Stock code: 6504

http://mops.twse.com.tw

NAN LIU ENTERPRISE CO., LTD.

2016 Annual Report

Annual Report Website: Market Observation Post System (http://mops.twse.com.tw)

Related Information: Same as above.

<u>Notice to readers</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on May 12, 2017

1. Contact Information of the Spokesperson:

Spokesperson: Huang, Huo-cun

Title: General Manager

Tel: (07) 611-6616

Email: nanliu98@nanliugroup.com

Deputy Spokesperson: Chang, San-hua

Title: Deputy General Manager

Tel: (07) 611-6616

Website: samchang@nanliugroup.com

2. Contact Information of the Head Office, Branch Offices and Plants:

🗁 Head Office

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

Tel: (07) 611-6616, Fax: (07) 611-0231

🗎 Plant: No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City

🗏 Yanchao Plant: No. 108-8, Szu-Li Rd, Yanchao District, Kaohsiung City, Tel: (07) 614-1799

🗐 China Pinghu Plant: No. 2188, Xinkai Road, Pinghu Economic Development Zone, Zhejiang Province, China, Tel: +86-573-85136616

3. Contact Information of Share Transfer Agency

Name: Stock Transfer and Registrar Department, Yuanta Securities Co., Ltd.

Address: B1, No. 210, Section 3, Chengde Rd, Datong District, Taipei City (103)

Tel: (02) 2586-5859

Website: http://www.yuanta.com.tw (click "Stock Transfer and Registrar Services")

4. Contact Information of the Certified Public Accountants for the Latest Financial Report

Name: Wang Ching-Hsiang and Lin Szu-Ning

CPA Firm: Yangtze CPAs & Co.

Address: 3F, No. 338, Ziyou 4th Rd, Zuoying District, Kaohsiung City (813)

Tel: (07) 348-0086

Website: http://www.yzcpa.com.tw

5. Overseas Trade Places for Listed Negotiable Securities:

None

6. Company Website:

http://www.nanliugroup.com

E-mail: jin@nanliugroup.com

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I. Letter to Shareholders

Thank you for your continuous support and care for Nan Liu, and we hope that you can keep giving us more attention and support!

The following is the report on 2016 business results.

A. 2016 Business Report

(1) Achievements of 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: %

Item		2016	2015
Return on assets		11.00	11.70
Return on shareholders' 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 2016 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 Strategy

(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) External competition, the Regulatory Environment and the General Business Environment Effects

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. We wish you ladies and gentlemen health and success.

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

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

II. Company Profile

1. Company Introduction

(I) Founding Date: December 1978

(II) Contact Information of the Head Office, Branch Offices and Plants:

Name	Address	Tel
Head Office:	No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City	(07) 611-6616
Qiaotou Plant:	No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City	(07) 611-6616
Yanchao Plant	No. 108-8, Szu-Li Rd, Yanchao District, Kaohsiung City	(07) 614-1799
Pinghu Plant	No. 2188, Xinkai Road, Pinghu Economic Development Zone, Zhejiang Province, China	(+86-573-85136616)

(III) Company History

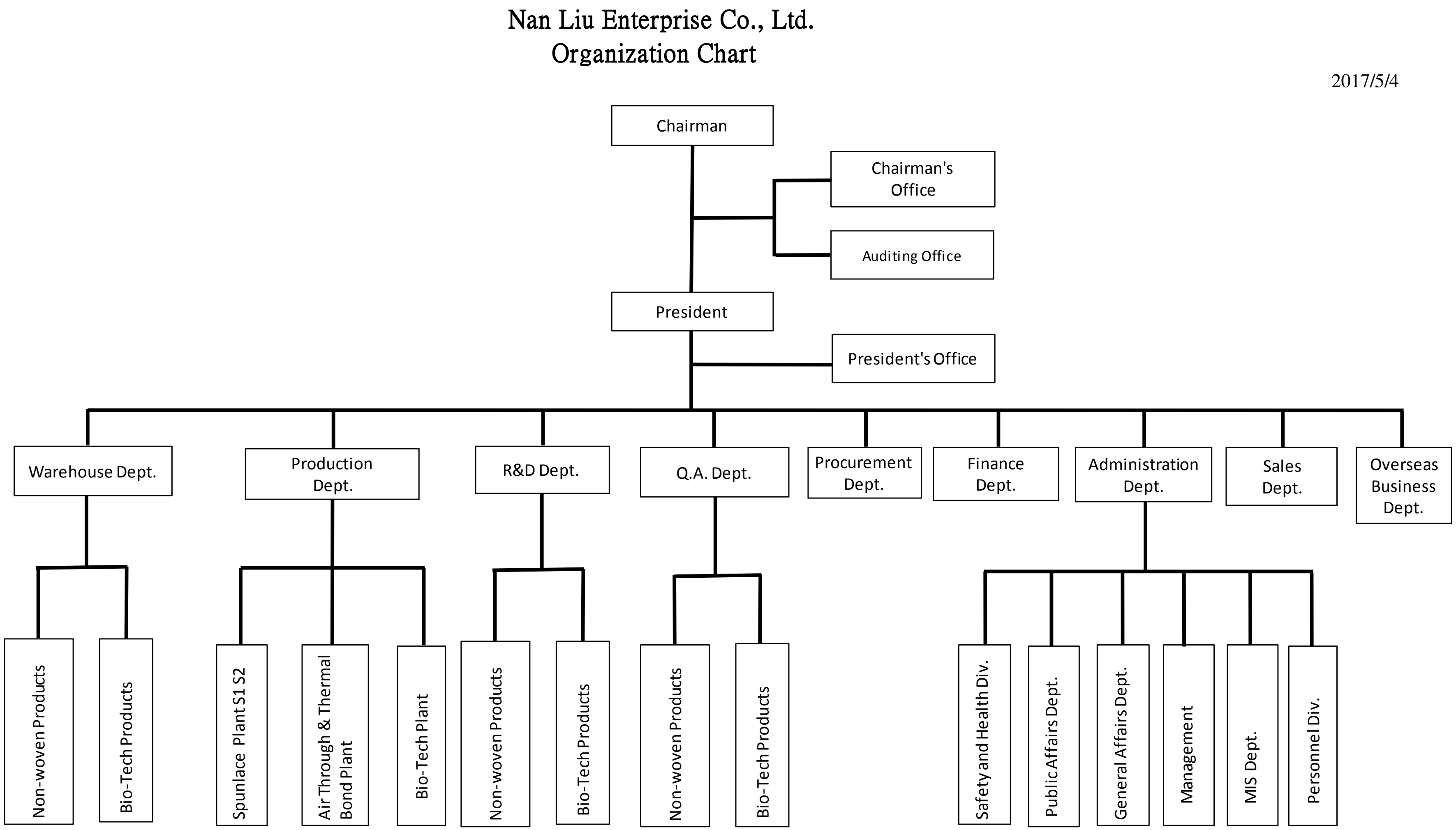
1978	Established the Company, NANLIU ENTERPRISE CO., LTD, on 166 Dingjing Road in Kaohsiung, producing and selling household cleaning fabrics. The capital was NT$1 million.
1980	NANLIU ENTERPRISE CO., LTD combined with NANLIU ENTERPRISE AGENCY at the present site of No. 88, Bixiu Road, Qiaotou District, Kaohsiung City. Its capital was NT$6.6 million. At the same time, the production of grinding materials was developed successfully. The company owned 1200 square meters of working area.
1985	The capital increased to NT$10 million. The Company added nonwoven production lines and began integral operation from fibers to finished products. The high-quality kitchen cleaning fabrics were to be sold to Japan, whose agency was OHE in Hege county, Hainan Township. At the same time, the quality passed the requirements of the 20th Japanese Food Sanitation Law.
1988	The Company purchased two high-performance nonwoven production lines and specialized in producing the lining of bra to support Wacoal, Triumph of Taiwan and other manufacturers. The capital increased to NT$29 million.
1991	The Company purchased the No.1 thermal-bonded machine with a carding machine from Spinnbau (Germany) and a hot melt machine from Ramisch. The Company used Danish Danaklon fibers to produce hot-melt nonwovens to support diaper manufacturers from Taiwan and overseas.
1993	The capital increased to NT$66 million. In December of this year, the Company purchased a needle-punch machine from Dilo Company.
1994	Purchased the No. 2 thermal-bonded machine with a carding machine from Spinnbau and a hot melt machine from Ramisch.
1995	Purchased the No.1 Thru-Air machine with a carding machine from Hergeth (Germany) and Thru-Air machines from Hirano Company (Japan), which was finished in March. Another hot melt machine was added in April.
1997	The capital increased to NT$96 million, and the Company purchased the third thermal-bonded production line.
1998	The No. 3 thermal-bonded machine, the line with Thibau carding and a Kuster high-speed thermal-bonded roller (Germany) was tested successfully and produced well. The capital increased to NT$126 million.

1999	Another NT$34.02 million was added to the capital, and profits were transferred into the capital to achieve capital of NT$197.82 million. The second facility was built. The Company purchased a spunlace line. The Nanliu facilities achieved ISO9001 certification.
2000	Installation and testing of the Spunlace machine and wet wipe converting machine were completed in September. The Spunlace machine produces high-tech and high-quality spunlace nonwoven fabrics used widely in household wipes, soft wet tissues, paper pants, traveling towels, PU artificial leathers, etc. Capital increased to NT$250 million. Stock was offered publicly on July 7.
2001	Profits were transferred into capital to the level of NT$275 million. The product orders of spunlace fabrics at Yanchao Plant exceeded the production capacity. Revenue grew by 22%.
2002	Profits were transferred into capital to the level of NT$297 million. Annual revenue exceeded NT$1 billion, growing by 25%. Plans were made to purchase the second spunlace production line. Company stock was registered on the Taiwan Secondary Stock Market on December 25.
2003	Profits were transferred into capital to the level of NT$326.7 million. A new 400 square meter clean-room quality workshop was installed. Development and manufacturing of cream and liquid cosmetics were begun. The annual revenue reached NT$1.16 billion.
2004	Profits were transferred into capital to the level of NT$349.569 million. The second spunlace production line was installed to begin production in the third quarter of 2005 and contribute NT$600 million to the annual revenue. Biotech care products occupied 28% of the total revenue. The annual revenue reached NT$1.3 billion.
2005	Profits were transferred into capital to the level of NT$384.57 million. The second spunlace product line went online in the third quarter. Biotech care products occupied 35.28% of the total revenue. The annual revenue reached NT$1.42 billion. Construction began on Mainland China's Pinghu Plant.
2006	Profits were transferred into capital to the level of NT$423 million. Biotech care products occupied 30.6% of the total revenue. The annual revenue reached NT$1.53 billion. Surgical gown fabrics that had been developed successfully began the process to receive certification.
2007	The annual revenue reached NT$1.69 billion. Surgical gown fabrics received their quality certification. The spunlace production line of Mainland China's Pinghu Plant was installed. With an area of 4,500 square meters, the biotech plant had a GMPC-based production environment and management and adopted medical-grade EDI ultrapure water equipment.
2008	A combined annual profit of NT$1.9 billion was achieved. Pinghu Plant obtained GMPC and ISO 2000 quality certification and a production permit for cosmetic and hygiene products. Established Nan Liu Enterprise Co., Ltd. (Singapore) in December.
2009	Profits were transferred into capital to the level of NT$468 million. A combined annual revenue of NT$2.32 billion was achieved. The certificate of "Operational Headquarters in Taiwan" was obtained from the Ministry of Economic Affairs. Pinghu Plant: High-Tech Woodpulp Spunlace Fabrics passed European Standard- EN 13795 and AAMI. (Association of Advanced Medical Standard).
2010	Profits were transferred into capital to the level of NT$528 million. A combined annual revenue of NT$2.86 billion was achieved. The ISO 14001:2004 certificate on the Environmental Management System was obtained. Medical fabrics for surgical gowns and drapes were approved by major clients and received orders.
2011	Profits were transferred into capital to the level of NT$600 million. A combined annual revenue of NT$3.52 billion was achieved. The ISO 9001:2008 certificate on the Quality Management System was obtained.

	The CNS certificate was obtained from Bureau of Standards, Metrology & Inspection, Ministry of Economic Affairs. Two automatic converting lines were added for cosmetic facemasks in addition to one 80-pc wet wipe converting line and one travel pack wet wipe converting line.
2012	Capital increased to NT$645 million by cash. A combined annual revenue up to NT$3.7 billion was achieved. FSC™-COC (Chain of Custody) certified. ISO 13485 (Medical Devices Quality Management Systems Standards) certified. ISO 22716 (Cosmetic GMP) certified.
2013	Capital increased by cash to NT$726 million. Combined annual revenue increased to NT$4.568 billion. Approved by Taiwan Stock Exchange for Initial Public Offering on May 7, 2013. The widest spunlace machine (6.2 m width) was installed and began operation in Q4 at the Pinghu plant. Automatic wet wipe converting lines were added to the Taiwan and China plants. Ranked 32 in the Top 40 companies list by Global Nonwovens Industry for 2013.
2014	Combined annual revenue increased to NT$5.34 billion. Installed two additional facial mask processing lines at each of the Taiwan and China plants. Installed another 3.8 m Thru-Air production line at the Pinghu Plant that will begin operation in Spring 2015. Honored with the award of Technical Textiles merit and the 11th Outstanding Enterprise Manager of Southern Taiwan. Qualified as a candidate for the Excellent Performance Award by the Ministry of Economic Affairs. Ranked 25 of Top 40 companies list by Global Nonwovens Industry for 2014.
2015	Combined annual revenue increased to NT$5.92 billion. Established the Nanliu (Taiwan) Charities Foundation in January. Established the Nanliu (Pinghu) Charities Foundation in January as the first foreign company in Pinghu to set up a Charities Foundation. Honored with the 3rd Excellent Performance Award by the Ministry of Economic Affairs in May. Chairman Huang, Chin-shan was awarded the Honorary Doctor of Engineering of National Kaohsiung University of Applied Sciences in May. Two new automatic facial mask processing lines were added in each of the Taiwan and Pinghu plants in Q2. Chairman Huang, Chin-shan took over as the president of Asia Nonwoven Fabrics Association in December. Installed extra 3.8 m Thru-Air production lines in the Pinghu Plant that began operation in Q4.
2016	Consolidated net sales increased to NT$6.09 billion. Through OHSAS 18001 certification (Occupational Health and Safety Management Systems). Nanliu (Pinghu) was awarded 9^{th} place for Industrial sales by Pinghu Economic Development Zone and 14^{th} place for Tax payments in March. Attended IDEA 2016 Global Nonwovens Exhibition at Boston MA, USA in May. Ranked 24^{th} in the Top 40 companies list by Global Nonwovens Industry for 2016 and ranked 4^{th} in Asia. An automatic wet wipe line was added to the Pinghu plant in Q4.
2017	Commencing construction of the new Yanchao plant in February. Awarded ISO 9001 certification (Quality management systems) by SGS international in March. Through ISO 9001-2015 certification and ISO 14001-2015 certifications in March. Attended 2017 INDEX exhibition in Geneva, Switzerland during April.

III. Corporate Governance Report

1. Organization:



Nan Liu Enterprise Co., Ltd.

Department Functions

Department		Primary Duties
Present's Office		1. Execute the resolutions of the Board of Directors. 2. Take charge of the formulation, implementation, communication, and negotiation of the business objectives. 3. Study, formulate, execute, and follow up on the projects. 4. Formulate the guidelines and strategies for the Company's future development.
Auditing Office		1. Formulate and improve the Company's internal control system. 2. Plan and execute the audit on the Company's systems, prepare the audit report on a regular basis, and follow up on the progress.
Overseas Business Department		1. Take charge of operations of overseas subsidiaries.
Business Depart ment	International Trade Division	Take charge of the development and sales of overseas markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service.
	Domestic Trade Division	1. Take charge of development and sales of domestic markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service. 2. Take charge of development and sales of new domestic markets, development of sales channels, product advertising, feedback of market information, and customer service. 3. Take charge of administration, purchase orders, shipments and related promotions related to post offices. 4. Work with post offices to develop and market new products.
Finance Depart ment	Finance Division	Take charge of financial analysis, financing, operations and management of foreign exchange, and management of treasury.
	Accounting Division	Plan and execute accounting, budgets, and tax affairs. Disclose the information on businesses.
Administration Department		1. Take charge of payroll, bonuses, performance evaluation, and training programs. 2. Plan the Company's human resources and organizational development. 3. Take charge of the Company's asset management and safety and health management 4. Take charge of general affairs, transceiver, staff meals, and security.
Information Department		Take charge of formulation and implementation of the Company's computerized operation plan, maintenance of software and hardware, preparation of internal documents, and solutions for the use of computers.
Procurement Department		Take charge of procurement, outsourcing, and inventory management.

<table>
<tr><td rowspan="2">PP Plant</td><td>Plant Affairs Section</td><td>1. Take charge of equipment maintenance and improvement in efficiency.
2. Manage raw materials and finished products in warehouses.
3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.</td></tr>
<tr><td>Production Section</td><td>1. Production of PP thermal-bonded nonwovens.
2. Production of AT nonwovens.
3. Production of cotton resin needle-punched nonwovens.</td></tr>
<tr><td rowspan="3">Biotech Plant</td><td>Plant Affairs Section</td><td>1. Take charge of equipment maintenance and improvement in efficiency.
2. Manage raw materials and finished products in warehouses.
3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.</td></tr>
<tr><td>Warehouse Section</td><td>1. Plan the warehoused stock and shipments.
2. Control the inventory.</td></tr>
<tr><td>Production Section</td><td>Production and processing of masks, cosmetic products, wet wipes, and household cleaning supplies.</td></tr>
<tr><td rowspan="4">Spunlace Plant</td><td>Plant Affairs Section</td><td>1. Take charge of equipment maintenance and improvement in efficiency.
2. Manage raw materials and finished products in warehouses.
3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.</td></tr>
<tr><td>Electromechanical Section</td><td>Plan the maintenance of production machines.</td></tr>
<tr><td>Warehouse Section</td><td>1. Plan the warehouse stock and shipments.
2. Control the inventory.</td></tr>
<tr><td>Production Section</td><td>Production of spunlace nonwovens.</td></tr>
<tr><td>Quality Assurance Department</td><td>Quality Assurance Section</td><td>Ensure the quality of raw materials provided by suppliers.
Ensure the quality of the Company's products.
Take charge of customer complaints, formulate preventive measures, and follow up on the progress.
Formulate the Company's quality policy.</td></tr>
<tr><td colspan="2">R&D Department</td><td>Production of spunlace nonwovens, improvements in the formula, and development and application of new products.
Production of PP nonwovens, improvements in the formula, and development and application of new products.
Production of cosmetic products, improvements in the formula, and development and application of new products.</td></tr>
</table>

2. Board of Directors, Supervisors, General Manager, Deputy General Managers, Assistant Managers, and Directors of Departments and Subsidiary Agencies Directors and Supervisors

April 15, 2017

Unit: Share; %

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Chairman	Republic of China	Bixiu Investments Co., Ltd.	–	2016.06.13	3	2002.09.23	5,090,929	7.89	5,090,929	7.01	–	–	–	–	–	None	–	–	–
		Representative: Huang Chin-san	Male	2016.06.13	3	2002.09.23	5,288,978	8.20	5,288,978	7.29	1,851,159	2.55	–	–	Department of Accounting, Ling Tung University Master of Industrial Engineering and Management, National Kaohsiung University of Applied Sciences Honorary Doctor of Engineering	Chairman of Bixiu Investments Co., Ltd. Chairman of Nanliu Enterprise Co., Ltd (SAMOA) Chairman of NAN LIU ENTERPRISE CO., LTD. (Pinghu) Honorary Director of Taiwan Nonwoven Fabrics Industry Association Chairman of Asia Nonwoven Fabrics Association (ANFA)	Director	Huang, Huo-cun	Brother
Director	Republic of China	Tian Zi Ding Investments Co., Ltd.	-	2016.06.13	3	2002.09.23	8,727,659	13.53	8,731,659	12.03	–	–	–	–	–	None	–	–	–
		Representative: Huang, Huo-cun	Male	2016.06.13	3	2002.09.23	1,491,015	2.31	1,505,015	2.07	694,316	0.96	–	–	Department of Chinese Medicine, Beijing University of Chinese Medicine	General Manager Chairman of Tian Zi Ding Investments Co., Ltd. Deputy Chairman of NAN LIU ENTERPRISE CO., LTD. (Pinghu)	Director	Huang Chin-san	Brother

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Independent Director	Republic of China	Huang Tung-rong	Male	2016.06.13	3	2016.06.13	–	–	–	–	–	–	–	–	Master's degree, Accounting Department, National Chi Nan University. Supervisor, Taiwan Industrial Bank	Managing Partner, Universal United CPA (CPA). Supervisor, Lien Chang Electronic Enterprise (stock code: 2431). Independent Director, Channel Well Technology (stock code: 3078). Audit Committee Member, United Way.	–	–	–
Independent Director	Republic of China	Huang Jin-feng	Female	2016.06.13	3	2016.06.13	–	–	–	–	–	–	–	–	Ph. D., Textile Science and Technology Management, North Carolina State University. Ph. D., Textile Science, Illinois University. Full-time Associate Professor, Oriental Institute of Technology, (formerly known as Oriental Institute). Dean, Garment Engineering. Associate Professor, National Taiwan University of Science and Technology.	Drafter and Review Committee member, Customs Officers and Textile Technician Exams, Special Exam of Civil Servants, Ministry of Examination, Executive Yuan. Review Committee member of the Technology Development Program, Industrial Development Bureau, Ministry of Economic Affairs. Associate Professor, Department of Fiber and Composite Materials, Feng Chia University. Independent Director, Tainan Enterprise	–	–	–

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Independent Director	Republic of China	Huang Chun-ping	Male	2016.06.13	3	2012.06.29	–	–	–	–	–	–	–	–	Ph.D. candidate, Global Business, Institute of China and Asia-Pacific Studies, National Sun Yat-sen University General Manager of Li Yang Development Co., Ltd.	Lecturer of Department of Business Administration, Cheng Shiu University Deputy Director of Incubation Center, Cheng Shiu University	–	–	–
Director	Republic of China -	Wang, Chin-Hung	Male	2016.06.13	3	2016.06.13	–	–	–	–	–	–	–	–	Ph.D. Philosophy, National Cheng Chi University. Master of Business Administration, National Chiao Tung University. Senior Vice President, Taipei Exchange. Senior Executive Officer of Premier's office Executive Yuan R.O.C. Executive Director, SME Guidance Center of Taipei City Government. Associate Researcher of NICI.	Director of Cross-Strait Business General Association.	–	–	–
Director	Republic of China	Yang Rui-hua	Male	2016.06.13	3	2013.04.30	181,033	0.28	181,033	0.25	7,000	0.01	-	-	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	-	-	-

Job Title	Nationality or place of registration	Name	Gender	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Supervisor	Republic of China	Su Chao-shan	Male	2016.06.13	3	2008.06.16	—	—	—	—	—	—	—	—	Executive Master of Business Administration, National Sun Yat-sen University Department of Law, National Taiwan University Professor and Dean of College of Business and Information, Shih Chien University Chairman of Bank of Kaohsiung Assistant Manager of Mizuho Bank Director of Bankers Association of Kaohsiung	Consultant of Shih Chien University Kaohsiung Campus Visiting Professor of Department of Finance, Shih Chien University Supervisor of Laser Tek Taiwan Co., Ltd.	—	—	—
Supervisor	Republic of China	Chung Mao-Chih	Male	2016.06.13	3	2007.06.07	1,497,451	2.32	1,497,451	2.06	—	—	—	—	Department of Accounting, Ling Tung University Business Administration Program, Tunghai University Manager of Pan Kuo-Chin CPAs & Co.	Xin Shi Dai Accountancy and Tax Agent	—	—	—
Supervisor	Republic of China	Hsieh, Chiu-Lan	Female	2016.06.13	3	2016.06.13	—	—	—	—	—	—	—	—	Bachelor of Laws, National Taiwan University	Responsible person of Hsieh, Chiu-Lan law firm	—	—	—

Note 1: For representatives of corporate shareholders, please note the name of corporate shareholders and fill in the following form: Major Shareholders of Institutional Shareholders.

Note 2: In case of discontinuity in the first term of the Company's directors or supervisors, please provide the explanation as Note 1.

Note 3: For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

2. Major Shareholders of Institutional Shareholders

April 2, 2017

Names of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)
Bixiu Investments Co., Ltd.	Huang, Shih-chung 30%
	Huang, Jen-tsung 30%
	Huang, Hui-ju 30%
	Huang, Chin-san 10%
Tian Zi Ding Investments Co., Ltd.	Huang, Huo-cun 5.00%
	Tsai, Lu-wu 4.95%
	Huang, Mei-yun 4.95%
	Hua, Hsiu-tien 4.95%
	Lin, Chiao-wen 4.95%
	Lu, Chia-ni 4.95%
	Hou, Yi-ling 4.95%
	Chen, Mei-li 4.95%
	Li, Kun-yuan 4.95%
	Li, Mei-chen 4.95%
	Li, Yu-sheng 4.95%

Note 1: For representatives of institutional shareholders, please note the names of institutional shareholders and the name of shareholders holding 10% or more of company shares or top ten shareholders.
Note 2: If major shareholders of institutional shareholders are representatives of institutional shareholders, please note the name of the second-layer institutional shareholders: Not applicable.

Directors and Supervisors (2)

Condition / Name	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note 2)										Currently serving as the independent director of other public companies
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	
Bixiu Investments Co., Ltd. Representative Huang, Chin-shan	–	–	✓	–	–	–	–	–	✓	✓	–	✓	–	
Tian Zi Ding Investments Co., Ltd. Representative Huang, Ho-cun	–	–	✓	–	–	–	–	–	✓	✓	–	✓	–	
Huang, Tung-rong	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Huang, Jin-feng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Huang Chun-ping	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wang, Chin-Hung	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Yang Rui-hua	–	–	✓	–	–	✓	✓	✓	✓	✓	✓	✓	✓	
Su Chao-shan	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chung Mao-Chih	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Hsieh, Chiu-Lan	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: For any director or supervisor who fulfills the following relevant condition(s) 2 years before being elected or during the term of office, please provide the ✓ sign in the field next to the corresponding condition(s).

(1) Not employed by the Company or an affiliated business.

(2) Not a director or supervisor of the Company or its affiliates (except for an independent director of the Company, its parent company, or subsidiary, 50% or more of whose shares eligible for voting are directly or indirectly held by the Company).

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within five degrees of kinship in the 3 preceding items.

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a business owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse of a professional, sole proprietorship, partnership, corporation or organization that receives business, legal, financial, or accounting service or consultation from the Company or affiliates.

(8) Not a spouse or a relative within the second degree of kinship with any director.

(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

3. General Manager, Deputy General Manager, Assistant Manager, and Supervisors of Departments and Branch Agencies, April 15, 2016

Unit: Share; %

Job Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 2)	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Number of employee stock warrant
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	of shares			Job Title	Name	Relations	
General Manager	Republic of China	Huang, Huo-cun	Male	95.11.30	1,505,015	2.07%	694,316	0.96%	—	—	Beijing University of Chinese Medicine Department of Chinese Medicine	Chairman of Tian Zi Ding Investments Co., Ltd., Deputy Chairman of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	—
Vice President	Republic of China	Yang Rui-hua	Male	86.09.01	181,033	0.25%	7,000	0.01%	—	—	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	
Overseas Business Department General Manager	Republic of China	Cheng, Te-ming	Male	96.01.03	—	—	—	—	—	—	National Chiao Tung University Master, National Taiwan University Ph.D., Rensselaer Polytechnic Institute New York, U.S.	General Manager of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	
Vice President	Republic of China	Chang, San-hua	Male	100.01.03	9,000	0.01%	—	—	—	—	National Kaohsiung University of Applied Sciences Department of Industrial Engineering and Management	—	—	—	—	
Finance Manager	Republic of China	Chuang, Chun-chin	Female	88.07.01	145,156	0.20%	—	—	—	—	Kaohsiung Municipal Kaohsiung High School of Commerce National Open College of Continuing Education affiliated to National Cheng Kung University Accountant, TOKO DENSHI CO., LTD.	—	—	—	—	
Audit Officer	Republic of China	Chen, Shu-chiu	Female	101.11.28	1,000	0.00%	—	—	—	—	Department of Accounting, Providence University Certified Internal Auditor (CIA) RSM International Auditor, Pontex Group	—	—	—	—	

Note 1: General Manager, Deputy General Manager, Assistant Managers, Supervisors of Departments and Branch Agencies and persons who hold positions equivalent to General Manager, Deputy General Manager, or Assistant Managers shall be disclosed.

