Nan Liu Enterprise Co., Ltd. and Subsidiaries
Parent Company Only Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
Parent Company Only Financial Statements for the
Years Ended December 31, 2015 and 2014
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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, 2015 and 2014 and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and 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 statement 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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The statements of major accounting items listed in the parent company only financial statements of Nanliu Enterprise Company Limited as of and for the year ended December 31, 2015 are presented for the purpose of additional analysis. Such statements have been subjected to the auditing procedures applied in our audits of the financial statements mentioned above. In our opinion, such statements are consistent in all material respects in relation to the financial statements as a whole.

YANGTZE CPAS & Co.,

March 18, 2016

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 31,2015 and December 31,2014

(All amounts expressed In Thousands of New Taiwan Dollars)

Code	ASSETS	Notes	December 31,2015 Amount	%	December 31,2014 Amount	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	4、6(1)	$ 253,723	6.24	$ 107,124	3.04
1150	Notes receivable, net	4、6(2)、7	50,496	1.24	53,646	1.52
1170	Accounts receivable, net	4、6(3)、7	502,538	12.36	516,361	14.64
1200	Other receivables		1,505	0.04	3,702	0.10
1310	Inventories	4、5、6(4)	373,122	9.17	265,136	7.52
1410	Prepayments		50,037	1.23	64,026	1.81
1470	Other current assets	8	89	-	35,105	1.00
	Total current assets		1,231,510	30.28	1,045,100	29.63
	NONCURRENT ASSETS					
1550	Investments accounted for using equity method	4、6(5)、8	2,436,232	59.90	2,116,286	59.99
1600	Property , plant and equipment	4、6(6)、8	286,263	7.04	274,002	7.77
1780	Intangible assets	4	-	-	-	-
1840	Deferred income tax assets	4、5、6(11)	22,006	0.54	19,630	0.56
1915	Prepayments for equipment		41,181	1.01	17,996	0.51
1920	Refundable deposit	9	9,904	0.24	9,836	0.28
1985	Prepaid investments	4、8	37,344	0.93	42,012	1.19
1990	Other assets		2,463	0.06	2,637	0.07
	Total noncurrent assets		2,835,393	69.72	2,482,399	70.37
1xxx	Total assets		$ 4,066,903	100.00	$ 3,527,499	100.00

Code	LIABILITIES AND EQUITY	Notes	December 31,2015 Amount	%	December 31,2014 Amount	%
	CURRENT LIABILTIES					
2100	Short-term loans	6(7)	$ 110,000	2.70	$ 165,567	4.69
2110	Short-term bills payable , net	6(8)	164,931	4.06	89,952	2.55
2150	Notes payable	4	109,726	2.70	146,974	4.17
2170	Accounts payable	4	292,575	7.19	228,252	6.47
2200	Other payable		69,516	1.71	67,346	1.91
2230	Current tax liabilities	4、6(11)	54,391	1.34	52,042	1.48
2310	Unearned receipts		2,832	0.07	2,633	0.07
2320	Current portion of long-term bank borrowing	6(9)	90,000	2.21	32,000	0.91
2335	Other current liabilities		1,457	0.04	1,317	0.04
	Total current liabilities		$ 895,428	22.02	786,083	22.29
	NONCURRENT LIABILTIES					
2540	Long-term bank borrowing	6(9)	408,130	10.03	306,000	8.67
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.18	7,386	0.21
2572	Deferred income tax liabilities-income tax	4、6(11)	2,744	0.07	2,739	0.08
2640	Accrued pension liabilities	4、5、6(10)	89,756	2.21	80,093	2.27
	Total noncurrent liabilities		508,016	12.49	396,218	11.23
	Total liabilities		1,403,444	34.51	1,182,301	33.52
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Owners equity					
3100	Capital stock	6(12)	726,000	17.85	726,000	20.58
3200	Capital surplus	6(12)	453,467	11.15	453,467	12.85
3300	Retained earnings	6(12)				
3310	Legal reserve		201,355	4.95	159,340	4.52
3320	Special reserve		44,348	1.09	44,348	1.26
3350	Unappropriated earnings		1,153,679	28.37	823,705	23.35
3400	Other	6(12)				
3410	Financial statements translation differences for foreign operations		84,610	2.08	138,398	3.92
	Equity attributable to shareholders of the parent		2,663,459	65.49	2,345,258	66.48
	Total liabilities and equity		$ 4,066,903	100.00	$ 3,527,559	100.00

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 ,2015 and 2014

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

			For the year ended December 31			
			2015		2014	
	Item	Note	Amount	%	Amount	%
4110	Sales revenue		$ 3,180,007	100.82	$ 2,761,340	100.53
4170	Less: Sales return		(12,491)	(0.40)	(2,019)	(0.07)
4190	Less: Sales allowances		(13,310)	(0.42)	(12,767)	(0.46)
4000	Net Sales		3,154,206	100.00	2,746,554	100.00
5000	Cost of goods sold		(2,630,286)	(83.39)	(2,304,047)	(83.89)
5900	Gross profit		523,920	16.61	442,507	16.11
5910	Unrealized gain on sales		(40,739)	(1.29)	(10,400)	(0.38)
5920	Realized gain on sales		25,537	0.81	9,109	0.33
5950	Net Gross Profit From Operations		508,718	16.13	441,216	16.06
6000	Operating expenses					
6100	Promotion expenses		(70,329)	(2.23)	(84,960)	(3.09)
6200	Management expenses		(111,341)	(3.53)	(94,710)	(3.45)
6300	Research expenses		(18,371)	(0.58)	(13,680)	(0.50)
6000	Total Operating expenses		(200,041)	(6.34)	(193,350)	(7.04)
6900	Operating profit		308,677	9.79	247,866	9.02
	Other non-operating income and expenses					
7020	Other income		32,976	1.05	27,594	1.00
7050	Finance costs		(10,480)	(0.33)	(9,282)	(0.34)
7070	Share of profits of subsidiaries and associates		330,715	10.48	222,701	8.11
7000	Other non-operating income and expenses		353,211	11.20	241,013	8.77
7900	Income before income tax		661,888	20.99	488,879	17.79
7950	Income tax expense		(80,457)	(2.55)	(68,727)	(2.51)
8200	Net Income		581,431	18.44	420,152	15.28
8300	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit obligation	6(9)	(7,424)	(0.23)	1,880	0.07
8349	Income tax (expense) related to components of the comprehensive income	6(10)	1,262	0.04	(320)	(0.01)
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations	6(11)	(53,788)	(1.71)	86,715	3.16
8300	Other comprehensive income(loss)for the period ,net of income tax		(59,950)	(1.90)	88,275	3.22
8500	Total comprehensive income for the period		$ 521,481	16.54	$ 508,427	18.50
9750	Basic earnings per share(NT dollars)	4、6(14)	$ 8.01		$ 5.79	
9850	Diluted earnings per share(NT dollars)	4、6(14)	$ 8.00		$ 5.78	

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 31,2015 and 2014

(All amounts expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Capital Stock - Common Stock			Retained Earnings			Other equity items		
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	Non-controlling interests	Total Equity
Balance as of January 1, 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)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(159,720)	-	-	(159,720)
Reversal of special reserve	-	-	-	-	(11,412)	11,412			-
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
Balance as of January 1, 2015	72,600	$ 726,000	$ 453,467	$ 159,340	$ 44,348	$ 823,705	$ 138,398	$ -	$ 2,345,258
Legal reserve appropriated	-	-	-	42,015	-	(42,015)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(203,280)	-	-	(203,280)
Net income in 2015	-	-	-	-	-	581,431	-	-	581,431
Other comprehensive income for the year	-	-	-	-	-	(6,162)	(53,788)	-	(59,950)
Balance as of December 31, 2015	72,600	$ 726,000	$ 453,467	$ 201,355	$ 44,348	$ 1,153,679	$ 84,610	$ -	$ 2,663,459

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 ,2015 and 2014

(All Amounts Expressed In Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2015	2014
Cash flows from operating activities		
Profit before income tax	$ 661,888	$ 488,879
Adjustments for ：		
Depreciation expense	57,037	63,759
Amortization expense	4,767	4,668
Interest expense	10,480	9,282
Interest income	(1,426)	(1,427)
Provision for doubtful accounts	8,477	-
Share of profit of subsidiaries and associates accounted for using equity method	(330,715)	(222,701)
Loss on disposal of assets	682	(365)
Unrealized gain on sales	40,739	10,400
Realized gain on sales	(25,537)	(9,109)
(Profit) Loss on physical inventory	(1,055)	32
Loss on disposal of inventory	3,007	4,574
(Reversal of allowance) Provision for inventory market price decline	-	(2,737)
(Reversal)Impairment of Assets	(1,602)	(1,588)
Other expense	-	327
Foreign exchange(gain)loss	(7,547)	(6,529)
Total adjustments to reconcile profit or loss	(242,693)	(151,414)
Changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	3,150	(21,007)
Decrease (Increase) in accounts receivable	7,577	(121,707)
Decrease in other receivable	2,021	2
(Increase) Decrease in inventories	(109,938)	2,639
Decrease (Increase) in prepayments	14,403	(33,132)
Decrease (Increase) in other current assets	34,863	(26,026)
(Decrease) Increase in notes payable	(37,810)	57,479
Increase in accounts payable	63,676	15,218
(Decrease) Increase in other payable	(623)	2,226
Increase in unearned receipts	199	1,932
Increase in accrued pension liabilities	2,239	2,403
Total Changes in Operating Assets and Liabilities	(20,243)	(119,973)
Cash generated from operating	398,952	217,492

