control over (including special purpose entities).

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity. The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

## **(11) Property, Plant and Equipment**

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Property, plant and equipment adopt cost mode to list as depreciation in accordance with the estimated useful life and the straight-line method. On every fiscal year's ending, the Company reviews each asset's remaining value, the

useful life, and the depreciation methods. If the residual value and the estimated value of the useful life are different from what has been evaluated, or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. For the estimated useful lives of each asset, except that the houses and buildings are 10-20 years, the remaining P.P.E are 2-10 years.

**(12) Impairment of Non-financial Assets**

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

**(13) Leases (Lessor/Lessee)**

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

**(14) Borrowings**

- A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

**(15) Accounts and Notes Payable**

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

**(16) Derecognition of Financial Liabilities**

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

**(17) Offsetting Financial Instruments**

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

**(18) Provisions**

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

**(19) Employee Benefits**

A. Short-term employee benefits

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

B. Post-employment benefit plans

(a) Defined contribution plans

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

(b) Defined benefit plan

i. Defined benefit plan is the pension plan without defined contribution plan.

Generally, defined benefit plan is certain for the pension benefit amount that the employee will receive upon retirement, which depends on one or multiple factors, such as age, service years, and salary. The net obligations under defined welfare plan are calculated by discount with the employee's current benefit amount or the future benefit amount accumulated in the past. Then, the current welfare obligation value on the balance sheet deducts the fair value of the asset in the plan. The net defined benefit obligation is calculated by the actuary with the projected unit credit method, while the discount rate refers to the balance sheet day, the currency of the defined benefit plan, and the market yield rate of the high quality

bonds. In the countries without depth market of such securities, the government bond (on the balance sheet date) is exerted instead.

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

C. Employees' bonus and directors' and supervisors' remuneration

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

**(20) Income Tax**

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income

tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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

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

## **(21) Revenue Recognition**

### **A. Sales revenue**

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

### **B. Service revenue**

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

### **C. Interest income and Dividends**

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

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

## **(22) Share-based Payment Transaction**

The share-based payment to the employee is measured at the fair value of the stock

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

**(23) Earnings Per Share**

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

**(24) Operating segments**

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

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

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

Important accounting estimate and assumptions :

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

**A. Realization of Deferred Income Tax Assets**

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability,

tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of December 31, 2014, the Company recognized deferred income tax assets amounted to NT\$ 19,630 thousand.

#### **B. Valuation of Inventory**

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

As of December 31, 2014, carrying value of inventory of the Company amounted to NT\$ 265,136 thousand.

#### **C. Calculation of accrued pension obligations**

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

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

### **6. DETAILS OF SIGNIFICANT ACCOUNTS**

#### (1) Cash and cash equivalents

Item	December 31,2014	December 31,2013
Cash	\$ 1,934	\$ 4,835
Demand deposits	47,595	32,519
Check deposits	87	58
Foreign currency deposits	57,508	82,140
Total	\$ 107,124	\$ 119,552

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

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

(2) Notes receivable, net

Item	December 31,2014	December 31,2013
Notes receivable – related parties	\$ —	\$ 633
Notes receivable-Non related parties	53,646	32,006
Less: allowance for doubtful accounts	—	—
Net	<u>\$ 53,646</u>	<u>\$ 32,639</u>

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

(3) Account receivable, net

Item	December 31,2014	December 31,2013
Related parties	\$ 51,507	\$ 4,101
Non-related parties	465,047	383,747
Less: Allowance for doubtful accounts	(193)	(193)
Net	<u>\$ 516,361</u>	<u>\$ 387,655</u>

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

	Past due but not impaired - notes and account receivable					
	Neither past due nor impaired	Past due within 60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Total
Dec. 31,2014	\$ 548,061	\$ 5,981	\$ 13,505	\$ 11	\$ 2,717	\$ 570,275
Dec. 31,2013	\$ 409,914	\$ 7,747	\$ 2,058	\$ 644	\$ 124	\$ 420,487

B. Movements of the allowance for doubtful accounts :

	2014		
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	\$ 1,885	\$ 193	\$ 2,078
Provision(reversal) for impairment	(127)	—	(127)
Balance at December 31, 2014	<u>\$ 1,758</u>	<u>\$ 193</u>	<u>\$ 1,951</u>



	2013		
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	\$ 2,061	\$ 86	\$ 2,147
Provision(reversal) for impairment	(176)	107	(69)
Balance at December 31, 2013	\$ 1,885	\$ 193	\$ 2,078

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

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

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

(4) Inventories

	December 31, 2014		
	Cost	Allowance for price decline of inventories	Book Value
Raw materials	\$ 75,603	\$ 2,435	\$ 73,168
Supplies	44,381	1,745	42,636
Work in process	15,684	2,347	13,337
Finished goods	112,358	3,662	108,696
Merchandise	936	52	884
Raw materials and supplies in transit	26,415	—	26,415
Total	\$ 275,377	\$ 10,241	\$ 265,136