Note 2: For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

4. Remuneration of Directors, Supervisors, General Manager and Deputy General Manager

(1) Remuneration paid to directors (including independent directors) in 2016:

December 31, 2016

Unit: NT$1,000, %

Job Title	Name		Director's remuneration: Remuneration (A) (Note 2): The Company	Director's remuneration: Remuneration (A) (Note 2): All companies listed in this financial report (Note 7)	Director's remuneration: Retirement pension (B): The Company	Director's remuneration: Retirement pension (B): All companies listed in this financial report (Note 7)	Director's remuneration: Director's remuneration (C) (Note 3): The Company	Director's remuneration: Director's remuneration (C) (Note 3): All companies listed in this financial report (Note 7)	Director's remuneration: Expense on professional practice (D) (Note 4): The Company	Director's remuneration: Expense on professional practice (D) (Note 4): All companies listed in this financial report (Note 7)	Proportion of NIAT after summing items A, B, C, and D (Note 10): The Company	Proportion of NIAT after summing items A, B, C, and D (Note 10): All companies listed in this financial report (Note 7)	Employee remuneration for other activities: Salaries, bonuses and special expenses (E) (Note 5): The Company	Employee remuneration for other activities: Salaries, bonuses and special expenses (E) (Note 5): All companies listed in this financial report (Note 7)	Employee remuneration for other activities: Retirement pension (F): The Company	Employee remuneration for other activities: Retirement pension (F): All companies listed in this financial report (Note 7)	Employee remuneration for other activities: Employee's remuneration (G) (Note 6): The Company: Cash amount	Employee remuneration for other activities: Employee's remuneration (G) (Note 6): The Company: Shares Sum	Employee remuneration for other activities: Employee's remuneration (G) (Note 6): All companies listed in this financial report (Note 9): Cash amount	Employee remuneration for other activities: Employee's remuneration (G) (Note 6): All companies listed in this financial report (Note 9): Shares Sum	Proportion of NIAT after summing items A, B, C, D, E, F, and G (Note 10): The Company	Proportion of NIAT after summing items A, B, C, D, E, F, and G (Note 10): All companies listed in this financial report (Note 7)	Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in (Note 11)
Chairman	Bixiu Investments Co., Ltd.	Representative Huang, Chin-San	—	—	—	—	3, 658	3, 658	570	570	0. 73%	0. 73%	6, 776	6, 776	—	—	296	—	296	—	1. 94%	1. 94%	—
Director	Tian Zi Ding Investments Co., Ltd.	Representative Huang, Huo-cun																					
Independent Director	Huang, Tung-rong																						
Independent Director	Huang, Jin-feng																						
Independent Director	Huang Chun-ping																						
Director	Wang, Chin-Hung																						
Independent Director	Wu, Nan-yang (Relieved on June 13, 2016)																						
Independent Director	Wu, Hsou-mei (Relieved on June 13, 2016)																						
Director	Wang, Chia-nan (Relieved on June 13, 2016)																						
Director	Yang Rui-hua																						
	Remuneration of Directors provide service to the Company: None.																						

Table of remuneration ranges

Remuneration range for each director in The Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The company (Note 10)	All companies listed in this financial report (Note 10)	The company (Note 10)	All companies listed in this financial report (Note 10)
Less than NT$2,000,000	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wu, Nan-yang, Wu, Hsou-mei, Wang, Chia-nan, Yang, Rui-hua, Wang, Chin-Hung	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wu, Nan-yang, Wu, Hsou-mei, Wang, Chia-nan, Yang, Rui-hua, Wang, Chin-Hung	Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wu, Hsou-mei, Wu, Nan-yang, Wang, Chin-Hung Wang Chia-nan	Huang, Tung-rong, Huang, Jin-feng, Huang, Chun-ping, Wu, Hsou-mei, Wu, Nan-yang, Wang, Chin-Hung Wang Chia-nan
NT$2,000,000 (inclusive)–NT$5,000,000	–	–	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Yang, Rui-hua	Bixiu Investments Co., Ltd. (representative Huang, Chin-san), Tian Zi Ding Investments Co., Ltd. (representative Huang, Huo-cun), Yang, Rui-hua
NT$5,000,000 (inclusive)–NT$10,000,000	–	–	–	–
NT$10,000,000 (inclusive)–NT$15,000,000	–	–	–	–
NT$15,000,000 (inclusive)–NT$30,000,000	–	–	–	–
NT$30,000,000 (inclusive)–NT$50,000,000	–	–	–	–
NT$50,000,000 (inclusive)–NT$100,000,000	–	–	–	–
More than NT$100,000,000	–	–	–	–
Total	10 people (Include Relieved 3 people)	10 people (Include Relieved 3 people)	10 people (Include Relieved 3 people)	10 people (Include Relieved 3 people)

Note 1: The names of directors shall be listed separately (for institutional shareholders, the names of institutional shareholders and representatives shall be listed separately), and the payments shall be disclosed collectively. Directors who also serve as General Manager or Deputy General Manager are already listed in the table and the table below (3).

Note 2: Remuneration of directors in 2016 (including salaries, job remuneration, severance, bonuses, and performance fees).

Note 3: Remuneration paid to directors in 2016 upon the approval of the Board of Directors.

Note 4: Business expenses paid out to directors in the most recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 5: Remuneration for directors concurrently holding positions in the Company (for positions that include the General Manager, Deputy General Manager, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 6: For directors concurrently holding positions in the Company in 2016 (including the General Manager, Deputy Manager, other managerial officers, or employees) and receiving the remuneration (including stock and cash), the employee's remuneration paid in 2016 upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in 2016 shall be based on the proportion of the remuneration distributed last year and filled in Schedule (4).

Note 7: Total remuneration in various items paid out to the Company's directors by all companies (including The Company) listed in the consolidated statement shall be disclosed.

Note 8: For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.

Note 9: Total remuneration in various items paid to every director of The Company by all companies (including The Company) listed in the consolidated statement shall be disclosed. The name of the director shall also be disclosed in the proper remuneration range.

Note 10: Net income refers to the net income in 2016; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report in 2016.

Note 11: (a) The remuneration the Company's director receives from other non-subsidiary companies that The Company has invested in shall be disclosed in this column.

(b) If the director receives remuneration from investments in other companies that are not subsidiaries of The Company, said remuneration shall be included in Column I in the remuneration range table. The name of the column shall also be changed to “All investments in other companies”.

(c) Remuneration in this case shall refer to remuneration, fees (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the director of The Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that The Company has invested in.

＊The remuneration disclosed in the table is different from the income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(2) Supervisor’s remuneration

Unit: NT$1,000, %

Job Title	Name	Supervisor’s remuneration: Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Business execution fees (C) (Note 4)		Proportion of NIAT after summing items A, B, and C (Note 8)		Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in (Note 9)
		The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	The Company	All companies listed in this financial report (Note 5)	
Supervisor	Mr. Su Chao-shan	－	－	1,568	1,568	160	160	0.30%	0.30%	None
Supervisor	Mr. Chung Mao-Chih									
Supervisor	Hsieh, Chiu-Lan									

Table of remuneration ranges

Remuneration range for each supervisor in The Company	Name of the supervisor: Sum of the first 4 items (A+B+C) — The company (Note 6)	All companies listed in this financial report (Note 7) D
Less than NT$2,000,000	Chung, Mao-chih, Su, Chao-shan , Hsieh, Chiu-Lan	Chung, Mao-chih, Su, Chao-shan , Hsieh, Chiu-Lan
NT$2,000,000 (inclusive)–NT$5,000,000	－	－
NT$5,000,000 (inclusive)–NT$10,000,000	－	－
NT$10,000,000 (inclusive)–NT$15,000,000	－	－
NT$15,000,000 (inclusive)–NT$30,000,000	－	－
NT$30,000,000 (inclusive)–NT$50,000,000	－	－

NT$50,000,000 (inclusive)–NT$100,000,000	–	–
More than NT$100,000,000	–	–
Total	3 people	3 people

Note 1: The names of directors shall be listed separately (for institutional shareholders, the names of institutional shareholders and representative shall be listed separately) and payments shall be disclosed collectively.

Note 2: Supervisor's remuneration in 2016 (including supervisor's salary, job remuneration, severance, various bonuses, and performance fees).

Note 3: The remuneration paid to supervisors in 2016 upon the approval of the Board of Directors.

Note 4: Business expenses paid out for supervisors in 2016 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

Note 5: Total remuneration in various items paid out to The Company's supervisors by all companies (including The Company) listed in the consolidated statement shall be disclosed.

Note 6: For the total remuneration in various items paid out to the Company's supervisors, the name of each supervisor shall be disclosed in the corresponding range of the remuneration.

Note 7: Total remuneration in various items paid to every supervisor of The Company by all companies (including The Company) listed in the consolidated statement shall be disclosed. The name of the supervisor shall also be disclosed in the proper remuneration range.

Note 8: Net income refers to the net income in 2016; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report in 2016.

Note 9: (a) The remuneration the Company's supervisor receives from other non-subsidiary companies that The Company has invested in shall be disclosed in this column.

(b) If the supervisor receives remuneration from investments in other companies that are not subsidiaries of The Company, said remuneration shall be included in Column D in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".

(c) Remuneration in this case shall refer to remuneration, compensation (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the supervisor of The Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that The Company has invested in.

＊The remuneration disclosed in the table is different from the income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.

(3) Remuneration for the General Manager and Deputy General Manager

December 31, 2016
Unit: NT$1,000, %

Job Title	Name	Salary (A) (Note 2)		Gratuity/Pension (B)		Bonuses and special expenses (C) (Note 3)		Employee's remuneration (D) (Note 4)				Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note 9)		Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in (Note 11)
		The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in this financial report (Note 7)	The Company	All companies listed in the financial report (Note 7)	The Company		All companies listed in this financial report (Note 5)		The Company	All companies listed in this financial report (Note 7)	
								Cash Sum	Shares Sum	Cash Sum	Shares Sum			
General Manager	Huang, Huo-cun	5,828	5,828	–	–	1,428	1,428	340	–	340	–	1.30%	1.30%	None
Vice President	Mr. Yang Rui-hua													
Overseas Business Department General Manager	Cheng, Te-ming													
Vice President	Chang, San-hua													

Table of remuneration ranges

Range of remuneration paid to each General Manager and Deputy General Manager in The Company	Names of the General Manager and Deputy General Manager	
	The Company	All companies listed in the financial report
Less than NT$2,000,000	Chang, San-hua, Cheng, Te-ming, Yang Rui-hua	Chang, San-hua, Cheng, Te-ming, Yang Rui-hua
NT$2,000,000 (inclusive)–NT$5,000,000	Huang, Huo-cun,	Huang, Huo-cun
NT$5,000,000 (inclusive)–NT$10,000,000	–	–
NT$10,000,000 (inclusive)–NT$15,000,000	–	–
NT$15,000,000 (inclusive)–NT$30,000,000	–	–
NT$30,000,000 (inclusive)–NT$50,000,000	–	–
NT$50,000,000 (inclusive)–NT$100,000,000	–	–
More than NT$100,000,000	–	–
Total	4 people	4 people

(4) Names of managerial officers provided with employee's compensation and state of payments

December 31, 2016
Unit: NT$1,000, %

	Job Title	Name	Shares Sum	Cash Sum	Total	Percentage (%) of total amount to net income after tax
Managerial Officer	General Manager	Huang, Huo-cun	0	343	343	0.06%
	Overseas Business Department General Manager	Cheng, Te-ming				
	Vice President	Yang Rui-hua				
	Vice President	Chang, San-hua				
	Finance Manager	Chuang, Chun-chin				
	Audit Officer	Chen, Shu-chiu				

＊ For managerial officers receiving remuneration (including stock and cash), the employee's remuneration paid in 2016 upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in 2016 shall be based on the proportion of the remuneration distributed last year. Net income refers to the net income in 2016; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report in 2016.

5. Analysis of percentage of total remuneration paid by the Company and all companies listed in the consolidated financial report to the Company's directors, supervisors, General Manager and Deputy General Manager to the net income after tax in the last two years, as well as policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure

(1). Analysis of percentage in last two years

Title	Percentage of total remuneration of parent company in 2016 to the net income after tax (%) (Note 1)		Percentage of total remuneration of parent company in 2015 to the net income after tax (%) (Note 2)	
	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report
Director	1.88%	1.88%	2.13%	2.13%
Supervisor	0.19%	0.19%	0.16%	0.16%
General Manager and Deputy General Manager	1.30%	1.30%	1.63%	1.63%

Note 1: Distributions of earnings are based on the amount approved by the Board of Directors prior to the proposal for distribution of earnings in the 2016 Shareholders' Meeting.
Note 2: Distributions of earnings are based on the amount approved by the Board of Directors prior to the proposal for distribution of earnings in the 2015 Shareholders' Meeting.
Note 3: Net income after tax refers to the net income after tax of all companies listed in 2015 and 2016 consolidated financial reports.

(2). Policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

<1> The remuneration of directors and supervisors is distributed in accordance with Article 17 of the Company's Articles of Incorporation (see the official website); the remuneration paid to directors and supervisors shall be based on the level of participation in the operations, contributions, and the standards of the same trade; the bonuses paid to directors and supervisors shall be based the Company's earnings and personal business

performance and the standards of the same trade. Accordingly, the Company's business performance is closely related to the remuneration of directors, supervisors, General Manager, Deputy General Manager, and employees.

<2> The remuneration of directors and supervisors includes traveling expenses, business expenses, and director's remuneration. If a director is also an employee of the Company, he/she may receive the employee bonus; in addition to the basic salary, job remuneration, performance bonuses, and employee bonuses may be distributed to General Manager and Deputy General Manager based on the official rank and performance.

3. Implementation of Corporate Governance:

(1) Implementation of the Board of Directors:

<1> Seven meetings were held by the Board of Directors in the recent year (2016) with their attendance shown as follows:

Job Title	Name	2016			Remarks
		Attendance in person Number of seats B	Delegated presence	Rate of actual presence (attendance) (%) 【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-san	7	-	100%	Re-appointed
Director	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-cun	7	-	100%	Re-appointed
Independent Director	Wu Nan-yang	1	2	33%	Relieved on June 13, 2016
Independent Director	Wu Hsou-mei	3	-	100%	Relieved on June 13, 2016
Independent Director	Huang Tung-Rung	4	-	100%	Took office on June 13, 2016
Independent Director	Huang Jin-Feng	4	-	100%	Took office on June 13, 2016
Independent Director	Huang Chun-ping	7	-	100%	Re-appointed
Director	Wang Chia-nan	3	-	100%	Relieved on June 13, 2016
Director	Wang Chin-Hung	4	-	100%	Took office on June 13, 2016
Director	Yang Rui-hua	7	-	100%	Re-appointed

<2> Two meetings were held by the Board of Directors as of the publication date of the annual report with the attendance of supervisors shown as follows:

Job Title	Name	2017			Remarks
		Attendance in person Number of seats B	Number of delegated presence	Rate of actual presence (attendance) (%) 【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-san	2	-	100%	
Director	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-cun	2	-	100%	
Independent Director	Huang Tung-Rung	2	-	100%	
Independent Director	Hwang Jin-Feng	2		100%	
Independent Director	Huang Chun-ping	2	-	100%	
Director	Wang Chin-Hung	2	-	100%	

Director	Yang Rui-hua	2	-	100%	

Other items that shall be recorded:

1. For matters specified in Article 14-3 of Taiwan's Securities and Exchange Act or Board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, the date of the Board meeting, session number, content of proposal, opinions of all independent directors, and the Company's disposal of such opinions shall be stated.
   The Company's independent directors have expressed no opposition or qualified opinions.
2. For the avoidance of conflict of interest by directors, the names of directors, content of proposal, reasons for the avoidance of conflict of interest, and the participation in the vote shall be stated: None.
3. Assessment of objectives and implementation status in the area of strengthening the powers of the Board of Directors for current and immediately past years:
   The Company has formulated Regulations Governing Procedure for Board of Directors Meetings according to Regulations Governing Procedure for Board of Directors Meetings of Public Companies and uploaded the attendance to the Board of Directors meetings to Market Observation Post System. Major resolutions made by the Board of Directors have been disclosed on the Company's website and maintained by responsible departments. Information on the Company's finances is also disclosed on the website from time to time.
   Established by the Company in 2011, the Remuneration Committee is responsible to assist the Board of Directors in managing the remuneration.
   To implement the corporate governance and enhance the functions of the Board of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows.
   - Participation in the operations of the company.
   - Enhancement in the decision-making quality of Board of Directors.
   - Composition and structure of board of directors.
   - Election of directors and their continuous education.
   - Internal control.

   The Board of Directors of the Company conducts an annual internal performance evaluation and conducts an annual performance evaluation at the end of each year. It is completed before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2016 were reported to the Board of Directors on March 14, 2017 and the contents were posted on the Company's website.

<3> Operations of the Audit Committee or supervisors' participation in the Board meeting:

The Company does not have an audit committee.

(2) Supervisors' participation in the Board of Directors

<1> Seven meetings (A) were held by the Board of Directors in the recent year (2016) with their attendance shown as follows:

Job Title	Name	Attendance in person (B)	Delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Supervisor	Su Chao-shan	7	-	100%	Re-appointed
Supervisor	Chung Mao-Chih	7	-	100%	Re-appointed
Supervisor	Hsieh, Chiu-Lan	4	-	100%	Took office on June 13, 2016

<2> Two meetings (A) was held by the Board of Directors in 2017 with their attendance shown as follows:

Job Title	Name	Attendance in person (B)	Number of delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Supervisor	Su Chao-shan	2	-	100%	

Supervisor	Chung Mao-Chih	2	-	100%	
Supervisor	Hsieh, Chiu-Lan	2	-	100%	

Other items that shall be recorded:

1. Composition and responsibilities of the supervisors:

(1) Communication between supervisors and the Company’s employees and shareholders (such as channel and method).

Supervisors may communicate with the Company's employees, shareholders and stakeholders at any time according to their responsibilities. Currently, the communication channel functions smoothly.

(2) Communication between supervisors and internal audit director and accountants (such as matters, methods, and results of communication with respect to the Company's finances and business).

A. Supervisors with no objection to the audit director shall submit an audit report submitted by the audit director of audit items to supervisors in the following month after the audit is completed.

B. The audit director shall attend meetings of the Board of Directors and prepare the audit service report to which supervisors have no objection.

C. Supervisors may carry out face-to-face communication and communication in written form with accountants on finance from time to time.

2. If the supervisors stated any opinions while attending Board meetings, the date, session, contents of the case discussed, and resolution of the Directors’ Meeting as well as The Company’s disposition of opinions stated by the supervisors shall be described. None

(3) State of corporate governance, gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
1. Did the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has stipulated best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclosed them in the Investor Area on the Company's website.	No material gap was found.
2. Equity structure and shareholders' rights of the Company (1) Did the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	✓		(1)The Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation. The Company also allows shareholders to ask questions or propose properly. In addition, shareholders may instantly and frequently obtain related information on the Company via the Market Observation Post System or phone and have the right to share profits. The Company convenes the shareholders' meeting according to the Company Act and related regulations and formulates Rules and Procedures for the Shareholders' Meeting (see Meeting Handbook of 2016 Annual Shareholders' Meeting). All resolutions are made in accordance with Rules and Procedures for the Shareholders' Meeting. The resolutions made in the shareholders' meeting comply with related regulations and the Company's Articles of Incorporation. The spokesperson or deputy spokesperson is dedicated to processing shareholder proposals or disputes. The Company will seek the assistance of legal consultants if necessary.	No material gap was found.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company's stock transfer and registrar agency is Yuanta Securities Co., Ltd., which helps the Company control major shareholders and ultimate controlling shareholders. The Company regularly discloses the pledge, increase/decrease in the Company's shares, or major matters that may result in the change in shares for the supervision of shareholders.	No material gap was found.
(3) Did the Company establish and enforce risk control and	✓		(3)The Company has established rules for specific companies or groups with	No material gap

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">State of operations</th><th rowspan="2">Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>firewall systems with its affiliated businesses?</td><td></td><td></td><td>related business operations and financial transactions and supervision measures for subsidiaries and disclosed related information on affiliates in accordance with regulations.</td><td>was found.</td></tr>
<tr><td>(4) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?</td><td>✓</td><td></td><td>(4) The Company has set Regulations Governing Prevention of Insider Trading to prevent insider trading.</td><td>No material gap was found.</td></tr>
<tr><td>3. Composition and responsibilities of the Board of Directors:
(1) Has a policy of diversity been established and implemented for the composition of the Board of Directors?</td><td>✓</td><td></td><td>(1) The Company has established the Corporate Governance Best Practice Principles and the Rules for Electing Directors and Supervisors. The composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:
1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background, professional skills, and industry experience.
At present, the Company has 7 directors, of which 3 are independent directors and one of the independent directors is female. The professional background of the directors includes management, accounting, finance and experience in non-woven industries. And for the accountants, university professors, etc. The Company has 3 supervisors. The professional background of the supervisor members covers law, accounting, finance, etc. Professional advice from the help of lawyers and university lecturers allows us to think in a different angle thereby enhancing the company's business performance and management efficiency. The following is the implementation of the diversification of the directors of the Company:
<table>
<tr><th>Diversified core items / Name of Director</th><th>Gender</th><th>Management</th><th>Leadership</th><th>Industry knowledge</th><th>Accounting</th><th>Finance</th></tr>
<tr><td>Huang, Chin-san</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Huang, Huo-cun</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Huang Tung-Rung</td><td>Male</td><td>V</td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Hwang Jin-Feng</td><td>Female</td><td></td><td></td><td>V</td><td></td><td></td></tr>
<tr><td>Huang Chun-ping</td><td>Male</td><td>V</td><td></td><td></td><td></td><td></td></tr>
</table></td><td>No material gap is found.</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">State of operations</th><th rowspan="2">Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>Wang Chin-Hung</td><td>Male</td><td>V</td><td></td><td></td><td></td><td>V</td></tr>
<tr><td>Yang Rui-hua</td><td>Male</td><td></td><td>V</td><td>V</td><td></td><td></td></tr>
</table></td><td></td></tr>
<tr><td>(2) In addition to Salary and Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional committees?</td><td>✓</td><td></td><td>(2) The Company has established the Remuneration Committee in accordance with regulations and laws. Other operations of corporate governance are processed by responsible departments. No other functional committee is established. In the future, the Company will evaluate the necessity of establishing other committees.</td><td>No material gap is found.</td></tr>
<tr><td>(3) Did the Company stipulate regulations for assessing the performance of the Board of Directors and the process of assessment? Are these performance assessments carried out regularly every year?</td><td>✓</td><td></td><td>(3) To implement the corporate governance and enhance the functions of the Board of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows.
• Participation in the operations of the company.
• Enhancement in the decision-making quality of the board.
• Composition and structure of board of directors.
• Election of directors and their continuous education.
• Internal control.
The Board of Directors of the Company conducts an annual internal board performance evaluation and conducts an annual performance evaluation at the end of each year and is completed before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2016 were reported to the Board of Directors on March 14, 2017 and the contents were posted on the Company's website.</td><td>No material gap is found.</td></tr>
<tr><td>(4) Did the Company regularly implement assessments on the independence of the CPA?</td><td>✓</td><td></td><td>(4) The Company authorizes CPAs from Yangtze CPAs & Co and has avoided matters and persons that directly or indirectly have a conflict of interest to fully adhere to fair, rigorous honesty and independence. The CPAs signed “Independent Auditors’ Statement” for financial statements of ever quarter and annul report. Independent directors regularly evaluate the independence of CPAs and report the</td><td>No material gap is found.</td></tr>
</table>

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			evaluation to the Board of Directors. The Company conducts an independent assessment of the CPA annually by the Finance Department. The company also conducts the annual assessment of Independent Accountants at the end of each year. And they are completed before the most recent Board of Directors in the following year and the latest annual report of the Board of Directors evaluation result. As a result of the assessment by the Company's Finance Department, Wang Ching-Hsiang and Wang Shu-Tung, are in compliance with the Company's independent evaluation criteria. The results of the assessment of the accountants of 2016 are reported in the board meeting on March 14, 2017 and published the contents on the company's website. Note: CPA Independent Auditors' Evaluation List:	

Evaluation List	Yes	No
1.Whether the accountant has no direct or significant indirect financial relationship with the Company	V	
2. Whether the accountant has not provided any financing or guarantee with the Company or the directors and supervisors of the Company	V	
3. Whether the accountant is not considering the possibility of the loss of customers and affect the company's audit work	V	
4. Whether the accountant has no close business relationship and potential employment relationship with the Company?	V	
5. Whether the accountant has not received any fees or charges related to the audit project	V	
6. Whether the members of the accountants and the audit team are not currently in the company's office or in the last two years as directors and supervisors or managers who have a significant impact on the audit work	V	
7. The non-audit services provided by the accountant to the Company do not directly affect the important items of the audit project	V	
8. whether the accountant has not advertised or intermediated the shares or other securities issued by the Company	V	

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			9. Whether the accountant did not act as a defender of the Company or on behalf of the Company in coordination with conflict of other third parties — V	
			10.Whether the accountant has not relationship with the directors and managers of the Company or the persons who have a significant impact on the audit project — V	
			11. The audit CPA has not served within one year as the directors, supervisors and managers of the company — V	
			12. Whether the accountant is not part of the company's regular staff who receive fixed salary — V	
			13. Whether the accountant has not involved in the management of the Company's decision-making process — V	
			14. As of now the auditing report has not been changed in seven years — V	
			15. So far, the accountant has not been punished — V	
4. Whether the company has set up full-time/part-time units/persons for corporate governance related matters? (Including but not limited to providing the directors and supervisors to carry out the business required information, handling the matters relating to the meetings of the board of directors and the shareholders' meeting, registrations and changes in the registrations in the company, making the minutes of the board of directors and the shareholders' meeting)	✓		The corporate governance is managed by the General manager's office and the finance department. They are responsible for all the company's corporate governance related matters.	No material gap is found.
5. Has the Company established a communication channel with stakeholders? Has a stakeholders' area been established on the Company's website? Are major corporate social responsibility (CSR) topics concerning the stakeholders addressed appropriately by the Company?	✓		The Company has setup a stakeholder area page with contact information in the company website. The corporate social responsibility issues concerning the interested parties are addressed via phone and email listed in the contact us page of our website.	No material gap is found.
6. Has the Company delegated a professional shareholder services agent to handle the shareholders' meeting?	✓		The Company authorizes Stock Transfer and Registrar Department, Yuanta Securities Co., Ltd. to process the stock transfer and registrar services in	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			accordance with Regulations Governing Handling of Stock Affairs.	
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance? (2) Did the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	✓ ✓		The Company has set up a website (http://www.nanliugroup.com, including a Chinese version and English version), which is connected to the Market Observation Post System. On the website, the Investor Area discloses the Company's finances and corporate governance from time to time. To improve the transparency of the disclosure of information, the Company has set up the sound spokesperson system and a public information system to allow shareholders and stakeholders to fully understand the Company's finances and corporate governance.	No material gap is found. No material gap is found.
8. Did the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	✓		(1) The Company has established the Employee Welfare Committee to maintain employee interest. To provide an appropriate window and access for employees to communicate their emotions or worries related to work, the Company has set up the proposal system, through which the Company may communicate employees' responses to the management and further solve problems. In addition to the proposal system, employees may also orally communicate their emotions or worries to their supervisors or Department of Human Resources. (2) The Company has promoted ISO 9001 to fulfill quality management and assurance. (3) Continuing education of directors and supervisors: Refer to Market Observation Post System - Corporate Governance. (4) In recent years, the Company has formulated or amended the regulations in accordance with the instruction of the securities competent authority and uploaded such regulations to the Company's website instantly (see the official website - Corporate Governance). (5) Liability insurance has been covered for directors and supervisors. The reports of the Liability insurance such as the insured amount, the coverage scope and the insurance rate for the year of the 2017 has been report to the Board of Directors on March 14, 2017.	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	

9. Please descript the improvement of the result of Corporate Governance Evaluation System by the Corporate Governance Center of the Taiwan Stock Exchange announced in the last year. (The evaluation results which were not included in the assessment did not need to be listed)

The scores of the Company's Corporate Governance evaluation are in the block of 21% to 35% of all evaluated companies. The following are the improvement plans of the Company:

- Electronic voting / to vote on each separate proposal in the shareholders meeting.