（Continued）

	For the year ended December 31	
	2015	2014
Interest received	1,602	1,440
Income taxes paid	(79,217)	(36,064)
Net cash generated by operating activities	321,337	182,868
Cash flows from investing activities		
Acquisition of property , plant and equipment	(38,519)	(27,825)
Disposal of property , plant and equipment	1	65
Acquisition of investments accounted for using equity method	(57,580)	(80,717)
(Increase) in prepayments for equipment	(50,815)	(35,183)
Decrease in restricted assets	-	29,944
(Decrease) in long-term prepaid rent	-	(46,680)
Decrease in Instead of payment	213	19
(Increase)in other noncurrent assets	-	(1,509)
(Increase) Decrease in refundable deposits	(68)	2,952
Net cash used in investing activities	(146,768)	(158,934)
Cash Flows From Financing Activities：		
Interest paid	(10,431)	(9,568)
(Decrease) Increase in short-term loans	(55,567)	75,363
Increase in short-term bills payable	75,000	40,000
Increase in long-term bank borrowing	160,130	15,200
Cash dividends	(203,280)	(159,720)
Increase in other current liabilities	140	13
Net cash used in financing activities	(34,008)	(38,712)
Effect of exchange rate changes on cash and cash equivalents	6,038	2,350
Net Increase (Decrease) in cash and cash equivalents	146,599	(12,428)
Cash and cash equivalents, beginning of year	107,124	119,552
Cash and cash equivalents, end of year	$ 253,723	$ 107,124

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

Nan Liu Enterprise Co., Ltd. and subsidiaries
Notes to Parent Company Only Financial Statements
For the year ending on December 31, 2015 and 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

1. Company history

Nan Liu Enterprise Co., Ltd. was established in 1978 with the registered address of No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City with the approval of the Ministry of Economic Affairs. The Company's major business includes air-through & thermal bond nonwovens fabrics, spunlace nonwoven fabrics, wet wipes, facial masks and skin care products.

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

The Parent Company Only financial statements were approved and authorized for issue by the Board of Directors on March 18, 2016.

3. Application of new standards, amendments and interpretations

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014 and commencing in 2015, companies with shares listed on the Taiwan Capitalization Weighted Stock Index (TWSE) or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments'). These provisions have been observed as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015, and they will collectively be referred to herein as the "2013 version of IFRSs" in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. International Accounting Standard (IAS) 19 "Employee Benefits"

The Standard's amendments 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 the current IAS 19. In addition, the amendments eliminate the accounting treatment of either "corridor approach" or immediate recognition of actuarial gains and losses to profit when it incurs. Instead, all actuarial gains and losses must be recognized immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and will no longer be amortized over the average period before being vested on a straight-line basis. In addition, the amendments also require a broader disclosure of defined benefit plans. The Company can recognize severance benefits when it can no longer recognize terminate severance benefits or related replacement costs. The Company does not recognize severance benefits as liabilities and expenses only due to actual occurrence of resignation. Moreover, disclosure provisions of defined-benefit plans are added. The aforementioned amendments had no effect on the Group's accrued pension liabilities, deferred tax and other comprehensive income on December 31, 2015 and December 31, 2014.

B. IAS 1 "Presentation of Financial Statements"

The Standard's amendments require entities to separate items presented in other comprehensive items (OCI) and classify them by nature into two groups on the basis of whether they are potentially reclassifiable as profits or losses when specific conditions are met. If the items are presented before tax, the tax related to each of the two groups of OCI items must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

C. International Financial Reporting Standard (IFRS) 12 "Disclosure of Interests in Other Entities"

This standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and requires the disclosure of related information. Additionally, the Company will disclose additional information about its interests in consolidated and unconsolidated entities accordingly.

D. IFRS 13 "Fair Value Measurement"

This 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 among market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants' perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Company's assessment, the adoption of the standard has no significant impact on its unconsolidated financial statements, and the Company will disclose additional information about fair value measurements accordingly.

E. Article 10, Paragraph 3, Subparagraph 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers

The new regulation requires the amount of change in the fair value of a financial liability that is attributable to changes in the issuer's credit risk of that liability to be presented in other comprehensive income if an entity has designated the financial liability as at-fair-value through profit or loss. After assessment, the new regulation has no significant impact on the Company's financial condition and operating results.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company: None.

(3) Effects of IFRSs issued by the International Accounting Standards Board (IASB) but not endorsed by the FSC.

New standards, interpretations and amendments issued by the IASB but not yet included in the 2013 version of IFRSs, as endorsed by the FSC, are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board
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
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	On January 1, 2017

New Standards, Interpretations and Amendments	Effective date by IASB
Amendment to IFRS 12 “Recognition of Deferred Tax Assets on Unrealized Loss"	On January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies"	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Company is assessing the potential impact of the standards and interpretations above on the Company's financial conditions and management results. The impact will be disclosed when the assessment is complete.

4. Summary of significant accounting policies

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

(1) Compliance statement

The parent company only financial statements are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IFRS, IAS, interpretations, and announcements as endorsed by the Financial Supervisory Commission (“FSC”).

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost conventions:

Defined benefit liabilities are recognized based on the net amount of pension fund assets less the present value of the defined benefit obligation.

B. The preparation of financial statements is in conformity with the IFRS, IAS, interpretations, and announcements as endorsed by the FSC requirement of 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. Areas involving a higher degree of judgment and complexity or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency exchange

Items included in the financial statements of each entity in the Company 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 presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are exchanged into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. 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) Exchange differences of non-monetary assets and liabilities arising upon re-translation are recognized in fair value profit or loss. 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 then 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 then 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 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 Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the functional 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 the average exchange rates of that period; and

iii. All resulting exchange differences are recognized as 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 the balance sheet date. Restated financial statements are then translated into the currency of the Company using the exchange rate of the balance sheet date.

(c) Translation differences from net investments of foreign operations, loans with long-term investment natures, and other monetary instruments designated as hedging instruments for these 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 Company 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 they are translated using the closing exchange rate at the date of that balance sheet.

(4) Classification of Current and Noncurrent Assets and Liabilities

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.

Assets that do not meet the above criteria are classified as non-current items.

B. Liabilities that meet one of the following criteria are classified as 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.

The Group classifies assets that do not meet the above criteria as non-current liabilities.

(5) Cash equivalents

a. In the parent company only cash flow statements, cash and cash equivalents include currency, bank deposits, and other highly liquid investments with a maturity of three months or less at the time of purchase.

b. Cash equivalents refer to the following conditions of highly liquid short-term investments:

(a) Investments that are readily convertible to known amounts of cash.

(b) Investments that are subject to an insignificant risk of changes in value.

(6) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by 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

In addition to measuring gain or loss of financial assets at fair value, 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, and if the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated, the financial assets are considered impaired.

For financial assets measured at amortized cost, such as accounts receivable, if the assets are not considered impaired after separate evaluation, impairment is evaluated with a combination basis. This company regularly evaluates the recoverability possibilities of accounts receivable based on accounts receivable age of customers and customers' credit rating analysis.

The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed the amortized cost that it would have had at the date of reversal had the impairment loss not been recognized previously.

Any impairment loss on available-for-sale financial assets previously recognized in profit or loss is reclassified from ‘other comprehensive income’ to ‘profit or loss’.

Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

For financial assets measured by costs, the amount of impairment loss is measured as the difference between the asset's carrying amount and the discounted present value of the estimated future cash flows of the similar asset market return rate on the financial asset. Impairment loss is not reversed in the subsequent period.

All impairment losses of financial assets are directly deducted from the assets' carrying amounts. However, carrying amount of accounts receivable is reduced through the use of an impairment allowance account. When the accounts receivable is not recoverable, it is recognized in the allowance account. The originally recognized amounts recovered subsequently are credited to the allowance account.

(8) Derecognition of financial assets

The Company will derecognize financial assets that meet one of the following criteria:

A. The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

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

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

(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 progress 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

Investments accounted for using the equity method include investments in subsidiaries. A subsidiary is an entity that is controlled by the Company. (Including special purpose entities) Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and cannot be amortised. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

The Company prepared parent company only financial statements which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

(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 Company 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 occur.

C. Land is not depreciated. Other property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates 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 the estimate. This is in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and the change is reported from the date of the change. For the estimated useful lives of each asset, except that the houses and buildings are 20-25 years, the remaining personal protective equipment is given 2-10 years.

(12) Impairment of non-financial assets

At each balance sheet date, the Group assesses 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 or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(13) Leases (lessor/lessee)

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

(14) Prepaid rents

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

(15) Loans

A. Loans are recognized initially at fair value, net of the transaction costs incurred. Loans are subsequently stated at amortized cost, and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans 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.

(16) 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.

(17) Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability specified in the contract is discharged, cancelled or expired.

(18) 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.

(19) Provisions

Provisions (including decommissioning) 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.