  

	December 31, 2013		
	Cost	Allowance for price decline of inventories	Book Value
Raw materials	\$ 115,074	\$ 1,257	\$ 113,817
Supplies	35,418	3,766	31,652
Work in process	6,332	1,145	5,187
Finished goods	98,442	6,711	91,711
Merchandise	1,588	99	1,489
Raw materials and supplies in transit	26,263	—	26,263
Total	\$ 283,097	\$ 12,978	\$ 270,119

A. As of December 31, 2014 and 2013, inventories were not pledged as collateral.

B. The cost of inventories recognized as expense for the period:

Item	2014	2013
Cost of goods sold	\$ 2,304,166	\$ 1,995,424
Idle capacity costs	3,709	1,740
Revenue from sale of scraps	(5,697)	(14,936)
(Reversal of allowance) provision for inventory market price decline	(2,737)	739
Loss on disposal of inventory	4,574	2,751
Loss (profit) on physical inventory	32	(581)
Total	\$ 2,304,047	\$ 1,985,137

(5) Investments Accounted for Using Equity Method

A. Long-term investments at equity

(a) Long-Term Investments in Stocks:

Name of subsidiaries	December 31, 2014			
	Original investment	Amount	Difference between investment cost and net equity	Percentage owned by the Company
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	\$ 1,325,860	\$ 2,116,286	\$ —	100%
NANLIU ENTERPRISE(SINGAPORE) CO.,LTD.	—	—	—	100%
Total	\$ 1,325,860	\$ 2,116,286	\$ —	

Name of subsidiaries	December 31, 2013			
	Original investment	Amount	Difference between investment cost and net equity	Percentage owned by the Company
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	\$ 1,245,143	\$ 1,726,804	\$ —	100%
NANLIU ENTERPRISE(SINGAPORE) CO.,LTD.	6,505	—	—	100%
Total	\$ 1,251,648	\$ 1,726,804	\$ —	

(b) Investment Income Recognized Under Equity Method :

Name of subsidiaries	2014	2013	
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	\$ 221,076	\$ 266,018	The same period audited financial statements.
NANLIU ENTERPRISE(PINGHU) CO.,LTD	—	(1,682)	Remove of Unrealized gain on sales.
NANLIU ENTERPRISE(PINGHU) CO.,LTD	1,375	—	Remove of Realized gain on sales.

(Continued)

NANLIU ENTERPRISE(PINGHU) CO.,LTD	323	1,534	Income tax effect of the downstream transactions.
NANLIU ENTERPRISE(PINGHU) CO.,LTD	(234)	—	Income tax effect of the upstream transactions.
NANLIU ENTERPRISE(PINGHU) CO.,LTD	161	—	Income tax effect of the realized gain on Fixed Assets transactions.
NANLIU ENTERPRISE(SINGAPORE) CO.,LTD.	—	(1,028)	The same period audited financial statements.
Total	<u>\$ 222,701</u>	<u>\$ 264,842</u>	

c.NANLIU ENTERPRISE(SAMOA) CO.,LTD. established in 2004, the Company acquired 100% equities in 2005, has the ability to control, and has incorporated into the consolidated financial statements.

d.The company made the authorized by INVESTMENT COMMISSION MOEA(letter No.093001616), indirect investment in China to set up NANLIU ENTERPRISE(PINGHU) LTD.through the investment in third regional SAMOA.

e.NANLIU ENTERPRISE(SINGAPORE) CO.,LTD. established in 2008, the Company has achieved 100% stake in the company in 2009, has the ability to control, and has incorporated into the consolidated financial statements. NANLIU ENTERPRISE CO., ,LTD ( SINGAPORE ) has ceased operation on November 30, 2013, and submitted application to competent authority to cancel Singapore registration on January 1 2014.

f. For the financial statement of foreign subsidiaries, using the current exchange rate change to NT Dollars, then converted to the equity method. The amount of foreign currency translation adjustments are presented in shareholders' equity.

g.The accounting treatment related to equity method investments, please refer to the second, a summary statement of significant accounting policies.