  The Company voluntarily electronic voting in the shareholders meetings from 2017 to increase the voting rights of the shareholders. The results of the shareholders' consent, objection and abstention are recorded in the meeting minutes. The results of each motion of the shareholders' consent, objection and waiver are entered into the MOPS website.
- Directors and supervisors shall be elected by adopting candidates’ nomination system.

  Amendment to parts of the Articles of Incorporation was approved by the Board of Directors on March 14, 2017. Directors and supervisors shall be elected by adopting candidates’ nomination system will be discussed in 2017 Annual meeting that proposed by the Board of Directors.
- Implement of the resolution of the Annual Meeting expose in the Annual report.

  Implement of the resolution of 2016 Annual Meeting expose in the 2016 Annual report.
- Hold shareholders' meeting before the end of May.

  Annual Shareholders' Meeting is to be held on May 31, 2017.
- Evaluate the independence of the certified public accountants

  As a result of the assessment by the Company's Finance Department, Yangtze CPAs & Co and the accountants Wang Ching-Hsiang and Wang Shu-Tung, are in compliance with the Company's independent evaluation criteria. The results of the assessment of the accountants of 2016 are reported in the board meeting on March 14, 2017 and published the contents on the company's website.
- Simultaneous reporting of major reports and messages in English.

  Since the beginning of April 2016, the Company has implemented a simultaneous announcement of major news in English. So, during the year of 2017 the company will declare all the major news in English.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
➢ The annual report of the company voluntarily exposes the non-audit fees paid by the certified public accountants and their affiliated enterprises The 2016 annual report will disclose the amount and nature of the non-audit fees paid by the certified public accountants and their affiliated accountants. ➢ The company's annual report reveals a specific and explicit dividend policy The 2016 annual report will reveal a specific and explicit dividend policy.				

(4)The formation, responsibility, and operation of the Salary and Remuneration Committee:

<1> Information on the members of the Salary and Remuneration Committee

Identity (Note 1)	Condition / Name	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note 2)								Number of salary and remuneration committee memberships concurrently held in other public companies	Remarks (Note 3)
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	1	2	3	4	5	6	7	8		
Independent Director	Wu Nan-yang			✓	✓	✓	✓	✓	✓	✓	✓	✓	-	Relieved on June 13, 2016
Independent Director	Wu Hsou-mei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	Relieved on June 13, 2016
Independent Director	Huang Chun-ping	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	Huang, Tung-rong		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Took office on June 13, 2016
Independent Director	Huang, Jin-feng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Took office on June 13, 2016

Note 1: For identity, please annotate whether the person is a director, independent director, or other.

Note 2: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the [] sign in the field next to the corresponding condition(s).

(1) Not employed by the Company or an affiliated business.
(2) Not a director or supervisor of the Company or an affiliated business. This does not apply in cases where the person is an independent director of the Company, its parent company, or a subsidiary where the Company holds, directly and indirectly, more than 50% of the voting shares.
(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or others.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the 3 preceding items.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated business, or spouse thereof.
(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

<2> Operations of the Salary and Remuneration Committee

(1) The Company has a Remuneration Committee composed of 3 members.

(2) The duration of the current term of service is from June 13, 2016 to June 12, 2019 (Duration of the previous term of service: April 30, 2013 to June 13, 2016). In the last one year, a total of three Remuneration Committee meetings (A) were held. The following lists member qualifications and presence at these meetings:

Job Title	Name	Actual presence (B)	Delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Committee chair	Wu Nan-yang	1	–	100%	Relieved on June 13, 2016
Member	Wu Hsou-mei	1	–	100%	Relieved on June 13, 2016
Member	Huang Chun-ping	3	–	100%	
New convener (Member)	Huang Tung-Rung	2	–	100%	Took office on June 13, 2016
Member	Huang Jin-Feng	2	–	100%	Took office on June 13, 2016

Other items that shall be recorded:

一、 If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, results of meeting resolutions, and the Company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.

二、 Where resolutions of the Salary and Remuneration Committee include a dissenting or qualified opinion that is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.

(5) Performance of Social Responsibilities:

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
1. Implementation of corporate governance				
(1) Has the Company stipulated corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?	✓		(1) The Company has stipulated corporate social responsibility policies to fulfill the corporate social responsibilities in accordance with the global trend of a balanced environment and social and corporate governance.	No material gap is found.
(2) Has the Company provided regular training on CSR topics?	✓		(2) The Company continues to promote the business philosophy and corporate social responsibilities in various meetings.	No material gap is found.
(3) Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?	✓		(3) The company has established an exclusively (or concurrently) dedicated unit for promoting CSR: General Manager's Office. Currently, the General Manager's Office continues to promote the corporate social responsibilities.	No material gap is found.
(4)Has the Company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the Company established a clear reward and penalty system?	✓		(4) The Company intends to formulate a reasonable salary remuneration policy to promote education, training courses and advocacy matters on a regular basis. The company has provided regular training on CSR topics. Currently, the Company is planning to combine the training and performance assessment to establish a clearer reward and penalty system.	No material gap is found.
2. Developing a sustainable environment				
(1) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓		(1) The Company has promoted the recycling of waste pallets which are used to stack goods and the recycling of wet wipes. In particular, with the installation of water recycling system and the reuse of water, there was a significant reduction in the amount of water used. The decrease in water consumption from the year 2014 to 2016 was about 90%. Also in 2017, the company will continue to maintain this performance standard. The factory processes wastewater using the process of reverse osmosis to achieve a certain water quality standards, which is then widely used in toilets and watering greeneries in the company. From the years 2014 to 2016, the reduction in water consumption was about 28%. For 2017, the target is to reduce the amount of water used furthermore by 20%. In terms of waste reduction, the target will be achieved by, reducing the use of non-renewable resources, making good use of resources and energy, limiting the generation of waste to the maximum	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			possible extent and classifying the recyclable wastes. For 2017, the target for the reduction in the waste products is 20%.	
(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	✓		(2) The company has passed ISO 14001: 2015, International environmental management system certification and OHSAS 18001: 2007, Occupational Health and Safety Management Systems certification. The development of environmental management manual, follows the "plan, Do, Check and action" (PDCA) concept for the establishment and maintenance of environmental management system in order to control and achieve continual improvement of processes and products. The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with responsible personnel to maintain a clean environment.	No material gap is found.
(3) Is the Company concerned with changes to the global climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and stipulated strategies for reducing energy consumption, carbon emissions, and GHG production?	✓		(3) The Company has formulated the "Low Carbon Policy" as a guide for future carbon reduction projects. This includes optimization of energy efficiency and installing solar panels. In 2016, the company started to install photovoltaic equipment for energy saving and carbon reduction. In 2017, the company began to use energy efficient motors and gradually dispose of some existing high-power motors. For 2017, the target for annual energy saving is 5%. To save water and energy consumption, the Company has installed water-saving devices, faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees.	No material gap is found.
3. Sustaining community services (1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	✓		(1) The company has referred to Labor Standards Act and international human rights instruments, such as gender equality, rights of employment, and prohibition of discrimination, to stipulate relevant management policies and procedures. In addition, the Company has established the Employee Welfare Committee to supervise and protect employees' interest. The Company also encourages employees to participate in activities held by the Employees' Welfare Committee and grants	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			employees bonuses and gifts during folk festivals.	
(2) Has the Company established an employee appeal system and channels, and are employee appeals handled appropriately?	✓		(2) Based on humane management, the Company has set up communication forums, suggestion boxes, and group meetings to allow employees to unilaterally or bilaterally communicate with supervisors.	No material gap is found.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(3) The company has passed OHSAS 18001: 2007 Occupational Health and Safety Management Systems certification and ISO 14001 international environmental management system certification, in order to prevent occupational hazards and to ensure labor safety and health. Also, to ensure that safety and health matters comply with the relevant laws and regulations in order to reduce the loss of life and property. The Company has formulated the "Safety and Health Management Procedures" in accordance with the relevant laws and regulations on labor safety and health, labor safety and health organization management and self-inspection measures. Our company employees, contractors, third-party manufacturers and suppliers who carry out operational activities in factories. The company held regularly safety and health education training for disaster prevention during working period. The Company holds an annual health examination and fire drill on a regular basis and continuously provides training, promotion seminars, communication forums, and consultation to encourage employees to make improvements, care for the environment, and jointly create a healthy and energetic enterprise through a voluntary safety and health management system.	No material gap is found.
(4) Has the Company established a system to regularly communicate with its employees and used appropriate means to notify employees of operational changes that may result in material impacts?	✓		(4) The Company holds a labor conference on a regular basis to build up a harmonious communication mechanism between the Company and employees and uses appropriate means to notify employees of operational changes that may result in material impacts.	No material gap is found.
(5) Has the Company established an effective competency development career training program for employees?	✓		(5) The Company holds internal training programs and expatriate professional training programs from time to time to cultivate employees' competencies and strengths. The training programs for employees are described below.	No material gap is found.
(6) Has the Company established relevant policies and systems of appeal for consumer rights for the processes of research and development, purchasing, production, operations, and services?	✓		(6) The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product liability insurance of NT$50 million to enhance its corporate social responsibilities.	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
(7) Is the Company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?	✓		(7) The company has passed ISO 9001 quality management system certification, ISO 13485 Medical devices quality management system certification, ISO 22716 Cosmetics quality management system certification. The Company is compliant with relevant laws and international laws governing the marketing and labeling of its products and services. The Company follows the related laws and regulations governing its business operations.	No material gap is found.
(8) Has the Company assessed any record of a supplier's impact on the environment and society before engaging in commercial dealings with said supplier?	✓		(8) The company has passed FSC-COC (Chain of Custody) certification, to use raw materials from verified forest to reduce the impact on the environment. FSC chain of custody certification verifies that FSC-certified material has been identified and separated from non-certified and non-controlled material. And to exclude illegally harvested timber, genetically modified timber, breach of trading or public power forest. The Company evaluates new and existing suppliers based on the quality, price, service, and speed; to build long-term partnerships, the Company will emphasize environmental protection and human rights to fulfill corporate governance in the supply chain.	No material gap is found.
(9)Do contracts between the Company and its major suppliers include terms whereby the Company may terminate or rescind the contract at any time if said supplier has violated the Company's corporate social responsibility policy and has caused a significant impact upon the environment and society?	✓		(9) The contracts between the Company and its major suppliers do not include terms whereby the Company may terminate or rescind the contract at any time if said supplier has violated the Company's corporate social responsibility policy.	No material gap is found.
4. Improvement of information disclosure (1) Does the Company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?			Information relating to CSR is disclosed on the Company's website and the prospectus.	No material gap is found.
5. If the Company makes its own corporate social responsibilities according to the rule of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the implement and differences: The Company has formulated "Codes of Corporate Social Responsibility" and follow in the future. Regularly to help the surrounding schools, public interest groups and vulnerable groups (living alone old men or old women, single-parent families, emergency relief).				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
In order to contribute to the society, the chairman has set up private Nan liu Charity Foundation, with full-time staff of an Executive Secretary, Executive Officer and volunteers, directly dedicated to assist the elderly living alone and single-parent family in emergency and other related matters. The current plan to set up a central kitchen, to provide meal to living alone old men or old women.				
6. Other important information for better understanding of corporate social responsibilities (such as the Company's systems and measures and the implementation of environmental protection, social engagement, social contribution, social service, social charity, customer interest, human rights, safety and health, and other CSR activities): (1) Business Performance To fulfill the corporate governance, the Company has established the effective internal control system and independent directors to improve the practical experience of the management team. Also, the Company has stipulated Rules and Procedures for the Shareholders' Meeting to strengthen the competency of the Board of Directors. To secure shareholders' equity and improve the transparency of the disclosure of information, the Company has the spokesperson and deputy spokesperson responsible for the instant disclosure of important information and arranges responsible personnel to communicate with shareholders. In addition, the Company has obtained a certain level of revenue and profit over the past three years and has been committed to create shareholder values. (2) Environmental Protection The Company has established a recycling system to reduce the impact of disposal of waste on human bodies and the environment and has been committed to maintain the environment in accordance with related regulations and standards and achieve a GMP-certified production environment and management. In addition, the Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; General Affairs Division works with responsible personnel to maintain a clean environment. To save water and energy consumption, the Company has installed water-saving devices, except faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees. (3) Employee Interest and Care Consistently upholding stable and sustainable operation, the Company attaches great importance to employee benefits by allocating monthly benefits and arranging activities that promote employees' health, such as gatherings, an annual health examination, wedding and funeral allowances, group insurance, and casualty insurance. In addition, the Company has stipulated regulations governing retirement and set up a Supervisory Committee of Business Entities' Labor Retirement Reserve according to the Labor Standards Act to allocate a labor retirement reserve based on a certain percentage of monthly salary to a pension account at the Bank of Taiwan. According to Labor Pension Act, starting from July 1, 2005, the amount of labor pension borne by the employer shall not be less than six percent of the worker's monthly wage. The labor pension shall be calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis. The regulations of and measures for the labor relations formulated by the Company are well implemented in accordance with applicable laws. In addition, the Company held the following training programs to improve employees' competency and strengths: (1) 105 employees attended the Work Environment Safety class; (2) 63 employees attended the Corporate Management class; and (3) 63 employees attended the Professional Continuing Education class. (4) Investor Relations According to the Company Act and related regulations, the Company holds an annual shareholders' meeting and notifies shareholders of the meeting; the Company treats major and				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	

minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation; the Company reports material finances, including the disposal of assets and endorsements and guarantees, to the shareholders' meeting. The Company also allows shareholders to ask questions or propose properly, records the shareholder's meeting minutes, and discloses related information on the Market Observation Post System. In addition, to ensure that shareholders fully understand and participate in the determination of the Company's major matters, the Company will provide an annual report for the stock transfer and registrar agency prior to the annual shareholders' meeting and have the spokesperson and deputy spokesperson deal with the recommendations, doubts, and disputes related to shareholders.

Since listed in the emerging stock market on May 7, 2013, the Company has disclosed related information in accordance with the Taiwan Stock Exchange Guidelines for Stock Review and appointed responsible personnel from the Department of Finance, Audit Office and Accounting Division to collect and disclose information online that may affect investors' decisions upon the review and approval of responsible supervisors.

(5) Stakeholders' Interest

The Company has set up smooth communication channels with banks and other creditors, employees, customers, and suppliers and values and maintains their legitimate rights and interests.

1. The Company provides sufficient information for banks to make the best judgment and decision on the Company's operations and finances.
2. The Company has established the Employees' Welfare Committee and regularly holds labor conferences, where representatives from both the Company and labor participate, to take care of employees and maintain a smooth communication channel between both parties.
3. The Company appoints responsible personnel to deal with suppliers. No arrears or late payments exist so far. The Company regularly discloses the related information on finances on the Market Observation Post System and maintains good relations with suppliers.
4. The Company has the spokesperson and deputy spokesperson to communicate with stakeholders.

(6) The Company has engaged in communities and charities through commercial activities, in-kind donations, volunteer service or other gratuitous professional services.

1. The Company has actively participated in community and artistic activities through contributions to social welfare and artistic performances.
2. Contributions:

(1) The Company made the following donations to the government and local groups from time to time:

A. Donated NT$150,000 to Kaohsiung City Qiaotou District Office activities.

B. Donated NT$660,000 to Fengjia University, Yangming Junior High School, Liu Jia Elementary School, Lin Feng Elementary School activities.

C. Donated NT$560,000 to Kaohsiung city Yanchao district community people with food and clothes to keep warm during winter along with sponsorship for their cultural and educational care fund.

D. Donated NT$70,000 to the provision of white rice in kindergartens, elementary schools, and junior high schools.

E. Donated NT$30,000 to Taiwan Fund for Children and families care activities.

F. Donated NT$670,000 to community activities.

G. Donated NT$50,000 to Friends of Police Association and Friends of Armed Forces Association.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
H. Donated NT$2.69 million to cultural, artistic, and sports activities. I. Donated NT$650,000 to cultural and educational foundations. J. Donated NT$300,000 to Kaohsiung Municipal Social Education Center. (2) Promoted industry–academia cooperation with colleges and universities, including the development of multifunction composite diaphragms and packaging technologies with National Kaohsiung University of Applied Sciences, industry–academia cooperation with Cheng Shiu University, talent incubation programs with Feng Chia University, and on-the-job training programs with Shih Chien University. 3. The Company processed waste in accordance with the Industrial Waste Disposal Plan and reported the flow of waste online according to applicable laws and regulations.				
7. Any review standards of certification bodies for which the Company's CSR report has been qualified shall be described: None.				

(6) Implementation of Integrity Management:

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management				
(1) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies?	✓		(1) The Company has formulated "Codes of Ethical Conduct of Supervisors, and Managerial Officers", and "Codes of Ethical Corporate Management" which is fully understood and followed by the Board of Directors and the management.	No material gap is found.
(2) Has the Company stipulated a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within said plan? Is the plan implemented accordingly?	✓		(2) According to Code of Ethics for Directors, Supervisors, and Managerial Officers, if directors or managerial officers violate the code of ethics, the Company will punish them based on the disciplinary measures. In addition, the Company will emphasize in the annual meeting and managerial meetings that integrity is the foundation of the Company's business philosophy.	No material gap is found.
(3) Has the Company established preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or business activities with a higher risk of being involved in an unethical conduct within the Company's scope of business?	✓		(3) The Company has formulated "Rules of reporting illegal and immoral or dishonest case" and established internal and external reporting channels and handling systems to ensure a sustainable development. Also, the Company has established an effective accounting system and internal control system and reviewed and revised them from time to time to keep the systems sustained and effective.	No material gap is found.
2. Implementing ethical corporate management				

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	✓		(1) The Company evaluated the legality and credit of major clients before doing business with them to avoid acts of bad faith.	No material gap is found.
(2) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the Board of Directors? Does said unit regularly report to the Board of Directors on the state of its activities?	✓		(2) The Office of Chairman is the dedicated unit for promoting the corporate integrity operation; the Audit Office is responsible to supervise, audit, and report on the integrity operation to supervisors and the Board of Directors.	No material gap is found.
(3) Has the Company established policies preventing conflicts of interest, provided proper channels of appeal, and enforced these policies and channels accordingly?	✓		(3) The Rules and Procedures for the Board Meeting stipulate the avoidance of conflicts of interest between directors. When discussing a proposal in the Board meeting, directors involved in the conflict of interest shall avoid participating in the resolution. The Company has set up a smooth channel for employees to directly complain or make appeals through immediate supervisors.	No material gap is found.
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?	✓		(4) The Company has established an effective accounting system and internal control system and reviewed and revised them from time to time; the Company also has full-time auditors to audit the accounting system and internal control system on a regular basis, provide opinions for improvements to keep the systems sustained and effective, and submit the audit report to supervisors and the Board of Directors.	No material gap is found.
(5) Does the Company regularly organize internal and external training for ethical corporate management?	✓		(5) The Company promotes integrity in operation to employees on a regular basis.	No material gap is found.
3. Status for enforcing whistleblowing systems in the Company (1) Has the Company established concrete whistleblowing and reward systems and accessible whistleblowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistleblower?	✓		(1) The Company has established a reporting mail system and appointed a responsible department to deal with complaints in accordance with related regulations and procedures.	No material gap is found.
(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistleblower?	✓		(2) The Company clearly defined in the Regulations Governing the Procedures of Communication and Responses that responsible personnel shall hold the identity of the informant confidential.	No material gap is found.
(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistleblower?	✓		(3) The Company will hold the informant confidential and harmless in the process of reporting.	No material gap is found.
4. Improvement of information disclosure				

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
(1) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System (MOPS)?		✓	The Company has set up an exclusive area to disclose the related information on the Company's integrity operation.	The Company will process the information on a timely basis, subject to the actual needs.
5. Where the company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: No material gap is found.				
6. Other important information for better understanding of the integrity operation: None.				

(7) If the Company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed.

Currently, the Company has stipulated a Code of Ethics for Directors, Supervisors, and Managerial Officers, Rules and Procedures for the Shareholders' Meeting, Rules and Procedures for the Board Meeting, a scope of responsibilities of independent directors, and a sound internal control system and internal audit system to fulfill the operation and promotion of corporate governance. For related regulations and systems, please refer to the Company's website and external websites.

(8) In 2016 and as of the publication date of the annual report, the dismissal of related individuals listed in the financial report (including Chairman, General Manager, Accounting Officer, Financial Officer, Internal Audit Officer, and R&D Officer): None.

(9) Other Important Corporate Governance Information: None.

(10) Implementation of Internal Control System

1. Statement of Internal Controls:

NAN LIU ENTERPRISE CO., LTD.

Statement of Internal Control System

Date: March 14, 2017

The internal control system from January 1 to December 31, 2016, according to the result of self-assessment is stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and asset protection), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal Control System by Listed Companies” (hereinafter referred to as “Highlights” has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments, 3. Control activities, 4. Information and communication, 5. Monitoring. Each element also includes several items. For the foregoing items, refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure that the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 14, 2017, and those 7 directors in presence all agree at the contents of this statement.

NAN LIU ENTERPRISE CO., LTD.

Chairman: Mr. Huang Chin-San

General Manager: Mr. Huang, Huo-Cun

Notice to Readers

For the convenience of readers, the Supervisors' Review Report have been translated into English from the original Chinese version prepared. 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 Supervisors' Review Report shall prevail.

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: Not applicable.

(11) Any legal penalty enacted upon The Company and its personnel, or any penalty, major defects, and state of improvements enacted by The Company upon its personnel for violating the rules of the ICS during the most recent year up to the publication date of this report: None.

(12) Major resolutions of the shareholders' meeting and the Board meeting in the most recent year up to the publication date of this report

2016 Major Resolutions of Shareholders' Meeting and Implementation Status

1. Amendments to Parts of the Articles of Incorporation.

   Implementation Status: The Company already registered the amendment to the Ministry of Economic Affairs on July 5, 2016 and announced on the company website.

2. Amendments to the Rules for Electing Directors and Supervisors

   Implementation Status: Announced on MOPS and the company website.

3. Proposal of 2015 Financial Statements and Business Report.

   Implementation Status: In accordance with the company law, all related financial information has been submitted to the government agency for review

4. Adoption of the Proposal for the Distribution of the 2015 Profit.

   Implementation Status: Approved ex-dividend date was on August 2, 2016 and distributed on August 22, 2016.

5. Announcement of the record date for common share dividend

   Implementation Status: Announced on MOPS website on July 4, 2016.

6. Election of New Directors and Supervisors.

   Implementation Status: The Company already registered the amendment to the Ministry of Economic Affairs on July 5, 2016 and announced on MOPS website on June 14, 2016.

7. Issues Related to the Prohibition of Directors from Participating in Competing Businesses.

   Implementation Status: Announced on MOPS website on June 13, 2016.

2016 major resolutions of the Board of Directors meetings

Session number of the Board of Directors meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The Board of Directors	2016.03.18	1. Approved the Proposal for the Distribution of 2015 Remuneration of Employees and Directors and Supervisors.		
		2. Approved 2015 Financial Statements and the Business Report.		
		3. Approved the Proposal for the Distribution of the 2015 Profit.		
		4. Approved the Proposal for the Election of Directors and Supervisors.		
		5. Approved the Proposal for the Release of Prohibition on Directors from Participation in Competitive Business.		
		6. Approved the Amendments to Rules for Electing Directors and Supervisors.		
		7. Approved the Convention of 2016 Shareholders' Meeting.		

		8. Approved the Proposal for Independent Director Candidates Nominated by Shareholders.		
		9. Approval of the Proposal for the Nomination of Independent Director Candidates.		
		10. Approved 2015 Statement of Internal Control System.		
		11. Approved the application of comprehensive credit lines.		
The Board of Directors	2016.04.28	1. Approved candidates of the 4th Independent Directors.		
		2. Approved change of CPA (Internal adjustment of same CPAs firm).	V	
		3. Approved the application of comprehensive credit lines.		
		4. Approved "The rules of Corporate Social Responsibility" and "The rules of Ethical Corporate Management"	V	
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The Board of Directors	2016.05.11	1. Approved the 2016 Q1 Financial Statements.		
The Board of Directors	2016.06.13	1. Elected chairman of the board.		
The Board of Directors	2016.08.10	1. Approved of the 2016 Q2 Financial Statements		
		2. Approved the application of comprehensive credit lines.		
The Board of Directors	2016.11.11	1. Approval of the 2016 Q3 Financial Statements		
		2. Approved the application of comprehensive credit lines.		
The Board of Directors	2016.12.27	1. Approved appoint members of remuneration committee.		
		2. Approved 2017 annual business plan.		
		3.Approved 2017 annual audit plan		
		4. Approved the application of comprehensive credit lines.		
		5. Approved 2017 Compensation of managers, 2016 Compensation of Employees, 2016 Compensation of Directors and Supervisors by Remuneration committee.	V	
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		

2017 major resolutions of the Board of Directors meetings

Session number of the Board meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The Board of Directors	2015.03.16	1.Distribution of the 2016 Compensation of Employees, Directors and Supervisors	V	
		2. Approved 2016 Financial Statements and the Business Report.		
		3. Approved Dividend Distribution.		
		4. Approved investment of New Yanchao Plant.	V	
		5. Approved investment of overseas (India).	V	
		6. Approved the Proposal of Amendments to Parts of the Articles of Incorporation.	V	
		7. Approved the Proposal of Amendments to Parts of the Procedures for Acquisition or Disposal of Assets.	V	

		8. Approved Amendments to Parts of the Corporate Governance Best Practice Principles.	V	
		9. Approved Regulations Performance Evaluation of the Board of Directors.	V	
		10. Approved the convening of the 2017 Shareholders' Meeting.		
		11. Approved issuance of the Internal Control Letter.		
		12. Approved the application of comprehensive credit lines.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		

(13) Directors or supervisors have expressed opposition or qualified opinions that have been noted on the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report: None.

4. Accounting Expenses

Name of the accounting firm	Name of the CPA		Audit period	Notes
Yangtze CPAs & Co.	Wang, Ching-Hsiang	Wang, Shu-Tung	January 1, 2016-December 31, 2016	

Unit: NT$1,000

Name of the accounting firm	Name of the CPA	Accounting charge	Non-accounting charge					Audit period	Remarks
			System design	Business registrations	Human Resources	Others	Total		
Yangtze CPAs & Co.	Wang, Ching-Hsiang Wang, Shu-Tung	2,590	--	4	-	522	3,116	January 1, 2016-December 31, 2016	The major of Others is financial reports in English

(1) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated company accounts for over 1/4 to audit fee: None.

(2) Change of the CPA firm and the audit fee in the year of change is less than that in the previous year: None.

(3) The audit fee is reduced by over 15% compared with the previous year: None.

(4) Assessments on the Independence of CPA

The Company assesses the independence of the CPA as follows and reports the result to the Board of Directors:

A. Statement of independence of CPA.

B. The audit or non-audit service provided by CPAs shall be reviewed in advance to ensure that the non-audit service will not affect the result of the audit.

C. The same CPA has not consecutively provided the assurance service for more than 5 years.

D. An annual questionnaire about the competency of the CPA will be conducted to summarize the assessment of independence of the CPA.

5. Alternation of CPA:

（1）About former accountants

<table>
<tr><td>Date of replacement</td><td colspan="3">April, 2016</td></tr>
<tr><td>Reason for replacement and description</td><td colspan="3">Adjustments in the internal works of Yangtze CPAs & Co: Former accountants Wang, Ching Hsiang and Lin, Szu Ning were replaced by Wang, Ching Hsiang and Wang, Shu Tung</td></tr>
<tr><td rowspan="3">Description of the appointment or accountant termination or non-acceptance of appointment</td><td>Personnel / Circumstances</td><td>Accountant</td><td>Appointed person</td></tr>
<tr><td>Take Initiative to terminate appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>No longer accept (continue) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Whether issued unqualified opinions and reasons for the audit report in the last two years.</td><td colspan="3">None</td></tr>
<tr><td>Is there any disagreement with the issuer?</td><td colspan="3">None</td></tr>
<tr><td>Whether there is any disagreement or disclosures (in relation with Article 10, paragraph 5, subparagraph 1, point 4)</td><td colspan="3">None</td></tr>
</table>

（2）About successor accountants

Name of the office	Yangtze CPAs & Co
Name of the accountants	Wang, Ching Hsiang and Wang, Shu Tung
Date of appointment	April, 2016
Before appointment, whether the particular accountant dealt with and issue advice on the accounting and financial matters	None
Whether the successor accountants disagreed with the opinions of the former accountants	None

（3）The feedback of relation with Article 10, paragraph 5, subparagraph 1 and subparagraph 2, point 3 from former accountants：None.

6. The Company's Chairman, General Manager, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

7. Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report.