(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 directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense 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 unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred 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 balance sheet. However, deferred tax is not accounted for if it arises from initial recognition of goodwill or from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates. This excludes instances when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not subside in the near future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date, and it is expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred 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 tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount is 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 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. A deferred tax asset shall be recognized as the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect to services rendered by employees in a period. These benefits should be recognized as expenses in the period in which 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 plans

i. A defined benefit plan is a pension plan without a defined contribution plan. Generally, a defined benefit plan is the pension benefit amount that an employee will receive upon retirement. This amount depends on one or multiple factors such as age, service years, and salary. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive upon retirement for their services with the Group in the current period or prior periods. The liability recognized in the balance sheet in respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds. The corporate bonds referenced are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability. When there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) 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 they are presented in retained earnings.

C. Severance benefit

Severance benefit is the benefit provided in exchange for the termination of employment before the normal retirement date. This occurs when employment is ended or when employees decide to accept the company's benefit offer. The Group recognizes expenses when the Group can no longer terminate the severance benefit offer or recognize related replacement costs, whichever occurs first. It is not expected to be completely paid off and discounted within 12 months after the balance sheet date.

(22) Share-based payment transaction

Share-based payment to employees are measured at the fair value of the stock options at the grant date. During the period when the employee can receive the salary unconditionally, the share-based payment can be recognized as the salary costs, and the relative equity can be raised. The recognized salary costs are adjusted with the reward amount that is expected to meet the service conditions and non-market price vesting conditions. The amount 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 represent the profit and loss of the common shareholders of the Company divided 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 with the gain or loss of the Company's common stock holders and weighted average number of common shares outstanding. Potential dilution of Company common shares includes convertible bonds, warrants, and employee bonuses that are not resolved by the shareholders' meeting and can be taken by stock issuance.

(24) Operating segments

Operating segments of the Company are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company’s chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments. The Board of Directors is recognized as the chief operating decision-maker.

(25) 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

Dividends from investment are recognized when the shareholders' rights to receive the payment has been established, provided that it is probable that the economic benefits will flow to the Company 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.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company’s accounting policies and make critical assumptions and estimates concerning futures events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The details of this are as follows.

Important accounting estimate and assumptions:

Accounting assumptions and estimates are based on reasonable estimates concerning future events regarding conditions on the balance sheet data and may differ from the actual results. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial 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 management’s judgment and estimation. This includes assumptions such as future revenue growth and profitability, the amount of tax credits that can be utilized, and tax planning. Any changes in the global economic environment, industry trends and relevant laws could result in significant adjustments to deferred tax assets.

As of December 31, 2015, the Company recognized NT $22,006 thousand as deferred income tax liabilities.

B. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company must make estimations to determine the net realizable value of inventory at the end of each reporting period. Due to rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, then recording 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, 2015, the Company's carrying amount of inventory was NT $373,122 thousand.

C. Calculation of accrued pension obligations

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

As of December 31, 2015, the Company's carrying amount of accrued pension obligations amounted to NT $89,756 thousand.

6. Details of significant accounts

(1) Cash and cash equivalents

Item	December 31, 2015		December 31, 2014	
Cash	$	1,655	$	1,934
Demand deposits		67,047		47,595
Check deposits		84		87
Foreign currency deposits		149,472		57,508
Time deposits		35,465		—
Total	$	253,723	$	107,124

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 very low. The maximum credit risk of exposure is the carrying amount of cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Notes receivable, net

Item	31 December 2015		31 December 2014	
Non related parties	$	50,496	$	53,646
Related parties		—		—
Less: allowance for doubtful receivables		—		—
Net	$	50,496	$	53,646

No notes receivable was pledged as collateral.

(3) Accounts receivable, net

Item	December 31, 2015	December 31, 2014

	2015.12.31	2014.12.31
Non-related parties	$ 501,377	$ 465,047
Related parties	9,945	51,507
Less: allowance for doubtful receivables	(8,784)	(193)
Net	$ 502,538	$ 516,361

A. Aging of financial assets that are past due but not impaired are analyzed as follows.

	2015.12.31	2014.12.31
Neither past due nor impaired	$ 543,428	$ 547,793
Past due but not impaired		
Past due within 60 days	6,902	5,981
Past due 61-90 days	2,704	13,505
Past due 91-180 days	—	11
Past due over 180 days	—	2,717
Total	$ 553,034	$ 570,007

B. Movements of the allowance for doubtful receivables:

	For the year ended December 31, 2015		
	Individually assessed for impairment	Collectively assessed for impairment	Total
January 1, 2015	$ 1,758	$ 193	$ 1,951
Provision (reversal) for impairment	(114)	8,591	8,477
Write-off (non-recoverable)	(770)	—	(770)
December 31, 2015	$ 874	$ 8,784	$ 9,658

	For the year ended December 31, 2014		
	Individually assessed for impairment	Collectively assessed for impairment	Total
January 1, 2014	$ 1,885	$ 193	$ 2,078
Provision (reversal) for Impairment	(127)	—	(127)
December 31, 2014	$ 1,758	$ 193	$ 1,951

C. Individually assessed accounts receivable and impairment and relative accounts are presented under “Other noncurrent assets”.

D. The maximum exposure to credit risk as of December 31, 2015 and 2014 was the carrying amount of each class of accounts receivable.

E. The Group has no accounts payable pledged for collateral.

(4) Net inventories

December 31, 2015

	Cost	Allowance for price decline of inventories	Book value
Raw materials	$ 168,836	$ 3,363	$ 165,473
Supplies	50,481	2,002	48,479
Work in process	13,006	1,425	11,581
Finished goods	130,366	3,451	126,915
Merchandise	5,235	—	5,235
Raw materials and supplies in transit	15,439	—	15,439
Total	$ 383,363	$ 10,241	$ 373,122

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

1. As of December 31, 2014 and 2015, inventories were not pledged as collateral.

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

Item	2015	2014

Cost of goods sold	$	2,623,746	$	2,304,166
Idle capacity costs		9,364		3,709
Revenue from sale of scraps		(4,776)		(5,697)
(Reversal of allowance) provision for inventory market price decline		—		(2,737)
Loss on disposal of inventory		3,007		4,574
Loss (profit) on physical inventory		(1,055)		32
Total	$	2,630,286	$	2,304,047

(5) Investments accounted for using equity method

a. Investments accounted for using the equity method consisted of the following:

December 31, 2015

Subsidiaries	Original investment amount		Amount		Difference between investment cost and net equity		Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$	1,383,441	$	2,436,232	$	—	100%

December 31, 2014

Subsidiaries	Original investment amount		Amount		Difference between investment cost and net equity		Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$	1,325,860	$	2,116,286	$	—	100%

b. Share of profits/losses of Investee for using equity method:

	2015		2014		Foundation
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$	330,268	$	221,076	Audit report of the same period by CPA

Nanliu Enterprises (Pinghu) Ltd.	(4,454)	—	Elimination of unrealized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	220	1,375	Elimination of realized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	(842)	323	Tax effects of downstream transactions
Nanliu Enterprises (Pinghu) Ltd.	720	(234)	Tax effects of upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	4,642	—	Tax effects of unrealized profits on downstream transactions
Nanliu Enterprises (Pinghu) Ltd.	161	161	Tax effects of realized fixed asset profits on downstream transactions
Total	$ 330,715	$ 222,701	

c. NANLIU ENTERPRISE(SAMOA) CO.,LTD. was established in 2004. The Company took 100% ownership and control of NANLIU ENTERPRISE (SAMOA) CO.,LTD.. The Group’s consolidated financial statements include financial statements of NANLIU ENTERPRISE (SAMOA) CO., LTD..

d. The Company was approved investment by INVESTMENT COMMISSION, MOEA (No. 093001616) on January 20, 2004. The investment of Nanliu Enterprises (Pinghu) Ltd. past through the third country (NANLIU ENTERPRISE (SAMOA) CO., LTD.).

e. Currency translation of foreign investments in Subsidiaries exchange to NT dollars by spot rate on the year-end, then valuate it for using equity method. Financial statements translation differences for foreign operations were recorded in shareholders' equity.

f. About accounting for investments accounted for using equity method, please refer to ‘4. Summary of significant accounting policies’.

(6) Property, plant and equipment

	Land	Land revaluation increment Additions	Buildings	Machinery equipment	Hydropower equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1, 2015	$ 46,046	$ 11,264	$ 49,894	$ 109,619	$ 10,893	$ 8,565	$ 3,644	$ 8,686	$ 25,391	$ 274,002
Additions	–	–	3,551	22,811	1,728	7,352	–	2,651	3,711	41,804
Disposals or retirements	–	–	–	–	(31)	–	(6)	–	–	(37)
Deconsolidation	–	–	–	(1,218)	(67)	–	–	(2)	–	(1,287)
Other changes	–	–	1,566	26,227	–	–	–	989	(1,566)	27,216
Depreciation charge	–	–	(7,767)	(38,317)	(3,619)	(2,981)	(1,345)	(3,008)	–	(57,037)
Reversal of impairment	–	–	1,602	–	–	–	–	–	–	1,602
Balance on December 31, 2015	$ 46,046	$ 11,264	$ 48,846	$ 119,122	$ 8,904	$ 12,936	$ 2,293	$ 9,316	$ 27,536	$ 286,263
Carrying Value:										
December 31, 2015:										
Cost	$ 46,046	$ 11,264	$ 184,173	$ 825,278	$ 49,560	$ 39,181	$ 13,317	$ 36,548	$ 27,536	$ 1,232,903
Less: accumulated depreciation and impairment	–	–	(135,327)	(706,156)	(40,656)	(26,245)	(11,024)	(27,232)	–	(946,640)
Balance on December 31, 2015	$ 46,046	$ 11,264	$ 48,846	$ 119,122	$ 8,904	$ 12,936	$ 2,293	$ 9,316	$ 27,536	$ 286,263

	Land	Land revaluation increments	Buildings	Machinery equipment	Hydropower equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on 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)
Other changes	–	–	–	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 on December 31, 2014	$ 46,046	$ 11,264	$ 49,894	$ 109,619	$ 10,893	$ 8,565	$ 3,644	$ 8,686	$ 25,391	$ 274,002
Carrying Amount										
Balance on December 31, 2014										
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 on December 31, 2014	$ 46,046	$ 11,264	$ 49,894	$ 109,619	$ 10,893	$ 8,565	$ 3,644	$ 8,686	$ 25,391	$ 274,002

1. For the information regarding the Company’s property, plant and equipment pledged to others as collateral, please refer to Note 8.