(6) Property, Plant and Equipment

	Land	Land-revaluati on increments	Buildings	Machinery Equipment	Hydropower Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in progress	Total
Balance at January 1, 2014	\$ 46,046	\$ 11,264	\$ 55,923	\$ 87,014	\$ 11,848	\$ 9,998	\$ 3,688	\$ 7,898	\$ 12,429	\$ 246,108
Additions	—	—	713	7,656	2,816	1,180	1,189	2,799	12,962	29,315
Disposals or retirements	—	—	—	—	(2)	—	(27)	(45)	—	(74)
Deconsolidation	—	—	(16)	(228)	—	—	—	(23)	—	(267)
Reclassification	—	—	—	59,711	193	—	424	763	—	61,091
Depreciation charge	—	—	(8,314)	(44,534)	(3,962)	(2,613)	(1,630)	(2,706)	—	(63,759)
Reversal of impairment	—	—	1,588	—	—	—	—	—	—	1,588
Balance at December 31, 2014	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 49,894</u>	<u>\$ 109,619</u>	<u>\$ 10,893</u>	<u>\$ 8,565</u>	<u>\$ 3,644</u>	<u>\$ 8,686</u>	<u>\$ 25,391</u>	<u>\$ 274,002</u>
Carrying Value:										
Cost	\$ 46,046	\$ 11,264	\$ 162,641	\$ 787,094	\$ 48,183	\$ 38,239	\$ 13,605	\$ 33,458	\$ 25,391	\$ 1,165,921
Less: accumulated depreciation and impairment	—	—	(112,747)	(677,475)	(37,290)	(29,674)	(9,961)	(24,772)	—	(891,919)
Balance at December 31, 2014	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 49,894</u>	<u>\$ 109,619</u>	<u>\$ 10,893</u>	<u>\$ 8,565</u>	<u>\$ 3,644</u>	<u>\$ 8,686</u>	<u>\$ 25,391</u>	<u>\$ 274,002</u>

	Land	Land-revaluati on increments	Buildings	Machinery Equipment	Hydropower Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in progress	Total
Balance at January 1, 2013	\$ 46,046	\$ 11,264	\$ 61,597	\$ 127,573	\$ 14,732	\$ 7,334	\$ 5,431	\$ 10,030	\$ —	\$ 284,007
Additions	—	—	1,558	14,210	981	956	452	820	12,429	31,406
Disposals or retirements	—	—	—	—	(84)	—	(8)	(220)	—	(312)
Deconsolidation	—	—	(360)	(1,455)	—	—	—	—	—	(1,815)
Reclassification	—	—	1,863	525	(45)	4,110	45	—	—	6,498
Depreciation charge	—	—	(10,971)	(53,839)	(3,736)	(2,402)	(2,232)	(2,732)	—	(75,912)
Loss from impairment	—	—	2,236	—	—	—	—	—	—	2,236
Balance at December 31, 2013	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 55,923</u>	<u>\$ 87,014</u>	<u>\$ 11,848</u>	<u>\$ 9,998</u>	<u>\$ 3,688</u>	<u>\$ 7,898</u>	<u>\$ 12,429</u>	<u>\$ 246,108</u>
Carrying Value:										
Cost	\$ 46,046	\$ 11,264	\$ 179,888	\$ 730,744	\$ 45,288	\$ 39,219	\$ 12,749	\$ 30,760	\$ 12,429	\$ 1,108,387
Less: accumulated depreciation and impairment	—	—	(123,965)	(643,730)	(33,440)	(29,221)	(9,061)	(22,862)	—	(862,279)
Balance at December 31, 2013	<u>\$ 46,046</u>	<u>\$ 11,264</u>	<u>\$ 55,923</u>	<u>\$ 87,014</u>	<u>\$ 11,848</u>	<u>\$ 9,998</u>	<u>\$ 3,688</u>	<u>\$ 7,898</u>	<u>\$ 12,429</u>	<u>\$ 246,108</u>

1. For the information regarding the Company's property, plant and equipment pledged to others as collateral, please refer to Note 8.
2. For yeas 2014 and 2013, capitalized interest all 0 thousands, respectively.
3. The Company will be located in the building of agricultural land or dryland cum on the part of the new plant, because at that time unable to obtain construction photos, so to put out impairment loss of 2012. Period due to the normal use of the plant and assessed the recoverable amount increases, it will be transferred columns Impairment of Assets.

(7) Short-term loans

Item	December 31, 2014	
	Amount	Interest Rate
Credit loans	\$ 150,000	1.26%~1.30%
Letter of credit loans	15,567	1.374%
Total	\$ 165,567	

  

Item	December 31, 2013	
	Amount	Interest Rate
Credit loans	90,000	2.205%
Letter of credit loans	—	—
Total	\$ 90,000	

- A. Huang Chin-San and Huang Ho-Chun are guarantors of short-term loans of the Company, please refer to note 7 and 8.
- B. The following financial ratio (semi-annual and annual consolidated financial statements) restrictions between the Company and Fubon Bank for short-term loan could have effect in the Group's operations: (a) starting 2012, current ratio shall not be lower than 110%; (b) debt ratio (total debt plus contingent liabilities to net tangible equity ratio) shall not exceed 180% for 2012, 200% for 2013 and 2014、220% for 2015 and shall not exceed 150% after 2017, the net tangible equity refers to the amount of shareholder's equity deducted by intangible assets; (c) interest coverage ratio (the ratio of the sum of pre-tax and interest expense plus depreciation and amortization to interest) starting 2012, shall be no less than 5.5 times; (d) tangible net equity shall be no less than NT\$800 million in 2012, no less than 1.1 billion in 2013 and 2014, shall not be less than NT\$1.2 billion starting 2015, violation of the term would trigger additional 0.25% interest rate and early repayment of loan on February 24, 2014.

