



Stock code: 6504

NAN LIU ENTERPRISE CO., LTD.

2017 Annual Shareholders' Meeting

Meeting Handbook

(Translation)

Time: 10:00 a.m., Wednesday, May 31, 2017

Place: NO. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City

NAN LIU ENTERPRISE CO., LTD.

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NAN LIU ENTERPRISE CO., LTD.
2017 Shareholders' Meeting Agenda

Time: 10:00 a.m., Wednesday, May 31, 2017

Place: No.88 Bixiu Road, Qiaotou Dist., Kaohsiung City

I. Call Meeting to Order

II. Chairman's Address

III. Report Items

1. 2016 Business Report

2. Supervisor's Review of the 2016 Financial Statements

3. Report on the 2016 Compensation of Employees, Directors and Supervisors

IV. Proposed Items

1. 2016 Financial Statements and Business Report

2. Distribution of the 2016 Profit

V. Discussion

1. Amendments to parts of the Articles of Incorporation

2. Amendments to parts of the Procedures for Acquisition or Disposal of Assets

VI. Other Business and Special Motion

VII. Meeting Adjourned

Report Items

1. To report 2016 Business Report

Explanatory Notes: Please refer to pages 6~8 of the Handbook for the Business Report (Attachment 1).

2. To report Supervisor's Review of the 2016 Financial Statements

Explanatory Notes: Please refer to pages 9-14 of the Handbook for the Supervisor's Review Report (Attachment 2).

3. To report distribution of the 2016 Compensation of Employees, Directors and Supervisors

Explanatory Notes: According to the Company Act and the Articles of Incorporation, when the Company makes a profit, over 1% of thereof should be set aside as employee compensation, and less than 2% set aside as compensation for the directors and supervisors. In the latest financial year, 1.25% (i.e., NT\$8,142,132) of the profit has been set aside for employee compensation, while 0.8% (i.e., NT\$5,225,677) has been earmarked as compensation for the directors and supervisors. All compensations are distributed in the form of cash.

Proposed Items

1. To accept 2016 Financial Statements and the Business Report (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The 2016 Financial Statements of the Company were completed according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. All statements were audited and the Audit Report was completed by independent auditors, Wang Ching-Hsiang and Wang Shu-Tung of Yangtze CPAs & Co. The Business Report and the Financial Statements have been reviewed by the supervisors.
- (2) For the Audit Report and the 2016 Financial Statements and the Business Report, please refer to pages 15-35 (Attachment 3 & 4) and pages 6-8 (Attachment 1) of the Handbook.
- (3) Please proceed to adopt the motion.

Resolution:

2. To approve the proposal for the distribution of the 2016 profit (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The after-tax profit in 2016 was NT\$582,367,471. Of that, 10% (i.e., NT\$58,236,747) has been set aside as a legal reserve, subtracted other comprehensive income-defined benefit remeasured amount was NT\$798,318, subtracted special reserve amount was NT\$111,319,139, coupled with

unappropriated retained earnings of NT\$812,395,218 (including unappropriated retained earnings of NT\$27,960,645 before (1997) and NT\$784,434,573 after (1998)), retained earnings for this year is NT\$1,224,408,485.

- (2) In terms of the distribution of the 2016 profit, a cash dividend of NT\$4.8 per share is proposed, amounting to NT\$348,480,000 in total. (The distributable cash dividend is calculated in NT\$, and figures are rounded up.) The total fractional amount of distribution under NT\$1 is listed in Shareholders' Equity. After approval at the shareholders' meeting, the Board of Directors is then authorized to set the ex-dividend date and amend distribution matters as required. Please refer to the Profit Distribution Table for details.
- (3) In the event that the proposed profit distribution is affected by: (1) a change in the number of outstanding shares due to the buyback of shares; (2) issuance of new shares for the transfer of treasury shares to employees; (3) nullifying or rights offerings, the Board of Directors is authorized to attend to and amend such related matters.
- (4) Please proceed to adopt the motion.

NAN LIU ENTERPRISE CO., LTD.

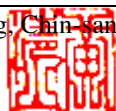
2016

Profit Distribution Table

Unit: NT\$

Items	Amount (NT\$)	Remarks
Beginning retained earnings	812,395,218	
Other comprehensive income-defined benefit plan	(798,318)	
2015 net income	582,367,471	
subtracted : Legal reserve (10%)	(58,236,747)	
Subtracted: Special reserve	(111,319,139)	
Subtotal of distributable net profit	1,224,408,485	
Distributable items		
Dividend to shareholders-cash dividend (NT\$4.8/share)	348,480,000	
Unappropriated retained earnings	875,928,485	

Chairman: Mr. Huang, Chin-san CEO: Mr. Huang, Huo-cun Chief Accountant: Ms. Chuang Chun-chin



Note 1: 2016 unappropriated retained earnings are distributable first

Resolution:

Discussion

1. Amendments to parts of the Articles of Incorporation (Proposed by the Board of Directors)

Explanatory Notes:

- (1) Amendment to parts of the Articles of Incorporation by current situation of the company. Please proceed with discussions.
- (2) Please refer to page 35~36 of the Handbook (Attachment 5) for a comparison table of the amended Articles.

Resolution:

2. Amendments to parts of the Procedures for Acquisition or Disposal of Assets (Proposed by the Board of Directors)

Explanatory Notes:

- (1) Amendments to parts of the Procedures for Acquisition or Disposal of Assets by current situation of the company. Please proceed with discussions.
- (2) Please refer to page 37~49 of the Handbook (Attachment 6) for a comparison table of the amended Articles.

Resolution:

Other Business and Special Motion

Meeting Adjourned

Attachment 1

NAN LIU ENTERPRISE CO., LTD.

2016 Business Report

Thank you for your continuous support and care for Nan Liu. We appreciate it and look forward to your steady support in the years to come.

The following is a report of our business results in 2016.

A. 2016 Business Report

(1) Achievements of the 2016 Business Plan

The Company's major businesses in 2016 included the sale of Spunlace nonwoven fabrics, Air Through & Thermal Bond Nonwoven Fabrics, Disposable surgical gowns fabrics, hygiene consumables (most of sales on baby wet wipes), and facial mask/skin care products. In 2016, net sales was NT\$6,090,390 thousands, up 2.84% compared with 2015. Taking into cost of goods sold of NT\$4,916,094 thousands, total operating expenses of NT\$480,398 thousands, and other non-operating income and expenses of NT\$83,947 thousands, the income before income tax came in at NT\$777,845 thousands. Estimated income tax expense was NT\$195,478 thousands, and the net income was NT\$582,367 thousands with an EPS of NT\$8.02.

(2) 2016 Consolidated Financial Expenditure and Profitability

Unit: NT\$ 1000

Consolidated Statements of Comprehensive Income	2016	2015	Change %
Net Sales	6,090,390	5,922,201	2.84%
Cost of goods sold	4,916,094	4,725,558	4.03%
Gross profit	1,174,296	1,196,643	-1.87%
Total Operating expenses	480,398	445,999	7.71%
Net operating profit	693,898	750,644	-7.56%
Other non-operating income and expenses	83,947	26,995	210.97%
Income before income tax	777,845	777,639	0.03%
Net Income	582,367	581,431	0.16%

(3) Consolidated Profitability Analysis

Unit: %

	2016	2015
Return on assets	11.00	11.70
Return on equity	21.63	23.20

Capital ratio	Net operating profit	95.58	103.39
	Income before income tax	107.14	107.11
Net profit margin		9.56	9.82
After-tax earnings per share (NT\$)		8.02	8.01

The company faced some challenges in 2016. First, average prices were reduced by 10~15% as a feedback to customers due to the significant drop of oil prices. Second, CNY depreciated by 7.6 %, compared to NTD. As a result, consolidated sales revenue did not grow as originally expected. Under above two challenges, all employees pledged more efforts and consistently develop new products. The capacity utilization was full in the second half of 2016. The sales is growing up.

In general, the sales grew slightly. The China plant contributed positive effects in operation, profit and finance. With the great teamwork and efforts of all employees, the net income in 2016 reached NT\$582,367 thousands (EPS NT\$8.02).

B. Summary of the 2017 Business Plan

(I) Business Policy and Implementation

- (1) Our new vision is implemented in the Company's daily operations, and our business philosophy is strengthened and fulfilled to achieve the goal of organizational optimization.
- (2) Integration of supply chain management: we aim to have in place competitive and strategic raw materials suppliers, meet our customers' flexible and rapid demands, and reduce inventory costs to increase cash flow.
- (3) Strengthen education and training systems, create a passionate and excellent work environment, improve staff morale, and boost operational efficiency.
- (4) Continue enhancing product development capabilities and production technologies: obtain leading technologies and upgrade production capabilities; become a research and development center for our customers; and cooperate with technology experts at home and abroad, such as technical research and academic institutions.
- (5) Implement green-energy policies and reduce carbon emissions to simultaneously lower costs and protect the environment, exercise social responsibility as a global citizen, and enhance overall image of the Company.
- (6) Persistently implement prudent accounting practices and strengthen financial risk management to improve profitability.