2. Capitalized interest for the years 2015 and 2014 were 0 thousand.

(7) Short-term loans

Item	December 31, 2015 Amount	Interest rate
Credit loans	$ 110, 000	1.20% ~1.25%
Foreign currency loans	—	—
Total	$ 110, 000	

Item	December 31, 2014 Amount	Interest rate
Credit loans	$ 150, 000	1.26% ~1.30%
Foreign currency loans	15, 567	1.374%
Total	$ 165, 567	

A. Huang Chin-San and Huang Ho-Chun are the Company's guarantors of short-term loans. Please refer to Notes 7 and 8.

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

December 31, 2015

Item	Guarantee Agency	Period	Interest rate	Amount
Short-term notes and bill payable	GRAND BILLS FINANCE CORPORATION	November 26, 2015- February 24, 2016	0.892%	$ 25,000
Short-term notes and bill payable	DAH CHUNG BILLS FINANCE CORPORATION	November 13, 2015- January 12, 2016	0.832%	60,000
Short-term notes and bill payable	INTERNATIONAL BILLS FINANCE CORPORATION	December 1, 2015- January 11, 2016	0.962%	80,000
Total				165,000
Less: discount on short-term notes and bills payable				(69)
Net Amount				$ 164,931

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				$ 89,952

(9) Long-term loans and current portion of long-term loans

	December 31, 2015	December 31, 2014
Credit loans	$ 498,130	$ 338,000
Secured loans	–	–
Subtotal	498,130	338,000
Less: current portion of long-term loans	(90,000)	(32,000)
Total	$ 408,130	$ 306,000
Range of maturity dates	01/2014~03/2022	01/2012~12/2017
Range of interest rates	1.68%~1.95%	1.90% ~2.007%

A. Part of the fixed assets were pledged as collateral by the Company for the aforementioned borrowings. Please refer to Note 8 for more information.

(10) Pensions

A. Defined benefit plan:

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law. The plan covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and the 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. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries to the retirement fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of

December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to be qualified for retirement in the next year, the Company will make contributions to cover the deficit by the following March.

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

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$ (93,827)	$ (83,598)
Fair value of plan assets	4,071	3,505
Net defined benefit liability	$ (89,756)	$ (80,093)

(c) Changes in net defined benefit obligations are as follows:

	2015	2014
Defined benefit obligations at January 1	$ 83,598	$ 89,591
Current service cost	1,369	1,532
Interest cost	1,336	1,409
Benefits paid	—	(7,153)
Remeasurement losses/(gains):		
Actuarial losses (gains)-experience adjustments	2,484	(2,305)
Actuarial losses (gains)-changes in financial assumptions	5,040	524
Defined benefit obligations on December 31	$ 93,827	$ 83,598

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

	2015	2014
Fair value of plan assets at January 1	$ 3,505	$ 10,021
Expected return on plan assets	35	93
Contributions on plan assets	432	445
Benefits paid from plan assets	—	(7,153)
Actuarial gain or loss on plan assets	99	99
Fair value of plan assets on December 31	$ 4,071	$ 3,505

(e) The fair value of the plan assets by major categories at the end of reporting period is as follows:

	December 31, 2015	December 31, 2014
Cash	$ 4,071	$ 3,505
Equity instruments	—	—
Debt instruments	—	—

Total	$ 4,071	$ 3,505

(f) Expenses recognized in statements of comprehensive income are as follows:

	2015	2014
Current service cost	$ 1,369	$ 1,532
Interest cost	1,336	1,409
Expected return on plan assets	(35)	(93)
Current pension costs	$ 2,670	$ 2,848

Remeasurement details of net defined benefit liabilities are as follows:

	2015	2014
Actuarial gain or loss on defined benefit obligation	$ 7,523	$ (1,781)
Gain (loss) on plan assets	(99)	(99)
Remeasurement of net defined benefit liabilities' other comprehensive loss (gain)	$ 7,424	$ (1,880)

Details of the aforementioned costs and expenses recognized in the statements of comprehensive income are as follows:

	2015	2014
Cost of goods sold	$ 1,374	$ 1,604
Selling expenses	98	110
General and administrative expenses	847	913
Research and development expenses	351	221
Total	$ 2,670	$ 2,848

Actuarial gain or loss recognized under other comprehensive income are as follows:

	2015	2014
Current period	$ (7,424)	$ 1,880
Accumulated amount	$ (7,647)	$ (223)

(g) The Bank of Taiwan was commissioned to manage the funds of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and Article 6 of "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The scope of utilization 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 utilization of the fund, its minimum earnings in 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 the fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected returns on plan assets represent a projection of overall returns for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee. It was also taken into account 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.

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

	December 31, 2015	December 31, 2014
Discount rate	1.25%	1.75%
Future salary increase rate	2.00%	2.00%

Effects of changes in the principal actuarial assumptions on the present value analysis of the defined benefit obligation are as follows:

	Discount rate		Future salary increases	
December 31, 2015	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effects on present value of defined benefit obligation	$ (2,344)	$ 2,441	$ 2,417	$ (2,333)

	Discount rate		Future salary increases	
December 31, 2014	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation	$ (2,152)	$ 2,248	$ 2,237	$ (2,152)

The sensitivity analysis above is based on other conditions that are unchanged, but only one assumption is changed. In practice, more than one assumption may change at one time. The method of analyzing sensitivity and calculating net pension liability in the balance sheet are the same.

(i) The expected total contributions paid to the Company's defined benefit pension plans within one year from December 31, 2015 was $1,017 thousand.

(j) As of December 31, 2015, the weighted average duration of the retirement plan is 10 years.

The analysis of timing was as follows:

Within 1 year	$	2,153
1-2 years		8,402
2-5 years		20,031
Over 5 years		85,012
	$	115,598

B. Defined contribution plan:

(a) Effective July 1, 2005, the Company established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with Republic of China (ROC) nationality. Under the New Plan, the Group contributes a monthly amount based on no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs (including pension insurance) under the Company's defined contribution pension plans for the years ending on December 31, 2015 and 2014 were $5,239 thousand and $5,599 thousand, respectively.

(11) Capital and other equity

A. Common stock

As of 2015 and December 31, 2014, the Company's authorized capital was $1,000,000 thousand, and issued capital was $726,000 thousand.

B. Capital surplus

Item	December 31, 2015	December 31, 2014
Additional paid-in capital	$ 439,404	$ 439,404
Employee stock options	14,063	14,063
Total	$ 453,467	$ 453,467

Pursuant to the ROC Company Act, capital surplus arising from paid-in capital in excess of the par value on the issuance of common stocks and donations can be used to cover accumulated deficit. It may also be used to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the

Company has no accumulated deficit. Furthermore, the ROC 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 the Company's Articles of Incorporation (to be resolved by the Shareholders' Meeting on June 13, 2015):

i. Over 1% of the current year's earnings, if there were earnings, shall be distributed as employee bonuses and less than 2% as director and supervisor remuneration. However, if the Company still has accumulated loss, the compensation shall be kept.

ii. Remuneration of employees shall be paid by stock or cash, including employees of affiliated companies who meet certain criteria. Remuneration of directors and supervisors may be paid in cash.

iii. 10% of the annual net income, after offsetting any loss from prior years and paying all taxes and dues, shall be set aside as legal reserve. Then, special reserve is set aside or reserved according to laws or competent authority. The appropriation of the remaining amount, along with any unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders to be distributed as dividends. Cash dividends, however, shall be no less than 20% of total dividends.

iv. Aforementioned distribution of earnings shall be resolved and recognized in the shareholders' meeting held in the following year.

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

(c) Company employee bonuses were calculated by the percentage before remuneration of employees and directors deducted from income before tax, and the amount was estimated to reach NT $8,448 thousand in 2015. For 2014, employee bonuses of NT $7,563 thousand were accrued based on the after- tax earnings of similar years. Remuneration of directors was expensed based on the estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issuance, the differences are recorded as a change in the accounting estimate in the next year.

(d) The Company Board of Directors held on March 18, 2016 approved a 2015 profit sharing bonus to employees and the compensation of directors in the amounts of NT $8,448 thousand and NT $4,224 thousand respectively. There is no significant difference between the aforementioned approved amounts and the amounts charged against the earnings of 2015. The appropriations of the 2015 employee profit sharing bonus and director compensation are to be presented for approval in the shareholders' meeting to be held on June 13, 2016 (expected).