## (8) Short-term notes and bills payable

December 31, 2014

Item	Guarantee Agency	Period	Interest Rate	Amount
Short-term notes and bill payable	GRAND BILLS FINANCE CORPORATION	October 24, 2014 ~January 22, 2015	0.812%	\$ 50,000
Short-term notes and bill payable	MEGA BILLS FINANCE CO., LTD.	October 28, 2014 ~January 26, 2015	0.912%	40,000
Total				90,000
Less: discount on short-term notes and bills payable				(48)
Net Amount				<u>\$ 89,952</u>

December 31, 2013

Item	Guarantee Agency	Period	Interest Rate	Amount
Short-term notes and bill payable	CHINA BILLS FINANCE CORPORATION	October 1, 2013 ~January 2, 2014	0.770%	\$ 50,000
Total				50,000
Less: discount on short-term notes and bills payable				(1)
Net Amount				<u>\$ 49,999</u>

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

	December 31, 2014	December 31, 2013
Credit loans	\$ 338,000	\$ 322,800
Secured bank borrowings	—	—
	<u>338,000</u>	<u>322,800</u>
Less: current portion of long-term bank borrowings	(32,000)	(172,800)
	<u>\$ 306,000</u>	<u>\$ 150,000</u>
Range of maturity dates	<u>2013/12~2017/12</u>	<u>2013/1~2016/12</u>
Range of interest rates	<u>1.90%~2.007%</u>	<u>1.975%~2.5232%</u>

A. For more information on collateral for long-term borrowing, please refer to note 8.

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

utilization.

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

(10) Pensions

A. Defined benefit plans:

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

Experience adjustments on plan liabilities	\$	—	\$	—	\$	—
Experience adjustments on plan assets	\$	—	\$	—	\$	—

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

B. Defined contribution plans:

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employee’ individual pension accounts ant the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Pension costs of the Company under the above pension plans for years 2014 and 2013 were 5,599 thousands and 5,785 thousands, respectively.

(11) Income Tax

A. Components of income tax expense:

Item	2014	2013
Current income tax		
Income tax incurred in current period	\$ 45,339	\$ 22,401
10% tax on unappropriated earnings	17,939	8,054
Income tax adjustments on prior years	3,785	403
Deferred income tax expense		
Recognition and reversal of temporary differences	1,664	(15,429)
Income tax expense	\$ 68,727	\$ 15,429

B. The income tax relating to components of other comprehensive income is as follows:

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

C. Reconciliation between income tax expense and accounting profit:

Item	2014	2013
Income before tax	\$ 488,879	\$ 392,216
Income tax expense at the statutory tax rate	\$ 83,109	\$ 66,677
Nondeductible (deductible) items in determining taxable income	(37,770)	(44,276)
Deferred tax:		
Recognition and reversal of temporary differences	1,664	(15,429)
10% tax on unappropriated earnings	17,939	8,054
Income tax adjustments on prior years	3,785	403
Income tax expense	\$ 68,727	\$ 15,429

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

Item	2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
Impairment of assets	\$ 3,077	\$ (270)	\$ —	\$ 2,807
Loss on inventory market value decline	2,206	(465)	—	1,741
Unrealized exchange gains	(1,287)	(533)	—	(1,820)
Accrued pension cost	13,527	409	(320)	13,616
Currency translation differences (Note)	—	—	—	—
Others	1,352	(805)	—	547
Deferred income tax expense (benefit)		\$ (1,664)	\$ (320)	
Net deferred income tax assets(liabilities)	\$ 18,875			\$ 16,891
Express information in the balance sheet as follows:				
Deferred income tax assets	\$ 20,564			\$ 19,630
Deferred income tax liabilities	\$ 1,689			\$ 2,739

Item	2013			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
Impairment of assets	\$ 3,457	\$ (380)	\$ —	\$ 3,077

(Continued)

Loss on inventory market value decline	2,081	125	—	2,206
Unrealized exchange gain	(289)	(998)	—	(1,287)
Investment income (Note)	(16,905)	16,905	—	—
Accrued pension cost	13,497	(299)	329	13,527
Currency translation differences (Note)	5,608	—	(5,608)	—
Others	1,276	76	—	1,352
Deferred income tax expense (benefit)		\$ 15,429	\$ (5,279)	
Net deferred income tax assets(liabilities)	\$ 8,725			\$ 18,875
Express information in the balance sheet as follows:				
Deferred income tax assets	\$ 26,763			\$ 20,564
Deferred income tax liabilities	\$ 18,038			\$ 1,689

(Note) The Company has control over dividends distribution decision of subsidiaries.