Changes to the equity of directors, supervisors, managerial officers, and major shareholders

April 02, 2017, Unit: Share

Title	Name	2016		As of April 02, 2017	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-san	—	—	—	—
Director Major shareholder	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-cun	2,000	—	—	—
Independent Director	Huang Tung-Rong	—	—	—	—
Independent Director	Huang Jin-Feng	—	—	—	—
Independent Director	Huang Chun-ping	—	—	—	—

Director	Wang Chin-Hung	—	—	—	—
Director. Vice President	Yang Rui-hua	—	—	—	—
Supervisor	Su Chao-shan	—	—	—	—
Supervisor	Chung, Mao-Chih	—	—	—	—
Supervisor	Hsieh, Chiu-Lan	—	—	—	—
General Manager	Huang, Ho-cun	—	—	—	—
Overseas Business Department General Manager	Cheng, Te-ming	—	—	—	—
Vice President	Chang, San-hua	—	—	—	—
Finance Manager	Chuang, Chun-chin	—	—	—	—
Audit Officer	Chen, Shu-chiu	—	—	—	—

(1) Information on equity transfer: None.

(2) Information on equity pledge: None.

8. Information on relationships among the top ten shareholders:

Name (Note 1)	Shares held by the shareholder		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship. (Note 3)		Remarks
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Name (or name)	Relations	
Tian Zi Ding Investments Co., Ltd.	8,731,659	12.03%	—	—	—	—	—	—	—
Representative: Huang,Ho-Chun	1,505,015	2.07%	—	—			Huang Chin-san	Brother	
NeiZhuang Investm Co., Ltd.	5,743,924	7.91%	—	—	—	—	—	—	—
Representative: Huang, Shih-Chung	1,800,028	2.48%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	
Huang, Chin-san	5,288,978	7.29%	1,851,159	2.55%	—	—	Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	—
Bixiu Investment Ltd.	5,090,929	7.01%	—	—	—	—	—	—	—
Representative: Huang, Chin-San	5,288,978	7.29%	1,851,159	2.55%	—	—	Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	
Fubon Life Insurance Co., Ltd	2,766,000	3.81%	—	—	—	—	—	—	—
Huang Hsieh, Mei-yun	1,851,159	2.55%	5,288,978	7.29%	—	—	Huang Chin-san Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju Huang, Huo-cun	Spouse Adult children Adult children Adult children Uncle	—
Huang, Shih-chung	1,800,028	2.48%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and sister	—

Huang, Jen-tsung	1,791,693	2.47%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Hui-ju	Father and son Mother and son Brother Brother and sister	—
Huang, Hui-ju	1,579,455	2.18%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung	Father and son Mother and son Brother and sister Brother and sister	—
Nan Shan Life Insurance Co., Ltd	1,510,000	2.08%	—	—	—	—	—	—	—

9. Number of shares held and percentage of stake of investment in other companies by the Company, the Company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the Company, and calculations for the consolidated shareholding percentage of the above categories.

Unit: 10,000 share, %

Shift in investment	Investment by the Company		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by The Company		Combined investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
NANLIU ENTERPRISE CO., LTD (SAMOA)	47,728	100%	-	-	47,728	100%
Nan Liu Enterprise Co., Ltd. (Pinghu)	-	-	-	100%	-	100%

IV. Capital Overview

1. Source of capital:

A. Capital stock status

Unit: 1000 shares; NT$1000

Year	Nominal value per share (NT$)	Authorized stock		Paid-in capital		Remarks		
		Number of shares (share)	Monetary amount (NT$)	Number of shares (share)	Monetary amount (NT$)	Source of capital shares	Equity contributions made in the form of assets other than cash	Others
1999	10	19,782,000	197,820,000	25,000,000	25,000,000	Surplus conversion and capital cash increase	None	Note 1
2000	10	25,000,000	250,000,000	25,000,000	250,000,000	Surplus conversion	None	Note 2
2001	10	27,500,000	275,000,000	27,500,000	275,000,000	Surplus conversion	None	Note 3
2002	10	29,700,000	297,000,000	29,700,000	297,000,000	Surplus conversion	None	Note 4
2003	10	32,670,000	326,700,000	32,670,000	326,700,000	Surplus conversion	None	Note 5
2004	10	34,956,900	349,569,000	34,956,900	349,569,000	Surplus conversion	None	Note 6
2005	10	47,600,000	476,000,000	38,457,000	384,570,000	Surplus conversion	None	Note 7
2006	10	47,600,000	476,000,000	42,303,000	423,030,000	Surplus conversion	None	Note 8
2009	10	100,000,000	1,000,000,000	46,800,000	468,000,000	Surplus conversion	None	Note 9
2010	10	100,000,000	1,000,000,000	52,800,000	528,000,000	Surplus conversion	None	Note 10
2011	10	100,000,000	1,000,000,000	60,000,000	600,000,000	Surplus conversion	None	Note 11
2012	33	100,000,000	1,000,000,000	64,500,000	645,000,000	Capital cash increase	None	Note 12
2013	51	100,000,000	1,000,000,000	72,600,000	726,000,000	Capital cash increase	None	Note 13

Note:

1. Approved by the Ministry of Economic Affairs document number 88136434 on October 5, 1999.
2. Approved by the Ministry of Finance document number 96306 and Ministry of Economic Affairs document number 132602 on July 7, 2000.
3. Approved by the Ministry of Finance document number 153992 and Ministry of Economic Affairs document number 09001455350 on August 27, 2001.
4. Approved by the Ministry of Finance document number 0910146006 and Ministry of Economic Affairs document number 09101420360 on August 21, 2001.
5. Approved by the Ministry of Finance document number 0920136356 and Ministry of Economic Affairs document number 0932729920 on August 12, 2003.
6. Approved by the Financial Supervisory Commission document number 0930135288 and Ministry of Economic Affairs document number 09332793660 on August 09, 2004.
7. Approved by the Financial Supervisory Commission document number 0940132626 and Ministry of Economic Affairs document number 09432970340 on August 10, 2005.
8. Approved by the Financial Supervisory Commission document number 0950132996 and Ministry of Economic Affairs document number 09532910040 on July 27, 2006.
9. Approved by the Financial Supervisory Commission document number 0980040804 and Ministry of Economic Affairs

document number 09833204310 on August 14, 2009.

10. Approved by the Financial Supervisory Commission document number 0990044285 and Ministry of Economic Affairs document number 09901228350 on August 23, 2010.
11. Approved by the Financial Supervisory Commission document number 1000037649 and Ministry of Economic Affairs document number 10001221900 on August 12, 2011.
12. Approved by the Financial Supervisory Commission document number 1010024889 and Ministry of Economic Affairs document number 1010117900 on June 08, 2012.
13. Approved by the Financial Supervisory Commission document number 1020008354 and Ministry of Economic Affairs document number 10201085060 on March 20, 2013.

B. Stock type

April 2, 2017 Unit: share

Stock type	Authorized capital stock					Remarks
	Outstanding stocks			Unissued shares	Total	
	Already on the market (listed)	Not on the market (unlisted)	Total			
Common shares	72,600,000	–	72,600,000	27,400,000	100,000,000	The Company's stocks are listed stocks

Note: Please indicate whether the shares are listed or OTC companies (should be noted if it is limited listing or OTC traded).

2. Shareholder structure:

April 02, 2017 Unit: share

Shareholder structure / Quantity	Government Agency	Financial Agencies	Others Legal person	Individual	Foreign institutions And outsiderS	Total
The number of people	3	5	35	1,947	63	2,053
Shares held	266,000	5,020,000	22,249,512	41,289,511	3,774,977	72,600,000
oportion of shares held (%)	0.37%	6.91%	30.65%	56.87%	5.20%	100.00%

3. Stock ownership distribution:

April 02, 2017 Unit: share

Stock holding classification	Number of shareholders	Shares held	Shareholding percentage
1 to 999	309	31,115	0.04%
1,000 to 5,000	1,330	2,386,842	3.29%
5,001 to 10,000	157	1,226,706	1.69%
10,001 to 15,000	43	533,062	0.73%
15,001 to 20,000	21	376,136	0.52%
20,001 to 30,000	35	883,302	1.22%
30,001 to 40,000	21	744,746	1.03%
40,001 to 50,000	8	357,779	0.49%
50,001 to 100,000	44	2,955,787	4.07%
100,001 to 200,000	29	4,462,244	6.15%
200,001 to 400,000	28	7,796,588	10.74%
400,001 to 600,000	6	2,974,124	4.10%
600,001 to 800,000	6	4,125,484	5.68%
800,001 to 1,000,000	2	1,807,570	2.49%
1,000,001 or more	14	41,938,515	57.76%
Total	2,053	72,600,000	100%

4. List of major shareholders

List of top 10 shareholders or shareholders with 5% or more of total issued stocks.

April 02, 2017 Unit: share

Stock type / Name of major shareholders	Shares held	Shareholding percentage
Tian Zi Ding Investment Limited	8,731,659	12.03%
Nei Chuang Investment Limited	5,743,924	7.91%
Huang Chin-San	5,288,978	7.29%
Bixiu Investment Limited	5,090,929	7.01%
Fubon Life Insurance Co., Ltd	2,766,000	3.81%
Huang Hsieh Mei-Yun	1,851,159	2.55%
Huang Shi-Chung	1,800,028	2.48%
Huang Jen-Tsung	1,791,693	2.47%
Huang Hui-ju	1,579,455	2.18%
Nan Shan Life Insurance Co., Ltd	1,510,000	2.08%

5. The net value, surplus, dividend, and market price per share within the last two years.

Unit: thousand shares/NTD

Year \ Item			2015	2016	As of March 31, 2017 (Note 4)
Market price per share	Max		207.00	176.00	165.00
	Min		128.5	128.00	146.50
	Average		175.57	148.45	154.60
Net value per share	Before issuance		36.69	37.49	—
	After issuance		32.79	(Note 5)	—
Earnings per share	Weighted average		72,600	72,600	72,600
	Earnings per share (before adjustment)		8.01	8.02	—
	Earnings per share (adjusted)		8.01	(Note 5)	—
Dividend per share (DPS)	Cash dividend		3.9	4.8 (Note 5)	—
	Stock grants	—	—	—	
		—	—	—	
	Cumulative unpaid dividends		—	—	—
Return on investment analysis	P/E ratio (Note 1)		21.92	18.51	—
	Dividend yield (Note 2)		45.02	30.92 (Note 5)	—
	Cash dividend yield (Note 3)		2.2%	3.23% (Note 5)	—

Note 1: P/E Ratio = Average closing price for each share for the year/earnings per share

Note 2: P/D Ratio = Average closing price for each share for the year/cash dividend per share

Note 3: Cash dividend yield = cash dividend per share/average closing price per share for the year

Note 4: for the sake of data accuracy, only data through March 31, 2017 are shown.

Note 5: has not been adopted by shareholder meeting resolution.

6. The Company dividend policy and implementation status

（1）Dividend policy stipulated within the articles of association

The Company's operation is based on long-term management, with the objective of stabilizing the Company's market competitive position. Thus, the Company will continue to make investments. To respond to the Company's future capital needs and long-term financial planning, the Company's dividend distribution will be based on a residual dividend policy. The Company's future capital budget planning will be used to balance the funding need for the next year. After reserving the required surplus capital, the remaining surplus will be distributed in the form of a cash dividend and stock dividend. However, the cash dividend shall not be less than 10% of the total dividend.

The company consistently adds production capacity to increase competing power. Every year, less than 50% of net income after tax is distributed as dividends and the rest of the earnings are reserved for future capital expenditures. To improve return on investment of shareholders, the payout ratio of 2016 increased to less than 60% of net income. The dividend distribution is all on cash. A proposal of dividend distribution is first approved by the Board of Directors and then is submitted to the Annual Shareholders' Meeting.

（2）This year's proposed dividend distribution:

Nan Liu Enterprise Co., Ltd.
2016 Profit Distribution Table

Unit: NT$

Items	Amount (NT$)	Remarks
Beginning retained earnings	812,395,218	
Other consolidated profit/loss—confirm the benefit plans before measuring the numbers	(798,318)	
2016 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$3.9/share)	348,480,000	
Unappropriated retained earnings	875,928,485	

Chairman: Mr. Huang Chin-San General Manager: Mr. Huang, Huo-Cun Chief Accountant: Ms. Chuang Chun-Chin

The Company's 2016 profit distribution has been approved by the Board of Directors. Shareholders on March 14, 2017. The resolution was NT$4.8 cash dividend per share, with the total amounting to NT$348,480,000. However, this has not been approved by the Annual shareholders' meeting.

7. The effects of stock grants drafted by this shareholders' meeting on The Company's operating performance and earnings per share: none

8. Employee, Director, and supervisor remuneration:

The Company's Board of Directors meeting passed the employee remuneration of 2016 on March 14, 2017. The remuneration shall be listed based on a specific percentage according to the year's profit status. Directors' remuneration is listed into accounting based on expected issued amount. If the aforementioned listed amount is different from the actual issued amount, the change will be handled according to accounting estimates and adjusted and accounted for in the issuing year.

2016 remuneration of directors and employees: Unit: (NT$)

	Monetary Amount (NT$)	Note:
Directors/supervisors' remuneration (in cash)	5,225,677	Accounts for 0.82% of income before income tax (Parent Company Only)
Employee remuneration (in cash)	8,142,132	Accounts for 1.28% of income before income tax (Parent Company Only)
Total	13,367,809	

Note: The Company provided NT$8,142,132 as employee cash bonus in 2016. The aforementioned employee remuneration is scheduled to be paid in 2017.

2015 remuneration of directors and employees: Unit (NT$)

	Monetary Amount (NT$)	Actual number issued (note)
Directors'/supervisors' remuneration (in cash)	4,223,985	4,223,985
Employee remuneration (in cash)	8,447,973	8,447,973
Total	12,671,958	12,671,958

Note: The appropriated remuneration of directors and employees is the same as proposed remuneration of directors and employees by the Board of Director. And it was paid after being approved by the 2016 annual shareholders' meeting.

9. Buyback of company stock: none

10. Handling of corporate bonds, special shares, overseas depository receipts, proof of employee stock options, mergers and acquisitions (including mergers, acquisitions and splits): none.

11. Funding application plan and implementation:

(1) Capital increase plan implementation schedule

1. Planned items and application schedule:

Unit: NT$1000

Plan items	Estimated completion date	Total funds raised	Expected capital utilization schedule		
			2013		
			Quarter 2	Quarter 3	Quarter 4
Repay bank loans	Second quarter of 2013	152,000	152,000	-	-
Build new plant	Fourth quarter of 2013	253,000	50,000	169,000	34,000
Total		405,000	202,000	169,000	34,000

2. Implementation status

Units: Thousand NT$; %

Project items	Status of implementation		Up until the first quarter of 2017	Reasons for being ahead of or behind schedule and improvement plans
Repay bank loans	Expenses	Planned	152,000	Has been completed during the second quarter of 2013 according to the original plan.
		Actual implementation progress	152,000	
	Percentage	Planned	100.00	
		Actual	100.00	
Build new	Expenses	Planned	253,000	The new Yanchao plant works has been

plant		Actual implementation progress	88,520	started
	Percentage	Planned	100.00	
		Actual implementation progress	34.99	

As of the end of the first quarter of 2017, the actual amount spent was NT$240,520,000. Of this, NT$152,000,000 was used to repay bank loans. There were no major abnormalities. The remaining NT$88,520 ,000 was used to build the new plant. The planned schedule is to start work in the second quarter of 2013. The expected expenditure amount was NT$253,000,000, and the actual expended amount was NT$88,520,000. The expected expenditure progress was 100.00%, and the actual expenditure progress was 34.99%. The new Yanchao plant works has been started and there will be subsequent increase in the expenditure. There were no major abnormalities. As described above, the planned company funding implementation progress is proceeding as planned. There are no major abnormal events.

(2) The difference between planned benefits and actual achieved benefits:

1. Expected benefits

Bank loans have been repaid according to the original plan for The Company's capital cash increase. An annual NT$2,165,000 cash interest expenditure can be saved every year. After loans are paid with the current capital increase, not only are the debt ratio reduced and the financial structure improved but the lowered interest expenditure also reduces operating turnover risks and increases company profitability.

When The Company moved to the new plant, the benefits of integrating resources became evident. Management costs are expected to decrease, and the number of personnel is expected to be maintained at the current level. The increase in sales orders did not increase operating costs. As the future operating scale increases, the benefits from economies of scale will also be evident. Expected increase of operating profit from 2017 to 2020 of the facial mask will be 22,050 thousands, 21,930 thousands, 23,202 thousands, 23,213 thousands, respectively. And the wet wipes will be 30,375 thousands, 30,544 thousands, 30,400 thousands, 30,030 thousands, respectively.

2. Actual status

As of the first quarter of 2016, The Company's planned expenditure monetary amount was NT$405,000 thousands. The Company's relevant documents revealed that after The Company received all share proceeds in the second quarter of 2013, and through the end of the first quarter in 2016, the actual expended monetary amount was NT$224,388 thousands. Overall, NT$152,000 thousands in bank loans have been paid according to planned funding use. The additional NT$8,100 thousands added because of a capital increase price change has been used to pay back other bank loans according to the original planned use. There were no major abnormalities. The remaining NT$253,000 thousands is planned for the construction of the new plant. The planned work began in the second quarter of 2013, and the planned expenditure was NT$253,000 thousands. The expected expenditure progress was 100.00%. The actual progress for paying payments, royalties, rent, filling and back filling for the new plant was NT$88,520 thousands. This was behind the original estimated schedule. Because there was a delay in the handling of the land division and aboveground rights setting procedure by the Gangshan Land Office, the original planned investment in site preparation work was also delayed. The new Yanchao plant works has been started and there will be subsequent increase in the expenditure. There were no major abnormalities. As described above, the planned company funding implementation progress is proceeding as planned. There are no major abnormal events.

3. Benefit evaluation

Loans have been paid back according to plan in The Company's capital cash increase. Interest savings began in 2013. The Company's new plant fund expenditure is expected to be used for the first phase land preparation and foundation project of the Yanchao plant. This plan is not expected to produce benefits. The evaluated planned benefit and the achieved status as of the end of first quarter in 2016 are reasonable.

(3) Rationality of this quarter's unspent funds

The Company's unspent funds are from the first phase land preparation and foundation project for the Yanchao plant, which amounts to NT$164,480 thousands. Currently, this amount is temporarily listed in accounting as operation working capital. To maintain the funds' safety and liquidity, they are being held in the form of bank savings. The utilization and safekeeping of unspent funds as of the end of the first quarter in 2017 are reasonable.

(4) Whether funding use is related to plan changes

As of the end of the first quarter of 2017, The Company has implemented fundraising according to plan. No changes were made.

V. Operating summary

1. Business Activities

A. Business scope

(1) Main business contents

- ◆ Manufacturing, processing, trade and import and export of suede, imitation leather, nonwoven lining, fabrics for civil engineering, waterproof/fire-resistant filter bags, resin bond padding, shoe materials, nonwoven carpets, nylon carpets, and DuPont synthetic fiber bullet-proof vests.
- ◆ Manufacturing, trade, and import and export of scouring pads, industrial grinding wheels, and household aluminum foil products (aluminum foil dirt-prevention plates).
- ◆ Trade, import and export of household hardware, nonwoven fabrics, resin, carborundum, aluminum products, and their raw materials.
- ◆ Manufacturing, processing, trade and import and export of nonwoven air filters, cotton fabrics, and aluminum foil and aluminum tableware.
- ◆ Import, export and trade of household plastic products (tableware) and stainless steel cutlery.
- ◆ Agent of domestic and foreign manufacturers' distribution, quotation and bidding for abovementioned products.
- ◆ Industrial plant development and rental businesses.
- ◆ Development of specific professional areas.
- ◆ Cosmetics manufacturing, wholesale and retail.
- ◆ Paper processing.
- ◆ Cosmetic pigment manufacturing industry.
- ◆ Dehydrated food manufacturing industry.
- ◆ Supplementary food wholesale industry.
- ◆ Cleaning supplies wholesale and manufacturing industry.

(2) The business proportion of main products

Units: 1000 NT$; %

Main products	2016	
	amount	%
Spunlace nonwoven fabrics	1,601,996	26.30%
Biotechnology products (note)	2,202,966	36.17%
Air through & Thermal bond nonwoven fabrics	1,274,140	20.92%
Disposable surgical gowns fabrics	998,509	16.40%
Others	12,779	0.21%
Total	6,090,390	100.00%

Data sources: offered by The Company Note: including wet wipes, facial mask and skincare products.

(3) The Company's current products (services)

① Hygiene materials:

A. PP air through & Thermal bond nonwoven fabrics—baby/adult diaper and sanitary napkin surface material.

B. Spunlace nonwoven fabrics—medical grade operation protective clothing fabrics, dust-free electronic cleaning cloth, clean wipes, medical drape cloth, and ointment cloth.

C. Needle rolled nonwoven fabric—bra liner and shoulder pad cotton material.

D. Biotech products—wet wipes (infant, adult skin), masks, makeup remover cotton, emulsion liquid cosmetics (collagen day cream, placenta night cream, lotions, extracts, eye creams, marine creams, and skincare products).

② Industrial products:

A. Grinding wheels—stainless steel, copper PCB grinding, wood polishing, and electroplating polishing.

B. High-end air filter cloth.

C. Household articles—household cleaning rags, scouring pads, and other cleaning products.

(4) Planned product development

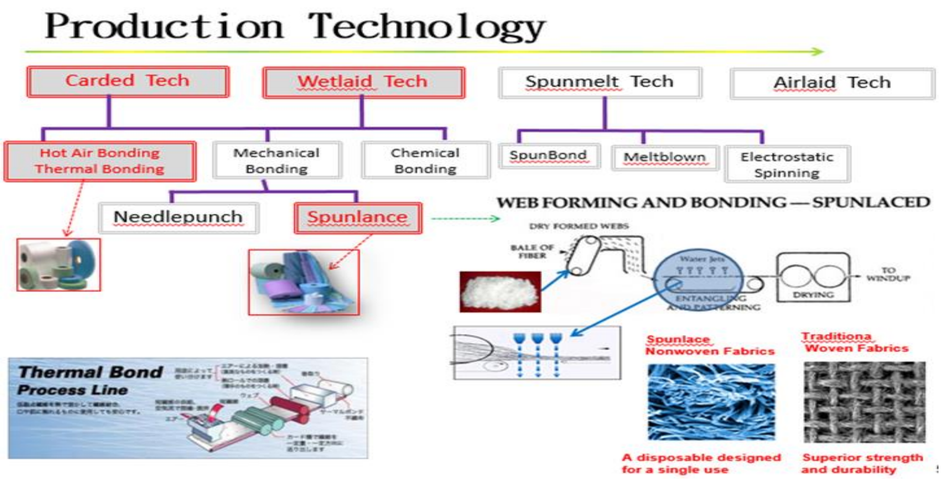
①Nonwoven fabrics: medical/surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven cloth, biodegradable environmentally friendly nonwoven cloth, 3D surface nonwoven fabric, and industrial wipes.

②Biotech products: top-grade facial masks, top skincare products, food grade collagen, plant extract, emulsions, liquid agent for cosmetics, washable wet wipes, far infrared mask.

B. Industry overview

1. Current state and development of the industry

Nonwoven fabric is made with unconventional combining or weaving methods. The process uses mechanical, thermal, and chemical means to glue, roll, melt, and spun bond together natural or artificial fibers. Because these products have some characteristics of cloth, they are called nonwoven fabrics. The nonwoven fabric industry is the youngest member of the textile industry and has the most development potential. This process breaks through conventional textile technology and fully utilizes modern physics and chemical concepts to derive a newly emerging technology. This industry also fully integrates textile, mechanical, chemical, plastic, and papermaking technology to significantly reduce production costs in the conventional textile industry and effectively increase production quantity. Currently, formed nonwoven fabric is suitable for use on non-clothing products, single-use sanitary items, or cosmetic/skincare products. This industry can be perceived as a secondary industry in the textile industry. Of all textile manufacturing processes, nonwoven fabric has the shortest production process and the largest production capacity. Initially, it was used to produce low-price products. In recent years, because industry, technology and production equipment have continued to advance, new applications are being developed. The level of products has also increased to become high value-added products. Taiwan's nonwoven fabric industry began in 1969 and has over 30 years of history. After long-term hard work by Taiwanese industry operators, the accumulated development results and manufacturing technology have an important place in the global market.



Data source: Nanliu

In addition to being widely used on conventional household sanitary products, nonwoven fabric can be used in more special environments after design change. For example, it can be used in medical/surgical clothing and as industrial and electronic wipes. Its quality requirements must achieve a certain cleanliness, permeability, and hairball residue level. As global travel becomes more common, resulting in frequent exchange, new viruses such as SARS and H1N1 can spread rapidly in this environment. Recently, natural disasters such as earthquakes and floods are also frequent occurrences and have caused severe damage and casualties. When regions of the world encounter such chaos, the need for sanitary and medical/protective equipment will significantly increase. This indicates that civilized cultures are placing more emphasis on health and safety and that the need for single-use nonwoven consumer products will increase.

Because nonwoven fabric is light, elastic, and breathable and can be made to have different uses (filter, absorber/perspiration evaporator, made to be air/moisture permeable, made to be used for planting, for polishing, and to insulate noise and heat) after going through different procedures. It can also be made into different forms and appearances. In recent years, production technology breakthroughs and introduction of different processing methods to make high-tech special artificial fibers have pushed nonwoven fabric to be used in unconventional fields. Conventional uses such as household sanitary products have extended to medical, aerospace, filtration, computer, and civil engineering industries. After special production and processing, nonwoven fabric can be classified as high-tech textile products in functional textile, which has stably increased in sales every year.

Nonwoven fabrics use

Clothing	Secondary clothing material	Filling material (men/women's clothing, children's clothing, short jacket, shirts, and hat material)
	Thermal insulation material	Filler cotton (wetsuit, pajamas), quilt
	Disposable clothing	Protective clothing, travel underwear, beachwear, casual wear
Home textiles	Kitchen	Scouring pad, table cloth, table napkins, filter material
	Furniture	Sheets, bed covers, mattress covers, sofa covers, cushion covers
	Decoration	Carpets, curtains, wallpaper, audio equipment
Artificial leather	Shoe materials	Surface material, inner material, middle material, anti-sliding material, reinforcing materials
	Bag material	Bag interior substrate, bag bottom material, leather upholstery
Industrial use	Filter material	Filters (liquids, gases, dust, grease)
	Wiping cloth	Dust cloth, wiping cloth
	Electronic equipment	Insulating material (cloth, battery cell separation cloth, coating material)
	Print fabric	Maps, calendars, labels, stickers
	Others	Aircraft skin coating material, material for the aerospace industry, body armor
Geotextile	Civil engineering	Asbestos mats, soil stabilization materials, water storage materials, artificial turf
	Building	Waterproof and moisture permeability fabrics, roofing materials, soundproofing materials, shockproof material
	Foundation	Highways, subways, airports, tunnels

Agriculture and gardening	Agriculture	Heat protection material, windproof materials, fruit protection material
	Gardening	Seedling and orchid growing materials
Life-related	A variety of packaging materials	Candy packaging, teabags, handbags
	Washing supplies	Towels, paper towels, tablecloths
	Makeup wipes	Cosmetic puff
	Other family use	Various water absorbing paper cloth
Medical nonwoven cloth	Hospital	Surgical masks, surgical caps
	Medical supplies	Compress towel substrate and adhesive tape
	Others	Artificial skin, artificial blood vessels
Hygiene products	Physical products	Sanitary napkins
	Diaper	Adult diapers, baby diapers

From the beginning of Taiwan's nonwoven fabric industry in the 1960s to the present, operators have experienced Taiwan's economic flight and prosperity after 10 great construction projects. After the 2000 financial crisis, Taiwan businessmen moved abroad. Later, the oil crisis, the American housing loan crisis, and the European debt crisis resulted in a global economic downturn. In 2011 and 2012, sales in Taiwan's nonwoven fabric industry declined. The sales value gradually improved after 2013, along with economic revival, expansion of the application market, and improvements in production technology. In 2015, Taiwan's nonwoven fabric export value was USD 378 million, and the export quantity was 94 thousands tons. This was a growth of 2.4% and 0.6% compared with 2014. Nonwoven fabric is the only special fabric product that showed export growth after 2012.