(e) The distributions of retained earnings for 2014 and 2013 were approved by the shareholders' meeting on June 2, 2015 and June 6, 2014, respectively. The appropriations and dividends per share were as follows:

	2014		2013	
	Dividend per share (NT$)	Amount	Dividend per share (NT$)	Amount
Cash	2.8	$ 203,280	2.20	$ 159,720
Stock	—	—	—	—
		$ 203,280		$ 159,720
Bonus to employees - cash		$ 7,563		$ 6,782
Remuneration to directors and supervisors		3,781		3,391
		$ 11,344		$ 10,173

The appropriations of Earnings of 2014 were as follows:

2014

	The amount to be allocated by the Board of Directors allotment case	Estimated annual cost recognized in the estimated amount	Differences
A. Distribution			
1. Cash bonus to employees	$ 7,563	$ 7,563	$ —
2. Remuneration of directors and supervisors	$ 3,781	$ 3,781	$ —

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

4. Other equity

	Foreign Currency Translation Difference
January 1, 2015	$ 138,398
Currency translation differences (after tax)	(53,788)
December 31, 2015	$ 84,610
January 1, 2014	$ 51,683
Currency translation differences (after tax)	86,715
December 31, 2014	$ 138,398

The exchange differences arising from the translation of foreign operations' net assets from its functional currency to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation difference reserve.

(12) Net Sales

	2015	2014
Sale of goods	3, 153, 902	2, 745, 963
Sale of processing	304	591
Total	3, 154, 206	2, 746, 554

(13) Other revenue

	2015	2014

Interest income	$ 1, 426	$ 1,427
Other revenue	11, 968	7,089
Total	$ 13, 394	$ 8,516

(14) Other income

	2015	2014
Impairment (reversal gain) of PPE	1, 602	1, 588
(gain) on disposal of PPE	(682)	365
Net currency exchange gain	18, 818	17, 125
Others	(156)	—
Total	19, 582	19, 078

(15) Finance costs

	2015	2014
Interest expense (loans)	$ 10,480	$ 9,282

(16) Income tax

(a) Components of income tax expense:

Item	2015	2014
Current income tax		
Income tax incurred in current period	$ 59, 518	$ 45, 339
10% tax on unappropriated earnings	17, 486	17, 939
Income tax adjustments on prior years	4, 561	3, 785
Deferred income tax expense		
Recognition and reversal of temporary differences	(1, 108)	1, 664
Income tax expense	80, 457	68, 727

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

Item	2015	2014
Currency translation differences	$ —	$ —
Actuarial gains/losses on defined benefit obligations	(1,262)	320
Total	$ (1,262)	$ 320

(c) Reconciliation between income tax expense and accounting profit:

Item	2015	2014
Income before tax	$ 661, 888	$ 488, 879

Income tax expense at the statutory 17% tax rate	112,521	83,109
Nondeductible (deductible) items in determining taxable income	(53,003)	(37,770)
10% tax on unappropriated earnings	17,486	17,939
Prior year income tax underestimation	4,561	3,785
Changes of deferred tax		
Temporary differences	(1,108)	1,664
Income tax expense	$ 80,457	$ 68,727

(d) Deferred tax assets or liabilities balance

Item	2015 Balance, Beginning of year	Profit or loss	Other comprehensive income	Balance, End of year
Temporary differences				
Impairment of assets	2,807	$ (273)	$ —	$ 2,534
Loss on inventory market value decline	1,741	—	—	1,741
Exchange gain or loss	(1,820)	281	—	(1,539)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	13,616	381	1,262	15,259
Currency translation differences (Note)	—	—	—	—
Others	547	720	—	1,267
Deferred income tax benefit (expense)		$ 1,109	$ 1,262	
Net deferred income tax assets (liabilities)	$16,891			$ 19,262
Information specified in the balance sheet as follows:				
Deferred income tax assets	$19,630			$ 22,006
Deferred income tax liabilities	$ 2,739			$ 2,744

Item	2014 Balance, Beginning of year	Profit or loss	Other comprehensive income	Balance, End of year
Temporary differences				
Impairment of assets	$ 3,077	$ (270)	$ —	$ 2,807
Loss on inventory market value decline	2,206	(465)	—	1,741
Exchange gain or loss	(1,287)	(533)	—	(1,820)

Investment income with equity method (Note)	—	—	—	—
Net defined benefit liabilities	13,527	409	(320)	13,616
Currency translation differences (Note)	—	—	—	—
Others	1,352	(805)	—	547
Deferred income tax benefit (expense)		$ (1,664)	$ (320)	
Net deferred income tax assets (liabilities)	$18,875			$ 16,891
Information specified in the balance sheet is as follows:				
Deferred income tax assets	$20,564			$ 19,630
Deferred income tax liabilities	$ 1,689			$ 2,739

(Note) The Company has control over the dividends distribution decision of subsidiaries. The Company planned to use the earnings of subsidiaries to support the capital expenditure required by Yanchao Nonwoven Technology Park (Yanchao Factory). However, the Company has sufficient working capital and there are no significant capital expenditures at the current stage. In addition, the Company planned to reinvest the retained earnings of subsidiaries to expand subsidiary operations. Therefore, based on an evaluation conducted in 2013, the temporary differences resulting from subsidiary undistributed retained earnings and foreign currency translation differences were not expected to be reversed in the foreseeable future. In accordance with paragraph 39 of IAS 12, the taxable temporary differences (including subsidiary's undistributed earnings and foreign currency translation differences) were 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, 2015	December 31, 2014
Before 1997	$ 27,961	$ 27,961
1998-2009	—	—
After 2010	1,125,718	795,744
Total	$ 1,153,679	$ 823,705

(g) Imputation credit account and creditable ratio:

	December 31, 2015	December 31, 2014
Imputation credit account balance	$ 79,074	$ 44,228

	2015 (estimated)	2014 (actual)
Creditable ratio for earnings distribution to resident shareholders	13.45%	11.23%

The estimated 2015 and actual 2014 creditable ratios for the earnings distribution of the Company were 13.45% and 11.23%, respectively. However, according to Article 66-6 of the newly amended Income Tax Law, the creditable ratio of individual shareholders living in the territory of the Republic of China is reduced by 50%, effective from January 1, 2015.

Creditable tax actually distributed to shareholders is based on the creditable tax account balances of shareholders at the dividend distribution date, because the estimated creditable ratio may be different from the actual applicable creditable ratio of shareholders in the future.

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

	2015		
	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 102,094	63,493	165,587
Wages and salaries	81,856	56,233	138,089
Labor and health insurance expenses	9,228	3,951	13,179
Pension and severance expenses	5,155	2,754	7,909
Other personnel expenses-food expenses	5,855	555	6,410
Depreciation	52,568	4,469	57,037
Amortization	—	4,767	4,767

	2014		
	Operating costs	Operating expenses	Total
Employee benefit 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 and severance expenses	5,676	2,771	8,447
Other personnel expenses-food expenses	5,816	622	6,438
Depreciation	59,342	4,417	63,759
Amortization	—	4,668	4,668

The total number of employees for the Company in 2015 and 2014 was 266 and 271, respectively.

(i) Earnings per share

A. Basic earnings per share (EPS)

Basic EPS shall be calculated based on the gain or loss of common stock holders of the Group's parent company divided by the weighted average number of common shares outstanding.

B. Diluted earnings per share

Diluted EPS shall consider effects of all diluted potential common shares, adjust the gain or loss of common stock holders of the parent company, and be calculated based on the weighted average number of shares outstanding.

	2015		
	Income after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent	$ 581,431	72,600	$ 8.01
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	—	49	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 581,431	72,649	$ 8.00

	2014		
	Income after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent	$ 420,152	72,600	$ 5.79
Diluted earnings per share			
Assumed conversion of all dilutive potential common	—	54	

stocks			
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 420,152	72,654	$ 5.78

If the Company may settle the obligation by cash, by issuing shares, or by a combination of both cash and shares, the remuneration or profit sharing bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in the calculation of diluted EPS if the shares have a dilutive effect. The number of shares is estimated by dividing the employee bonus amount in stock by the closing price of the common shares at the end of the reporting period (after considering the dilutive effect of dividends). When calculating the diluted earnings per share before the resolution of the employee bonus or appropriation of stock bonus to employees in the following year, the dilutive effect of the stock bonus shall be taken into account.

7. Related party transactions

(1). Names and relationships with the Group

Name of related party	Relationship with the Group
Huang Chin-San	Chairman of the company
Huang Ho-Chun	Director of the company
BEAUTY EXPRESS CO.	Deemed related party of the company
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	Investee company of the Company accounted for using equity method
Nanliu Enterprises (Pinghu) Ltd.	Investee company of ENTERPRISE(SAMOA) CO.,LTD.accounted for using equity method

(2) Significant transactions and balances with related parties:

A. Purchases:

	2015		2014	
Name of related party	Amount	%	Amount	%
Nanliu Enterprises (Pinghu) Ltd.	$1,079,399	45.26%	$ 671,637	35.32%

i. The purchasing prices and payment terms for related parties are the same as those of ordinary deals.

ii. As of 2015 and December 31, 2014, unrealized gross profit that the Company purchased from related party (Nanliu Enterprises (Pinghu) Ltd.) was 4,455 thousand and 0 thousand ,respectively.

B. Sales:

	2015		2014	
Name of related party	Amount	%	Amount	%
Nanliu Enterprises (Pinghu) Ltd.	$ 75,696	2.40	$ 74,117	2.70
BEAUTY EXPRESS CO.	816	0.03	899	0.03
Total	$ 76,512	2.43	$ 75,016	2.73

i. The selling prices and collection terms for related parties are the same as those of ordinary sales.

ii. As of 2015 and December 31, 2014, unrealized gross profit that the Company sold to related party (Nanliu Enterprises (Pinghu) Ltd.) was 15,202 thousand and 10,400 thousand, respectively.