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

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

F. Unappropriated retained earnings:

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

G. Imputation credit account and creditable ratio :

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

(12) Capital and other equity

A. Common capital

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

B. Capital surplus

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

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

C. Retained earnings and dividend policy

(a). According to provisions of imputation tax system which implemented in 1998, undistribution surplus before 1997, according to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal

reserve. The remaining amount can be distributed in accordance with a resolution adopted by the Board of directors and approved at the shareholders' meeting. Employee bonus should be no less than one percent of distribution.

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

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

The appropriation of Earnings of 2013 were as follows:

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

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

- (c). The legal capital reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital.
- (d). For years 2014 and 2013, employees' bonus 7,563 thousand and 6,782 thousand, directors' and supervisors' remuneration 3,781 thousand and

3,391 thousand, respectively, were accrued based on the after tax earnings of related years, considering legal reserve calculated by the percentage prescribed under the Company's Articles of Incorporation and recognized as operating cost and operating expenses. If the resolutions of the shareholders meeting were different from the accrued amount, the difference will be adjusted to profit and loss of the year of shareholders' meeting.

(e). Other equity

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

(13) Share-based payments

A. Agreements about the Company's share-based payments for the years ended December 31, 2014 and 2013 were as follow :

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

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

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

	2013	
	<u>Number of Stock Options (In Thousands)</u>	<u>Weighted-averag e Exercise Price(NT\$)</u>
Balance, beginning of year	—	—
Stock options granted	810	51
Stock options exercised	(810)	(51)
Balance, end of year	<u>—</u>	
Balance exercisable, end of year	<u>—</u>	



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

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

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

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

2013	
Employee share option expense	\$ 11,512

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

(14) Earnings per share

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

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

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

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

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

(15) Net sales

	2014	2013
Net sale of goods	\$ 2,745,963	\$ 2,347,307
Net sale of services	591	794
Total	\$ 2,746,554	\$ 2,348,101

(16) Other non-operating income and expenses

A. Other income

	2014	2013
Interest income	\$ 1,427	\$ 582
Impairment (Reversal Gain) of PPE	1,588	2,236
(Gain) on disposal of PPE	365	(1,278)
Net currency exchange gain	17,125	10,988
Investment income recognized under equity method	222,701	264,842
Others	7,089	210
Total	\$ 250,295	\$ 277,580

B. Finance costs

	2014	2013
Interest expense (Bank borrowings)	\$ 9,282	\$ 12,695
Total	\$ 9,282	\$ 12,695

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

	For the year ended December 31, 2014		
	Operating costs	Operating expenses	Total
Employee benefits expenses	\$ 106,651	\$ 58,868	\$ 165,519
Wages and salaries	85,511	52,085	137,596
Labor and health insurance expenses	9,648	3,390	13,038
Pension costs	5,676	2,771	8,447
Other personnel expenses	5,816	622	6,438
Depreciation	59,342	4,417	63,759
Amortization	—	4,668	4,668

	For the year ended December 31, 2013		
	Operating costs	Operating expenses	Total
Employee benefits expenses	\$ 94,609	\$ 88,281	\$ 182,890
Wages and salaries	76,280	79,023	155,303
Labor and health insurance expenses	8,216	4,722	12,938
Pension costs	4,814	3,725	8,539
Other personnel expenses	5,299	811	6,110
Depreciation	69,539	6,373	75,912
Amortization	—	—	—

## 7. RELATED PARTY TRANSACTIONS

### (1) The names and relationships of the Group

Name of related party	Relationship with the Company
Huang Chin-San	Chairman of the Company
Huang Hsieh Mei-Yun	Spouse of the chairman of the company
Huang Ho-Chun	General Manager of the Company
BEAUTY EXPRESS CO.	Deemed related party of the company
NANLIU ENTERPRISE(SAMOA) CO.,LTD	Investee by using equity method of the company
NANLIU ENTERPRISE(SINGAPORE) CO.,LTD	Investee by using equity method of the company
NANLIU ENTERPRISE(PINGHU) CO.,LTD	Investee by using equity method of the NANLIU ENTERPRISE (SAMOA) CO., LTD.

### (2) Significant transactions and balances with related parties:

#### A. Purchases:

Name of related party	2014		2013	
	Amount	%	Amount	%
NANLIU ENTERPRISE(PINGHU) CO.,LTD	\$ 671,637	35.32	\$ 418,472	25.73

- (a) The purchasing prices and payment terms to related parties are the same as ordinary sales.
- (b) Unrealized Profit on Intercompany purchase of the Company from NANLIU ENTERPRISE (PINGHU) CO., LTD for years 2014 and 2013 were 0 thousands and 1,682 thousands, respectively.