(II) Major Marketing Strategies

- (1) Buildup of capacity: add new production lines and enhance the benefits of economies of scale.
- (2) Leadership in quality and technology: with customer-oriented approaches and the development of new products, promote the Company's international branding.
- (3) Automation: consistently improve enterprise resource planning (ERP) systems, strengthen operational controls, and integrations to improve core competitive power.
- (4) Adopt more aggressive strategies to enhance the position of the production base in Asia.

(III) Future Development Strategy

Uphold the principle of the “cycle of virtues” — that is, to profitably provide customers with outstanding quality and service at fair prices, so that they are incentivized to purchase even more products from the Company, and thereby looking after the interests of employees and shareholders. In so doing, all four stakeholders — customers, employees, shareholders, and the community — can achieve win-win outcomes.

(IV) Competition, the Regulatory Environment, and General Business Conditions

While input prices are rising at home and abroad, the Company has strengthened its cost control measures. At the same time, our international platform offers improved conditions for customer orders through competitive advantages, and fluctuations in raw material prices are incorporated into price negotiations.

The Company will continue to strengthen its knowledge of the market environment; integrate regulatory and customer standards; reinforce accounting and legal requirements; promote environmental and labor protection initiatives; and enhance corporate governance and corporate social responsibility.

With increasing demands for the use of green energy and requirements for carbon reduction, we intend to hold ourselves to world-class standards in the pursuit of business growth.

Overall, while adverse external environments and rising production costs pose increasingly rigorous challenges, the Company believes that customers’ demands can be satisfied through constant innovation and improving processes to maintain a competitive advantage and maximize profits for its shareholders.

With best wishes, and to good health and success for all,

Chairman: Mr. Huang, Chun-san. CEO: Mr. Huang, Huo-cun. Chief Accountant: Ms. Chuang Chun-
chin



Attachment 2

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

The Board of Directors has prepared the Company's 2015 Business Report, parent company only Financial Statements. Nan Liu Enterprise Co., Ltd.'s Financial Statements have been audited and certified by YANGTZE CPAS & CO. and an audit report relating to the Financial Statements has been issued an unmodified opinion.

Supervisor is responsible for overseeing the financial reporting process.

When auditing the 2016 parent company only financial Statements, the auditing CPA communicated with Supervisors about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, parent company only Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :

The Company's 2017 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Su, Chao-Shan

On the Date of March 28, 2017

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

The Board of Directors has prepared the Company's 2015 Business Report, consolidated Financial Statements. Nan Liu Enterprise Co., Ltd.'s Financial Statements have been audited and certified by YANGTZE CPAS & CO. and an audit report relating to the Financial Statements has been issued an unmodified opinion.

Supervisor is responsible for overseeing the financial reporting process.

When auditing the 2016 consolidated financial Statements, the auditing CPA communicated with Supervisors about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, consolidated Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :

The Company's 2017 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Su, Chao-Shan

On the Date of March 28, 2017

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Supervisor is responsible for overseeing the financial reporting process.

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1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

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Submitted to :

The Company's 2017 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Hsieh,Chiu-Lan

On the Date of March 28, 2017

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

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Supervisor is responsible for overseeing the financial reporting process.

When auditing the 2016 consolidated financial Statements, the auditing CPA communicated with Supervisors about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, consolidated Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :

The Company's 2017 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Hsieh,Chiu-Lan

On the Date of March 28, 2017

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

The Board of Directors has prepared the Company's 2015 Business Report, parent company only Financial Statements. Nan Liu Enterprise Co., Ltd.'s Financial Statements have been audited and certified by YANGTZE CPAS & CO. and an audit report relating to the Financial Statements has been issued an unmodified opinion.

Supervisor is responsible for overseeing the financial reporting process.

When auditing the 2016 parent company only financial Statements, the auditing CPA communicated with Supervisors about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, parent company only Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :

The Company's 2017 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Chung, Mao-Chih

On the Date of March 28, 2017

Nan Liu Enterprise Co., Ltd.

Supervisor's Review Report

(Translation)

The Board of Directors has prepared the Company's 2015 Business Report, consolidated Financial Statements. Nan Liu Enterprise Co., Ltd.'s Financial Statements have been audited and certified by YANGTZE CPAS & CO. and an audit report relating to the Financial Statements has been issued an unmodified opinion.

Supervisor is responsible for overseeing the financial reporting process.

When auditing the 2016 consolidated financial Statements, the auditing CPA communicated with Supervisors about following:

1. Under planned scope and timing of audit, no significant audit findings are discovered.
2. The auditing CPA also provided statements that the auditing team has complied with relevant ethical requirements regarding independence. So far, there's no findings about matters/relationships that might influence the independence of auditing CPA.
3. From the matters communicated with auditing CPA, we determined that significant audit matters are to be communicated in the audit report.

The Business Report, consolidated Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of Nan Liu Enterprise Co., Ltd. According to Article 219 of the Company Law, I hereby submit this report.

Submitted to :

The Company's 2017 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Chung, Mao-Chih

On the Date of March 28, 2017



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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Nanliu Enterprise Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2016 and 2015, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2016 are stated as follows:

Valuation of accounts receivable

Please refer to Notes 4(6) and 6(3) to the consolidated financial statements for detail information and accounting policy of valuation of accounts receivable. As of December 31, 2016, net accounts and notes receivable of the Company amounted to NT\$ 523,466 thousand dollars, accounted for 11.74% of total assets, has significant impact to financial statements of the Company, and the provision for impairment of accounts and notes receivable is inherently judgmental, therefore, we



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have identified valuation of accounts receivable as a key audit matter.

Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Performed internal control test on top 10 customers and other major customers, surveyed these customers' background and randomly checked to confirm whether the receivables arising from these customer sales are in line with the Company's credit policy. We inspected how the Company processed breach of the credit policy.
2. Performed internal control test by randomly vouching from sales documents to accounts receivable aging report to test accuracy of accounts receivable aging.
3. Performed analytical review procedures by comparing the difference in turnover and accounts receivable balance for reasonableness of variances.
4. Reviewed subsequent collection of significant receivables after the balance sheet date.
5. Analyzed accounts receivable aging and overdue accounts receivable analysis provided by the Company as of balance sheet date and reviewed based on historical information to determine whether to conduct valuation of accounts receivable for individual customers. We focused on unusual events and traced how these events were recognized in financial statements. We tested the reasonableness of the recoverable rate based on collection of receivables and other customer information to verify the adequacy of provision for impairment of individual overdue receivables and reasonableness of underlying assumptions used by the management of the Company.
6. Reviewed the subsequent collection of overdue accounts receivable after the balance sheet date to determine adequacy of allowance for overdue accounts.

Valuation of inventories

Please refer to Notes 4(9) , 5 and 6(4) to the Company for the detail information and accounting policy , uncertainty of valuation of inventories; The principal operating activities of the Company include Air-Through/Thermal-Bonded Nonwovens Fabrics、 Spunlace Nonwovens Fabrics、 Hightech

woodpulp spunlace Fabrics、 Wet Wipes、 Facial Mask and care product, etc., the selling price of these products fluctuates from the supply of upstream suppliers and changes in the market competition, resulted risk of book value exceeding its net realizable value, therefore, we have identified valuation of inventories as a key audit matter.

Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Understood inventory valuation process by the management.
2. Understood he Group's warehousing management process, reviewed the Company's annual physical inventory count plan and observed the annual inventory count to assess the reasonableness of methods used by the management to identify and monitor obsolescent inventories.
3. Randomly checked the inventory movement report for consumption of inventories and compared inventory aging report to that of prior year for reasonableness and accuracy of inventory aging report.



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4. Conducted analytical review process for inventory balances, turnover and gross margin by products, compared differences to prior year for any unusual variance.
5. Compared historical inventory provision and actual write-down to analyze the appropriateness of the accounting policies of the management for inventory provision.
6. Verified the reasonableness of the net realizable value of inventory by randomly vouching sales and purchase orders to evaluate adequacy of inventory provision.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance (including Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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The engagement partners on the audit resulting in this independent auditors' report are Ching-Hsiang Wang and Shu-Tung Wang.

YANGTZE CPAS & Co.,
March 14, 2017

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.