C. Notes and accounts payable:

		December 31, 2015		December 31, 2014	
Name of related party	Item	Amount	%	Amount	%
Nanliu Enterprises (Pinghu) Ltd.	Accounts payable	$ 203,377	69.51	$ 126,201	55.29

D. Notes and accounts receivable:

		December 31, 2015		December 31, 2014	
Name of related party	Item	Amount	%	Amount	%
BEAUTY EXPRESS CO.	Notes receivable	$ －	－	$ －	－
BEAUTY EXPRESS CO.	Accounts receivable	$ 182	0.04	$ 246	0.05
Nanliu Enterprises (Pinghu) Ltd.	Accounts receivable	9,763	1.94	51,261	9.93
Total		$ 9,945	1.98	$ 51,507	9.98

E. Property transactions：None.

F. Guarantees:

As of December 31, 2015 and 2014, the Company provided financial guarantees as following:

	December 31, 2015			
	NANLIU ENTERPRISE (SAMOA) CO.,LTD.		Nanliu Enterprises (Pinghu)	
CTBC Bank	USD	2,000	USD	—
Bangkok Bank		2,000		—
Chang Hwa Bank		2,000		—
Mega Bank		10,157		—
Bank SinoPac		—		7,500
Total	USD	16,157	USD	7,500

	December 31, 2014			
	NANLIU ENTERPRISE (SAMOA) CO.,LTD.		Nanliu Enterprises (Pinghu)	
CTBC Bank	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

G. Rental expenses：

(a) The Company has rented houses (No. 11 & No. 19, Nongshe Lane, Bixiu Rd., Qiaotou Dist., Kaohsiung City) from Huang Hsieh Mei-Yun and Huang Ho-Chun as employee dormitories since February 2008. The rental period was from February 1, 2008 to December 31, 2014 at a monthly rent of NT $8,000. It was renewed on December 31, 2014 for the period from December 31, 2014 to December 31, 2017. Annual rental expenses were NT $200 thousand for 2015 and 2014. As of December 31, 2015 and 2014, the above amounts were settled.

(b) The Company has leased land (No. 613, Bixiu Section, Qiaotou Dist., Kaohsiung City) from Huang Hsieh Mei-Yun and Huang Ho-Chun since July 2011 for the monthly rent NT $10 thousand for the period from July 1, 2011 to December 31, 2015. Annual rental expenses were NT $240 thousand for the years of 2015 and 2014. As of 2015 and December 31, 2014, the above amounts were settled.

H. Others:

(a) All the Company’s bank loans indicate Huang Chin-San and Huang Ho-Chun as guarantors.

(b) Compensation of key management personnel:

Item	2015	2014
Salaries	$ 11,224	$ 9,944
Bonus	2,683	2,747
Service allowance	500	590
Distribution of surplus items	4,453	4,038
Total	$ 18,860	$ 17,319

A. Salaries include salary, allowances, pensions, severance pay, etc.

B. Bonuses include bonuses, incentives, etc.

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

D. Distribution of surplus items are employee bonuses and remuneration to directors and supervisors.

E. Related information can also be found in the Company's annual report.

8. Pledged Assets

The Groups assets pledged as collateral were as follows:

Item	December 31, 2015	December 31, 2014
Restricted Assets	$ —	$ —
Land	48, 744	48, 744
Building	—	2, 346
Total	$ 48, 744	$ 51, 090

9. Significant contingencies and unrecognized contract commitments

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

Items	December 31, 2015	December 31, 2014
Guarantee notes payable issued for loans and purchases.	NTD 355,000	NTD 270,000
Guarantee notes payable issued for loans and purchases.	USD -	USD -

B. Amounts of unused letters of credit and guarantee deposit were as follows:

December 31, 2015		December 31, 2014	
Letter of credit	guarantee deposit	Letter of credit	guarantee deposit
USD 205	$ —	USD 3,539	$ —

C. In September 2011, the Company signed a superficies agreement with Taiwan Sugar

Corporation for 4 pieces of land located at No. 4 Dai Tien Fu Section, Yanchao, Kaohsiung as the land for a new factory. The Company has paid NT $8,153 thousand as a deposit and listed this amount as “Refundable Deposits”. Both parties agree that an official agreement shall be signed after Taiwan Sugar Corporation changes the usage of land based on the superficies agreement. Subsequently, the Company shall pay a 10-year royalty amounting to NT $46,680 thousand to Taiwan Sugar Corporation. As of December 31, 2013, the Kaohsiung City Government approved the changed usage of the land, and the certificate of superficies agreement was completed on January 10, 2014. The superficies agreement is valid through January 9, 2024, and it can be extended by paying a royalty after the expiration of the current agreement. However, the total accumulated period of creation of superficies shall not exceed 50 years. Therefore, the agreement is not extendable after its total accumulated number of years reaches 50.

10. Significant disaster loss: None.

11. Significant subsequent events: None.

12. Others

(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 Group adjusts capital structure based on economic conditions and debt ratio by means of adjusting the dividends paid to shareholders, or issuing new shares.

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

Item	December 31, 2015	December 31, 2014
Total liabilities	$ 1,403,444	$ 1,182,301
Total equity	2,663,459	2,345,258
Debt to equity ratio	52.69%	50.41%

(B) Financial instruments

1. Fair value information for financial instruments

(1) The carrying amount and fair value of the consolidated Company financial assets and financial liabilities are as follows. This data includes the fair value level of information. However, the carrying amount of financial

instruments not measured at fair value is closer to reasonable fair value, and equity instruments which have no quotes in the active markets (and from which fair value cannot, therefore, be reliably measured) do not require the disclosure of their fair value information, according to regulations.

December 31, 2015

Item	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Loans and accounts receivable					
Cash and cash equivalents	$ 253,723	$ —	$ —	$ —	$ —
Notes and accounts receivable	554,539	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	17	—	—	—	—
Refundable deposit	9,904	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term borrowing	110,000	—	—	—	—
Short-term bills payable	164,931	—	—	—	—
Notes and accounts payable	467,906	—	—	—	—
Payables on equipment	3,911	—	—	—	—
Long-term liabilities due within one year	90,000	—	—	—	—
Long-term liabilities	408,130	—	—	—	—

December 31, 2014

Item	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Loans and accounts					

receivable					
Cash and cash equivalents	$ 107,124	$ —	$ —	$ —	$ —
Notes and accounts receivable	573,709	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	34,880	—	—	—	—
Refundable deposit	9,836	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term borrowing	165,567	—	—	—	—
Short-term bills payable	89,952	—	—	—	—
Notes and accounts payable	441,384	—	—	—	—
Payables on equipment	1,188	—	—	—	—
Long-term liabilities due within one year	32,000	—	—	—	—
Long-term liabilities	306,000	—	—	—	—

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

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

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

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

A. Non-derivative financial instruments

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

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

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

B. Derivatives financial instruments

The combined company currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transfer in 2015 and 2014.

b. Financial risk management policies

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

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

c. Market risk

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

(1) Foreign exchange risk

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

(i) Exchange rate risk exposures

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

Item	December 31, 2015 Foreign currency	December 31, 2015 Exchange rate	December 31, 2015 NT$	December 31, 2014 Foreign currency	December 31, 2014 Exchange rate	December 31, 2014 NT$
Financial assets						
Monetary items						
USD	$ 12,348	32.825	$ 405,325	$ 9,747	31.650	$ 308,499
RMB	203	4.995	1,012	6,929	5.092	35,281
Investments accounted for using equity method						
USD	—	—	—	—	—	—
RMB	567,533	4.995	2,436,232	466,369	5.092	2,116,286
Financial liabilities						
Monetary items						
USD	6,775	32.825	222,398	3,987	31.650	126,201
EUR	—	—	—	—	—	—
Non-Monetary items						
USD	24	32.825	790	—	—	—

(ii) Sensitivity analysis

The Group's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. As of 2015 and December 31, 2014, if the NTD/USD, NTD/RMB, NTD/EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, the company’s income before income tax for the years ending on December 31 of 2015 and 2014 would increase/decrease by $1,839 thousand and

$2,176 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk

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

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

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Group's net income by approximately $7,731 thousand and $5,935 thousand for the years ending on December 31, 2015 and 2014, mainly due to floating rate loans.

(3) Credit risk:

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

(4) Liquidity risk:

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

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

Item	December 31, 2015

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Cash flows of contract
Short-term loans	$ 110,000	$ —	$ —	$ —	$ 110,000
Short-term bills payable	164,931	—	—	—	164,931
Notes payable	109,726	—	—	—	109,726
Accounts payable	292,575	—	—	—	292,575
Other payables	65,605	—	—	—	65,605
Payables on equipment	3,911	—	—	—	3,911
Long-term loans (including due within one year or one operating cycle)	90,000	380,000	27,890	240	498,130

Item	December 31, 2014				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Cash flows of contract
Short-term loans	$ 165,567	$ —	$ —	$ —	$ 165,567
Short-term bills payable	89,952	—	—	—	89,952
Notes payable	146,974	—	—	—	146,974
Accounts payable	228,252	—	—	—	228,252
Other payables	66,158	—	—	—	66,158
Payables on equipment	1,188	—	—	—	1,188
Long-term loans (including due within one year or one operating cycle)	32,000	306,000	—	—	338,000

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

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

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

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

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

Item	December 31, 2015	December 31, 2014
Endorsements / guarantees provided to subsidiaries	USD 23,657	USD 33,625

(D) Fair value estimation

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

13. Additional disclosures

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

A. Financings provided: None.

B. Endorsement/guarantee provided: Please see Table 1, attached.

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

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

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

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

G. Total purchases from or sales to related parties of at least NT $100 million or 20% of the paid-in capital: Please see Table 2, attached.