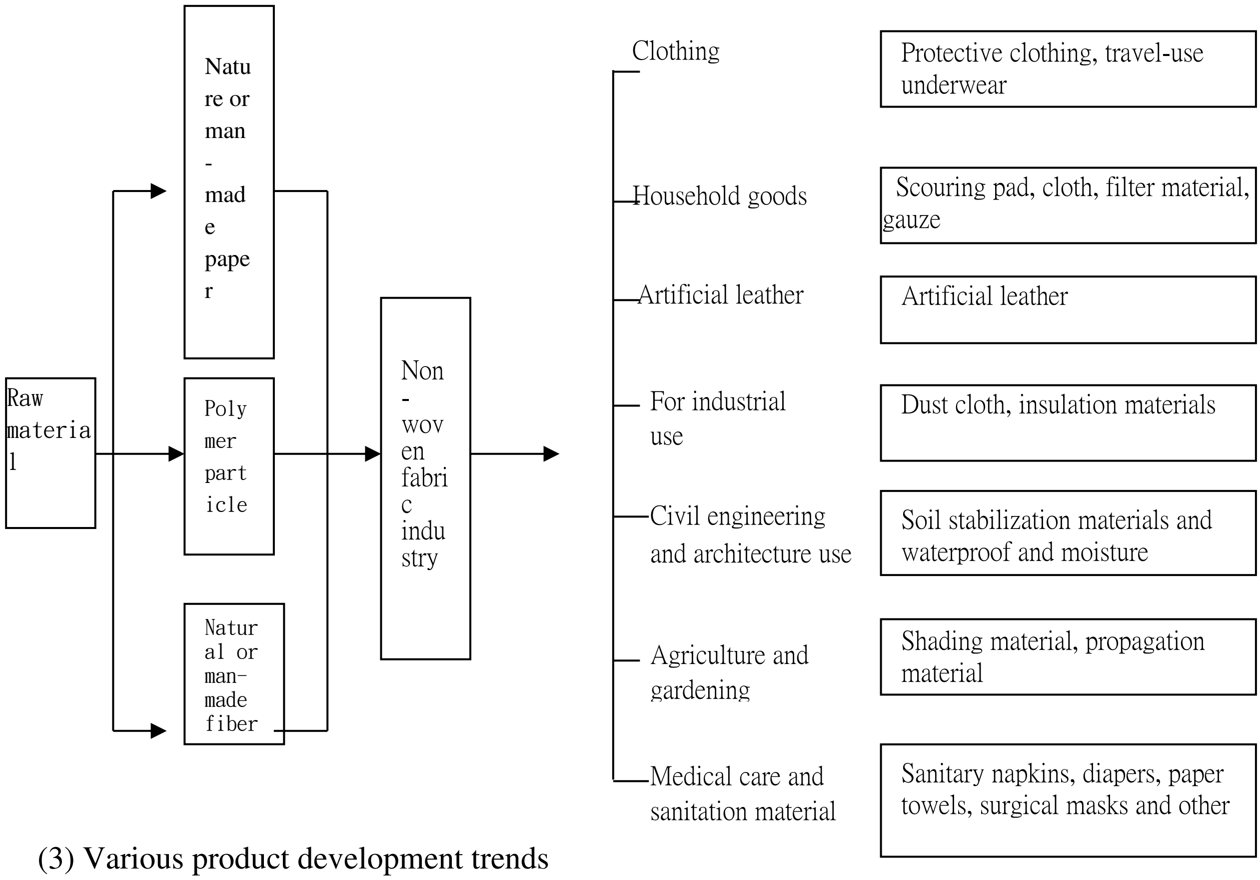
Statistics of Taiwan's nonwoven fabric industry production, import and export value and quantity within the last five years.

	2011	2012	2013	2014	2015	Unit
Production volume	164,798	130,492	153,147	181,535	183,700	Ton
Export value	322,161	324,157	338,541	369,531	378,100	1000 USD
Import value	149,970	130,272	122,246	122,628	110,400	1000 USD
Export volume	71,556	74,010	82,289	93,411	94,000	Ton
Import volume	31,351	27,778	26,579	26,712	24,700	Ton

Data source: ANFA - 2016 Taiwan statistic report (2016.05.02)

2. Correlation among upstream, midstream, and downstream sections of the industry

Nan Liu Enterprise's main products are nonwoven fabric and cosmetic/beauty care products. The industry correlation diagram is as follows:



(3) Various product development trends

① Product diversification

In recent years, the nonwoven fabric industry has been affected by significant fluctuation in raw material prices, and the cost has significantly increased. China's nonwoven fabric industry operators have also increased their production scale and taken a price-competition model of sales. As a result, gross profit has fallen for Nan Liu and other nonwoven fabric operators in recent years. Thus, relevant nonwoven fabric operators must diversify their development direction and products and use increased product added value to increase profitability.

② Cross-field nonwoven fabric composite technology development

In addition to diversifying industry development and products, the nonwoven fabric industry is also engaging in nonwoven fabric composite technology. For example, the top and bottom layers of spun bond nonwoven fabric and a middle layer of meltblown nonwoven fabric goes through composite processing to produce SMS nonwoven fabric. The Company is also actively developing medical use pulp spunlace composite nonwoven fabric, composite biodegradable nonwoven fabric, and composite elastic nonwoven fabric. As composite technology becomes more mature, the industry is able to expand the application of nonwoven fabric and increase added value.

③ World trend in environmentally friendly material

In recent years, environmental awareness has emerged, and single-use, disposable nonwoven fabric products such as wet wipes, medical use surgical garment, masks, and gauze all require the development of environmentally friendly materials. The nonwoven fabric industry is developing different fiber materials that will be able to quickly decompose into shorter molecular chains. This will allow the materials to decompose into smaller fragments in natural environments and reduce pollution. The industry is also developing fiber materials that can decompose into small CO_2, H_2O, or CH_4 molecules in the natural environment. This will allow materials to return to nature and lower their impact on the environment. The Company will continue to improve its composite technology and is currently in the initial stages of developing composite, decomposable nonwoven fabric.

Some parts of nonwoven fabric production use wood pulp, which can affect the ecological environment system. Thus, The Company will continue to focus on monitoring and controlling the nonwoven fabric industry chain. In 2012, The Company passed the FSC COC chain of custody verification. The use of FSC COC to monitor the nonwoven fabric production chain can achieve the protection of forests throughout the entire supply chain (upstream sources of wood raw materials, processing, manufacturing, sales, printing, products, sales to the end consumer). This prevents overconsumption of the world's forestry resources and mitigates the effects on existing ecological systems during the production and sales process, enabling the Company to fulfill its environmental and social responsibilities.

(4) Competition

The Company was founded in 1978, and its main business is the production and sales of hot-pressed nonwoven fabrics, spunlace nonwoven fabric, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In recent years, the Company has expanded production lines to personal hygiene products including wet paper towels and beauty maintenance supplies such as masks and skincare products. Currently, listed domestic companies with similar products, capital, and operating scale include Kang Na Hsiung, Shinih, and Universal Incorporation. Their main operating items and operating revenue are as follows:

Unit: Thousand NT$

Company / Items	Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
Main Business items	1.Spunlace nonwoven fabric (including Disposable surgical gowns fabrics) 42.4% 2.Air through & Thermal bond nonwoven fabrics 20.9% 3.Biotechnology products (including wet wipes) 36.7%	1. Sanitary napkin 49% 2. Diaper 7% 3. Wet wipes 37% 4. nonwoven cloth and others 7%	1.Nonwoven cloth 98% 2 Other 2%	1.Spunbond and composite nonwoven fabric 2.Meltblown nonwoven fabric 3.Bonded cloth and post-processing cloth 4.Other
2016 consolidated net sales	6,090,390	4,100,682	3,531,131	990,428

Data source: the consolidated financial statement from various companies that are announced on MOPS website.

3. Long-term and short-term business development plans

(1) Short-term plan

• Consolidate existing clients, and attract more customers.
• Implement the Group's production policy to obtain the most advantageous configuration.
• Obtain high-end orders, and improve real profits.
• Improve resource utilization, and reduce resource consumption and waste.
• Promote environmentally friendly product production technology to obtain market opportunities.

(2) Long-term plans

• Integrate the group's resources, and provide customers with more complete services.
• Improve the cost structure, and provide our customers with more competitive prices.
• Enhance customer satisfaction, and expand the overall production scale. Pursue cost advantages to make prices more competitive.
• Create a win-win situation, ensure technology leadership, and increase market share.

2. Market, production, and sales status:

i. Market analysis

(1) Main product sales area

Unit: 1000 NT$

Year / Area		2015 (consolidated)		2016 (consolidated)	
		Amount	Ratio%	Amount	Ratio%
Taiwan		1,518,762	25.64%	1,257,146	20.64%
China		2,703,201	45.65%	2,336,915	38.37%
Export	Japan	836,590	14.13%	965,853	15.86%
	Asia	667,338	11.27%	1,353,641	22.23%
	Others	196,310	3.31%	176,835	2.90%
Total		5,922,201	100.00%	6,090,390	100.00%

(2) Market share

The Company's main business is the production and sales of Air through & Thermal bond nonwoven fabrics, spunlace nonwoven fabrics, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In 2016, The Company's consolidated operating revenue was superior to that of similar companies in the industry, including Nan Liu, Shinih, and Universal Incorporation.

Unit: 1000 NT$

Company / Items		Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
2016 (consolidated)	Net Sales	6,090,390	4,100,682	3,531,131	990,428

Data source: the consolidated financial statement from various companies that are announced on MOPS website.

In addition, according to a statistic by Nonwovens Industry (the main United States nonwoven fabric monthly journal). The Company ranked 24th among all nonwoven fabric companies in the world in 2015. The Company has exceeded the rankings of all similar companies in Taiwan and has become an important nonwoven fabric company in the Asia region. According to a survey of the 2000 largest companies by *CommonWealth Magazine*, The Company ranked 427st among companies of the manufacturing industry in 2017.

(3) Future market supply and demand and growth

Nonwoven fabric is lightweight, elastic, and breathable and can be made to have absorption/moisture retention and breathable/moisture permeable characteristics or made into filters, planting material, wiping material, soundproofing material, and insulation materials through different processes. In addition, this material can be made into diverse forms and appearances. As production technology continues to show breakthroughs in recent years, high-tech special artificial fiber is being continuously developed. Processing methods are becoming more diversified, and nonwoven technology is being applied to unconventional fields. Nonwoven fabric has moved from conventional uses such as everyday hygiene supplies to being used in medical, aeronautic, filter, computer, and civil engineering fields. After special processing, nonwoven fabric can be classified as a high-tech textile product in functional textile. As such, its global sales have grown steadily each year.

① The downstream application product demand is growing steadily.

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to 10 years.

② The China market has created a huge market and business opportunity.

In terms of individual areas, China has the fastest growth in the nonwoven fabric industry. In 2011, China's nonwoven fabric production quantity was 2.054 million tons but reached 2.941 million tons by 2014. This is an annual compound growth rate of 43%, which far exceeds the global average. However, the 2011 growth showed only a 9.3% increase compared to 2010. This is mainly attributed to increasing Chinese labor costs, appreciation of the CNY, and raw material price increase. At the time, the European and American markets showed weak economic numbers, increased national debt, high unemployment rate, and other negative factors, which resulted in decreased demands. Still, China itself is showing growing demands, and increased salaries have raised the average income of its citizens. This, in addition to the two-child policy, has led to expected increased demand in the nonwoven fabric production, and demand is expected to grow. In the second half of 2016, the CNY depreciated significantly, and the impact on the exports was huge. However, due to the two-child policy and the increased national income, the domestic demand could maintain steady growth for disposable consumer goods.

Production quantity and import/export value and quantity in the nonwoven fabric industry in China for the last five years.

Item	2011	2012	2013	2014	2015	Unit
Production volume	2,054	2,163	2,387	2,635	2,941	Thousand tons
Export value	1479.7	1624.4	1971.9	2311.6	2,482.1	Million USD
Import value	874.6	839	849.8	947.9	859.4	Million USD
Export volume	451.6	484.9	559.3	656.2	730.9	Thousand tons
Import volume	148.3	138.3	139.7	152	138.0	Thousand tons

Data source: ANFA – 2016 China statistic (May 2, 2016)

③ Stable domestic demand

As the economy gradually began reviving in 2013, expanded market application and production technology advancements gave Taiwan's nonwoven fabric industry a highly competitive edge in the global market. Taiwan's nonwoven fabric export in 2015 was USD 378 million, and the quantity was 94,000 tons. This was a growth of 11.8% and 14.6%, respectively, compared to 2013. Nonwoven fabric was the only product among special textiles that showed growth after 2012.

(4) Competitive niche

① Continuing investment in research and development

The Company has invested in the production and development of nonwoven fabric since 1995. We have accumulated more than 20 years of production experience and built a technology team to improve our development abilities. Currently, The Company has professionals who were once part of the PGI group, and who have nonwoven fabric experience, leading the R&D team. The team has continually developed nonwoven fabric production technology and expanded its relevant applications. At present, the Company's research results include surgical medical protective clothing fabrics and industrial-strength cloth. In the future, we will expand into embedded anti-corrosion technology, water purification technology, flushable wipes, elastic diaper waists, strong wipes for 3D printing technology and other high value-added products. Regarding production technology and process improvement, the Company will adjust production equipment based on new material development and process improvements. Actual production site tests will be conducted to set the best production parameters, which will improve production yield and lower production costs. Furthermore, The Company will maintain close exchange with major European, American, Japanese, and Korean hygiene product companies to fully understand market trends. This will enable The Company to rapidly develop products that conform to market demands.

② Good stability product quality

The Company has actively obtained ISO9002 quality certification, ISO 9001 quality certification, ISO 14000 environmental certification, ISO13485 medical certification, GMPC excellent cosmetics manufacturing standards, AAMI American standard medical surgery clothing certification, EN13795 European standard medical surgery clothing certification, and FSC COC production and sales management certification. These certifications ensure that The Company manufactures and sells nonwoven fabric and related products under the strictest quality control and provide customers with peace of mind. In addition, The Company also uses related quality management tools (such as the SPC method) to continue to improve product quality. ISO 9001 and other quality management systems are implemented, and quality personnel are actively cultivated to ensure a solid foundation for product quality.

In addition to actively building a quality management system for various items, The Company also requires work personnel to strictly follow relevant production SOPs during the production process. The production environment is managed based on low temperature, germ-free, and cleanroom standards. To reduce possible pollution during the production process from personnel operations, The Company has introduced automated production equipment from Germany and Japan as well as conducted quality monitors and tests for various automatic detection systems. This ensures that all products from the factory conform to strict quality standards and relevant specifications.

(5) Advantageous and disadvantageous factors for development prospects and response measures

① Advantageous factors

A. Downstream product application demand is steadily growing

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to 10 years. Therefore, The Company will have space for growth in the nonwoven fabric industry in the future.

B. Continual development of new application fields

The application scope of nonwoven fabric is continuing to expand and can be used in different applications after processing with different techniques. Nonwoven fabric products are continuing to be developed and innovated. In the United States, Japan, Europe, and other advanced nations, nonwoven fabric is still classified as an emerging industry that is environmentally friendly. Because there are diverse application fields, nonwoven fabric can be used in daily living supplies; medical protection; car materials; electronics and hi-tech; industrial, agricultural and textile products; and as shoe material and synthetic leather. Global demand for nonwoven fabric products is still steadily growing, and the production value will soon be higher than that of conventional textile products. Of these, nonwoven fabric is showing the fastest growth in everyday hygiene products and medical protection products.

C. Biotechnology products have a certain brand visibility

In addition to the production and sales of nonwoven fabric, The Company has gradually been diversifying in recent years. Currently, The Company has two brands, Silk Soft and Netharria. Products from these two brands include masks, makeup emulsion, lotion, moisturizer, and shower gel. These products are sold in department stores, post offices, and farmer's associations. Currently, mask products have become one of the most popular items sold by the post office. Our masks have also been selected by the Cross-Strait Trade & Commerce Association of R.O.C. as a recommended souvenir. Thus, The Company's beauty care products have established initial brand recognition. We will continue to expand our sales channels and further enhance our brand awareness.

② Disadvantageous factors

A. Risk of price competition from Chinese companies

According to Taiwan Nonwoven Fabric Industry Association monthly journal data, Chinese companies are continuing to make significant investments in the nonwoven fabric industry by acquiring machinery and equipment. In recent years, China's nonwoven fabric industry production quantity has grown by an average of 10% annually. China's nonwoven fabric production value is the highest in Asia (except Japan) and is rapidly developing. This has formed a certain threat and pressure for Taiwan's industry. China's investment in nonwoven fabric is mostly centered around spunbond and meltblown production technology. Spunbond and meltblown have high investment costs and large production scale; therefore, high-quantity production is required to reach economies of scale for this new machine equipment. Thus, the current nonwoven fabric market is showing a trend of price competition.

Response measures:

The Company has focused on developing hot air/hot-press and spunlace technology nonwoven fabrics. Hot air/hot-press nonwoven fabric is soft, loose, and has good texture. Currently, they are widely used in diaper and sanitary napkin surface material. The Company has improved spunlace nonwoven fabric technology and materials, production technology, water quality purification technology, and post-processing technology (water resistance, alcohol resistance, and blood resistance). Currently, we have passed the American standard AAMI certification and European standard EN 13795 certification, which means that these materials can be used as medical and protective materials. Currently, surgical clothing made from spunlace nonwoven fabric has higher cost but is preferred by medical personnel because the materials are better than SMS composite nonwoven fabric. The Company is continuing with various new product development and product quality improvements and has clearly separated our market and product position from the spunbond and meltblown nonwoven fabric of our Chinese competitors.

B. Risk of substitute products

Currently, common nonwoven fabric formation technology used around the globe is similar and generally includes machine bonding, thermal bonding, spunbond, and meltblown technology. The Company's current main products are spunlace nonwoven fabric and hot air bonding/hot-press nonwoven fabric, which are classified as mechanical bonding and thermal bonding technology. Comparatively, some vendors have converted their investments toward spunbond and meltblown technology nonwoven fabric, then processing the products with composite processing to produce SMS nonwoven fabric. SMS nonwoven fabric such as polyester has a relatively low price. Not only does polyester have a price advantage, SMS nonwoven fabric has lower water permeability. Thus, SMS nonwoven fabric made with spunbond technology and meltblown technology and composite processing has become the primary replacement product for The Company's spunlace nonwoven fabric and air through & thermal bond nonwoven fabrics.

Response measures:

In addition to cost considerations, we must also consider the comfort and softness of nonwoven fabric products. Hot air/hot-press and spunlace technology produced nonwoven fabrics are more comfortable, softer, and more elastic. Although SMS produced surgical clothing can reach 40 g, the material tends to be transparent and has a plastic feel. Thus, surgical medical personnel still prefer surgical clothing made form spunlace nonwoven fabric and dislike wearing SMS nonwoven fabric surgical clothing that feels like a raincoat. Therefore, spunlace nonwoven fabric still has a certain market demand.

The Company is still developing various spunlace nonwoven fabric products such as elastic composite nonwoven fabric, elastic pulp spunlace nonwoven fabric, biodegradable environmentally friendly spunlace nonwoven fabric, flushable wet wipes, and industrial use wipe to increase the added value and application of spunlace nonwoven fabrics.

C. A large amount of investment must be made to maintain competitiveness in the nonwoven fabric industry

As production technology improves in the nonwoven fabric industry, new products are developed, sales are expanded, and branches are opened overseas, nonwoven fabric industry personnel must continue to invest funds to purchase new machinery and equipment to expand production capacity. This is required to gain and maintain a competitive advantage. Thus, the nonwoven fabric industry requires significant funding, and relevant operators should have sufficient funding and flexibility capital allocation to engage in expansions and asset investment.

Response measures

The Company maintains a good relationship with financial institutions. Currently, The Company has a low cost of borrowing money and still has sufficient bank financing. In the long term, The Company not only reserves a surplus from the annual profit but also uses listing plans and capital market instruments to obtain sufficient and stable long-term investment funds. This fund is used to fulfill expansion needs, improve the Company's financial structure, and reduce financial risk.

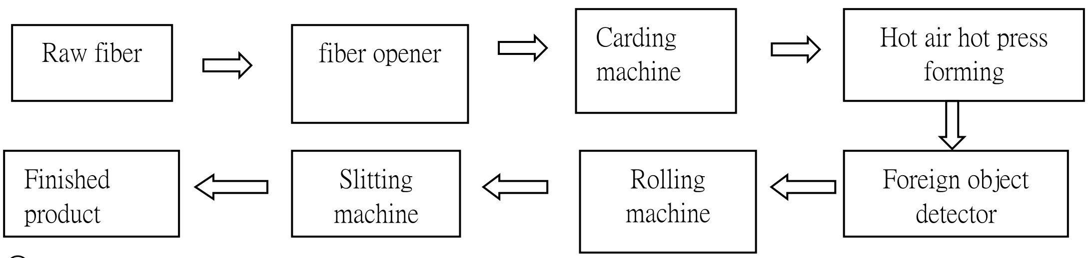
ii. Major uses and production process of the primary products

(1) Major uses of the primary products

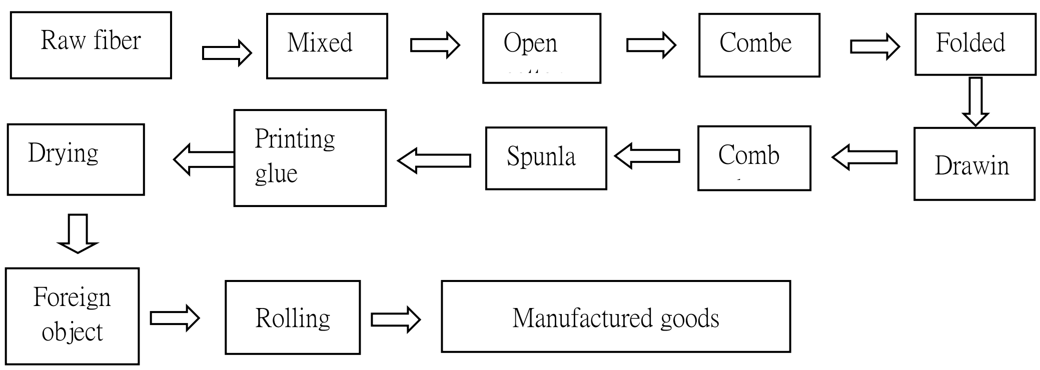
Main products	Important use
Air through & thermal bond nonwoven fabrics	Baby diaper and sanitary napkin surface material
Spunlace nonwoven fabric	Medical and sanitary materials, cleaning supplies, shoes
Biotech products	Wipes (infant, adult skin), masks, cleansing cotton, emulsion liquid cosmetics

(2) Production process

① Air through & thermal bond nonwoven fabric



②Spunlace nonwoven fabric



iii. Main raw material supply status

The main raw materials	Major suppliers (domestic and foreign)	Supply status
Polypropylene (PP), composite fiber Rayon fiber, PET fiber	SPV and Sinopec Yizheng	Good

iv. List of vendors that account for more than 10% of total purchases within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.

Units: Thousand NT$; %

Items	2015				2016				As of March 31, 2017			
	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship
1	SPV	727,867	18.42	None	SPV	745,445	19.82	None	SPV	212,792	22.37	None
2	Others	3,224,196	81.58	None	Others	3,016,366	80.18	None	Others	738,606	77.63	None
Net Purchase		3,952,063	100.00		Net Purchase	3,761,811	100.00		Net Purchase	951,398	100.00	

Explanation for changes:

The main raw materials used by The Company within the last two years are PET fiber, rayon fiber, and nonwoven fabric. SPV is The Company's rayon fiber provider. There are no major changes to raw material suppliers within the last two years.

v. List of customers that account for more than 10% of total sales within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.

Units: Thousand NT$; %

Items	2015				2016				As of March 31, 2017			
	Name	Sum	% of net sales	Relationship	Name	Sum	% of net sales	Relationship	Name	Sum	% of net sales	Relationship
1	A company	680,201	11.49	None	A company	632,268	10.38	None	A company	161,487	10.75	None
2	Others	5,242,000	88.51		Others	5,458,122	89.62		Others	1,341,256	89.25	
Net Sales		5,922,201	100.00		Net Sales	6,090,390	100.00		Net Sales	1,502,743	100.00	

Explanation for changes:

The Company focuses on the nonwoven fabric industry and management of its related derivative products. Our main products include air through & thermal bond nonwoven fabric, spunlace nonwoven fabric, hygiene products, and biotech/beauty care products. Our customers include vendors in Taiwan, Japan, and Korea. Our product quality has passed professional certification, and The Company has a stable and long-term supply and sales relationship with our customers. There were no significant changes in sales customers within the last two years.

vi. Production quantity and value in the last two years

Unit: thousand packs/ton/ NT$1000

Year / Production quantity and value / Primary commodity	2016			2015		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Spunlace nonwoven fabric	35,000	33,218	2,462,039	27,120	31,244	2,452,613
Air through & thermal bond nonwoven fabric	13,050	12,398	1,103,137	10,350	10,794	1,019,537
Biotechnology products (note)	—	242,651	2,846,349	—	284,161	2,584,279
Disposable surgical gowns fabrics	7,300	7,004	706,939	6,000	6,237	707,672
Others	—	151	10,031	—	305	8,966
Total	—	—	7,128,495	—	—	6,773,067

Note: includes wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

vii. Sales quantity and value in the last two years

Unit: thousand packs/ton/and NT$1000

Year / Sales value / Primary products	2016				2015			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Spunlace nonwoven fabric	3,615	372,513	15,051	1,229,483	4,119	496,328	18,748	1,008,031
Air through & thermal bond nonwoven fabric	9,152	946,054	2,516	328,086	8,239	913,455	2,354	272,067
Biotechnology products (note)	123,269	2,047,517	14,521	155,449	130,072	1,959,174	31,771	366,936
Disposable surgical gowns fabrics	495	70,341	6,033	928,168	380	56,719	5,874	838,731
Others	124	12,779	—	—	287	10,760	—	—
Total		3,449,204		2,641,186		3,436,436		2,485,765

Note: includes wet wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

3. Number of employees in the last two years

Year		2015/12/31	2016/12/31	2017/03/31
The number of employees	Direct	536	603	614
	Indirect	250	205	209
	Total	786	808	823
Average age		32.52	33.53	33.59
Average years of service (years)		3.99	4.75	4.85
Education distribution ratio (%)	Ph.D.	0.13	0.12	0.12
	Master	2.04	2.35	2.31
	College	26.97	28.47	28.07
	High school	40.46	35.40	37.54
	Below high school	30.40	33.66	31.96

4. Environmental protection expenditures

(1) The Company has applied for and received pollution emission permits, paid pollution prevention fees, or established designated environmental personnel according to regulations. The following is The Company's permit and establishment status:

The Company's business is classified at a Batch 6 (as announced by the Environmental Protection Administration) fixed pollutant source that requires a pollution facility establishment and operation permit. This business is required to declare air pollution prevention fees each quarter.

Items	Name of allowed fixed pollutant source	Code	Effective period	Permit document number	Remarks
1	Cosmetic manufacturing procedures	(M02) 190059	08/29/2015 - 08/28/2020	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1779-00	First factory
2	Heat medium heating process	(M02) 000002	06/13/2013 - 06/12/2018	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1172-00	Second plant
3	Heat medium heating process	(M04) 000002	09/19/2014 - 09/18/2019	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1555-00	Second plant
4	Heat medium heating process	(M05) 000002	04/07/2015 - 04/06/2020	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E0362-00	Second plant
5	Water pollution prevention and control permit		09/22/2015 - 09/21/2020	Kaohsiung City Government Environmental Protection Bureau water storage permit number 00950-00	First factory

(2) The Company's investment in environmental pollution prevention equipment, their uses, and their expected benefits:

March 31, 2017

Equipment name	Quantity	Obtainment date	Investment cost (NT$1000)	Residual value	Remarks
Dust collection equipment	4	09/25/2000	1,083	0	Fiber opening machine is fitted with dust collection equipment to meet air pollution testing standards.
Dust collection equipment	1	07/31/2005	750	0	For use in opening fiber and collecting dust, reducing production costs, meeting environmental requirements.
Recycled water treatment equipment	1	04/01/2004	4,653	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	12/31/2000	220	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	11/25/2010	660	32	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	03/28/2011	3,630	277	Recycled water, reduce production costs, meet environmental requirements
Dust collection equipment	1	01/25/2011	95	0	Purification of waste gas, reduce production costs, and meet environmental requirements.
New construction of biotech wastewater retention equipment	1	09/25/2015	240	177	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Continuous and automatic monitoring	1	10/25/2015	500	375	Process wastewater with regulated procedures until it reaches environmental

of waste water (video) transmission					protection requirements.
Flotation equipment	1	12/25/2015	8,677	6,715	Recycled water, reduce production costs, meet environmental requirements
Storage equipment (spunlace)—20T flat bottom tanks	1	02/25/2016	250	201	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Pressure filter equipment	1	05/25/2016	860	729	Recycled water, reduce production costs, meet environmental requirements

Note: from 2016 through the date of annual report printed, The Company has expended NT$4.678 million on environmental cleaning and maintenance-related items.