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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nanliu Enterprise Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Nanliu Enterprise Company Limited and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:



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Valuation of accounts receivable

Please refer to Notes 4(7) and 6(3) to the consolidated financial statements for detail information and accounting policy of valuation of accounts receivable. As of December 31, 2016, net accounts and notes receivable of the Group amounted to NT\$ 1,322,201 thousand dollars, accounted for 24.55% of total assets, has significant impact to financial statements of the Group, and the provision for impairment of accounts and notes receivable is inherently judgmental, therefore, we have identified valuation of accounts receivable as a key audit matter. Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Performed internal control test on top 10 customers and other major customers, surveyed these customers' background and randomly checked to confirm whether the receivables arising from these customer sales are in line with the Group's credit policy. We inspected how the Group processed breach of the credit policy.
2. Performed internal control test by randomly vouching from sales documents to accounts receivable aging report to test accuracy of accounts receivable aging.
3. Performed analytical review procedures by comparing the difference in turnover and accounts receivable balance for reasonableness of variances.
4. Reviewed subsequent collection of significant receivables after the balance sheet date.
5. Analyzed accounts receivable aging and overdue accounts receivable analysis provided by the Group as of balance sheet date and reviewed based on historical information to determine whether to conduct valuation of accounts receivable for individual customers. We focused on unusual events and traced how these events were recognized in financial statements. We tested the reasonableness of the recoverable rate based on collection of receivables and other customer information to verify the adequacy of provision for impairment of individual overdue receivables and reasonableness of underlying assumptions used by the management of the Group.
6. Reviewed the subsequent collection of overdue accounts receivable after the balance sheet date to determine adequacy of allowance for overdue accounts.

Valuation of inventories

Please refer to Notes 4(10), 5 and 6(4) to the Group for the detail information and accounting policy, uncertainty of valuation of inventories; As of December 31, 2016, inventories of the Group amounted to NT\$ 928,930 thousand dollars, accounted for 17.25% of total assets, has significant impact to financial statements of the Group, in addition, the principal operating activities of the Group include Air-Through/Thermal-Bonded Nonwovens Fabrics、Spunlace Nonwovens Fabrics、High-tech woodpulp spunlace Fabrics、Wet Wipes、Facial Mask and care product, etc., the selling price of these products fluctuates from the supply of upstream suppliers and changes in the market competition, resulted risk of book value exceeding its net realizable value, therefore, we have identified valuation of inventories as a key audit matter.



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Our audit procedures to the above key audit matter (including but not limited to) are as the following:

1. Understood inventory valuation process by the management.
2. Understood the Group's warehousing management process, reviewed the Group's annual physical inventory count plan and observed the annual inventory count to assess the reasonableness of methods used by the management to identify and monitor obsolescent inventories.
3. Randomly checked the inventory movement report for consumption of inventories and compared inventory aging report to that of prior year for reasonableness and accuracy of inventory aging report.
4. Conducted analytical review process for inventory balances, turnover and gross margin by products, compared differences to prior year for any unusual variance.
5. Compared historical inventory provision and actual write-down to analyze the appropriateness of the accounting policies of the management for inventory provision.
6. Verified the reasonableness of the net realizable value of inventory by randomly vouching sales and purchase orders to evaluate adequacy of inventory provision.

Other Matter

We have also audited the parent company only financial statements of Nanliu Enterprise Company Limited as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance (including Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and



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to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether consolidated only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Hsiang Wang and Shu-Tung Wang.

YANGTZE CPAS & Co.,

March 14, 2017

Notice to Readers

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

NANLIU ENTERPRISE CO., LTD

Parent Company Only Balance Sheets

December 31, 2016 and December 31, 2015

(All amounts expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015		LIABILITIES AND EQUITY	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%		Amount	%	Amount	%
	ASSETS									
	CURRENT ASSETS					CURRENT LIABILITIES				
1100	Cash and cash equivalents	\$ 166,989	3.74	\$ 253,723	6.24	Short-term loans	\$ 320,000	7.18	\$ 110,000	2.70
1150	Notes receivable, net	70,400	1.58	50,496	1.24	Short-term bills payable, net	179,961	4.04	164,931	4.06
1170	Accounts receivable, net	453,066	10.16	502,538	12.36	Notes payable	163,305	3.66	109,726	2.70
1200	Other receivables	31,039	0.70	1,505	0.04	Accounts payable	393,563	8.82	292,575	7.19
1310	Inventories	333,295	7.47	373,122	9.17	Other payable	66,167	1.48	65,605	1.61
1410	Prepayments	97,085	2.18	50,037	1.23	Payables on equipment	6,722	0.15	3,911	0.10
1470	Other current assets	24,987	0.56	89	0.00	Current tax liabilities	23,213	0.52	54,391	1.34
	Total current assets	1,176,861	26.39	1,231,510	30.28	Unearned receipts	5,552	0.12	2,832	0.07
						Current portion of long-term bank borrowing	-	-	90,000	2.21
						Other current liabilities	1,668	0.04	1,457	0.04
						Total current liabilities	\$ 1,160,151	26.01	\$ 895,428	22.02
	NONCURRENT ASSETS					NONCURRENT LIABILITIES				
1550	Investments accounted for using equity method	2,737,207	61.83	2,436,232	59.90	Long-term bank borrowing	490,240	10.99	408,130	10.04
1600	Property, plant and equipment	296,772	6.65	286,263	7.04	Deferred income tax liabilities-Land value increment tax	7,386	0.17	7,386	0.18
1780	Intangible assets	789	0.02	-	-	Deferred income tax liabilities-income tax	2,307	0.05	2,744	0.07
1840	Deferred income tax assets	19,559	0.44	22,006	0.54	Accrued pension liabilities	78,091	1.75	89,756	2.21
1915	Prepayments for equipment	163,787	3.67	41,181	1.01	Total noncurrent liabilities	578,024	12.96	508,016	12.50
1920	Refundable deposit	9,771	0.22	9,904	0.24	Total liabilities	1,738,175	38.97	1,403,444	34.52
1985	Prepaid investments	32,676	0.73	37,344	0.92					
1990	Other assets	2,364	0.05	2,463	0.07					
	Total noncurrent assets	3,282,925	73.61	2,835,393	69.72	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
						Owners equity				
						Capital stock	726,000	16.28	726,000	17.84
						Capital surplus	453,467	10.17	453,467	11.15
						Retained earnings				
						Legal reserve	259,498	5.82	201,355	4.95
						Special reserve	44,348	0.99	44,348	1.09
						Unappropriated earnings	1,393,965	31.26	1,153,679	28.37
						Other	(155,667)	(3.49)	84,610	2.08
						Financial statements translation differences for foreign operations				
						Equity attributable to shareholders of the parent	2,721,611	61.03	2,663,459	65.48
1xxx	Total assets	\$ 4,459,786	100.00	\$ 4,066,903	100.00	Total liabilities and equity	\$ 4,459,786	100.00	\$ 4,066,903	100.00

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

NANLIU ENTERPRISE CO., LTD						
Parent Company Only Statements of Comprehensive Income						
For the Year Ended December 31 ,2016 and 2015						
(All Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)						
		For the year ended December 31				
		2016		2015		
	Item	Note	Amount	%	Amount	%
4000	Net Sales	4、6(12)、7	\$ 3,233,424	100.00	\$ 3,154,206	100.00
5000	Cost of goods sold	6(4)	(2,861,456)	(88.50)	(2,630,286)	(83.39)
5900	Gross profit		371,968	11.50	523,920	16.61
5910	Unrealized gain on sales		(7,888)	(0.24)	(40,739)	(1.29)
5920	Realized gain on sales		8,082	0.25	25,537	0.81
5950	Net Gross Profit From Operations		372,162	11.51	508,718	16.13
6000	Operating expenses					
6100	Promotion expenses		(74,750)	(2.31)	(70,329)	(2.23)
6200	Management expenses		(103,821)	(3.21)	(111,341)	(3.53)
6300	Research expenses		(18,081)	(0.56)	(18,371)	(0.58)
6000	Total Operating expenses		(196,652)	(6.08)	(200,041)	(6.34)
6900	Operating profit		175,510	5.43	308,677	9.79
	Other non-operating income and expenses					
7020	Other income	6(13)	470,131	14.54	363,691	11.53
7510	Finance costs	6(13)	(7,639)	(0.24)	(10,480)	(0.33)
7000	Other non-operating income and expenses		462,492	14.30	353,211	11.20
7900	Income before income tax		638,002	19.73	661,888	20.99
7950	Income tax expense	4、6(14)	(55,635)	(1.72)	(80,457)	(2.55)
8200	Net Income		582,367	18.01	581,431	18.44
8300	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit obligation	6(10)	(962)	(0.03)	(7,424)	(0.24)
8349	Income tax (expense) related to components of the comprehensive income	6(14)	164	0.01	1,262	0.04
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations	6(11)	(240,277)	(7.43)	- 53,788	(1.71)
8300	Other comprehensive income (loss) for the period ,net of income tax		(241,075)	(7.45)	(59,950)	(1.91)
8500	Total comprehensive income for the period		\$ 341,292	10.56	\$ 521,481	16.53
9750	Basic earnings per share(NT dollars)	4、6(16)	\$ 8.02		\$ 8.01	
9850	Diluted earnings per share(NT dollars)	4、6(16)	\$ 8.02		\$ 8.00	