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

I. Information about the derivative financial instruments transaction: None.

J. Other: The business relationship between the parent and subsidiaries and significant transactions between them: Please see Table 3, attached.

K. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 4, attached.

(C) Information on investment in Mainland China:

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

Nan Liu Enterprise Co., Ltd.
ENDORSEMENTS/GUARANTEES PROVIDED
For the year ending on December 31, 2015

TABLE 1 Unit: NT$ Thousand

No.	Endorsement/ Guarantee Provider Company Name	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance of Endorsement/ Guarantee for the Period	Ending Balance of Endorsement/ Guarantee	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsement/ Guarantee Maximum Amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Company name	Nature of Relationship											
0	Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	The endorser/guarantor parent company directly owns more than 50% voting shares of the endorsed/guaranteed subsidiary	$ 5,326,918	USD 26,130	USD 16,157	USD 2,000 EUR 9,140	$ -	19.94%	$ 5,326,918	Y	N	N	
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.	5,326,918	USD 7,500	USD 7,500	USD 3,000	-	9.26%	5,326,918	Y	N	Y	

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

(1) Enter ‘0’ for the Issuer.
(2) The investees are numbered in serial order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the Company is classified into the following six categories (just mark the category number):
(1) Companies with business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) More than 50% voting shares of the subsidiary directly held by the endorser/guarantor parent company or indirectly held by subsidiary.
(5) Companies which guarantee each other according to contract based on contractor relationship.
(6) Joint venture endorsed/guaranteed by shareholders based on their holding ratio.

Nan Liu Enterprise Co., Ltd.

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

FOR THE YEAR ENDING ON DECEMBER 31, 2014

TABLE 2

Unit: NT$ Thousand

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD. is the investee company evaluated by equity method.	Purchase	$ 1,079,399	45.26%	With the same general terms and conditions	—	—	$ 203,377	50.55%	—

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

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

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

Nan Liu Enterprise Co., Ltd.
SIGNIFICANT INTERCOMPANY TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES
For the year ending on December 31, 2015

TABLE 3 Unit: NT$ Thousand

No	Company name	Counter party	Nature of relationship	Intercompany Transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated net revenue or total assets
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Sales	$ 75,696	The same as other companies	2.40%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	9,763	The same as other companies	0.24%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	1,079,399	The same as other companies	45.26%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	203,377	The same as other companies	5.00%

Note 1: Information on business contacts between the parent company and subsidiaries shall be specified in the No. column. Specifications on how to complete the column are as follows:
(1) Enter "0" for the parent company.
(2) For subsidiaries, please start from "1" in serial order.
Note 2: Trader’s relationship has the following three categories (Please enter the category number):
(1) The parent company to subsidiaries.
(2) Subsidiaries to the parent company.
(3) Subsidiaries to subsidiaries.
Note 3: For the percentage of transaction amount to consolidated revenue account or total assets, if the items belong on the balance sheet, this is calculated by the percentage of ending balance to consolidated total assets. If the items belong to the income statement, it is calculated by the percentage of interim cumulative amount to consolidated total revenues.
Note 4: Significant transactions to specify according to the principle of materiality is determined by the company.

Nan Liu Enterprise Co., Ltd.

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

December 31, 2015

TABLE 4

(NT$ in Thousands; Shares in Thousands)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2015			Investee company net income (losses) of the investee	Share of profits/losses of investee	Note
				December 31, 2015	December 31, 2014	Shares	Percentage of ownership	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	$ 1,383,441	$ 1,325,860	44,528	100.00%	$ 2,436,232	$ 330,268	$ 330,268	

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

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

(1) "Investee company name", "Area", "Main Business", "The original investment amount" and "Ending shareholding situation", etc., should be filled in according to the Company's (public) reinvestment situation and reinvestment of directly or indirectly controlled Investment. The relationship (if they are subsidiaries or subsidiaries of subsidiaries) between investee companies and the Company (public) should be specified in Note column.

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

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

Nan Liu Enterprise Co., Ltd.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDING ON DECEMBER 31, 2015

TABLE 5

Unit: NT$ Thousand

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	$ 1,846,701	2	$ 1,325,860	$ 57,581	$ -	$ 1,383,441	$ 357,665	100.00%	$ 357,665	$ 2,847,610	$ -	

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment by Investment Commission, MOEA
$ 1,383,441	$ 1,877,537	$ -

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

Nan Liu Enterprise Co., Ltd.
THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Nan Liu Enterprise Co., Ltd.

Statement of cash and cash equivalents

December 31, 2015

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

STATEMENT 1

Item	Description	Amount
Cash	Cash on hand	$ 1,655
Cash in banks		
Demand deposits		67,047
Checking accounts		84
Foreign currency deposits	(USD 4,552 thousand，@32.775)	149,415
	(RMB 11 thousand，@4.97)	57
Time deposits		35,465
Subtotal		252,068
Total		$ 253,723

Nan Liu Enterprise Co., Ltd.
Statement of accounts receivable
December 31, 2015

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

STATEMENT 2

Client Name	Description	Amount	Note
Non related parties：			
MARUBENI	Receivables from transactions	$ 30,475	
P&T	Receivables from transactions	48,780	
PT. MEGASARI MAKMUR	Receivables from transactions	26,009	
UCINDIA	Receivables from transactions	26,049	
CHUNG-FA	Receivables from transactions	36,430	
Kimberly-Clark	Receivables from transactions	36,112	
Dr. Jou Beauty	Receivables from transactions	38,281	
CHUAN CHIA MEI	Receivables from transactions	25,834	
Others	Receivables from transactions	233,407	Amount of each client is less than 5% of non-related parties.
Subtotal：		501,377	
Related parties：			
Nanliu Enterprise (Pinghu) Ltd	Receivables from transactions	9,763	
BEAUTY EXPRESS CO.	Receivables from transactions	182	
Subtotal：		9,945	
Total		511,322	
Less: Allowance for doubtful accounts		(8,784)	
Accounts receivable, net		$ 502,538	

Nan Liu Enterprise Co., Ltd.

Statement of inventories

December 31, 2015

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

STATEMENT 3

Item	Description	Amount	
		Cost	Net Realizable Value
Raw materials	Viscose、Composite fiber	$ 168,836	$ 167,294
Supplies	Paper box、shrink film and so on	50,481	48,935
Merchandise	Nonwovens	5,235	7,278
Finished goods	Air through & thermal bond fabrics、Spunlance fabrics	130,366	194,554
Work in process	facial mask bag	13,006	14,960
Raw materials and supplies in transit		15,439	15,439
Total		383,363	448,460
Less: allowance for price decline of inventories		(10,241)	—
Net inventories		$ 373,122	$ 448,460

Note：1. Inventories shall be measured at the lower of cost and net realizable value item by item.

2. The amount of after write-down of raw materials and supplies used for manufacturing shall not be less than cost when net realizable value of finished goods is more than cost.

3. The net realizable value of raw materials and supplies in transit is replacement cost.

Nan Liu Enterprise Co., Ltd.

Statement of changes in investments accounted for using equity method

December 31, 2015

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

STATEMENT 4

Investees	Balance, January 1, 2015		Additions		Decrease		Balance, December 31, 2015			Market Value or Net Assets Value			Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price	Total Amount	Valuation	
NANLIU ENTERPRISE(SAMOA)CO.,LTD.	42,728	$ 2,116,286	1,800	$ 419,769	—	$ (99,823)	44,528	100%	$ 2,436,232	55.15	$ 2,455,836	Equity method	None

Note1：Additions in the period included investments 57,581 thousand、recognition of invested profit 330,268 thousand、realized gross profit of downstream transactions 25,537 thousand、realized gross profit of upstream transactions 220 thousand、realized assets profit of downstream transactions 640 thousand、tax effects of downstream transactions 4,803 thousand、tax effects of upstream transactions 720 thousand. Decreases in the period included of unrealized gross profit of downstream transactions 40,739 thousand、unrealized gross profit of upstream transactions 4,454 thousand、tax effects of downstream transactions 842 thousand、foreign exchange differences 53,788 thousand.

Note2：As of December 31, 2015,cost of investments accounted for using equity method and valuation for using equity method is as following:

Investees	Cost	Valuation for using equity method	Adjustments from unrealized Profits (losses) of Upstream(downstream) transactions	Others	Total
NANLIU ENTERPRISE(SAMOA)CO.,LTD.	$ 1,383,441	$ 987,785	$ (19,604)	$ 84,610	$ 2,436,232

Nan Liu Enterprise Co., Ltd.

Statement of changes in property, plant and equipment

December 31, 2015

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

STATEMENT 5

Please refer to note 6(6).

Nan Liu Enterprise Co., Ltd.