(3) In the last two years through the printing of this annual report, the Company's improvement of environmental pollution: none.

(4) The Company's losses and total fines as a result of pollution to the environment (including reparation) within the last two years through the printing of this annual report. Disclose future response measures, including improvement measures and possible expenditures (including estimated losses, fines, and compensation if response measures are not taken). If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.

(5) Current pollution and improvement status, and its effects on the Company's competitive position and capital spending, as well as estimated major environmental protection capital expenditures in the next two years: none.

5. Employer/employee relationship

1. Company's employee benefits and retirement system and their implementation, as well as the employer/employee agreement status:

(1) Benefits:

The Company's employee-benefit-related measures are as follows:

①Issue performance bonuses according to operating conditions.

②Funeral/wedding, work injury, hospitalization subsidies and Labor Day bonuses.

③Handle labor insurance, health insurance and relevant insurance for dependents.

④Hold employee travel and issue employee birthday bonus.

⑤Year-end banquet and lottery.

⑥Engage in industry–academia cooperation and encourage employees to learn while on the job.

(2) Education and training measures: fixed schedule training courses that provide professional personnel with career training and continual education.

(3) Retirement system:

The Company has established an Employee Retirement Monetary Fund Oversight Committee according to the Labor Standard Act and has regularly set aside regular monthly pensions that are saved in a Central Trust of China retirement account. To respond to the new retirement system, the Company will appropriate 6% to employee personal accounts.

(4) Employer/employee agreements:

The Company is subject to the Labor Standards Act, and all operations conform thereto. As of the printing of this annual report, there have been no employer/employee disputes.

2. The Company's losses and total fines as a result of employer/employee disputes within the last two years through the printing of this annual report. Disclose current and future estimated monetary amount and response measures. If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.

6. Important contracts

Nature of contract	Party	Contract start elected	Main content	Restrictive terms
Land lease	Li Wu-Yi and five others	2/1/2010~1/29/2040	Real estate leasing (Yanchao plant land)	None
Taiwan Sugar Corporation land setting aboveground rights agreement	Taiwan Sugar Corporation	01/2014~01/2024	Real estate above ground property right	When the aboveground lease is up, renewal shall be through mutual agreement and after royalty payments, and cannot exceed 50 years (accumulated).
Construction contract	Chang-Lun Construction limited	04/2017 till the construction of new plant is completed	New Yanchao plant construction contract	None

VI. Financial summary

1. Concise financial data from the last five years

(1) Concise asset balance sheet and Comprehensive Income

i. **Concise asset balance sheet—consolidated**

Unit: Thousand NT$

Iterm / Year		Financial data in the last five years (note 3)					2017/3/31 Financial data (note 4)
		2012/12/31	2013/12/31	2014/12/31	2015/12/31	2016/12/31	
Current assets		1,739,777	2,375,884	2,668,796	3,099,675	3,218,259	3,248,240
Property, plant and equipment		1,183,428	1,829,673	1,864,367	2,054,428	1,809,808	1,711,703
Intangible assets		-	307	171	24	1,783	1,260
Other assets		519,817	230,777	370,349	230,700	355,506	541,048
Total assets		3,443,022	4,436,641	4,903,683	5,384,827	5,385,356	5,502,251
Current liabilities	before distribution	1,004,100	1,883,995	1,805,950	1,898,557	1,903,894	1,917,039
	after distribution	1,100,850	2,043,715	2,009,230	2,181,697	note1	note2
Noncurrent liabilities		1,221,479	556,095	752,475	822,811	759,851	870,897
Total liabilities	before distribution	2,225,579	2,440,090	2,558,425	2,721,368	2,663,745	2,787,936
	after distribution	2,322,329	2,599,810	2,761,705	3,004,508	note1	註二
Owners equity		1,217,443	1,996,551	2,345,258	2,663,459	2,721,611	2,714,315
Capital		645,000	726,000	726,000	726,000	726,000	726,000
Capital surplus		112,855	453,467	453,467	453,467	453,467	453,467
Retained earnings	before distribution	486,969	765,401	1,027,393	1,399,382	1,697,811	1,831,429
	after distribution	390,219	605,681	824,113	1,116,242	note1	note2
Other equity		(27,381)	51,683	138,398	84,610	(155,667)	(296,581)
Treasury stock		-	-	-	-	-	-
Non-control equity		-	-	-	-	-	-
Total equity	before distribution	1,217,443	1,996,551	2,345,258	2,663,459	2,721,611	2,714,315
	after distribution	1,120,693	1,836,831	2,141,978	2,380,319	note1	note2

(Note 1) The 2016 profit distribution is waiting for approval at the shareholders' meeting.

(Note 2) As of May 12, 2017, the 2016 profit distribution proposal has not been proposed by the shareholders' meeting. Therefore, the amount after distribution is not listed.

(Note 3) The aforementioned financial data figures were audited by certified public accountants.

(Note 4) CPAs reviewed the financial statements as of March 31, 2017.

2. Concise consolidated income statement—consolidated

Unit: except for earnings per share, which is indicated in 1 NT$, the remainder is in NT$1000.

Year / Iterm	Financial data in the last five years (note 1)					2017/3/31 Financial data (note 2)
	2012	2013	2014	2015	2016	
Net sales	3,700,620	4,568,214	5,343,991	5,922,201	6,090,390	1,502,743
Gross profit	679,726	903,293	1,039,437	1,196,643	1,174,296	267,094
Operating profit	340,647	506,533	598,788	750,644	693,898	138,160
Other non-operating income and expenses	(68,271)	(24,293)	(2,831)	26,995	83,947	32,249
Income before income tax	272,376	482,240	595,957	777,639	777,845	170,409
Income from continuing operations	197,641	376,787	420,152	777,639	582,367	133,618
Net income	197,641	376,787	420,152	581,431	582,367	133,618
Other comprehensive income(loss)	(27,521)	77,459	88,275	(59,950)	(241,075)	(140,914)
Total comprehensive income(loss)	170,120	454,246	508,427	521,481	341,292	(7,296)
Net income attributable to owner of parent	197,641	376,787	420,152	581,431	582,367	133,618
Net income attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income attributable to owner of parent	170,120	454,246	508,427	521,481	341,292	(7,296)
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share (After retroactive adjustment)	3.20	5.39	5.79	8.01	8.02	1.84

(Note 1) The aforementioned financial data have been audited by CPAs.

(Note 2) CPAs reviewed the financial statements as of March 31, 2017.

3. Concise balance sheet—the parent company only　Unit: NT$1000

Iterm / Year		Financial data in the last five years (note 2)				
		2012/12/31	2013/12/31	2014/12/31	2015/12/31	2016/12/31
Current assets		751,766	886,993	1,045,160	1,231,510	1,176,861
Property, plant and equipment		284,007	246,108	274,002	286,263	296,772
Intangible assets		-	-	-	-	789
Other assets		1,251,036	1,801,650	2,208,397	2,549,130	2,985,364
Total assets		2,286,809	2,934,751	3,527,559	4,066,903	4,459,786
Current liabilities	before distribution	435,812	699,555	786,083	895,428	1,160,151
	after distribution	532,562	859,275	989,363	1,178,568	note 1
Noncurrent liabilities		633,554	238,645	396,218	508,016	578,024
Total liabilities	before distribution	1,069,366	938,200	1,182,301	1,403,444	1,738,175
	after distribution	1,166,116	1,097,920	1,385,581	1,686,584	note 1
Owners equity		1,217,443	1,996,551	2,345,258	2,663,459	2,721,611
Capital		645,000	726,000	726,000	726,000	726,000
Capital surplus		112,855	453,467	453,467	453,467	453,467
Retained earnings	before distribution	486,969	765,401	1,027,393	1,399,382	1,697,811
	after distribution	390,219	605,681	824,113	1,116,242	note 1
Other equity		(27,381)	51,683	138,398	84,610	(155,667)
Treasury stock		-	-	-	-	-
Non-control equity		-	-	-	-	-
Total equity	before distribution	1,217,443	1,996,551	2,345,258	2,663,459	2,721,611
	after distribution	1,120,693	1,836,831	2,141,978	2,380,319	note 1

(Note 1) The 2016 profit distribution is waiting for approval at the shareholders' meeting.
(Note 2) The aforementioned financial data have been audited by CPAs.

4. Concise consolidated income statement - the parent company only

Unit: except for earnings per share, which is indicated in 1 NT$, the remainder is in NT$1000.

Year / Iterm	Financial data in the last five years (note 1)				
	2012	2013	2014	2015	2016
Net sales	2,184,026	2,348,101	2,746,554	3,154,206	3,233,424
Gross profit	314,268	362,964	442,507	508,718	371,968
Operating profit	113,250	127,331	247,866	308,677	175,510
Other non-operating income and expenses	136,331	264,885	241,013	353,211	462,492
Income before income tax	249,581	392,216	488,879	661,888	638,002
Income from continuing operations	197,641	376,787	420,152	581,431	582,367
Net income	197,641	376,787	420,152	581,431	582,367
Other comprehensive income(loss)	(27,521)	77,459	88,275	(59,950)	(241,075)
Total comprehensive income(loss)	170,120	454,246	508,427	521,481	341,292
Net income attributable to owner of parent	197,641	376,787	420,152	581,431	582,367
Net income attributable to non-controlling interests	–	–	–	–	–
Comprehensive income attributable to owner of parent	170,120	454,246	508,427	521,481	341,292
Comprehensive income attributable to non-controlling interests	–	–	–	–	–
Earnings per share (After retroactive adjustment)	3.20	5.39	5.79	8.01	8.02

(Note 1) The aforementioned financial data have been audited by CPAs.

5. Condensed balance sheet—ROC GAAP (consolidated)

Unit: Thousand NT$

Iterm \ Year		Financial information for the most recent five				
		2012	2013	2014	2015	2016
Current assets		747,189	—	—	—	—
Funds and		1,212,252	—	—	—	—
Fixed assets		286,994	—	—	—	—
Intangible assets		1,731	—	—	—	—
Other assets		13,841	—	—	—	—
Total assets		2,262,007	—	—	—	—
Current liabilities	before distribution	428,758	—	—	—	—
	after distribution	525,508	—	—	—	—
Long-term		532,800	—	—	—	—
Provision		7,386	—	—	—	—
Other liabilities		65,103	—	—	—	—
Total liabilities	before distribution	1,034,047	—	—	—	—
	after distribution	1,130,797	—	—	—	—
Capital		645,000	—	—	—	—
Capital surplus		116,732	—	—	—	—
Retained earnings	before distribution	442,116	—	—	—	—
	after distribution	345,366	—	—	—	—
Unrealized gains(loss) from financial products		—	—	—	—	—
Financial statements translation differences for foreign operations		34,317	—	—	—	—
Net loss not recorgnized as pension cost		(10,205)	—	—	—	—
Total equity	before distribution	1,227,960	—	—	—	—
	after distribution	1,131,210	—	—	—	—

Note1: the aforementioned financial data have been reviewed or approved by certified public accountants.
Note2: The company has adopted IFRSs from 2013.

6. Condensed balance sheet—ROC GAAP (parent company only)

Unit: Thousand NT$

Iterm \ Year		Financial information for the most recent five				
		2012	2013	2014	2015	2016
Current assets		1,660,382	—	—	—	—
Funds and		—	—	—	—	—
Fixed assets		1,597,431	—	—	—	—
Intangible assets		65,724	—	—	—	—
Other assets		16,272	—	—	—	—
Total assets		3,339,809	—	—	—	—
Current liabilities	before distribution	922,228	—	—	—	—
	after distribution	1,018,978	—	—	—	—
Long-term		1,120,725	—	—	—	—
Provision		7,386	—	—	—	—
Other liabilities		61,510	—	—	—	—
Total liabilities	before distribution	2,111,849	—	—	—	—
	after distribution	2,208,599	—	—	—	—
Capital		645,000	—	—	—	—
Capital surplus		116,732	—	—	—	—
Retained earnings	before distribution	442,116	—	—	—	—
	after distribution	345,366	—	—	—	—
Unrealized gains(loss) from financial products		—	—	—	—	—
Financial statements translation differences for foreign operations		34,317	—	—	—	—
Net loss not recorgnized as pension cost		(10,205)	—	—	—	—
Total equity	before distribution	1,227,960	—	—	—	—
	after distribution	1,131,210	—	—	—	—

Note1: the aforementioned financial data have been reviewed or approved by certified public accountants.
Note2: The Company has adopted IFRSs from 2013.

7. Condensed income statements—ROC GAAP (consolidated)

Unit: except for earnings per share, which is indicated in 1 NT$, the remainder is in NT$1000.

Year / Iterm		Financial information for the most recent five years				
		2012	2013	2014	2015	2016
Net sales		3,700,620	—	—	—	—
Gross profit		678,836	—	—	—	—
Operating profit		338,917	—	—	—	—
Other non-operating income		10,520	—	—	—	—
Other non-operating expenses		77,002	—	—	—	—
Income before income tax		272,435	—	—	—	—
After-tax income from continuing operations		196,996	—	—	—	—
Profit/Loss from discontinued		—	—	—	—	—
Extraordinary gains/losses		—	—	—	—	—
Accumulated adjustments due to changes of accounting		—	—	—	—	—
Net Income		196,996	—	—	—	—
Earnings per share(NT$)	Undiluted	3.19	—	—	—	—
	Diluted	3.19	—	—	—	—

Note 1: the aforementioned financial data have been reviewed or approved by certified public accountants.
Note2: The Company has adopted IFRSs from 2013.

8. Condensed income statements—ROC GAAP (parent company only)

Unit: except for earnings per share, which is indicated in 1 NT$, the remainder is in NT$1000.

Year / Iterm		Financial information for the most recent five years				
		2012	2013	2014	2015	2016
Net sales		2,184,026	—	—	—	—
Gross profit		313,378	—	—	—	—
Operating profit		111,520	—	—	—	—
Other non-operating income		189,062	—	—	—	—
Other non-operating expenses		50,762	—	—	—	—
Income before income tax		249,820	—	—	—	—
After-tax income from continuing operations		196,996	—	—	—	—
Profit/Loss from discontinued operations		—	—	—	—	—
Extraordinary gains/losses		—	—	—	—	—
Accumulated adjustments due to changes of accounting		—	—	—	—	—
Net Income		196,996	—	—	—	—
Earnings per share(NT$)	Undiluted	3.19	—	—	—	—
	Diluted	3.19	—	—	—	—

Note 1: the aforementioned financial data have been reviewed or approved by certified public accountants.
Note2: The Company has adopted IFRSs from 2013.

2. Financial analysis

（1） Financial analysis— IFRSs (consolidated)

Iterm analyzed / Year		Financial analysis in the last five years 2012	2013	2014	2015	2016	As of 2017/3/31
Financial structure (%)	Liability to asset ratio	64.65	55.00	52.17	50.54	49.46	50.67
	Long-term capital as a proportion of fixed assets	206.09	139.51	166.15	169.70	192.37	213.75
Debt repayment Capacity %	Current ratio	173.27	126.11	147.78	163.26	169.04	169.44
	Quick ratio	106.98	72.38	85.28	92.36	105.03	111.04
	Interest coverage (times)	7.83	16.32	26.06	32.80	59.10	52.41
Operation Capacity	Receivables turnover (times)	5.97	5.86	5.38	5.17	4.87	4.73 (note1)
	Average collection days	61.00	62.00	68.00	71.00	75.00	77.00 (note1)
	Inventory turnover (times)	6.32	6.55	6.06	5.36	5.12	5.50 (note1)
	Payables turnover (times)	9.49	5.65	4.38	4.42	4.62	4.70 (note1)
	Average inventory turnover days	58.00	56.00	60.00	68.00	71.00	66.00 (note1)
	Fixed asset turnover (times)	3.21	3.03	2.89	3.02	3.15	3.19 (note1)
	Total asset turnover (times)	1.18	1.16	1.14	1.15	1.13	1.10 (note1)
Operation Capacity	Asset rate of return (%)	7.23	10.19	9.36	11.66	11.00	10.01 (note1)
	Return on equity (%)	18.54	23.45	19.35	23.22	21.63	19.40 (note1)
	Percentage of income before income tax to paid-up capital (%)(note7)	42.23	66.42	82.09	107.11	107.14	23.47
	Net profit ratio (%)	5.34	8.25	7.86	9.82	9.56	8.89
	Earnings per share (NT$)	3.20	5.39	5.79	8.01	8.02	1.84
Cash Flow	Cash flow ratio (%)	46.99	36.77	29.00	33.09	42.42	18.38
	Cash flow adequacy ratio (%)	47.60	75.01	81.90	83.65	94.30	102.28
	Cash reinvestment ratio (%)	12.50	15.07	7.68	7.92	9.46	6.21
Degree of leverages	Degree of operating leverage	1.86	1.66	1.65	1.54	1.63	1.82
	Degree of financial leverage	1.13	1.07	1.04	1.03	1.02	1.02

The changes of financial ratio of the last two years:

1. The consolidated profit is stable in 2016. The interest rates in 2016 were less than 2015. The cash was enough in Pinghu plant and had no borrowing. The interest coverage in 2016 was more than 2015.
2. The consolidated profit is stable in 2016. Cash generated by operating activities increased. Cash flow adequacy ratio in 2016 was better than 2015.
3. The remaining financial ratios had no important changes.

(Note 1) This financial analysis has been converted for the entire year.
(Note 2) All financial ratios have been calculated according to the financial statement audited by CPAs.

(2) **Financial analysis— IFRSs (parent company only)**

Iterm analyzed	Year	Financial analysis in the last five years				
		2012	2013	2014	2015	2016
Financial structure (%)	Liability to asset ratio	46.76	31.96	33.52	34.51	38.97
	Long-term capital as a proportion of fixed assets	651.74	908.22	1,000.53	1,107.89	1,111.84
Debt repayment Capacity %	Current ratio	172.50	126.79	132.96	137.53	101.44
	Quick ratio	110.20	83.29	91.08	90.28	64.34
	Interest coverage (times)	12.92	31.90	53.67	64.16	84.52
Operation Capacity	Receivables turnover (times)	7.48	6.56	5.55	5.62	6.01
	Average collection days	49.00	56.00	66.00	65.00	61.00
	Inventory turnover (times)	7.93	7.85	8.61	8.24	8.10
	Payables turnover (times)	10.31	8.48	8.47	6.81	6.00
	Average inventory turnover days	46.00	46.00	42.00	44.00	45.00
	Fixed asset turnover (times)	7.68	8.86	10.56	11.26	11.09
	Total asset turnover (times)	1.00	0.90	0.85	0.83	0.76
Operation Capacity	Asset rate of return (%)	9.77	14.90	13.25	15.55	13.82
	Return on equity (%)	18.54	23.45	19.35	23.22	21.63
	Percentage of income before income tax to paid-up capital (%)(note7)	0.39	0.54	0.67	0.91	0.88
	Net profit ratio (%)	9.04	16.03	15.30	18.43	18.01
	Earnings per share (NT$)	3.20	5.39	5.79	8.01	8.02
Cash Flow	Cash flow ratio (%)	36.11	25.70	23.26	35.89	24.18
	Cash flow adequacy ratio (%)	53.64	57.42	66.39	64.71	58.55
	Cash reinvestment ratio (%)	5.23	2.68	0.64	2.87	(0.06)
Degree of leverages	Degree of operating leverage	2.40	2.39	1.57	1.51	1.85
	Degree of financial leverage	1.23	1.11	1.04	1.04	1.05

The changes of financial ratio of the last two years:

1. The consolidated profit is stable in 2016. The interest rates in 2016 were less than 2015. The cash was enough in Pinghu plant and had no borrowing. The interest coverage in 2016 was more than 2015.
2. The asset loss was about 30 million by flood in 2016. To buy new raw materials for preparing safe stock and orders in 2017. To upgrade production line, purchased related machines. Then, cash generated by operating activities in 2016 was less than 2015. The cash flow ratio and cash reinvestment ratio in 2016 was less than 2015.
3. The remaining financial ratios had no important changes.

Note: All financial ratios have been calculated according to the financial statement audited by CPAs.

The financial analysis calculation formula is as follows:

1. Financial structure
   (1) Liability to asset ratio = Total liabilities / Total assets.
   (2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities) / (Total net value of property, plant, and equipment).
2. Debt-paying ability
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset – inventories) / Current liabilities.
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.
3. Operating ability
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales / Average inventory value.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average inventory turnover days = 365 / Inventory turnover ratio.
   (6) Property, plant, and equipment (PP&E) turnover ratio = Net sales/Average value of PP&E
   (7) Total inventory turnover rate = Net sales / Average total asset value.
4. Return on investments
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses × (1 – interest rates)] / Average total asset value.
   (2) Return on Equity (ROE) = Gain (loss) after tax / Average total equity value.
   (3) Net profit rate = Gain (loss) after tax / Net sales.
   (4) Earnings per share (EPS) = (Gain (loss) attributable to the owner of the parent company – dividends of preferred shares) / Weighted average of outstanding shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash flow of business activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years / (Capital expenditure + inventory increase + cash dividends) for the 5 most recent years.
   (3) Cash reinvestment ratio = (Net cash flow for business activities – cash dividends) / (Gross value of PP&E + Long-term investments + Other non-current assets + business capital). (Note 5)
6. Degrees of leverage
   (1) Degree of operating leverage (DOL) = (Net operating revenue – operating change costs and expenses) / Operating profit (Note 6).
   (2) Degree of financial leverage (DFL) = Operating profit / (Operating profit – interest expenses).

(3) Financial analysis —ROC GAAP (consolidated)

Item analyzed			Year: Financial data for the last five years (note) 2012	2013	2014	2015	2016
Financial structure (%)	Liability to asset ratio		63.24	-	-	-	-
	Long-term capital as a proportion of fixed		147.03	-	-	-	-
Debt repayment Capacity (%)	Current ratio		180.04	-	-	-	-
	Quick ratio		116.70	-	-	-	-
	Interest coverage (times)		7.83	-	-	-	-
Operation Capacity	Receivables turnover (times)		11.93	-	-	-	-
	Average collection days		31	-	-	-	-
	Inventory turnover (times)		12.64	-	-	-	-
	Payables turnover (times)		11.07	-	-	-	-
	Average inventory turnover days		29	-	-	-	-
	Fixed asset turnover (times)		5.25	-	-	-	-
	Total asset turnover (times)		2.41	-	-	-	-
Profit Capacity	Asset rate of return (%)		7.48	-	-	-	-
	Return on equity (%)		18.26	-	-	-	-
	Percentage of the paid-up capital (%)	Net operating profit	52.55	-	-	-	-
		Pre-tax profit	42.24	-	-	-	-
	Net profit ratio (%)		5.32	-	-	-	-
	Earnings per share (NT$)	Before retroactive adjustment	3.19	-	-	-	-
		After retroactive adjustment	3.19	-	-	-	-
Cash Flow	Cash flow ratio (%)		46.71	-	-	-	-
	Cash flow adequacy ratio (%)		48.69	-	-	-	-
	Cash reinvestment ratio (%)		11.60	-	-	-	-
Degree of leverages	Degree of operating leverage (DOL)		1.58	-	-	-	-
	Degree of financial leverage (DFL)		1.13	-	-	-	-

Note1: All financial ratios have been calculated according to the financial statement audited and approved by the accountant.
Note2: The Company has adopted IFRSs from 2013.

(4) Financial analysis—ROC GAAP (parent company only)

Item analyzed		Year: Financial data for the last five years (note) 2012	2013	2014	2015	2016
Financial structure (%)	Liability to asset ratio	46.76	-	-	-	-
	Long-term capital as a proportion of fixed	651.74	-	-	-	-
Debt repayment Capacity(%)	Current ratio	172.5	-	-	-	-
	Quick ratio	110.2	-	-	-	-
	Interest coverage (times)	12.92	-	-	-	-

Item analyzed			Year: Financial data for the last five years (note)				
			2012	2013	2014	2015	2016
Operation Capacity	Receivables turnover (times)		7.48	-	-	-	-
	Average collection days		49	-	-	-	-
	Inventory turnover (times)		7.93	-	-	-	-
	Payables turnover (times)		10.31	-	-	-	-
	Average inventory turnover days		46	-	-	-	-
	Fixed asset turnover (times)		7.68	-	-	-	-
	Total asset turnover (times)		1.00	-	-	-	-
Profit Capacity	Asset rate of return (%)		9.77	-	-	-	-
	Return on equity (%)		18.26	-	-	-	-
	Percentage of the paid-up capital	Net operating profit	15.60	-	-	-	-
		Pre-tax profit	38.69	-	-	-	-
	Net profit ratio (%)		9.02	-	-	-	-
	Earnings per share (NT$)	Before retroactive adjustment	3.19	-	-	-	-
		After retroactive adjustment	3.19	-	-	-	-
Cash Flow	Cash flow ratio (%)		36.11	-	-	-	-
	Cash flow adequacy ratio (%)		53.64	-	-	-	-
	Cash reinvestment ratio (%)		5.23	-	-	-	-
Degree of leverages	Degree of operating leverage (DOL)		2.40	-	-	-	-
	Degree of financial leverage (DFL)		1.23	-	-	-	-

Note1: All financial ratios have been calculated according to the financial statement audited and approved by the accountant.
Note2: The Company has adopted IFRSs from 2013.

Financial analysis calculation formula is as follows:

1. Financial structure
   (1) Liability to asset ratio = Total liabilities / Total assets.
   (2) Long-term funds to fixed asset ratio = (Net shareholders' equity + long-term liabilities) / Net fixed assets.
2. Debt-paying ability
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset – inventories) / Current liabilities.
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.
3. Operating ability
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales / Average inventory value.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills

payable resulting from accounts payable and business operations).

(5) Average inventory turnover days = 365 / Inventory turnover ratio.

(6) Fixed asset turnover ratio = Net sales / Net fixed assets.

(7) Total inventory turnover rate = Net sales / Total asset value.

4. Return on investments

(1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses × (1 – interest rates)] / Average total asset value.

(2) Return on equity (ROE) = Gain (loss) after tax/average net equity.

(3) Net profit rate = Gain (loss) after tax / Net sales.

(4) Earnings per share = (Net profit after taxes – special stock dividend) / Weighted average issued number of shares.

5. Cash flow

(1) Cash flow ratio = Net cash flow of business activities / Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years / (Capital expenditure + inventory increase + cash dividends) for the 5 most recent years.

(3) Cash reinvestment ratio = (net cash flow for business activities – cash dividends) / (gross value of fixed assets + long-term investments + other assets + working capital).

6. Degrees of leverage

(1) Degree of operating leverage (DOL) = (net operating revenue – operating change costs and expenses) / operating profit.

(2) Degree of financial leverage (DFL) = Operating profit / (Operating profit – interest expenses).

(4) Name of the CPA in the last 5 years and audit opinions

Year	Accounting firms	Name of the CPA	Audit opinions
2012	Yangtze CPAs & Co.	Hu Xiang-Ning, Lin Szu-Ning	No reservations
2013	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	No reservations
2014	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	No reservations
2015	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	No reservations
2016	Yangtze CPAs & Co.	Wang Jin-Xiang, Shu-Tung Wang	No reservations

3. Supervisor's Review of the 2016 Financial Statements (Please refer to page 105~109)

4. 2016 consolidated financial statements, Independent Auditors' Report, and notes:
Please refer to page 110~179 of the Chinese annual report.

5. 2016 Parent Company Only financial statements audited by CPAs.
Please refer to page 180~246 of the Chinese annual report.

6. Any financial difficulties experienced by the Company and its affiliated businesses during the most recent year up to the publication date of this report as well as the impact of said difficulties on the financial condition of The Company: None.