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

NANLIU ENTERPRISE CO., LTD

Parent Company Only Statements of Changes in Equity

For the year ended December 31, 2016 and 2015

(All amounts expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Other equity items	Non-controlling interests	Total Equity
	Ordinary shares	Amounts		Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations		
Balance as of January 1, 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
Balance as of January 1, 2016	72,600	\$ 726,000	\$ 453,467	\$ 201,355	\$ 44,348	\$ 1,153,679	\$ 84,610	\$ -	\$ 2,663,459
Legal reserve appropriated	-	-	-	58,143	-	(58,143)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(283,140)	-	-	(283,140)
Net income in 2016	-	-	-	-	-	582,367	-	-	582,367
Other comprehensive income for the year	-	-	-	-	-	(798)	(240,277)	-	(241,075)
Balance as of December 31, 2016	72,600	\$ 726,000	\$ 453,467	\$ 259,498	\$ 44,348	\$ 1,393,965	\$ (155,667)	\$ -	\$ 2,721,611

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

NANLIU ENTERPRISE CO., LTD		
Parent Company Only Statements of Cash Flows		
For the Year Ended December 31 ,2016 and 2015		
(All Amounts Expressed In Thousands of New Taiwan Dollars)		
	For the year ended December 31	
	2016	2015
Cash flows from operating activities		
Profit before income tax	\$ 638,002	\$ 661,888
Adjustments for :		
Depreciation expense	58,298	57,037
Amortization expense	5,917	4,767
Interest expense	7,639	10,480
Interest income	(1,249)	(1,426)
(Income) Provision for doubtful accounts	(4,045)	8,477
Share of profit of subsidiaries and associates accounted for using equity method	(456,250)	(330,715)
(Profit) Loss on disposal of assets	(86)	682
Unrealized gain on sales	7,888	40,739
Realized gain on sales	(8,082)	(25,537)
(Profit) on physical inventory	(29)	(1,055)
Loss on disposal of inventory	32,394	3,007
(Reversal)Impairment of Assets	(1,481)	(1,602)
Foreign exchange(gain)	(1,387)	(7,547)
Total adjustments to reconcile profit or loss	(360,473)	(242,693)
Changes in operating assets and liabilities		
(Increase) Decrease in notes receivable	(19,904)	3,150
Decrease in accounts receivable	57,683	7,577
(Increase) Decrease in other receivable	(29,549)	2,021
Decrease (Increase) in inventories	7,462	(109,938)
(Increase) Decrease in prepayments	(46,809)	14,403
(Increase) Decrease in other current assets	(24,765)	34,863
Increase (Decrease) in notes payable	53,933	(37,810)
Increase in accounts payable	97,775	63,676
Increase (Decrease) in other payable	503	(623)
Increase in unearned receipts	2,720	199
(Decrease) Increase in accrued pension liabilities	(12,627)	2,239
Total Changes in Operating Assets and Liabilities	86,422	(20,243)
Cash generated from operating	363,951	398,952

(Continued)

	For the year ended December 31	
	2016	2015
Interest received	1,264	1,602
Income taxes paid	(84,639)	(79,217)
Net cash generated by operating activities	280,576	321,337
Cash flows from investing activities		
Acquisition of investments accounted for using equity method	(104,167)	(57,580)
Acquisition of property , plant and equipment	(42,077)	(38,519)
Disposal of property , plant and equipment	3	1
Acquisition of intangible assets	(1,939)	-
(Increase) in prepayments for equipment	(146,195)	(50,815)
(Increase) Decrease in Instead of payment	(133)	213
Decrease (Increase) Decrease in refundable deposits	133	(68)
Net cash used in investing activities	(294,375)	(146,768)
Cash Flows From Financing Activities :		
Interest paid	(7,550)	(10,431)
Increase (Decrease) in short-term loans	210,000	(55,567)
Increase in short-term bills payable	15,000	75,000
(Decrease) Increase in long-term bank borrowing	(7,890)	160,130
Cash dividends	(283,140)	(203,280)
Increase in other current liabilities	211	140
Net cash used in financing activities	(73,369)	(34,008)
Effect of exchange rate changes on cash and cash equivalents	434	6,038
Net (Decrease) Increase in cash and cash equivalents	(86,734)	146,599
Cash and cash equivalents, beginning of year	253,723	107,124
Cash and cash equivalents, end of year	\$ 166,989	\$ 253,723

The accompanying notes are an integral part of the Parent Company Only financial statements. (Concluded)

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Balance Sheets

December 31,2016 and December 31,2015

(All Amounts Expressed In Thousands of New Taiwan Dollars)

		December 31,2016		December 31,2015				December 31,2016		December 31,2015			
ASSETS		Amount	%	Amount	%	LIABILITIES AND EQUITY		Amount	%	Amount	%		
CURRENT ASSETS						CURRENT LIABILITIES							
1100	Cash and cash equivalents	4、6(1)	\$ 577,150	10.72	\$ 529,058	9.82	2100	Short-term loans	6(6)	\$ 353,900	6.57	\$ 207,307	3.85
1150	Notes receivable, net	4、6(2)、7	95,609	1.77	58,691	1.09	2110	Short-term bills payable, net	6(7)	179,961	3.34	164,931	3.06
1170	Accounts receivable, net	4、6(3)、7	1,226,592	22.78	1,119,267	20.79	2150	Notes payable	4	590,061	10.96	540,796	10.04
1200	Other receivables		32,274	0.60	1,495	0.03	2170	Accounts payable	4	477,654	8.87	523,562	9.72
1310	Inventories	4、5、6(4)	928,930	17.25	991,811	18.42	2200	Other payable		166,447	3.09	160,252	2.98
1410	Prepayments		289,760	5.38	354,415	6.58	2213	Payables on equipment		6,722	0.12	37,893	0.70
1470	Other current assets	8	67,944	1.26	44,938	0.83	2230	Current tax liabilities	4、6(13)	59,215	1.10	81,986	1.52
	Total current assets		3,218,259	59.76	3,099,675	57.56	2311	Unearned receipts		12,996	0.24	9,569	0.18
							2322	Current portion of long-term bank borrowing	6(8)	53,559	0.99	169,288	3.14
							2399	Other current liabilities		3,379	0.07	2,973	0.06
								Total current liabilities		\$ 1,903,894	35.35	1,898,557	35.25
NONCURRENT ASSETS						NONCURRENT LIABILITIES							
1600	Property, plant and equipment	4、6(5)、8	1,809,808	33.61	2,054,428	38.15	2540	Long-term bank borrowing	6(8)	671,605	12.47	722,425	13.42
1780	Intangible assets	4	1,783	0.03	24	0.00	2571	Deferred income tax liabilities-Land value increment tax		7,386	0.14	7,386	0.14
1840	Deferred income tax assets	4、5、6(13)	25,233	0.47	29,230	0.54	2572	Deferred income tax liabilities-income tax	4、6(13)	2,307	0.04	2,744	0.05
1915	Prepayments for equipment		182,617	3.39	76,135	1.41	2640	Accrued pension liabilities	4、5、6(9)	78,091	1.45	89,756	1.67
1920	Refundable deposit	9	19,668	0.37	21,550	0.40	2645	Guarantee deposits		462	0.02	500	0.01
1985	Prepaid investments	4	125,624	2.33	101,322	1.88		Total noncurrent liabilities		759,851	14.12	822,811	15.29
1990	Other assets		2,364	0.04	2,463	0.06		Total liabilities		2,663,745	49.47	2,721,368	50.54
	Total noncurrent assets		2,167,097	40.24	2,285,152	42.44		EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
								Owners equity					
							3100	Capital stock	6(10)	726,000	13.48	726,000	13.49
							3200	Capital surplus	6(10)	453,467	8.42	453,467	8.42
							3300	Retained earnings	6(10)				
							3310	Legal reserve		259,498	4.82	201,355	3.74
							3320	Special reserve		44,348	0.82	44,348	0.82
							3350	Unappropriated earnings		1,393,965	25.88	1,153,679	21.42
							3400	Other	6(10)				
							3410	Financial statements translation differences for foreign operations		(155,667)	(2.89)	84,610	1.57
								Equity attributable to shareholders of the parent		2,721,611	50.53	2,663,459	49.46
1xxx	Total assets		\$ 5,385,356	100.00	\$ 5,384,827	100.00		Total liabilities and equity		\$ 5,385,356	100.00	\$ 5,384,827	100.00

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Year Ended December 31 ,2016 and 2015