B. Sales :

Name of related party	2014		2013	
	Amount	%	Amount	%
NANLIU ENTERPRISE(PINGHU) CO.,LTD	\$ 74,117	2.70	\$ 15,993	0.68
BEAUTY EXPRESS CO.	899	0.03	2,476	0.11
Total	\$ 75,016	2.73	\$ 18,469	0.79

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

(b) Unrealized Profit on Intercompany Sales of the Company from NANLIU ENTERPRISE(PINGHU) CO.,LTD for years 2014 and 2013 were 10,400 thousands and 4,351 thousands, respectively

C. Notes and accounts payable :

Name of related party	Item	December31,2014		December31,2013	
		Amount	%	Amount	%
NANLIU ENTERPRISE(PINGHU) CO.,LTD	Accounts payable	\$ 126,201	55.29	\$ 140,031	46.91

D. Notes and accounts receivable :

Name of related party	Item	December31,2014		December31,2013	
		Amount	%	Amount	%
BEAUTY EXPRESS CO.	Note receivable	\$ —	—	\$ 633	1.94
Total	Note receivable	\$ —	—	\$ 633	1.94
BEAUTY EXPRESS CO.	Account receivable	246	0.05	183	0.05
NANLIU ENTERPRISE(PINGHU) CO.,LTD	Account receivable	51,261	9.93	3,918	1.01
Total	Account receivable	\$ 51,507	9.98	\$ 4,101	1.06

E. Property transactions : None.

F .Endorsement and Guarantee provided to related parties :

	For the year ended December 31, 2014			
	NANLIU ENTERPRISE(SAMOA) CO.,LTD		NANLIU ENTERPRISE(PINGHU) CO.,LTD	
CTBC Bank Co., Ltd	USD	2,000	USD	—
Bangkok Bank		2,000		—
CHANG HWA BANK		2,000		—
Mega Bank		20,125		—
Bank.sinopac		—		7,500
Total	USD	26,125	USD	7,500
	For the year ended December 31, 2013			
	NANLIU ENTERPRISE(SAMOA) CO.,LTD		NANLIU ENTERPRISE(PINGHU) CO.,LTD	
CTBC Bank Co., Ltd	USD	1,500	USD	—
China Development Industrial Bank		3,000		—
CHANG HWA BANK		2,000		—
Mega Bank		32,000		—
Bank.sinopac		—		7,500
Total	USD	38,500	USD	7,500

G. Rental expenses :

- (a) The Company rent houses from Huang Hsieh Mei-Yun and Huang Ho-Chun as employees' dormitories since February 2008. Rental period is from February 1, 2008 to January 31, 2011 at monthly rent NT 8,000 and renewed on November 20, 2010 for period from February 1, 2011 to December 31, 2014. Annual rental expenses were NT 200,000 for 2014 and 2013. As of December 31, 2014 and 2013, the above amounts were settled.
- (b) The Company leased land from Huang Hsieh Mei-Yun and Huang Ho-Chun since July 2011 for monthly rent 10 thousand. Annual rental expenses were 240 thousand for 2014 and 2013. As December 31, 2014 and 2013, the above amounts were settled.

H Others :

- (a) Huang Chin-San and Huang Ho-Chun, are guarantors of loans of the Company.

(b) Key management compensation:

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

(i) Salaries include salary, allowances, pensions, severance pay, etc.

(ii) Bonuses include bonuses, incentives, etc.

(iii) Service allowances include travelling expenses, special allowances, various allowances, dormitories, company cars, etc.

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

(v) Related information can also be found in annual report of the Company.

(c) The NANLIU ENTERPRISE(SINGAPORE) CO.,LTD have cancellation of the registration in January 2014

## 8. PLEDGED ASSETS

The Company assets pledged as collateral were as follows:

Item	December 31,2014	December 31,2013
Restricted assets	\$ —	\$ 29,944
Land	48,744	48,744
Building	2,346	3,185
Machinery Equipment	—	—
Hydropower Equipment	—	—
Total	\$ 51,090	\$ 81,873

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

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

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

December 31,2014			December 31,2013		
Letter of credit		L/C deposit	Letter of credit		L/C deposit
USD	3,539	\$ —	USD	1,415	\$ —

C.The Company 's Status of Endorsement and Guarantee :

Item	December 31,2014	December 31,2013
NANLIU ENTERPRISE(SAMOA) CO.,LTD	\$ 808,569	\$ 1,152,305
NANLIU ENTERPRISE(PINGHU) CO.,LTD	232,125	224,475
Total	\$ 1,040,694	\$ 1,376,780