VII. Discussion and analysis of financial data and management results, as well as risk management.

1. Financial condition

Review and analysis of financial data

（1） Financial data analysis —consolidated

Unit: Thousand NT$

Item \ Year	2016	2015	Difference	
			amount	%
Current assets	3, 218, 259	3, 099, 675	118, 584	3. 83
Property, plant, and equipment	1, 809, 808	2, 054, 428	(244, 620)	(11. 91)
Intangible assets	1, 783	24	1, 759	7, 329. 17
Other assets	355, 506	230, 700	124, 806	54. 10
Total assets	5, 385, 356	5, 384, 827	529	0. 01
Current liability	1, 903, 894	1, 898, 557	5, 337	0. 28
Non-current liability	759, 851	822, 811	(62, 960)	(7. 65)
Total liabilities	2, 663, 745	2, 721, 368	(57, 623)	(2. 12)
Capital from common stock	726, 000	726, 000	0	0. 00
Capital reserve	453, 467	453, 467	0	0. 00
Retained earnings	1, 697, 811	1, 399, 382	298, 429	21. 33
Other equity	(155, 667)	84, 610	(240, 277)	(283. 98)
Total stockholders' equities	2, 721, 611	2, 663, 459	58, 152	2. 18

Main reasons for significant changes in assets, liabilities and shareholders' equity items within the last two years (changes over 10% between the first and second period, and change amount reaches NT$10 million), its effects, and future response plans:

(1) Other assets: Taiwan plant and Pinghu plant added machines and modified production procedure. Amounts of Payables on equipment grew on a large scale.

(2) Retained earnings: mainly the result of consolidated this period's company earnings increase.

(3) Other equity: mainly caused by decrease in CNY exchange rate. Then financial statements translation differences for foreign operations decrease.

The changes mentioned above are normal operation changes and have no significant effect on The Company's finances.

（2） Financial data analysis —Parent Company Only

Unit: Thousand NT$

Item \ Year	2016	2015	Difference	
			amount	%
Current assets	1,176,861	1,045,160	186,350	17.83
Investments accounted for using equity method	2,757,207	2,116,286	319,946	15.12
Property, plant, and equipment	296,772	274,002	12,261	4.47
Other assets	228,946	92,111	20,787	22.57
Total assets	4,459,786	3,527,559	539,344	15.29
Current liability	1,160,151	786,083	109,345	13.91
Non-current liability	578,024	396,218	111,798	28.22
Total liabilities	1,738,175	1,182,301	221,143	18.70
Capital from common stock	726,000	726,000	0	0.00

Item \ Year	2016	2015	Difference	
			amount	%
Capital reserve	453,467	453,467	0	0.00
Retained earnings	1,697,811	1,027,393	371,989	36.21
Other equity	(155,667)	138,398	(53,788)	(38.86)
Total stockholders' equities	2,721,611	2,345,258	318,201	13.57

Main reasons for significant changes in assets, liabilities and shareholders' equity items within the last two years (changes over 10% between the first and second period, and change amount reaches NT$10 million), its effects, and future response plans:

(1) Investments accounted for using equity method: primarily because the Nanliu Enterprise reinvestment income was recognized.

(2) Other assets: Taiwan plant added machines and modified production procedure. Amounts of Payables on equipment grew on a large scale.

(3) Current liabilities: The growth of the Company's operating scale has also increased the relevant short-term operating working capital loan compared to the last period.

(4) Non-current liabilities: increase caused mainly by signing long-term financing credit loan with banks in response to the Company's long-term investment plan.

(5) Retained earnings: mainly attributed to increase from this period's profit and recognizing reinvestment income.

(7) Other equity: mainly caused by decrease in CNY exchange rate. Then financial statements translation differences for foreign operations decrease.

The changes mentioned above are normal operation changes and have no significant effect on The Company's finances.

2. Operating results

(1) Comparative analysis of operating results—consolidated

Unit: Thousand NT$

Item \ Year	2016	2015	Change amount	Change (%)
Net sales	6,090,390	5,922,201	168,189	2.84
Cost of goods sold	4,916,094	4,725,558	190,536	4.03
Gross profit	1,174,296	1,196,643	(22,347)	(1.87)
Total operating expenses	480,398	445,999	34,399	7.71
Operating profit	693,898	750,644	(56,746)	(7.56)
Other non-operating income and expenses	83,947	26,995	56,952	210.97
Income before income tax	777,845	777,639	206	0.03
Income tax expense	195,478	196,208	(730)	(0.37)
Net income	582,367	581,431	936	0.16
Other comprehensive income(loss)	(241,075)	(59,950)	(181,125)	302.13
Total comprehensive income(loss)	341,292	521,481	(180,189)	(34.55)

Item \ Year	2016	2015	Change amount	Change (%)
Analysis and description of percentage change that exceeds 20% and the amount that exceeds NT$10 million: (1) Other non-operating income and expenses: the CNY to USD exchange rate changed at the Pinghu factory, which caused the foreign currency exchange interest to increase for this period. (2) Other combined gains/losses: mainly caused by decrease in CNY exchange rate. Then financial statements translation differences for foreign operations decrease. The changes mentioned above are normal operation changes and have no significant effect on The Company's finances.				

(2) Comparative analysis of operating results—Parent Company Only

Unit: Thousand NT$

Item \ Year	2016	2015	Change amount	Change (%)
Net sales	3,233,424	3,154,206	79,218	2.51
Cost of goods sold(note)	2,861,262	2,645,488	215,774	8.16
Gross profit(note)	372,162	508,718	(136,556)	(26.84)
Total operating expenses	196,652	200,041	(3,389)	(1.69)
Operating profit	175,510	308,677	(133,167)	(43.14)
Other non-operating income and expenses	462,492	353,211	109,281	30.94
Income before income tax	638,002	661,888	(23,886)	(3.61)
Income tax expense	55,635	80,457	(24,822)	(30.85)
Net income	582,367	581,431	936	0.16
Other comprehensive income(loss)	(241,075)	(59,950)	(181,125)	302.13
Total comprehensive income(loss)	341,292	521,481	(180,189)	(34.55)
(Note) include unrealized sales (interest) from associated companies. Analysis and description of percentage change that exceeds 20% and amount that exceeds NT$10 million: (1) Gross profit and Operating profit: average prices were reduced as a feedback to customers due to the significant drop of oil prices. Thus, the overall profit decreased compared to the last period. (2) Other non-operating income and expenses: recognized reinvestment interests. (3) Other comprehensive income (loss): mainly caused by decrease in CNY exchange rate. Then financial statements translation differences for foreign operations decrease. The changes mentioned above are normal operation changes and have no significant effect on The Company's finances.				

(3) Expected sales volume and its basis, its possible effects on the Company's future finances, and response plan: not applicable.

3. Cash flow

1. Analysis of change in cash flow for the recent year—consolidated

Unit: Thousand NT$

Items	2016	2015	Changes
Net cash flow from operating activities	807,691	628,283	22.21%
Net cash flow from investing activities	(254,495)	(363,080)	-42.67%
Net cash flow from financing activities	(284,538)	(68,345)	75.98%

Data source: financial statements audited by CPAs

Analysis of the changes in cash flow :

(1)Net cash inflow from operating activities increased NT$179.408 million. This was mainly from 2016 net sales increased and inventories used in 2016 more than 2015.

(2) Net cash outflow from financing activities decreased NT$108.585 million. This was mainly from the previous year's payables on equipment increased in Pinghu plant and transferred to factory and equipment. The related capital expenditures in 2016 was less than 2015.

(3) Net cash flow from financing activities increased by NT$216.193 million. This was mainly from term loan increased.

2. Analysis of changes in cash flow for the most recent year—Parent Company Only

Unit: Thousand NT$

Items	2016	2015	Changes
Net cash flow from operating activities	280,576	321,337	-14.53%
Net cash flow from investing activities	(294,375)	(146,768)	50.14%
Net cash flow from financing activities	(73,369)	(34,008)	53.65%

Data source: financial statements audited by CPAs.

Analysis of the changes in cash flow:

(1) Net cash flow from operating activities decreased 40.761 million. The asset loss was about 30 million by flood in 2016. To buy new raw materials for preparing safe stock and orders in 2017. To upgrade production line, related prepayments increased.

(2) Net cash flow from investing activities increased 52.393 million. The capital expenditures of Yanchao new plant in Taiwan increased. To upgrade production line, purchased related machines. Prepayments on equipment in 2016 were more than 2015.

(3) Net cash flow from financing activities increased NT$39.361 million. This was mainly from term loan increased

3. Liquidity improvement program: not applicable.

4. Analysis of cash flow for the next year—consolidated

Unit: Thousand NT$

Cash at the beginning of the period A	Expected net cash flow from operating activities for the next year	Expected cash flows for the year C	Projected cash surplus (deficiency) A+B-C	Remedial measures for expected cash inadequacy	
				Investment plan	Capital increase planned
577,150	787,204	(2,452,312)	(1,087,958)	1,383,420	—

Analysis description:
(1) Operating activities: expect company profit to continue to grow, resulting in net cash inflow generated by operating activities.
(2) Investment activities: build new factory and buy equipment, which results in a net cash outflow from investing activities.
(3) Financing activities: repay long- and short-term loans according to the loan contract. Issuing of cash dividend results in financing activity net cash outflow.
(4) Remedial measures for projected cash shortfall: as analyzed above, annual cash surplus is expected.

4. Material expenditures of the most recent year and impact on the Company's finances and operations

The Company's recent major capital expenditure for the investment of new factory in Yanchao, has been approved by the Board of directors on March 14, 2017. The chairman of the board of directors has been authorized to handle the related matters. The Company plans to set up new Production lines, Warehouse units, Biotech building and Office building with a total investment of NT$ 3 billion (including working capital), along with capital expenditure of NT$ 2.5 billion. The funding comes primarily from the Company's operating profit and Bank loans. There is no significant impact on the company’s finances.

5. Reinvestment policy for the most recent year, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year

(1) Reinvestment policy for the most recent year:

The Company's current reinvestment is through a Samoa holding company, and the investment is in the Pinghu City subsidiary company (of a subsidiary company). Because investment in Pinghu, China, was implemented early, the China reinvestment company showed a continuing profit growth in 2016 after many years of hard work and development. Strong future domestic Chinese demand is expected, and The Company is maintaining its high manufacturing quality and is appropriately expanding its business scale.

In response to the requests from the major customers, the company has evaluated the market demand and planned to set up a factory in India to supply its products and satisfy the demands of the local customers. The case has been approved by the board of directors on March 14, 2017 and the chairman of the board of directors has been authorized to handle the related matters. The total investment is US $20 million (including working capital) and the process is still in the preparatory stage.

(2) Main reason for profit or loss, improvement plan, and the Company's reinvestment policy:

31 December 2016
Unit: Thousand NT$

Reinvestment undertakings	Accumulated remittance Investment amount	Main reason for profits or losses	
		2016 investment interest	Details
NANLIU ENTERPRISE CO., LTD. (SAMOA)	1,487,607	455,086	Operation normal, profit in good condition
Nanliu Enterprise (Pinghu) Ltd.	1,846,701	428,225	Operation normal, profit in good condition

(3) Improvement plans and investment plans for the year ahead:

A. Taiwan: according to the market situation, The Company estimates that there is potential for demand growth in personal hygiene material such as EDI pure water wet wipes, diapers, and sanitary napkins. Thus, The Company will continue to invest in this equipment to develop opportunities for cooperation with customers and increase The Company's operating income. To integrate the resources of The Company's various plants, The Company has leased land in the Yanchao District. In the future, the old factory will be moved to the new location. This will concentrate manpower and equipment resources to improve the Company's management efficiency.

B. China: The Company has established a subsidiary company Nanliu (Pinghu) Ltd. in China to handle relevant business. To widen the gap with competitors, The Company has purchased the newest 6.2 m wide spunlace nonwoven fabric equipment. The equipment was installed in 2013 and entered production in the fourth quarter of the same year. After the new equipment enters production, it can increase the existing production capacity by 85%. Monthly production of spunlace nonwoven fabric is estimated to increase by 1,500 ton and will enable The Company to rapidly pioneer the Chinese market. This will also enable The Company to introduce Taiwan's successful operating experience to the Chinese hygiene market.

(6) Other important matters: none.

6. Risk management assessment and analysis:

(1) Changes to interest rates, currency exchange fluctuations, and inflation within the last year and how these may impact The Company's gain or loss, as well as future response measures.

1. Changes in interest rates and resulting impact to The Company's gain or loss as well as future response measures:

The Company's 2016 long-term and short-term bank loan rates range from 0.72% -1.38%. In recent years, market interest rates have been low, which is beneficial to the Company when negotiating financing interest rates. The company's investment in new Yanchao plant required currency is NT$. And it is estimated that Taiwan's Central Bank will maintain the current standard for future long-term interest rates. The Company's Finance Department specialists will periodically or regularly assess bank lending rates and pay attention to changes in the international and domestic financial markets. Finance personnel will also maintain close contact with banks to obtain more favorable lending rates and ample credit.

2. Currency exchange fluctuations and resulting impact on The Company's gain or loss as well as future response measures

The Company's major markets cover the United States and Japan, and the export ratio is more than 50%. Thus, changes in exchange rates have a significant impact on the Company's profit and loss. The Company's main production raw materials, such as rayon, polyester fiber and polypropylene, are mostly procured from foreign suppliers. The intake and expenditure of the same currency produces an offset and has a natural hedging effect on exchange rate changes. To avoid the potential impact of exchange rate fluctuations on profit, the Company has taken the following response measures:

①Foreign currency assets and liabilities offset

Foreign currencies accepted as payment for export are used to directly pay for imports to reduce exchange differences produced by foreign exchange transactions.

②Collect exchange rate change information at all times to fully grasp exchange rate trends. This is used to determine the time for converting foreign currency to NT$ or retained foreign currency in a foreign exchange account.

③Improve the quality and added value of products to adequately reflect exchange rate fluctuation in the cost and adjusted prices.

3. Effects of inflation on the Company's profit and loss.

In recent years, the global economic system has raised up from the bottom. International oil prices have remained high. Domestic electricity price hikes have gradually resulted in price increases of basic everyday supplies and result in inflation concerns. The Company's procurement unit has rapidly responded to market fluctuations. Sales units have consulted with customers in a timely manner regarding costs. Thus, The Company's operations and losses (gains) in the last two years have not been seriously affected by inflation. In addition to boosting added value, The Company will continue efforts to reduce production costs to reduce negative effects of inflation on market demand.

(2) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, derivatives trading policies, main reasons for profits or losses in the last year, and future response measures.

The Company has not engaged in high-risk, highly leveraged investments and has not carried out derivative transactions. Lending to others, endorsements, and guarantees are handled according to policy and response measures set up in the “Operational Procedure of Governing Loaning of Funds and Making of Endorsements/Guarantees” and the “Operational Procedures for Endorsements and Guarantees”.

(3) Future research plan and expected research and development fee:

The Company is a professional nonwoven fabric producer and uses this as a core technology. We are gradually crossing over to downstream product applications such as sanitary material, medical supplies and beauty care items to diversify our products. To provide customers with the highest-quality grade of nonwoven products and follow the latest market trends, The Company's research and development team has spared no effort in improving production technology and research. The team has continually developed sanitary materials and beauty care products according to popular trends to lead the market and obtain opportunities. The Company expects to invest NT$53.960 million in research and development in 2017. Development plans are as follows:

(1)Nonwoven fabric: medical, surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven fabric, biodegradable environmentally friendly nonwoven material, 3D surface nonwoven fabric, and industrial wipes.

(2)Biotechnology products: high-quality facial mask, high-quality skincare products, food grade collagen, plant placenta extract, emulsions, liquid cosmetics, and flushable wet towels.

(4) Changes to local and overseas policies and laws that impact the Company’s financial operations, and response measures:

The Company's daily operations conform to relevant domestic and foreign laws. We always pay attention to foreign and domestic policy trends and changes in law to propose response measures in a timely manner. In the last year and as of the printing of this prospectus, there are no important domestic or international policy or law changes that affected the Company's financial operations.

(5) Changes to technology and industry that impact the Company's financial operations, and response measures:

The products produced by The Company are nonwoven fabric and its application-related products. These are general consumer goods that have a wide range of use, including medical, cleaning, cosmetic, agricultural, and industrial use. These products have become indispensable base materials and have a certain annual market demand. Nonwoven fabric is an improvement of textiles. Different materials are blended or innovative processes are used to transform and produce products with different uses and functions. As technology and production technology evolve, application of nonwoven fabric becomes broader and is gradually replacing conventional textile. The Company has spared no effort in grasping product trends. The objective is to meet customer's design or pioneer new product markets. Thus, technology and industrial change are the power and opportunity that drive The Company's business development.

(6) Changes to corporate image that impact the Company's risk management, and response measures:

The Company always adheres to professional and honest business principles and value the importance of risk management and corporate image. We work hard to achieve worker solidarity and gain recognition from our customers. In the last year and as of the printing of this prospectus, The Company has not encountered any corporate image changes that have caused a corporate crisis.

(7) Anticipated benefits of mergers and possible risks:

The Company currently has no plans to acquire another company.

(8) Anticipated benefits and possible risks of plant expansion:

The Company has considered that there is still considerable growth space in the hygiene and beauty care market, that the demand in the Chinese market is large, and that demand for hygiene products is increasing because people's standard of living has improved. Thus, The Company expects to continue procuring related equipment. The objective is not only to develop local customers and increase overall operating scale but also to increase production capacity and establish classification planning. The most appropriate operating cost can be arranged according to product demand, which can increase product production benefits.

(9) Purchase or sale concentration risks:

A. Purchase concentration risk:

The primary material sources for The Company's product are stable and sufficient. These materials are large quantity materials with adequate capacity. There is a variety of supplier choices, and The Company has a stable annual procurement volume. The Company maintains a good relationship with suppliers, so there is no purchase concentration risk.

B. Sales concentration risk

The Company's main products include hot-air/hot-pressed nonwoven fabric, spunlace nonwoven fabric, and hygiene and beauty care products. Main applications include baby diaper and sanitary napkin surface material, medical sanitary materials, and personal hygiene sanitary materials. Our product lines are diversified, and our customer base covers Europe, America, Japan and China. The Company maintains a good and cooperative relationships with our major customers. The main target group includes well-known sanitation materials manufacturers and domestic and foreign agents. Our customer base is distributed, and our largest customer does not account for more than 20% of sales. Thus, there is no sales concentration risk.

(10) Impact and risks resulting from major equity transfer or change by Directors, supervisors, or shareholders holding more than 10% of the Company's shares.

In the last year through the printing of this annual report, there has been no major equity transfer or change by Directors, supervisor, or major shareholders who hold more than 10% of the Company's shares.

(11) Impact of change of operating rights on the Company and risks:

Last year through the printing of this annual report, the Company has had no operating rights changes.

(12) Litigation or non-lawsuit events: confirmed judgment, ongoing litigation, and non-litigation or administrative contention items that involve the Company, company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock shall be clearly listed. If the results could have a major effect on the Company's shareholders' equity or securities price, the relevant data should be disclosed:

A. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices shall be disclosed. Disclosure includes disputed facts, amount, proceeding starting date, the main parties involved, and present status: none.

B. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items involving company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices: none.

C. Company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock that was involved with Securities Exchange Act Article 157 items, and the Company's current handling status, within the last two years through the printing of this annual report: none.

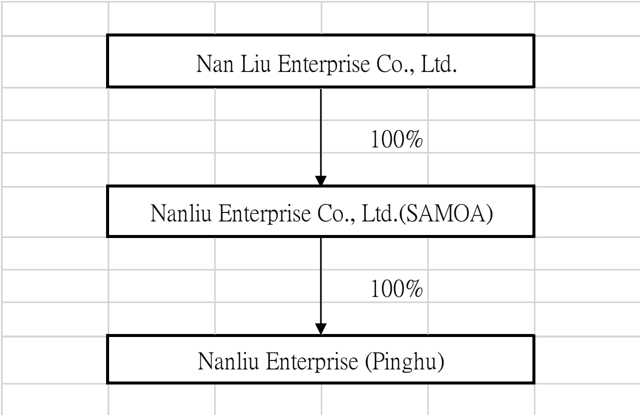
(13) Other important risks and response measures: None.

7. Other important issues: None

VIII. Special items to be included:

1. Relevant data on affiliated businesses:

A. Organization structure of affiliated businesses



B. Relationship with affiliated companies and mutual holding of shares

December 31, 2016 Units: 1000 NT$; 1000 shares

Name of affiliated company	Relationship with The Company	The Company's holding of affiliated company shares			Affiliated company's holding of The Company's shares		
		Percentage of shares	Number of shares	Actual investment amount	Percentage of shares	Number of shares	Actual investment amount
NANLIU ENTERPRISE CO., LTD (SAMOA)	The Company's subsidiary company	100%	47,728	1,487,607	0	0	0
Nanliu Enterprises (Pinghu) Ltd.	Subsidiary company of The Company's subsidiary company	100%	0	1,846,701	0	0	0

C. Affiliated company consolidated financial statements:

For 2016 (January 1 to December 31, 2016), affiliated businesses of The Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by International Financial Reporting Standards No. 7. All information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated businesses were not generated separately.

2. Privately placed securities handling status in the past year through the printing of this annual report shall disclose the date and amount passed by the shareholders' meeting or the Board of Directors, price setting basis and rationale, selection method for specific people, necessary reason for organizing private placement, and the completion of the fund application plan after monies and proceeds are fully collected. Fund application status in privately placed securities and plan implementation progress: no such situation.

3. Holding or disposal of subsidiary company shares in the last year through the publication date of this report. None

4. Legal penalization of The Company, penalization of internal personnel by The Company, major deficiencies, and improved situation within the last year through the printing of this annual report: none

5. Other supplemental items that must clarified: None.

IX. Any event that resulted in substantial impact upon the shareholders' equity or prices of the Company's securities as prescribed by Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act that have occurred in the most recent year through the printing date of this report: None.

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

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：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, 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：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

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 he 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

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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)

	ASSETS		December 31,2016 Amount	%	December 31,2015 Amount	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	4、6(1)	$ 577,150	10.72	$ 529,058	9.82
1150	Notes receivable, net	4、6(2)、7	95,609	1.77	58,691	1.09
1170	Accounts receivable, net	4、6(3)、7	1,226,592	22.78	1,119,267	20.79
1200	Other receivables		32,274	0.60	1,495	0.03
1310	Inventories	4、5、6(4)	928,930	17.25	991,811	18.42
1410	Prepayments		289,760	5.38	354,415	6.58
1470	Other current assets	8	67,944	1.26	44,938	0.83
	Total current assets		3,218,259	59.76	3,099,675	57.56
	NONCURRENT ASSETS					
1600	Property , plant and equipment	4、6(5)、8	1,809,808	33.61	2,054,428	38.15
1780	Intangible assets	4	1,783	0.03	24	0.00
1840	Deferred income tax assets	4、5、6(13)	25,233	0.47	29,230	0.54
1915	Prepayments for equipment		182,617	3.39	76,135	1.41
1920	Refundable deposit	9	19,668	0.37	21,550	0.40
1985	Prepaid investments	4	125,624	2.33	101,322	1.88
1990	Other assets		2,364	0.04	2,463	0.06
	Total noncurrent assets		2,167,097	40.24	2,285,152	42.44
1xxx	Total assets		$ 5,385,356	100.00	$ 5,384,827	100.00

	LIABILITIES AND EQUITY		December 31,2016 Amount	%	December 31,2015 Amount	%
	CURRENT LIABILTIES					
2100	Short-term loans	6(6)	$ 353,900	6.57	$ 207,307	3.85
2110	Short-term bills payable , net	6(7)	179,961	3.34	164,931	3.06
2150	Notes payable	4	590,061	10.96	540,796	10.04
2170	Accounts payable	4	477,654	8.87	523,562	9.72
2200	Other payable		166,447	3.09	160,252	2.98
2213	Payables on equipment		6,722	0.12	37,893	0.70
2230	Current tax liabilities	4、6(13)	59,215	1.10	81,986	1.52
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 LIABILTIES					
2540	Long-term bank borrowing	6(8)	671,605	12.47	722,425	13.42
2571	Deferred income tax liabilities-Land value increment tax		7,386	0.14	7,386	0.14
2572	Deferred income tax liabilities-income tax	4、6(13)	2,307	0.04	2,744	0.05
2640	Accrued pension liabilities	4、5、6(9)	78,091	1.45	89,756	1.67
2645	Guarantee deposits		462	0.02	500	0.01
	Total noncurrent liabilities		759,851	14.12	822,811	15.29
	Total liabilities		2,663,745	49.47	2,721,368	50.54
	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
	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			Retained Earnings			Other equity items		
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	Non-controlling interests	Total Equity
Balance as of January 1, 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 Increasein 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)

NAN LIU Enterprise Co., Ltd. and Subsidiaries

Notes to Consolidated financial statements

For the year ending on December 31, 2016 and 2015

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

1. Company history

NAN LIU Enterprise Co., Ltd. (hereinafter referred to as the company) was established in 1973 and approved by the Ministry of Economic Affairs with the registered address of No.88, Bixiu Road, Qiaotou District, Kaohsiung City. The NAN LIU Group consolidated financial statements consist of NAN LIU Company and its Subsidiary, a group of associated enterprises and joint ventures controlled under individual rights (hereinafter referred to as the group), and concluded on December 31st of 2016. NAN LIU Group is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products as shown in appendix 14.

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

Consolidated financial statements were approved and authorized for issue by the board of directors on March 14th of 2017.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC"): None

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company:

On July 18, 2016, according to Rule No. 1050026834 and on December 19, 2016, according to Rule No. 1050050021 issued by the FSC. The Company has applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC, and SIC (hereinafter referred to as IFRS), and Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the International Accounting Standards Board (IASB) and endorsed by Financial Supervisory Commission (FSC) with effective date starting 2017.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014

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

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

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

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

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

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

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

2. Annual Improvements to IFRSs 2010 - 2012 Cycle

(1) IFRS 2 Share-based Payment

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

(2) IFRS 3 Business Combinations

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

(3) IFRS 8 Operating Segments

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

(4) IFRS 13 Measured at fair value

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

(5) IAS 16 Property, plant and equipment

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

(6) IAS 24 Related Party Disclosures

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation and its subsidiaries is a related party of the Corporation and its subsidiaries. Consequently, the Corporation and its subsidiaries are required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

(7) IAS 38 Intangible Assets

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

3. Annual Improvements to IFRSs 2011 - 2013 Cycle

(1) IFRS 3 Business Combinations

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

(2) IFRS 13 Measured at fair value

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

4. Annual Improvements to IFRSs 2012 - 2014 Cycle

(1) IFRS 7 Financial Instruments: Disclosures

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

(2) IAS 19 Employee Benefits

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

5. IAS 36 Impairment of Assets

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

6. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2016. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company and subsidiaries respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefits on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the aforementioned impact, as of the date that the accompanying consolidated financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The related impact will be disclosed when the Company completes the evaluation.

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

The Group has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. The IFRSs in issue on 3th October, 2016 by Financial Supervisory Commission (FSC) and endorsed from with effective date starting 2017. The IFRSs issued by IASB before 1 January, 2016 and endorsed from with effective date starting 2017.（The IFRSs effectively not yet and effective date confirmed not yet are not including of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.) FSC announced that Public entity must be applied IFRS 9 and IFRS 15 from 2018. As of the date that the consolidated financial statements were issued, the initial adoption to the new, revised or amended standards and interpretations except mentioned above is still subject to the effective date to be published by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014 - 2016 Cycle	Note 2
Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amended by Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1. IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

Transition

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

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

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

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

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

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

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

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

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

(1) Identify the contract with the customer;
(2) Identify the performance obligations in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract; and
(5) Recognize revenue when the Corporation and its subsidiaries satisfy a performance obligation.

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

4. Amendments to explanation of IFRS 15

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

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

5. IFRS 16 "Leases"

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

Under IFRS 16, if the Company and its subsidiaries are a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company and its subsidiaries may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company and its subsidiaries should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability and the interest portion are classified within financing activities.

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

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

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

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

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

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

4. Summary of significant accounting policies

The consolidated financial statements are prepared in conformity with significant accounting policies are as follows. The accounting policies applied consistently during the reporting period unless otherwise stated.

(1) Statement of Compliance

The consolidated financial statements are prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS, IAS, interpretations, and announcements approved by the Financial Supervisory Commission.

(2) Basis of preparation

1. Except for the following items, the consolidated financial statements have been prepared under the historical cost conventions:

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

2. The significant accounting policies apply to all periods covered by the consolidated financial report.

3. The preparation of financial statements is in conformity with the IFRS requirement of the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment and complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

1. The basis for the consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

(b) Inter-company significant transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

2. The subsidiaries in the consolidated financial statements:

Name of investors	Name of subsidiaries	Business activities	Percentage owned by the Company 2016.12.31	2015.12.31
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE CO., LTD. (SAMOA)	Holding company of overseas reinvestments	100	100
NANLIU ENTERPRISE CO., LTD. (SAMOA)	Nanliu Enterprises (Pinghu) Ltd.	Production and sales of specialty textiles, hair, skin care cosmetics and hygiene products	100	100

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different fiscal years: None.
5. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency exchange

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

1. Foreign currency transactions and balances

A. Foreign currency transactions are exchanged into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. Exchange differences of non-monetary assets and liabilities arising upon re-translation are recognized in fair value profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

2. Translation of foreign operations

(a) The operating results and financial position of all Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the functional currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and

iii. All resulting exchange differences are recognized as other comprehensive income.