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

		For the year ended December 31				
		2016		2015		
	Item	Note	Amount	%	Amount	%
4000	Net Sales	4、6(11)、7	\$ 6,090,390	100.00	\$ 5,922,201	100.00
5000	Cost of goods sold	6(4)	(4,916,094)	(80.72)	(4,725,558)	(79.79)
5900	Gross profit		1,174,296	19.28	1,196,643	20.21
6000	Operating expenses					
6100	Promotion expenses		(240,206)	(3.94)	(215,902)	(3.65)
6200	Management expenses		(210,491)	(3.46)	(201,449)	(3.40)
6300	Research expenses		(29,701)	(0.49)	(28,648)	(0.48)
6000	Total Operating expenses		(480,398)	(7.89)	(445,999)	(7.53)
6900	Operating profit		693,898	11.39	750,644	12.68
	Other non-operating income and expenses					
7020	Other income	6(12)	97,335	1.60	51,451	0.87
7050	Finance costs	6(12)	(13,388)	(0.22)	(24,456)	(0.42)
7000	Other non-operating income and expenses		83,947	1.38	26,995	0.45
7900	Income before income tax		777,845	12.77	777,639	13.13
7950	Income tax expense	4、6(13)	(195,478)	(3.21)	(196,208)	(3.31)
8200	Net Income		582,367	9.56	581,431	9.82
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)	(962)	(0.02)	(7,424)	(0.12)
8349	Income tax (expense) related to components of the comprehensive income	6(13)	164	0.00	1,262	0.02
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations	6(11)	(240,277)	(3.95)	(53,788)	(0.91)
8300	Other comprehensive income (loss) for the period ,net of income tax		(241,075)	(3.97)	(59,950)	(1.01)
8500	Total comprehensive income for the period		\$ 341,292	5.59	\$ 521,481	8.81
8600	Net income attributable to :					
8610	Owners of parent		\$ 582,367	9.56	\$ 581,431	9.82
8620	Non-controlling interests		-	-	-	-
	Net income		\$ 582,367	9.56	\$ 581,431	9.82
8700	Comprehensive income attributable to :					
8710	Owners of parent		\$ 341,292	5.59	\$ 521,481	8.81
8720	Non-controlling interests		-	-	-	-
	Total comprehensive income for the period		\$ 341,292	5.59	\$ 521,481	8.81
9750	Basic earnings per share(NT dollars)	4、6(15)	\$ 8.02		\$ 8.01	
9850	Diluted earnings per share(NT dollars)	4、6(15)	\$ 8.02		\$ 8.00	

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31, 2016 and 2015

(All Amounts Expressed In Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Other equity items	Non-controlling interests	Total Equity
	Ordinary shares	Amounts		Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations		
Balance as of January 1, 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
Balance as of January 1, 2016	72,600	\$ 726,000	\$ 453,467	\$ 201,355	\$ 44,348	\$ 1,153,679	\$ 84,610	\$ -	\$ 2,663,459
Legal reserve appropriated	-	-	-	58,143	-	(58,143)	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(283,140)	-	-	(283,140)
Net income in 2016	-	-	-	-	-	582,367	-	-	582,367
Other comprehensive income for the year	-	-	-	-	-	(798)	(240,277)	-	(241,075)
Balance as of December 31, 2016	72,600	\$ 726,000	\$ 453,467	\$ 259,498	\$ 44,348	\$ 1,393,965	\$ (155,667)	\$ -	\$ 2,721,611

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES		
Consolidated Statements of Cash Flows		
For the Year Ended December 31 ,2016 and 2015		
(All Amounts Expressed In Thousands of New Taiwan Dollars)		
	For the year ended December 31	
	2016	2015
Cash flows from operating activities		
Consolidated Profit before income tax	\$ 777,845	\$ 777,639
Adjustments for :		
Depreciation expense	290,454	261,124
Amortization expense	7,502	6,445
Other expense	50	(465)
Interest expense	13,388	24,456
Interest income	(2,332)	(2,871)
(Income) Provision for doubtful accounts	(925)	6,255
Provision for inventory market price decline	4,609	-
Loss on disposal of inventory	46,585	9,188
(Profit) Loss on physical inventory	(986)	(1,059)
Loss on disposal of assets	2,994	4,290
(Reversal) Impairment of Assets	(3,762)	(2,188)
Foreign exchange (gain)	(1,695)	(7,985)
Total adjustments to reconcile profit or loss	355,882	297,190
Changes in operating assets and liabilities		
(Increase) in notes receivable	(36,918)	(34)
(Increase) in accounts receivable	(102,234)	(68,278)
(Increase) Decrease in other receivable	(30,806)	2,015
Decrease (Increase) in inventories	12,673	(229,155)
Decrease in prepayments	69,807	12,702
(Increase) Decrease in other current assets	(24,251)	37,832
Increase in notes payable	49,619	10,790
(Decrease) in accounts payable	(49,121)	(25,458)
Increase in other payable	6,262	3,938
Increase (Decrease) in unearned receipts	3,427	(4,268)
Increase in other current liabilities	299	-
(Decrease) Increase in accrued pension liabilities	(12,627)	2,239
Total Changes in Operating Assets and Liabilities	(113,870)	(257,677)
Cash generated from operating	1,019,857	817,152

(Continued)

	For the year ended December 31	
	2016	2015
Interest received	2,359	3,047
Income taxes paid	(214,525)	(191,916)
Net cash generated by operating activities	807,691	628,283
Cash flows from investing activities		
Acquisition of property , plant and equipment	(146,963)	(168,240)
Disposal of property , plant and equipment	492	840
Acquisition of intangible assets	(3,211)	-
(Increase) in prepayments for equipment	(71,606)	(190,110)
Decrease (Increase) in restricted assets	1,431	(336)
(Increase) in long-term prepaid rent	(35,320)	-
(Increase) Decrease in Instead of payment	(186)	901
Decrease (Increase) in refundable deposits	868	(6,135)
Net cash used in investing activities	(254,495)	(363,080)
Cash Flows From Financing Activities :		
Interest paid	(13,425)	(24,675)
Increase (Decrease) in short-term loans	146,593	(51,734)
Increase in short-term bills payable	15,000	75,000
(Decrease) Increase in long-term bank borrowing	(149,673)	135,647
Cash dividends	(283,140)	(203,280)
Increase in other current liabilities	107	697
Net cash used in financing activities	(284,538)	(68,345)
Effect of exchange rate changes on cash and cash equivalents	(220,566)	(7,135)
Net Increase in cash and cash equivalents	48,092	189,723
Cash and cash equivalents, beginning of year	529,058	339,335
Cash and cash equivalents, end of year	\$ 577,150	\$ 529,058

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

Attachment 5

NAN LIU ENTERPRISE CO., LTD.

Comparison between the original and amendments to the
Articles of Incorporation

Amended version	Original version	Reason
<p>Article 14: The Company has 7 to 9 directors and 3 supervisors, who shall be elected by the shareholders' meeting from those with disposing capacity for a term of 3 years. They may be eligible for re-election. The percentage of shareholdings of all the directors and supervisors selected is subject to the provisions separately prescribed by the competent authority in charge of securities affairs.</p> <p><u>In above directors numbers, the Company shall not appoint independent directors of no less than two in number and no less than one-fifth of the total number of directors. Directors and supervisors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the Competent Authority.</u></p>	<p>Article 14: The Company has 7 to 9 directors and 3 supervisors, who shall be elected by the shareholders' meeting from those with disposing capacity for a term of 3 years. They may be eligible for re-election. The percentage of shareholdings of all the directors and supervisors selected is subject to the provisions separately prescribed by the competent authority in charge of securities affairs.</p> <p><u>According to Article 183 of the Securities and Exchange Act, the Company shall not appoint independent directors of no less than two in number and no less than one-fifth of the total number of directors. Independent directors shall be elected by shareholders from the candidates list based on the candidates-nomination system.</u> Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the Competent Authority.</p>	<p>In compliance with Article 192-1 of the Company Act amended.</p>

<p><u>The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.</u></p>		
<p>The articles were drawn up on November 15, 1978 and were revised on December 30, 1979 for the first time,, amended on April 30, 2013 for the 32nd time, and amended on June 13, 2016 the 33rd time, and <u>amended on May 31, 2017 the 34rd time.</u></p>	<p>The articles were drawn up on November 15, 1978 and amended on December 30, 1979 for the first time,, amended on April 30, 2013 for the 32nd time, and amended on June 13, 2016 the 33rd time.</p>	<p>Amendment dates are added</p>

NAN LIU ENTERPRISE CO., LTD.

**Comparison between the original and amendments to the
Procedures for Acquisition or Disposal of Assets**

Amended version	Original version	Reason
<p>Article 2 : These Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act") and <u>Financial Supervisory Commission R.O.C.(Taiwan)</u>("FSC")</p>	<p>Article 2 : These Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act") and Securities and Futures Bureau.</p>	<p>Revise the competent authority.</p>
<p>Article 8 Under any of the following circumstances, a public company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>issued by domestic securities investment trust enterprises.</u></p>	<p>Article 8 Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p>	<p>1. Revise the competent authority. 2. Amendments base on the revised regulations "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" announced by FSC on Feb. 9, 2017 (No. 1060001296).</p>

Amended version	Original version	Reason
<p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million;</p>	<p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: A. Trading of government bonds. B. Securities trading by</p>	

Amended version	Original version	Reason
<p>provided, this shall not apply to the following circumstances:</p> <p>A. Trading of government bonds.</p> <p>B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by <u>investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</u></p> <p>C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project 	<p>investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</p> <p>C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>D. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>E. Acquisition or disposal by the company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>F. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership</p>	

Amended version	Original version	Reason
<p>within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days counting inclusively from the date of knowing</u> of such error or omission.</p> <p>A public company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and</p>	<p>percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the</p>	