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

**10. CASUALTY LOSSES : None.**

**11. SUBSEQUENT EVENTS : None.**

**12. OTHER DISCLOSURES FOR FINANCIAL INSTRUMENTS :**

A. Capital risk management

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

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



Item	December 31,2014	December 31,2013
Total liabilities	\$ 1,182,301	\$ 938,200
Total equity	2,345,258	1,996,551
Debt to equity ratio	50.41%	47.00%

## B. Financial instruments

### (a). Fair value information of financial instruments

Item	December 31,2014		December 31,2013	
	Book Value	Fair Value	Book Value	Fair Value
Assets:				
Cash and cash equivalents	\$ 107,124	\$ 107,124	\$ 119,552	\$ 119,552
Notes and accounts receivable	573,709	573,709	424,011	424,011
Restricted assets	—	—	29,994	29,994
Other current assets	34,880	34,880	8,854	8,854
Refundable deposit	9,836	9,836	12,788	12,788
Liabilities:				
Short-term borrowing	165,567	165,567	90,000	90,000
Short-term bills payable net	89,952	89,952	49,999	49,999
Notes and accounts payable	441,384	441,384	362,677	362,677
Payables on equipment	1,188	1,188	1,030	1,030
Current portion of long-term bank borrowing	32,000	32,000	172,800	172,800
Long-term bank borrowing	306,000	306,000	150,000	150,000

### (b). Financial risk management policies

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

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

(c). Market risk

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

(i) Foreign exchange risk

The Company 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.

(i-1). Exchange rate risk exposures

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

Item	December 31,2014			December 31,2013		
	Foreign currency amount (in thousands)	Exchange rate	NT\$	Foreign currency amount (in thousands)	Exchange rate	NT\$
Financial assets						
Monetary items						
USD	\$ 9,747	31.650	\$ 308,499	\$ 9,759	29.805	\$ 290,867
RMB	6,929	5.092	35,281	8,361	4.919	41,128
Long-term investments at equity						
USD	—	—	—	—	—	—
RMB	466,369	5.092	2,116,286	372,542	4.919	1,726,804
Financial liabilities						
Monetary items						
USD	3,987	31.650	126,201	4,784	29.805	141,390
EUR	—	—	—	3	41.090	123
Nonmonetary items						
USD	—	—	—	7	29,805	219

(i-2). Sensitivity analysis

The Company's risk of exchange rate is mainly from the conversion of cash and cash equivalents, receivables (payable) other receivable

(payable), and bank borrowings, which is denominated in non-functional currency. As of December 31, 2014 and 2013, if the NTD:USD( / RMB / EUR) exchange rate appreciates / depreciates by 1% with all other factors remaining constant, the company's pre-tax profit for the years ended December 31, 2014 and 2013 would increase / decrease by \$2,176 thousand and \$1,905 thousand respectively. The analysis is using the same basis with prior period.

(ii) Interest rate risk

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

The Company's exposure to interest risk of financial liabilities is described in the liquidity risk of this note. The following sensitivity analysis is according to the non-derivative instrument's interest risk at the reporting date. The analysis assumed the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period. A hypothetical increase / decrease 1% in interest rate would have resulted in an increase / decrease in net income by approximately \$5,935 thousand and \$4,628 thousand for the years ended December 31, 2014 and 2013.

(iii) Credit risk:

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

(iv) Liquidity risk:

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

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

Item	December 31, 2014				Contractual cash flows
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	
Short-term borrowing	\$ 165,567	\$ —	\$ —	\$ —	\$ 165,567

(Continued)

Short-term bills payable , net	89,952	—	—	—	89,952
Notes payable	146,974	—	—	—	146,974
Accounts payable	228,252	—	—	—	228,252
Other payable	66,158	—	—	—	66,158
Payables on equipment	1,188	—	—	—	1,188
Long-term bank borrowing (including Current portion of long-term bank borrowing)	32,000	306,000	—	—	338,000

Item	December 31, 2013					Contractual cash flows
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years		
Short-term borrowing	\$ 90,000	\$ —	\$ —	\$ —	\$ 90,000	
Short-term bills payable , net	49,999	—	—	—	49,999	
Notes payable	88,163	—	—	—	88,163	
Accounts payable	210,343	—	—	—	210,343	
Other payable	64,171	—	—	—	64,171	
Payables on equipment	1,030	—	—	—	1,030	
Long-term bank borrowing (including Current portion of long-term bank borrowing)	172,800	150,000	—	—	322,800	

The cash flow risk of changes in interest rate:

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

C. Financial instruments with off-balance sheet credit risk

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

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

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

D. Fair value estimation

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

**13. ADDITIONAL DISCLOSURES**

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

- A. Financings provided: Please see Table 1 attached.
- B. Endorsement/guarantee provided: Please see Table 2 attached.
- C. Marketable securities held (excluding investments in subsidiaries, associates and jointly control identities): None
- D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None
- F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
- G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- I. Information about the derivative financial instruments transaction: None
- J. Other: The business relationship between the parent and subsidiaries and significant transactions between them: Please see Table 4 attached
- K. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 5 attached
- L. Information on investment in Mainland China
  - (a) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 6 attached
  - (b) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 2, Table 4, Table 6 attached.