Statement of short-term loans

December 31, 2015

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

STATEMENT 6

Type	Balance, End of Year		Contract Period	Range of Interest Rates (%)	Loan Commitments		Collateral	Remark
Unsecured loans								
CHANG HWA Bank	$	70,000	104/12/15~105/01/14	1.20%	NTD	90,000	—	—
Bank of Taiwan		40,000	104/11/30~105/02/26	1.25%	NTD	50,000	—	—
	$	110,000						

Nan Liu Enterprise Co., Ltd.

Statement of notes payables

December 31, 2015

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

STATEMENT 7

Vendor Name	Description	Amount	Remark
Non-related parties			
Dr. Jou Beauty	Notes from transactions	$ 9,273	
Far Eastern Group	Notes from transactions	53,016	
Others	Notes from transactions	47,437	Amount of each vendor is less than 5% of non-related parties.
Total		$ 109,726	

Statement of accounts payables

December 31, 2015

Vendor Name	Description	Amount	Remark
Non-related parties			
SPV	Payables from transactions	$ 6,016	
SUN A Enterprise	Payables from transactions	8,563	
FORMOSA Chemicals & FIBRE	Payables from transactions	5,890	
Tainan Spinning Co., Ltd.	Payables from transactions	8,439	
Dr. Jou Beauty	Payables from transactions	8,444	
Far Eastern Group	Payables from transactions	9,526	
IN CHANG Technic Print	Payables from transactions	6,378	
Others	Payables from transactions	35,942	Amount of each vendor is less than 5% of non-related parties.
Subtotal		89,198	
Related parties			
Nanliu Enterprise (Pinghu) Ltd	Payables from transactions	203,377	
Subtotal		203,377	
Total		$ 292,575	

Nan Liu Enterprise Co., Ltd.

Statement of long-term loans

December 31, 2015

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

STATEMENT 8

Lenders	Description	Balance, End of Year	Contract Period	Range of Interest Rates	Collateral	Remark
CTBC Bank	Unsecured loan	$ 78,130	103/01/09~111/03/15	1.68%~1.83%	—	—
Bank SinoPac	Unsecured loan	90,000	103/09/26~105/09/26	1.7125%	—	—
CHANG HWA Bank	Unsecured loan	90,000	104/07/09~107/07/09	1.85%	—	—
JihSun Bank	Unsecured loan	10,000	104/11/30~105/05/30	1.95%	—	—
HUA NAN Bank	Unsecured loan	10,000	104/12/15~106/12/15	1.88%	—	—
SHANGHAI Bank	Unsecured loan	10,000	104/12/15~107/12/15	1.775%	—	—
HSBC Bank	Unsecured loan	70,000	104/12/23~106/12/25	1.56%	—	—
KGI Bank	Unsecured loan	140,000	104/11/20~106/11/20	1.51%~1.57%	—	—
Subtotal		498,130				
Less: current portion of long-term loans		(90,000)				
		$ 408,130				

Nan Liu Enterprise Co., Ltd.

Statement of net revenue

FOR THE YEAR ENDED DECEMBER 31, 2015

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

STATEMENT 9

Item	Quantities	Amount	Total
Sales revenue			
Sales of goods			
Air Through & Thermal Bond Nonwoven Fabrics	4,061,567.98 KG	$ 466,015	
Spunlance Nonwoven fabrics	16,345,415.01 KG	1,650,023	
Wet wipes & Cosmetics	2,871,285.00 PCS	1,053,137	
	43,986,112.00 BAG		
	11,574.00 CAN		
	1,602.00 CAS		
	35,248,463.00 CS		
	4,182.00 SE02		
	143,685.80 KG		
	124.10 ROL		
Others(TWM Mill Roll、resin bond nonwoven、scrub pads)	9,870.20 KG	10,832	
	254,757.00 PCS		
	22,467.00 M		
Subtotal		$ 3,180,007	
Total amount of Sales revenue			$ 3,180,007
Less: Sales return			(12,491)
Sales allowances			(13,310)
Sales revenue, net			$ 3,154,206

Nan Liu Enterprise Co., Ltd.
Statement of operating expenses
FOR THE YEAR ENDED DECEMBER 31, 2015
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 10

Iterm	Amount
Merchandise, beginning of year	$ 936
Merchandise purchased	1,090,081
Less：Merchandise, end of year	(5,235)
Less：Merchandise disposal	(52)
Less：charges on purchased Merchandise	(9)
Less：others of merchandise	(987)
Cost of Merchandise sold	1,084,734
Raw materials, beginning of year	75,603
Add：raw materials purchased	1,059,919
Add：profit on raw materials	315
Less：raw materials, end of year	(168,836)
Less：others of raw materials	(844)
Less：loss on raw materials	(33)
Less：raw materials sold	(14,584)
Raw materials consumed	951,540
Supplies, beginning of year	44,381
Add：supplies purchased	177,435
Add：profit on supplies	231
Less：supplies, end of year	(50,481)
Less：charges on purchased supplies	(398)
Less：loss on supplies	(40)
Less：Loss on disposal of supplies	(70)
Less：supplies sold	(1,115)
Less：others of supplies	(37,293)
Supplies consumed	132,650
Direct labor	58,440
Manufacturing overheads	322,446
Manufacturing costs	1,465,076
Add：Work in process, beginning of year(including semi-finished goods)	15,684

(Continued)

Nan Liu Enterprise Co., Ltd.

Statement of operating expenses

FOR THE YEAR ENDED DECEMBER 31, 2015

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

(Previous)

Add：work in process received		40,567
Add：profit on work in process		29
Add：others of work in process		41,123
Less：charges on work in process		(194)
Less：Work in process, end of year (including semi-finished goods)		(13,006)
Less：Others		(95)
Cost of finished goods		1,549,184
Add：finished goods, beginning of year		112,358
Add：finished goods received		16,988
Add：profit on finished goods		1,693
Add：others		987
Less：charges on finished goods		(8,374)
Less：Loss on disposal of finished goods		(2,885)
Less：loss on finished goods		(1,140)
Less：finished goods, end of year		(130,366)
Less：others of finished goods		(15,132)
Cost of production and marketing		1,523,313
Cost of raw materials and semi-finished goods sold		15,699
(Profit)loss on inventories		(1,055)
Loss on disposal of inventories		3,007
Idle cost		9,364
Revenue from sale of scrap and wastes		(4,776)
Cost of goods sold	$	2,630,286

Nan Liu Enterprise Co., Ltd.
Statement of production overheads
FOR THE YEAR ENDED DECEMBER 31, 2015
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 11

Item	Description	Amount
Indirect labor	manufacturing overheads	$ 23,416
Repairs and maintenance expenses	manufacturing overheads	26,519
Utilities expenses	manufacturing overheads	71,359
Depreciation expenses	manufacturing overheads	52,568
Incidental expenses	manufacturing overheads	21,389
Miscellaneous expenses	manufacturing overheads	20,652
Fuel expenses	manufacturing overheads	32,687
Others(note)	manufacturing overheads	83,220
Idle cost	manufacturing overheads	(9,364)
Total		$ 322,446

Note：Amount of each item is less than 5% of production overheads.

Nan Liu Enterprise Co., Ltd.
Statement of promotion expenses
FOR THE YEAR ENDED DECEMBER 31, 2015
(All Amounts Expressed in Thousands of New Taiwan Dollars , Unless Specified Otherwise)

STATEMENT 12

Item	Description	Amount	
Payroll expenses	Business expenses	$	7,194
Shipping expenses	Business expenses		18,810
Advertisement expenses	Business expenses		7,271
Depreciation expenses	Business expenses		508
Commission expenses	Business expenses		8,791
Export expenses	Business expenses		18,818
Others(note)	Business expenses		8,937
Total		$	70,329

Note：Amount of each item is less than 5% of promotion expenses.

Nan Liu Enterprise Co., Ltd.

Statement of management expenses

FOR THE YEAR ENDED DECEMBER 31, 2015

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

STATEMENT 13

Item	Description	Amount	
Payroll expenses	Business expenses	$	40,973
Rent expenses	Business expenses		9,016
Entertainment expenses	Business expenses		6,192
Donation expenses	Business expenses		14,965
Provision for doubtful accounts	Business expenses		8,590
Depreciation expenses	Business expenses		3,866
Others(note)	Business expenses		27,739
Total		$	111,341

Note：Amounts of each item is less than 5% of management expenses.

Nan Liu Enterprise Co., Ltd.

Statement of research expenses

FOR THE YEAR ENDED DECEMBER 31, 2015

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

STATEMENT 14

Item	Description	Amount	
Payroll expenses	Business expenses	$	8,066
Travelling expenses	Business expenses		987
Insurance expenses	Business expenses		656
consultant expenses	Business expenses		927
Depreciation expenses	Business expenses		95
Others(note)	Business expenses		7,640
Total		$	18,371

Note：Amounts of each item is less than 5% of research expenses.

Nan Liu Enterprise Co., Ltd.

Statement of other operating income and expenses, net

FOR THE YEAR ENDED DECEMBER 31, 2015

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

STATEMENT 15

Item	Description	Amount
Profits in investments accounted for using equity method	Profits in investments accounted for using equity method	$ 330,715
Foreign exchange differences	Business expenses	18,818
Others(note)	Business expenses	3,678
Total		$ 353,211

Note：Amounts of each item is less than 5% of other operating income and expenses, net.

Statement of labor, depreciation and amortization by function

FOR THE YEAR ENDED DECEMBER 31, 2015

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

Please refer to Note 6(17).