Amended version	Original version	Reason
<p>securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>A public company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	
<p>Article 9: Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the <u>FSC</u> within 2 days commencing immediately from the date of occurrence of the event: (The following omitted)</p>	<p>Article 9: Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the <u>SFB</u> within 2 days commencing immediately from the date of occurrence of the event: (The following omitted)</p>	<p>Revise the competent authority.</p>
<p>Article 10: In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting</p>	<p>Article 10: In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with</p>	<p>Amendments based on the revised regulations "Regulations Governing the Acquisition and Disposal of Assets</p>

Amended version	Original version	Reason
<p>with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (The following omitted)</p>	<p>a government, institution engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (The following omitted)</p>	<p>by Public Companies” announced by FSC on Feb. 9, 2017 (No. 1060001296).</p>
<p>Article 12: Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u>, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Article 12: Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government institution, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Same as Article 10.</p>
<p>Article 16: When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or</p>	<p>Article 16: When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or</p>	<p>Same as Article 10.</p>

Amended version	Original version	Reason
<p>subscription or <u>repurchase of domestic money market funds issued by Securities Investment Trust Enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors: (The following omitted)</p>	<p>subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors: (The following omitted)</p>	
<p>Article 18: (The above omitted) The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the <u>FSC</u> has given its consent. (The following omitted)</p>	<p>Article 18: (The above omitted) The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the <u>SFB</u> has given its consent. (The following omitted)</p>	<p>Same as Article 10.</p>
<p>Article 19: (The above omitted) 8.Information announce A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the <u>FSC</u> by the 10th day of each month. (The following omitted)</p>	<p>Article 19: (The above omitted) 8.Information announce A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Futures Bureau by the 10th day of each month.</p>	<p>Revise the competent authority.</p>

Amended version	Original version	Reason
	(The following omitted)	
<p>Article 20: A public company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u> (The following content delete, and move to Article 21)</p>	<p>Article 20: The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction,</p>	<p>Same as Article 10.</p>

Amended version	Original version	Reason
	<p>or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>	
<p>Article 21: The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up</p>	<p>Added.</p>	<p>Strengthen the contents according to the laws and regulations of the competent authorities.</p>

Amended version	Original version	Reason
measures, and the preliminary date of the next shareholders meeting.		
<p>Article <u>22</u>:</p> <p>A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the <u>FSC</u> is notified in advance of extraordinary circumstances and grants consent.</p> <p>A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the <u>FSC</u> is notified in advance of extraordinary circumstances and grants consent.</p> <p>(The following omitted)</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.</p> <p>(The following omitted)</p>	<p>Article 21:</p> <p>A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the SFB is notified in advance of extraordinary circumstances and grants consent.</p> <p>A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the SFB is notified in advance of extraordinary circumstances and grants consent.</p> <p>(The following omitted)</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the SFB for recordation.</p> <p>(The following omitted)</p>	<ol style="list-style-type: none"> 1. Change the article No. 2. Revise the competent authority.
<p>Article 23:</p> <p>Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer</p>	<p>Added.</p>	<p>Strengthen the contents according to the laws and regulations of the</p>

Amended version	Original version	Reason
<p>of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.</p>		<p>competent authorities.</p>
<p>Article <u>24</u>: (Deleted)</p>	<p>Article 22: The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record related information, and secure the right of participated company.</p>	<ol style="list-style-type: none"> 1. Change the article No. 2. Amendments the contents according to the laws and regulations of the competent authorities.
<p>Article 25: The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:</p> <ol style="list-style-type: none"> 1. Handling of breach of contract. 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged. 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof. 	<p>Added.</p>	<p>Strengthen the contents according to the laws and regulations of the competent authorities.</p>

Amended version	Original version	Reason
<p>4. The manner of handling changes in the number of participating entities or companies.</p> <p>5. Preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</p>		
<p>Article 26: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p>	Added.	Strengthen the contents according to the laws and regulations of the competent authorities.
<p>Article 27: Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the</p>	Added.	Strengthen the contents according to the laws and regulations of the competent authorities.

Amended version	Original version	Reason
non-public company whereby the latter is required to abide by the provisions of Article 22, Article 23, and Article 26.		
Article <u>28</u> :	Article 23:	Change the article No.
Article <u>29</u> :	Article 24:	Change the article No.
<p>Article 30: After the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.</p> <p><u>When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>Article 25: After the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.</p>	<ol style="list-style-type: none"> 1. Change the article No. 2. Same as Article 10.

Appendix 1



Nan Liu Enterprise Co., Ltd.

Articles of Incorporation

(Translation)

Chapter I General Provisions

Article 1: The organization's name is Nan Liu Enterprise Co., Ltd., according to the provisions related to limited companies in the Company Act.

Article 2: The Company's businesses are listed as follows:

1. Manufacturing, processing, trade, and import and export of suede, imitation leather, nonwoven linings, fabrics for civil engineering, waterproof/fire-resistant filter bag nets, resin bond paddings, shoe materials, non-woven carpets, nylon carpets, and DuPont synthetic fiber bullet-proof vests. (C303010 non-woven) (C399990 other textile and apparel manufacturing) (C0401030 leather, fur finishing) (CK01010 shoe manufacturing) (CI01020 carpet, felt manufacturing)
2. Manufacturing, trade, and import and export of scrub sponges, abrasive wheels for industrial use, household aluminum foil products (aluminum foil anti-pollution plates). (F106020 wholesale of articles for daily use) (C901990 other non-metallic mineral products manufacturing)
3. Trade, import and export of household hardware, non-woven, resin, carborundum, aluminum products and their raw materials. (F106010 wholesale of hardware) (F107990 wholesale of other chemicals) (F207990 retailing of other chemicals)
4. Manufacturing, processing, trade, and import and export of non-woven air filters, cotton fabrics, and aluminum paper dining tableware. (CO01010 cutlery manufacturing)
5. Trade, import and export of household plastic products (tableware) and stainless steel cutlery. (F401010 international trade)
6. Agent of domestic and foreign manufacturers' distribution, quotation and bidding for above-mentioned products. (F401010 international trade)
7. H701020 development and rental of industrial plants.
8. H701040 specialized field construction and development.
9. C802100 cosmetic manufacturing.
10. C601040 paper processing.
11. F108040 wholesale of cosmetics.
12. F208040 retailing of cosmetics.
13. C802110 cosmetic pigment manufacturing.
14. C103030 dehydrated foods manufacturing.
15. F102160 wholesale of supplementary foods.
16. F102010 wholesale of frozen prepared foods.
17. F102160 wholesale of dehydrated foods.
18. ZZ99999 the Company may operate any business not prohibited or restricted by laws or regulations, except for those that require special permission.

19. C802090 cleaning preparations manufacturing.

20. F107030 wholesale of cleaning preparations.

21. F207030 trade of cleaning preparations.

Article 3: The Company may guarantee other companies.

Article 4: The Company is headquartered in Kaohsiung City, Taiwan. If necessary, the Board of Directors will pass a resolution to set up branch offices in the domestic and international markets.

Article 5: The Company makes announcements in accordance with Article 28 of the Company Act.

Chapter II Shares

Article 6: The total capital of the Company is NT\$1,000,000,000 (consisting of 100,000,000 shares at NT\$10 per share). The shares are issued in installments.

Article 7: Deleted

Article 8: All of the Company's shares are registered. Share certificates shall be affixed with the signatures or personal seals of three or more directors of the Company and stamped with the company seal, and shall be duly certified in accordance with the relevant laws before issuance. For the shares to be issued to the public by the Company, the Company may be exempted from printing share certificates for the shares issued. For the shares to be issued in accordance with the provision of the preceding statement, the Company shall appoint a centralized securities custodian to make recordation or keep custody of the issue of such shares. Furthermore, shares may be converted to share certificates in large denomination as per request of the centralized securities custodian. When the Company proposes to cancel a public offering, the proposal shall obtain the resolution adopted at a shareholders' meeting.

Article 9: The Company's shareholder services are performed according to the Regulations Governing the Administration of Shareholder Services of Public Companies.

Chapter III Shareholders' Meeting

Article 10: Shareholders' meetings shall be of two kinds: a regular meeting of shareholders or a special meeting of shareholders. A regular meeting of shareholders is held at least once every year, and shall be convened within 6 months after the close of the fiscal year. A special meeting of shareholders shall be convened as required under the related rules. A notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a special meeting of shareholders shall be given no later than 15 days prior to the scheduled meeting date. The time, place and proposal(s) of the meeting shall be indicated in the notice and given to shareholders in writing or by electronic transmission. However, for shareholders holding less than 1,000 shares, they shall be informed by public notice.

Article 11: When a shareholder cannot attend a shareholders' meeting, he/she/it may appoint a proxy to attend on his/her/its behalf by executing a power of attorney printed by the company stating the scope of power authorized to the proxy. The power of attorney shall be signed and sealed for the proxy to attend the meeting.

Article 12: Except for shareholders who have no voting power under Article 179 of the Company Act, each shareholder shall have one voting right.

Article 13: Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Voting rights for resolutions adopted at a shareholders' meeting shall be performed in writing

or by electronic transmission.