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

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

Note 1: Description No. column are as follows

(1) Issuer fill 0.

(2) Investee companies according to the company do not sequentially numbered by the Arabic numerals 1.

Note 2: Accounts receivable column sums of affiliates, accounts receivable relationship between man, shareholders exchanges, advance payment, temporary payment ... and other projects, such as the case of loans to the nature of those who are required to fill in this field.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 4: Loans to the nature of the case should be listed with the case of a business or those who need short-term financial intermediation.

Note 5: Loan funds and nature of a business person, business should fill amount, the amount of business the company refers to lend money and the amount of business loans and objects of the most recent year.

Note 6: Loans to the nature of the case it is necessary to short-term financial intermediation, should specify the reasons and the necessary capital for the loan and the loan with the object of the use of funds, for example: to repay loans, purchase of equipment, operating working capital ... etc.

Note 7: Should fill according to the company loans to others operating procedures laid down for individual objects capital loans and loans to the limit with the overall limits, and in the remarks column of calculating the loans to the overall limits of individual objects and methods.

Note 8: If a public company based public company loans to ensure treatment guidelines and endorsement of Article 14, paragraph 1 loans to individually mention the board resolution, although not yet allocated, it should still be the Board Announcement balance amount included in the resolution, in order to expose their own risk; but subsequent repayment of funds should disclose after their outstanding balances, in order to adjust the risk of reaction. If a public company based treatment guidelines for Article 14, paragraph 2, the board of directors to authorize the Chairman within a period of one year and a certain amount of the loan or sub-sub-dial cycle use, should continue to fund the loan and the amount approved by the Board announcement of the declaration of a balance, although the subsequent repayment of funds, but may still be set aside to consider the loan again, it should continue to fund the loan and the amount approved by the Board announcement of the declaration of a balance.

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

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

Note 1: Description No. column are as follows

(1) Issuer fill 0.

(2) Investee companies according to the company do not sequentially numbered by the Arabic numerals 1.

Note 2: Endorsement of the endorsee guarantee guarantor relationship with any of the following six objects, labeled species can:

(1) Company has a business relationship.

(2) Directly holds more than fifty percent stake in common shares of the subsidiary.

(3) Parent and subsidiary equity holders of ordinary shares to calculate more than fifty percent of consolidated investee companies.

(4) For direct or indirect ownership via subsidiaries more than fifty percent stake in common shares of the parent company.

(5) The mutual insurance company based on the contract between the engineering needs of the industry in accordance with contract provisions

(6) Investor Relations funded by common shareholders of each company according to their stake its guarantee of endorsement

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

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

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

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

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



**TABLE 3****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note1)		Notes/Accounts Payable or Receivable		Note (Note2)
			Purchases/Sales	Amount (Foreign Currencies in Thousands)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Foreign Currencies in Thousands)	% to Total	
The Company	NANLIU ENTERPRISE (PINGHU) CO.,LTD.	The Company invested NANLIU ENTERPRISE (SAMOA) CO., LTD. Mining equity method investee companies	Purchase	671,637	35.32%	With the same general terms and conditions	—	—	(126,201)	33.63%	—

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

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

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

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

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

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

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

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

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

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

**TABLE 5**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES  
SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
DECEMBER 31, 2014**

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

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

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

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

- (1)"Investee company name", "area", "Main Business" column "of the original investment amount" and "shareholders holding situation", etc., should be under this (public offering) company reinvestment situation and every direct or indirect control the investment company sub-investment case is filled sequentially, and each investee companies and the (public offering) and companies (such as lines or owned subsidiary of Sun company) in the remarks column.
- (2)"Investee company's current profit and loss." , should fill in the period by the amount of the investment company's profit and loss.
- (3)"Current investment gains and losses recognized in the" Box B, only need to fill this (public offering) is the amount of each company recognized gains and losses of direct investment companies and reinvestment of all mining equity method subsidiaries, we have Miantian. To fill in "gains and losses recognized in each period direct subsidiaries of the amount of reinvestment", should confirm the current amount of profit or loss of subsidiaries already contains its sub-investment should be recognized in accordance with the provisions of investment gains and losses.

**TABLE 6**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**FOR YEAR ENDED DECEMBER 31, 2014**

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

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

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

Note 1: Investment is divided into the following three, labeling categories to:

- (1) Direct investment in the mainland area.
- (2) Through the third regional companies to invest in mainland (please specify this third area of investment company).
- (3) other methods

Note 2: Investment gains and losses recognized in the current period bar:

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