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson of the meeting and shall be distributed to all shareholders of the company within 20 days after the close of the meeting in writing or by electronic transmission. The required distribution of the minutes of a shareholders' meeting may be effected by public notice.

Chapter IV Directors and Supervisors

Article 14: The Company has 7 to 9 directors and 3 supervisors, who shall be elected by the shareholders' meeting from those with disposing capacity for a term of 3 years. They may be eligible for re-election. The percentage of shareholdings of all the directors and supervisors selected is subject to the provisions separately prescribed by the competent authority in charge of securities affairs.

According to Article 183 of the Securities and Exchange Act, the Company shall not appoint independent directors of no less than two in number and no less than one-fifth of the total number of directors. Independent directors shall be elected by shareholders from the candidates list based on the candidates-nomination system. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the Competent Authority.

Article 15: The Board of Directors is organized by the directors. The Chair is elected by a majority vote at a meeting attended by over two-thirds of the directors to represent the company externally. In the case where a meeting of the Board of Directors takes place via remote visual communications, such as video conferencing, then the directors taking part in such a meeting is deemed to have attended the meeting in person. According to Article 205 of the Company Act, a director may appoint another director to attend a meeting of the Board of Directors in his/her behalf. A director may accept the appointment to act as the proxy of one other director only.

Article 15-1: In calling a meeting of the Board of Directors, a notice setting forth the subjects to be discussed at the meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. However, in the case of an emergency, the meeting may be convened at any time. The notice of the Board of Directors meeting may be effected in writing, by email, or fax to inform each director and supervisor.

Article 16: In case the Chair of the Board of Directors is on leave or absent or cannot exercise his power and authority for any cause, a designate shall be selected according to Article 208 of the Company Act.

Article 17: The Board of Directors is authorized to set compensation of the directors and supervisors according to their participation in operations and contributions, as well as taking into account the levels of such compensation at other companies.

Chapter V Managers

Article 18: The Company may have one or more managerial personnel. The appointment, discharge and the remuneration of the managerial personnel shall be decided in accordance with Article 29 of the Company Act.

Chapter VI Accounting

Article 19: The fiscal year of the Company starts from January 1 to December 31. The Board of Directors shall prepare the following statements and records and forward the same to

supervisors for their review no later than the 30 days prior to the date of a general meeting of shareholders.

1. Business report.
2. Financial statements.
3. The earnings distribution or loss off-setting proposals.

Article 20: If the Company makes a profit, over 1% shall be set aside as compensation for employees, and less than 2% as compensation for directors and supervisors. However, the Company's accumulated losses shall first have been covered. If the Company makes a profit, taxes shall be paid and accumulated losses shall be covered first, followed by 10% being set aside as a legal reserve. A special reserve shall be set aside if necessary. Based on business conditions at the time, the Board of Directors may then propose to distribute any remaining profit amount, and such proposal shall be submitted for approval at the shareholders' meeting. Employees may be compensated in shares or in cash. Employees who qualify for compensation may include those of the Company's subsidiaries who meet specific criteria. Compensation of the directors and supervisors shall be paid in cash. The preceding two paragraphs shall be adopted by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors and submitted to the shareholders' meeting.

Article 20-1: The Company's business is still growing, and we will continue to invest to strengthen our market position. To adapt to future funding demands and long-term financial planning, a dividend is distributed based on a residual dividend policy, mainly in line with future capital budgeting plans.

Chapter VII Supplemental Provisions

Article 21: The Company's total amount of reinvestment shall not be restricted by Article 13 of the Company Act.

Article 22: For matters not specified in the Articles, all must comply with the Company Act.

Article 23: The articles were drawn up on November 15, 1978. They were amended on December 30, 1979 for the first time; amended on April 25, 1981 for the second time; amended on August 5, 1983 for the third time; amended on January 11, 1984 for the fourth time; amended on April 5, 1984 for the fifth time; amended on March 21, 1985 for the sixth time; amended on August 25, 1988 for the seventh time; amended on October 23, 1989 for the eighth time; amended on September 14, 1990 for the ninth time; amended on June 20, 1995 for the 10th time; amended on December 7, 1997 for the 11th time; amended on April 29, 1998 for the 12th time; amended on July 9, 1999 for the 13th time; amended on July 31, 1999 for the 14th time; amended on April 30, 2000 for the 15th time; amended on June 3, 2000 for the 16th time; amended on April 28, 2001 for the 17th time; amended on November 3, 2001 for the 18th time; amended on June 25, 2002 for the 19th time; amended on September 23, 2002 for the 20th time; amended on June 19, 2003 for the 21st time; amended on June 18, 2004 for the 22nd time; amended on December 10, 2004 for the 23rd time; amended on June 17, 2005 for the 24th time; amended on June 27, 2006 for the 25th time; amended on June 7, 2007 for the 26th time; amended on June 16, 2008 for the 27th time; amended on June 22, 2009 for the 28th time; amended on June 24, 2010 for the 29th time; amended on June 13, 2011 for the 30th time; amended on November 16, 2012 for the 31st time; and amended on April 30, 2013 for the 32nd time; and amended on June 13, 2016 the 33rd time.

Nan Liu Enterprise Co., Ltd.

Chairman: Huang, Chin-san

Nan Liu Enterprise Co., Ltd.
Procedures for Acquisition or Disposal of Assets
(Translation)

2014.03.17 revised

Article1 Purpose

For protect investment, information disclosure, the company shall handle the acquisition or disposal of assets in compliance with the procedures.

Article2 Accordance

The procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act").

Article3 The term "assets" as used in the procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Article3-1 Terms used in the procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly

authorized by law to engage in the value appraisal of real property or equipment.

5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4 Evaluation procedures

1. In acquiring or disposing of securities which are not traded on any stock exchange or over-the-counter, its net worth per share, profitability, potential of future growth, market rates, interest rates of bonds, credit ratings and its current market price shall be evaluated.

2. When the securities are acquired or disposed of through stock exchange or over-the-counter, the then current stock or bond prices shall be used as the basis for determining the price.

3. Acquisition or disposal of assets other than the assets mentioned above shall be effected through price inquiry, price comparison, price negotiation, or public bidding, and references shall be made to public announcements of present value and price of real property in the neighborhood.

Article 5 Procedures of acquiring or disposal of assets

1. When acquiring or disposing assets, responsible department must present to decision-making authorities following evaluation contents : motivation, target, counterparts of the deal, prices, terms of payments/receivables and reference materials of prices

2. Responsible departments are as follows:

i) marketable securities – finance department

ii) plant, properties and other fixed assets – departments utilizing the assets.

iii) other assets – evaluate before execution.

3. The acquisition or disposal of assets should abide by our rules of internal controls. Violators are subject to punishment.

Article 6 Securities

1. The purchase or sale of long/short term marketable securities must be approved by general manager and chairman.

2. Before the acquisition or disposal of fixed assets, the responsible department must present to chairman analysis reports which covers term of trades and prices and , after the deal is done, reports to the next board meeting. For deals reaches the standards of public announcement, the deal must not be executed before the approval of board meeting.

3. For amounts less than NTD 100,000,000 , deals can be approved and executed by

authorization levels. For amounts greater than NTD 100,000,000 , deals can only be executed after being approved by board meeting.

Article 7 Limits of investments

Investments in non-operational fixed assets and marketable securities should not exceed 30% of total assets, among which marketable securities should not exceed 20% of total assets and none of any specific marketable security should not exceed 10% of total asset.

Article 8 Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.

2. Merger, demerger, acquisition, or transfer of shares.

3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.

4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

A. Trading of government bonds.

B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.

C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.

D. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

E. Acquisition or disposal by the company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

F. Where land is acquired under an arrangement on engaging others to build on

the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

A public company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 9

Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.

2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

3. Change to the originally publicly announced and reported information. 本

Article 10

In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph

3 of the preceding paragraph, shall be obtained within 2 weeks commencing immediately from the date of occurrence.

Article 11

The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 12: Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government institution, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 12-1 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 13 Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 14 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Article 15 When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company

shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 12-1 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 16 When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between a public company and its parent or subsidiaries, the company's board of

directors may pursuant to Article 6, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Article 17 A public company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

A public company that acquires real property from a related party and appraises the cost of the real property in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where a public company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 16 and the preceding three paragraphs do not apply:

1. The related party acquired the real property through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract

with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

Article 17-1 When the results of a public company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 18. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - A. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - C. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where a public company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence

of the acquisition of the real property.

Article 18 Where a public company acquires real property from a related party and the results of appraisals conducted in accordance with Article 17 and Article 17-1 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Supervisors shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

A public company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 19 Derivative financial transaction

- (1) Definition of derivative financial instruments

Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

- (2) Limit of scopes

Our derivatives transactions should be only for foreign currency forwards or foreign currency options. Purpose of transactions should be only for the evasion of exchange rate risk rather than speculation. Moreover, transaction currencies must be same as the company's trade-related currencies.

- (3) Strategy of hedge

Chairman should designate a financial planning team. The team must build the strategy, execution and periodical evaluation of positions as well reporting. On

the other hand, the Board should designate senior officers who are not members of financial team to measure, monitor and control risks. The finance team should report to chairman periodically to review and improve hedge strategy.

- (4) The finance team should select banks of better transaction terms. To sign contract with banks before chairman approved. To make transactions under the credit line.
- (5) Risk management
Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
- (6) Exposure Control
Foreign currency forward contract should not exceed the company's sum of actual export/import foreign currency.
When revaluated by market-to-market method, potential exercise value of foreign currency options contract must not exceed USD 5,000,000.
Total loss of derivatives contracts should not exceed USD 250,000. Individual loss should not exceed 5% of that individual contract and should not exceed USD 250,000.
- (7) Trading record
The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters shall be recorded in detail in the log book.
- (8) Information announce
The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- (9) Board of directors supervision
Where the company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:
 1. Designate senior management personnel to pay continuous attention to

monitoring and controlling derivatives trading risk.

2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

A company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

(10) Internal audit

The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.

Article 20: The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of

a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 21: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the SFB is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the SFB is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

Article 22: Public companies participating in a merger, demerger, acquisition, or transfer of

shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, that affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record related information, and secure the right of participated company.

Article 23: The Company's controlling procedure on its subsidiary's procedure of acquiring or disposing of assets:

1. Subsidiary's procedure of acquiring or disposing of assets is follow the parent company.
2. If the subsidiary is not a public listed company, the Company will proceed with the disclosure and report if the subsidiary satisfies the criteria of Article 8.
3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary requires a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

The said "subsidiaries" are companies in which the company directly or indirectly holds more than fifty percent (50%) of their total outstanding shares with voting rights, and so on.

Article 24: Disclosure in financial reports

When the acquisition or disposal of assets reaches the standards of announcement specified in Article 8 and the counterparts are actual related parties, the company should disclose the information in financial reports and report to shareholders' meeting.

Article 25: After the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent

and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.

Appendix 3

NAN LIU ENTERPRISE CO., LTD. **Rules and Procedures of Shareholders' Meeting** (Translation)

Amended edition, November 16, 2012

- Article 1 To establish an effective governing system for shareholders' meetings, build solid supervisory functions, and enhance management functions. The Rules and Procedures are made according to Article 5 of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
- Article 2 The rules and procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be in accordance with the Rules and Procedures stated below.
- Article 3 (Convening shareholders' meetings and shareholders' meeting notices)
Unless otherwise provided by regulations, a shareholders' meeting is convened by the Board of Directors.
30 days before the Company convenes a regular shareholders' meeting, or 15 days before it convenes a special shareholders' meeting, the Company shall prepare electronic files of the meeting announcement, proxy form, and explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or supervisors, and other matters on the shareholders' meeting agenda, and upload them to the Market Observation Post System. 21 days before the Company is to convene a regular shareholders' meeting, or 15 days before it convenes a special shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental materials, and upload it to the Market Observation Post System. 15 days before the Company is to convene a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the company and its stock registrar and transfer agent, and distributed on-site at the meeting.
The causes or subjects of a shareholders' meeting to be convened shall be indicated in the individual notice and the public notice; the notice may be effected via electronic transmission, after obtaining prior consent from the recipients.
Election or discharge of directors and supervisors, alteration of the Articles of Incorporation, and dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, shall be itemized in the causes or subjects to be described in the notice, and shall not be brought up as extemporary motions.
Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a proposal to the Company for discussion at a regular shareholders' meeting. However, only one matter shall be allowed in each proposal. If a proposal contains more than one matter, such proposal shall not be included in the agenda. In addition, if a shareholder's proposal contains matters related to Paragraph 4 of Article 172-1 in the Company Act, the Board of Directors shall not include it in the agenda.
Prior to the book closure date and before a regular shareholders' meeting is convened, the Company shall give a public notice announcing the place and the period for shareholders

to submit proposals to be discussed at the meeting; the period for accepting such proposals shall not be less than 10 days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal-submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting.

Article 4 A shareholder may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company stating the scope of power authorized to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the Company no later than 5 days prior to the date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail, unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later. After providing the power of attorney of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by electronic transmission, a proxy rescission notice shall be filed in writing with the company 2 days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Article 5 (Principles determining time and place of shareholders' meeting)

A shareholders' meeting shall be held at the Company's headquarters and during the business hours of the company, or at a place and time convenient to all directors and suitable for holding such a meeting. The meeting shall begin no earlier than 9:00 a.m. and no later than 3:00 p.m.

Article 6 (Preparation of documents such as the attendance book)

The Company shall furnish the attending shareholders or the proxy (or shareholders) an attendance book to sign; alternatively, the attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished. A shareholder shall attend a shareholders' meeting with the attendance card, sign-in card, or other certificate of attendance; solicitors with solicited proxies shall bring identification documents for verification when attending the shareholders' meeting.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 (The Chair and non-voting participants of a shareholders' meeting)

When a shareholders' meeting is convened by the Board of Directors, the Chair of the Board will chair the meeting. In case the Chair of the Board of Directors is on leave or

absent or cannot exercise his/her power and authority for any cause, the vice chairperson shall act on his/her behalf. In case there is no vice chairperson, or the vice chairperson is also on leave or absent or unable to exercise his/her power and authority for any cause, the Chair of the Board of Directors shall designate one of the managing directors, or where there is no managing director, one of the directors to act on his/her behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting chairperson of the Board of Directors.

A shareholders' meeting convened by the Board of Directors shall be attended by a majority of the directors.

For a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairperson of that meeting provided, however, that if there were two or more people having the convening right, the chairperson of the meeting shall be elected from among themselves.

The Company may designate its lawyer, certified public accountant or other relevant people to attend the shareholders' meeting.

Article 8 (Documentation of shareholders' meeting by audio or video)

The Company shall document the shareholders' meeting by audio or video, and recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The Chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the Chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 10 (Discussion of proposals)

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The Chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the Chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chairperson

according to statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The Chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chair may announce the discussion closed and call for a vote.

Article 11 (Shareholders' speeches)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chair and the shareholder that has the floor; the Chair shall stop any violations.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the Chair may respond in person or direct relevant personnel to respond.

Article 12 (Calculation of voting shares and recusal system)

Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that a shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust entity or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic transmission. When voting rights are exercised by correspondence or electronic transmission, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by

correspondence or electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. Therefore, the Company shall avoid the extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic transmission under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic transmission, and subsequently intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised shall be made known to the Company, by the same means by which the voting rights were exercised, 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic transmission shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic transmission and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

When there is an amendment or an alternative to a proposal, the Chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting shall be announced on-site at the meeting, and a record made of the votes.

Article 14 (Election of directors and supervisors)

The election of directors or supervisors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairperson of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in public notice. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairperson's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

Article 16 (Public disclosure)

On the day of a shareholders' meeting, the Company shall compile in the prescribed form a statistical statement of the number of shares obtained by solicitors through solicitation

and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 (Maintaining order at the meeting place)

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The Chair may direct the proctors or security personnel to help maintain order at the meeting venue. When proctors or security personnel help maintain order at the meeting venue, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the Chair's correction, obstructing the proceedings and refusing to heed calls to stop, the Chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 (Recess and resumption of a shareholders meeting)

When a meeting is in progress, the Chair may announce a break based on time considerations. If a force majeure event occurs, the Chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue. A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These Rules and Procedures, and any amendments hereto, shall be implemented after adoption at shareholders' meetings.

Appendix 4

Nan Liu Enterprise Co., Ltd.

Shareholding of Directors and Supervisors

(Translation)

- (1) The paid-up capital of the company stands at NT\$726,000,000 with 72,600,000 shares.
- (2) In compliance with Article 26 of the Securities and Exchange Act:
Total minimum number of shares required to be held by directors: 5,808,000 shares
Total minimum number of shares required to be held by supervisors: 580,800 shares
As of April 1, 2017, the book closure date, shareholding information of directors and supervisors was as follows:

Job Title	Name	Shares held
Chairman	Bixiu Investments Co., Ltd (Representative: Huang Chin-shan)	5,090,929
Director	Tian Zi Ding Investments Co., Ltd. (Representative: Huang Ho-cun)	8,731,659
Independent Director	Huang, Tung-Rung	0
Independent Director	Hwang, Jin-Feng	0
Independent Director	Huang, Chun-Ping	0
Independent Director	Wang, Chin-Hung	0
Independent Director	Yang, Juei-Hua	181,033
Supervisor	Su, Chao-Shan	0
Supervisor	Chung, Mao-Chih	1,497,451
Supervisor	Hsieh, Chiu-Lan	0
Total shares held of directors		14,003,621
Total shares held of supervisors		1,497,451

Appendix 5

The effect of dividend distributions for the current fiscal year on the Company's operating performance, earnings per share, and return on equity

(I) The effect of dividend distributions proposed by shareholders' meeting for the current fiscal year on the Company's operating performance and earnings per share:
Not applicable.