(b) Financial statements of foreign entities reported in the currency of a hyperinflationary economy should be restated by applying a general price index of the balance sheet date. Restated financial statements are then translated into the currency of the Group using the exchange rate of the balance sheet date.

(c) Translation differences from net investments of foreign operations, loans with long-term investment natures, and other monetary instruments designated as hedging instruments for these investments are recognized as other comprehensive income.

(d) Upon partial disposal or sale of the foreign operation, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the profit or loss on sale. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(e) Goodwill and fair value adjustments generated from acquiring the foreign entity are considered as the assets and liabilities of the foreign entity, and they are translated using the closing exchange rate at the date of that balance sheet.

(5) Classification of Current and Noncurrent Assets and Liabilities

A. Assets that meet one of the following criteria are classified as current assets. Otherwise, they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

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

(6) Cash equivalents

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

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

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

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

(7) Receivables

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

(8) Impairment of financial assets

In addition to measuring gain or loss of financial assets at fair value, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset, and if the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated, the financial assets are considered impaired.

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

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

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

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

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

(9) Derecognition of financial assets

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

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

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

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

(10) Inventories

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

(11) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they occur.

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

(12) Intangible assets

A. Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

B. Intangible assets are initially measured at cost and subsequently measured at cost less accumulated amortization.

(13) Long-term prepaid rent

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

B. NANLIU ENTERPRISE (PINGHU) CO. has land use rights for 50 years, amortized over 50 years.

(14) Impairment of non-financial assets

At each balance sheet date, the Group assesses the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Leases (lessor/lessee)

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

(16) Loans

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

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(17) Accounts and notes payable

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Provisions

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Post-employment benefit plans

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Severance benefit

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

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(23) Revenue recognition

A. Sales revenue

Revenue arising from the sale of goods should be recognized when meeting all of the following criteria: (a) the delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of sales revenue can be measured reliably; (d) it is probable that the future economic benefits associated with the transaction will flow to the entity; and (e) costs related to current or upcoming transactions can be measured reliably.

B. Service revenue

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

C. Interest income and Dividends

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

(24) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as reductions on the carrying amount of assets, and they are amortized to profit or loss over the estimated useful lives of the related assets with the reduction of depreciation expenses.

(25) Share-based payment transaction

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

(26) Earnings per share

The Group presents the basic and diluted earnings per share of the common shareholders of the Group. The consolidation's basic earnings per share represent the profit and loss of the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with the gain or loss of the Group's common stock holders and weighted average number of common shares outstanding. Potential dilution of Group common shares includes convertible bonds, warrants, and employee bonuses that are not resolved by the shareholders' meeting and can be taken by stock issuance.

(27) Operating segments

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

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

During the process of applying accounting policies when preparing the Group's consolidated financial statements, the Group did not make significant accounting judgments. Assumptions and estimates concerning future events are evaluated and adjusted based on historical experience and other factors on an ongoing basis. The details of this are as follows.

Important accounting estimate and assumptions

Accounting assumptions and estimates are based on reasonable estimates concerning future events regarding conditions on the balance sheet data and may differ from the actual results. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below.

A. Accounts receivable, allowance doubtful debts

The company's management level evaluate accounts receivable attentively whether have objective evidence of impairment or not. Recognized percentage of allowance doubtful debts is evaluated by the company's management level. If there are evidence of impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of accounts receivable is reduced through the use of an impairment allowance account. The losses are recognized in current comprehensive income. The explanation of allowance doubtful debts please refer to Notes 6 (3).

B. Valuation of inventory

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

As of December 31, 2016, the Group's carrying amount of inventory was NT $928,930 thousand.

C. Realization of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the management's judgment and estimation. This includes assumptions such as future revenue growth and profitability, the amount of tax credits that can be utilized, and tax planning. Any changes in the global economic environment, industry trends and relevant laws could result in significant adjustments to deferred tax assets.

As of December 31, 2016, the Group recognized NT $25,233 thousand as deferred income tax liabilities.

D. Calculation of accrued pension obligations

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

As of December 31, 2016, the Group's carrying amount of accrued pension obligations amounted to NT $78,091 thousand.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	December 31, 2016	December 31, 2015
Cash	$ 1,765	$ 2,296
Demand deposits	227,269	260,375
Checking account	69	84
Foreign currency deposits	338,871	230,838
Time deposits	9,176	35,465
Total	$ 577,150	$ 529,058

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

(2) Notes receivable, net

Items	December 31, 2016	December 31, 2015
Non-related parties	$ —	$ —
Related parties	95,609	58,691
Less: Allowance for doubtful receivables	—	—
Net	$ 95,609	$ 58,691

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

(3) Accounts receivable, net

Items	December 31, 2016	December 31, 2015
Non-related parties	$ —	$ 182
Related parties	1,237,761	1,131,076
Less: Allowance for doubtful accounts	(11,169)	(11,991)
Net	$ 1,226,592	$ 1,119,267

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

	December 31, 2016	December 31, 2015
Neither past due nor impaired	$ 1,189,311	$ 1,082,913
Past due but not impaired		
Within 60 days	50,368	86,525
From 61 to 90 days	31,085	7,361

From 91 to 180 days	51,224	1,149
Over 180 days	213	10
Total	$ 1,322,201	$ 1,177,958

2. Movements of the allowance for doubtful receivables:

	2016		
	Individually assessed for impairment	Collectively assessed for impairment	Total
January 1st, 2016	$ 1,625	$ 11,991	$ 13,616
Provision (reversal) for impairment	(301)	(624)	(925)
Exchange difference	(50)	(198)	(248)
December 31, 2016	$ 1,274	$ 11,169	$ 12,443

	2015		
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2015	$ 3,174	$ 5,054	$ 8,228
Provision (reversal) for impairment	(758)	7,013	6,255
Write-off and unrecoverable	(770)	—	(770)
Exchange difference	(21)	(76)	(97)
December 31, 2015	$ 1,625	$ 11,991	$ 13,616

3. Individually assessed for impairment and relative accounts are presented under "Other noncurrent assets".
4. For NAN LIU Group's accounts receivable on December 31, 2016 and December 31, 2015, the exposure amount of maximum credit risk is the book value for receivables.
5. NAN LIU Group did not hold collateral for accounts receivable.

(4) Net inventories

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

	December 31, 2015		

	Cost		Allowance for price decline of inventories		Carrying amount	
Raw material	$	386,122	$	7,081	$	379,041
Supplies		78,262		2,485		75,777
Work in process		19,140		2,400		16,740
Finished goods		505,934		9,110		496,824
Merchandise inventory		7,823		698		7,125
Inventory in transit		16,304		—		16,304
Total	$	1,013,585	$	21,774	$	991,811

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

Items		2016		2015
Cost of goods sold	$	4,890,184	$	4,752,501
Idle capacity cost		20,572		11,113
Revenue from sale of scraps		(44,870)		(46,185)
Provision for inventory market price decline		4,609		—
Loss on disposal of inventory		46,585		9,188
Loss (profit) on physical inventory		(986)		(1,059)
Total	$	4,916,094	$	4,725,558

(5) Property, plant and equipment

	Land	Land revaluation	Building/ Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2016	$ 46,046	$ 11,264	$ 419,111	$ 1,377,970	$ 105,233	$ 19,082	$ 3,208	$ 26,186	$ 46,328	$ 2,054,428
Added	–	–	22,391	47,283	6,911	353	85	7,204	31,211	115,438
Disposals or retirements	–	–	–	(1,829)	(512)	(587)	(4)	(112)	–	(3,044)
Deconsolidation	–	–	–	(442)	–	–	–	–	–	(442)
Other changes	–	–	17,640	59,611	267	2,407	–	757	(17,640)	63,042
Annual depreciation	–	–	(33,316)	(223,849)	(19,231)	(5,819)	(1,237)	(7,002)	–	(290,454)
Reversal of impairment	–	–	1,481	2,281	–	–	–	–	–	3,762
Effect of exchange rate changes	–	–	(28,021)	(94,422)	(7,270)	(442)	(68)	(1,276)	(1,423)	(132,922)
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 399,286	$ 1,166,603	$ 85,398	$ 14,994	$ 1,984	$ 25,757	$ 58,476	$ 1,809,808
Book value：										
On December 31, 2016										
Cost	$ 46,046	$ 11,264	$ 654,607	$ 2,756,589	$ 194,307	$ 54,849	$ 20,076	$ 77,614	$ 58,476	$ 3,873,828
Less: Accumulated depreciation and impairment	–	–	(255,321)	(1,589,986)	(108,909)	(39,855)	(18,092)	(51,857)	–	(2,064,020)
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 399,286	$ 1,166,603	$ 85,398	$ 14,994	$ 1,984	$ 25,757	$ 58,476	$ 1,809,808

	Land	Land revaluation	Building/ Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2015	$ 46,046	$ 11,264	$ 335,521	$ 1,233,469	$ 67,858	$ 17,563	$ 4,620	$ 27,740	$ 120,286	$ 1,864,367
Added	—	—	8,483	47,067	17,290	7,353	222	3,424	75,635	159,474
Disposals or retirements	—	—	—	(510)	(2,155)	(471)	(6)	(20)	—	(3,162)
Deconsolidation	—	—	—	(1,899)	(67)	—	—	(2)	—	(1,968)
Other changes	—	—	105,117	324,115	38,995	924	72	2,087	(147,785)	323,525
Annual depreciation	—	—	(26,172)	(204,847)	(15,622)	(6,120)	(1,682)	(6,681)	—	(261,124)
Reversal of impairment	—	—	1,602	586	—	—	—	—	—	2,188
Effect of exchange rate changes	—	—	(5,440)	(20,011)	(1,066)	(167)	(18)	(362)	(1,808)	(28,872)
Balance on December 31, 2015	$ 46,046	$ 11,264	$ 419,111	$ 1,377,970	$ 105,233	$ 19,082	$ 3,208	$ 26,186	$ 46,328	$ 2,054,428
Book value：										
On December 31, 2015										
Cost	$ 46,046	$ 11,264	$ 649,814	$ 2,822,677	$ 210,135	$ 55,241	$ 20,632	$ 72,526	$ 46,328	$ 3,934,663
Less: Accumulated depreciation and impairment	—	—	(230,703)	(1,444,707)	(104,902)	(36,159)	(17,424)	(46,340)	—	(1,880,235)
Balance on December 31, 2015	$ 46,046	$ 11,264	$ 419,111	$ 1,377,970	$ 105,233	$ 19,082	$ 3,208	$ 26,186	$ 46,328	$ 2,054,428

1. For the information regarding the Group’s property, plant and equipment pledged to others as collateral, please refer to Note 8.
2. Capitalized interest for the years 2016 and 2015 were 1,509 and 0 thousand, respectively.

(6) Short-term borrowings

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

Items	December 31, 2015 Amount	Interest rate
Credit loans	$ 207,307	1.20%~2.748%
Total	$ 207,307	

For short-term loans, NAN LIU Group assign Huang Chin-San and Huang Ho-Chun as guarantors.

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

December 31, 2016

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	International Bills Finance Corporation	105/12/05~106/02/03	0.710%	$ 20,000
Short-term notes and bills payable	Wan tong Bills.	105/10/03~106/01/04	0.642%	70,000
Short-term notes and bills payable	MEGA Bills Finance Co.,	105/11/22~106/01/20	0.612%	40,000
Short-term notes and bills payable	China Bills Finance Co.,	105/10/20~106/01/18	0.432%	50,000
Total				180,000
Less: discount on short-term notes and bills				(39)
Short-term net notes and bills				$ 179,961

December 31, 2015

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	2015/11/26~2016/02/24	0.892%	$ 25,000
Short-term notes and bills payable	Dah Chung Bills Finance Corp.	2015/11/13~2016/01/12	0.832%	60,000
Short-term notes and bills payable	International Bills Finance Corporation	2015/12/01~2016/01/11	0.962%	80,000
Total				165,000
Less: discount on Short-term notes and bills				(69)

Short-term net notes and bills	$ 164,931

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

	December 31, 2016	December 31, 2015
Credit loans	$ 725,164	$ 891,713
Secured bank borrowings	—	—
Subtotal	725,164	891,713
Less: current portion of long-term bank borrowings	(53,559)	(169,288)
Total	$ 671,605	$ 722,425
Range of maturity dates	104/01~111/03	103/01~111/03
Range of interest rates	1.10%~1.99%	1.51%~1.95%

1. NAN LIU Group pledges some part of its assets as collateral against the loans listed above. Please refer to note 8.
2. NAN LIU Group's Subsidiary borrowed money from Mega Bank. Aside from other regulations affecting company operation of its financial ratio, the first half and annual consolidated financial statements is limited that a cash flow management account, in that the loaning bank and this Group should remit payment, receivable notes or other cash flows to the cash flow management account. Please review the Group's parent company half-year remittances from the next month of the contract approved date. If the total amount does not exceed NT$400 million dollars, the interest rates shall be raised by 0.1%.

(9) Pensions

A. Defined benefit plan;

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law. The plan covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and the service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries to the retirement fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to be qualified for retirement in the next year, the Company will make contributions to cover the deficit by the following March.

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ (92,782)	$ (93,827)
Fair value of plan assets	14,691	4,071
Net defined benefit liability	$ (78,091)	$ (89,756)

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

	2016	2015
Defined benefit obligations at January 1	$ 93,827	$ 83,598
Current service cost	1,424	1,369
Interest cost	1,159	1,336
Benefits paid	(4,637)	—
Remeasurement losses/(gains):		
Actuarial losses (gains)-experience adjustments	756	2,484
Actuarial losses (gains)-changes in demographics assumptions	253	488
Actuarial losses (gains)-changes in financial assumptions	—	4,552
Defined benefit obligations on December 31	$ 92,782	$ 93,827

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

	2016	2015
Fair value of plan assets at January 1	$ 4,071	$ 3,505
Expected return on plan assets	43	35
Contributions on plan assets	15,167	432
Benefits paid from plan assets	(4,637)	—
Actuarial gain or loss on plan assets	47	99
Fair value of plan assets on December 31	$ 14,691	$ 4,071

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

	December 31, 2016	December 31, 2015
Cash	$ 14,691	$ 4,071

	2016	2015
Equity instruments	—	—
Debt instruments	—	—
Total	$ 14,691	$ 4,071

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

	2016	2015
Current service cost	$ 1,424	$ 1,369
Interest cost	1,159	1,336
Expected return on plan assets	(43)	(35)
Current pension costs	$ 2,540	$ 2,670

Remeasurement details of net defined benefit liabilities are as follows:

	2016	2015
Actuarial gain or loss on defined benefit obligation	$ 1,009	$ 7,523
Gain (loss) on plan assets	(47)	(99)
Remeasurement of net defined benefit liabilities' other comprehensive loss (gain)	$ 962	$ 7,424

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

	2016	2015
Cost of goods sold	$ 1,277	$ 1,374
Selling expenses	76	98
General and administrative expenses	865	847
Research and development expenses	316	351
Cost of fix asset	6	—
Total	$ 2,540	$ 2,670

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

	2016	2015
Current period	$ (962)	$ (7,424)
Accumulated amount	$ (8,609)	$ (7,647)

(g) The Bank of Taiwan was commissioned to manage the funds of the Group's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and Article 6 of "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc. With regard to the utilization of the fund, its minimum earnings in annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of the fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected returns on plan assets represent a projection of overall returns for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee. It was also taken into account that the fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

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

	December 31, 2016	December 31, 2015
Discount rate	1.25%	1.25%
Future salary increase rate	2.00%	2.00%

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

	Discount rate		Future salary increases	
December 31, 2016	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effects on present value of defined benefit obligation	$ (2,173)	$ 2,260	$ 2,237	$ (2,162)

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

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

(i) The expected total contributions paid to the Group's defined benefit pension plans within one year from December 31, 2016 was $2,105 thousand.

(j) As of December 31, 2016, the weighted average duration of the retirement plan is 10 years.

The analysis of timing was as follows:

Within 1 year	$	2,316

1-2 years		10,879
2-5 years		19,021
Over 5 years		79,297
	$	111,513

B. Defined contribution plan:

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

(b) Monthly contributions of Nan Liu Enterprise (Pinghu) in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Monthly contributions are administered by the government.

Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs (including pension insurance) under the Group's defined contribution pension plans for the years ending on December 31, 2016 and 2015 were $16,756 thousand and $15,132 thousand, respectively.

(10) Capital and other equity

1. Common stock

As of 2016 and December 31, 2015, the Company's authorized capital was $1,000,000 thousand, and issued capital was $726,000 thousand.

2. Capital surplus

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

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

3. Retained earnings and dividend policy

(1) According to the Company's Articles of Incorporation:

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

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

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

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

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

(3) Company employee bonuses were calculated by the percentage before remuneration of employees and directors deducted from income before tax, and the amount was estimated to reach $8,142 thousand and $8,448 thousand in 2016 and 2015, respectively. Remuneration of directors was expensed based on the estimated amount payable. The estimated amount was $5,226 thousand and $4,224 thousand in 2016 and 2015, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements are

authorized for issuance, the differences are recorded as a change in the accounting estimate in the next year.

(4) The bonus to employees and remuneration of directors and supervisors were NT$8,142 thousand and NT$5,226 thousand, respectively proposed by the Board of Directors on March 14, 2017. There was no difference between the actual amounts of bonus to employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016. The distribution of the 2016 will be approved in the shareholders' meeting on May 31, 2017.

(5) The distributions of profit for 2015 and 2014 were approved by the shareholders' meeting on June 13, 2016 and June 2, 2015, respectively. The appropriations and dividends per share were as follows:

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

The distribution of 2015 profit were as follows:

	2015		
	The amount to be allocated by the Board of Directors allotment case	Estimated annual cost recognized in the estimated amount	Differences
1. Distribution			
Cash bonus to employees	$ 8, 448	$ 8, 448	$ —
Remuneration of directors and supervisors	$ 4, 224	$ 4, 224	$ —

Distribution of 2015 profit was the same as proposal by the Board of Directors on March 18, 2016 and the shareholder resolution made on June 13, 2016. Please refer to the Taiwan Stock Exchange website under "Market Observation Post System" for the resolutions of the Board of Directors and shareholders' meeting.

4. Other equity

	Foreign Currency Translation Difference

On January 1st, 2016	$	$	84, 610
Currency translation differences (after tax)			(240, 277)
On December 31, 2016	$	$	(155, 667)

On January 1st, 2015	$	$	138, 398
Currency translation differences (after tax)			(53, 788)
On December 31, 2015	$	$	84, 610

The conversion of foreign-operating agency net assets to company currency will cause exchange differences. This can be recognized as other comprehensive income and accumulated in the conversion of financial statements due to the foreign operating agency exchange differences.

(11) Net Sales

Items		2016		2015
Sale of goods	$	6, 089, 946	$	5, 921, 897
Sale of processing		444		304
Total	$	6, 090, 390	$	5, 922, 201

(12) Non-operating income and expenses

1. Others

Items		2016		2015
Interest income	$	2, 332	$	2, 871
Impairment or reversal of property, plant and equipment		3, 762		2, 188
gain on disposal of assets		(2, 994)		(4, 290)
Foreign exchange gain, net		44, 589		14, 854
Other income		49, 646		35, 828
Total	$	97, 335	$	51, 451

2. Finance costs

Items		2016		2015
Interest expense (Bank loans)	$	13, 388	$	24, 456
Total	$	13, 388	$	24, 456

(13) Income taxes

1. Income tax expense

(1) Components of income tax expense:

Item		2016		2015
Current income tax				
Income tax incurred in current period	$	168,057	$	179,525

10% tax on unappropriated earnings	23,399	17,486
Income tax adjustments on prior years	298	4,985
10% Dividend tax through capitalization of retained earnings by subsidiaries	—	—
Deferred income tax expense		
Recognition and reversal of temporary differences	3,724	(5,788)
Income tax expense	$ 195,478	$ 196,208

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

Items	2016	2015
Currency translation differences	$ —	$ —
Actuarial gains/losses on defined benefit obligations	(164)	(1,262)
Total	$ (164)	$ (1,262)

2. Reconciliation between income tax expense and accounting profit:

Item	2016	2015
Income before tax	$ 777,845	$ 777,639
Income tax expense at the statutory 17% tax rate	$ 132,234	$ 132,199
Nondeductible (deductible) items in determining taxable income	(5,818)	9,196
Changes of deferred tax		
Temporary differences	3,724	(5,788)
10% tax on unappropriated earnings	23,399	17,486
Prior year income tax underestimation	298	4,985
10% dividend tax through capitalization of retained earnings by subsidiaries	—	—
Impact from different tax rates of subsidiaries operating in other jurisdictions	41,641	38,130
Income tax expense	$ 195,478	$ 196,208

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

	2016			
Items	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance

Temporary differences				
Impairment of assets	$ 2,534	$ (251)	$ —	$ 2,283
Loss on inventory market value decline	1,741	—	—	1,741
Unrealized gross profit	5,983	(510)	—	5,473
Exchange gain or loss	(1,539)	1,141	—	(398)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	15,259	(2,527)	164	12,896
Currency translation differences(Note)	—	—	—	—
Others	2,508	(1,577)	—	931
Deferred tax income(expenses)		$ (3,724)	$ 164	
Net deferred tax assets(liabilities)	$ 26,486			$ 22,926
The balance sheet information is as follows:				
Deferred tax assets	$ 29,230			$ 25,233
Deferred tax liabilities	$ 2,744			$ 2,307

	2015			
Items	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,807	$ (273)	$ —	$ 2,534
Loss on inventory market value decline	1,741	—	—	1,741
Unrealized gross profit	1,463	4,520	—	5,983
Exchange gain or loss	(1,820)	281	—	(1,539)
Investment income with equity method (Note)	—	—	—	—
Net defined benefit liability	13,616	381	1,262	15,259
Currency translation differences(Note)	—	—	—	—
Others	1,629	879	—	2,508
Deferred tax income(expenses)		$ 5,788	$ 1,262	
Net deferred tax assets(liabilities)	$ 19,436			$ 26,486
The balance sheet information is as follows:				
Deferred tax assets	$ 22,175			$ 29,230
Deferred tax liabilities	$ 2,739			$ 2,744

(Note) The Company controls its subsidiary's dividends. NAN LIU Plans to support its subsidiary in establishing nonwoven fabric at the Science and Technology Park in

Yanchao District through subsidiary's earnings distribution. Because the company's current funds are sufficient and a new factory is not a major capital expenditure at this stage, it is unnecessary for the subsidiary to allocate its earnings. At the same time, the Company actively plans to apply retained earnings to extend subsidiary operations. Therefore, undistributed profits and foreign conversion differences were evaluated for the future without rotation in 2016. According to IAS12's 39th provision for investment subsidiaries related to taxable temporary differences (including subsidiaries' undistributed earnings and foreign exchange differences), the above are not accounted-as deferred tax liabilities.

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

Items	December 31, 2016	December 31, 2015
Before 1997	$ 27,961	$ 27,961
From 1998 to 2009	—	—
After 2010	1,366,004	1,125,718
Total	$ 1,393,965	$ 1,153,679

7. Imputation credit account and creditable ratio:

	December 31, 2016	December 31, 2015
Imputation credit account balance	$ 139,122	$ 79,074
	2016 (forecast)	2015 (actual)
Tax deduction ratio	13.32%	13.90%

Tax deduction ratio of forecast in 2016 and actual earnings in 2015 were 13.32% and 13.90%, respectively. However, according to the 66th new amended income tax law article 6, the tax deductible rate for shareholders living in the territory of the Republic China can be cut in half. Surplus allocation became available since January 1st, 2015. Actual distribution to shareholders' deductible tax is shareholders account balances for deduction, because the tax deduction ratio based on planned earnings distributions may vary from the tax deduction ratio of actual shareholder distributions.

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

	2016		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 285,153	$ 113,164	$ 398,317

Wages and salaries	238,653	100,675	339,328
Labor and health insurance costs	28,219	7,313	35,532
Pension and severance expenses	5,016	3,705	8,721
Other personnel expenses-food expenses	13,265	1,471	14,736
Depreciation	281,607	8,847	290,454
Amortization	99	7,403	7,502

	2015		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 262,482	$ 115,596	$ 378,078
Wages and salaries	220,719	102,957	323,676
Labor and health insurance costs	23,777	7,515	31,292
Pension and severance expenses	5,155	3,710	8,865
Other personnel expenses-food expenses	12,831	1,414	14,245
Depreciation	252,316	8,808	261,124
Amortization	145	6,300	6,445

There were 811 and 786 workers in NAN LIU Company on December 31, 2016 and 2015, respectively.

(15) Earnings per share

1. Basic earnings per share

Earnings per share were attributed to the common equity holders of NAN LIU Group parent company's profit and losses and divided by the weighted average number of shares for the calculations for the current period.

2. Dilute earnings per share

The effect of diluted earnings per share indicates the number of adjustments to all diluted potential common shares, and was attributable to the equity holders of the parent company's common stock profit and loss calculation and the weighted average number of shares outstanding.

	2016		
	Net income	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent company	$ 582,367	72,600	$ 8.02
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	54	

Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 582,367	72,654	$ 8.02

	2015		
	Net income	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent company	$ 581,431	72,600	$ 8.01
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	49	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 581,431	72,649	$ 8.00

If enterprises choose to offer employees remuneration or profits in the way of shares or cash, in order to calculate the diluted earnings per share, employee remuneration (or employee profits issued with stock that has a dilution effect on potential ordinary shares) should be included in the weighted average number of outstanding shares. Calculating diluted earnings per share is based on the closing price reported on the end period date of potential ordinary shares (taking into account the ex-right and ex-dividend effect) as a basis for judging the number of shares. The following year of resolution staff remuneration or issuance of profit shares will continue to take into account the dilution effects to potential ordinary shares when calculating the diluted earnings per share.

7. Related party transactions

(1) Name of related parties and relationship

Name of related party	Relationship with the company
Huang Chin-San	Chairman of NAN LIU Group's parent company
Huang Hsieh Mei-Yun	Spouse, Chairman of NAN LIU Group's parent company
Huang Ho-Chun	Director of NAN LIU Group's parent company
BEAUTY EXPRESS CO.	Deemed related party of the parent company

(2) Significant transactions and balances with related parties:

1. Purchasing: none.

2. Sales:

	2016		2015	
Related party	Total	Percentage	Total	Percentage

BEAUTY EXPRESS CO.	$ —	—	$ 816	0.01

The selling prices between NAN LIU Group and the related party are same as trading prices. Payment terms are based on general business conditions.

3. Notes and accounts payable: None.

4. Notes and accounts receivable:

Related party	Subjects	December 31, 2016 Amount	December 31, 2016 Percentage	December 31, 2015 Amount	December 31, 2015 Percentage
BEAUTY EXPRESS CO.	Notes receivable	$ —	—	$ —	—
BEAUTY EXPRESS CO.	Accounts receivable	—	—	182	0.02

5. Property transactions: none.

6. Rent expenses:

(1) NAN LIU Company rented the house located in Loung-Shua Lane, No.11 and No.19 in Bixiu Road, Qiaotou District, Kaohsiung City from the related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in February, 2008 as a staff dormitory. The lease time was from February 1st, 2008 to December 31st, 2014, and the rent was NT 8 thousand per month. From December 31st, 2014, the contract was renewed until December 31st, 2017. Annual rental expenses were NT $200 thousand for 2016 and 2015. As of December 31, 2016 and 2015, the above amounts were settled.

(2)NAN LIU Company rented the land in Bixiu No 613, Qiaotou District, Kaohsiung City with NT$ 10 thousand per month from related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in July, 2011. The lease time was from July 1st, 2011 to December 31st, 2015, which the contract was extended to December 31st, 2018. Annual rental expenses were NT $240 thousand for 2016 and 2015. As of December 31, 2016 and 2015, the above amounts were settled.

7. Others:

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

Items	2016	2015
Salary	$ 8,672	$ 11,224
Bonus	2,644	2,683
Service allowance	730	500
Distribution of surplus items	4,675	4,453
Total	$ 16,721	$ 18,860

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

B. Bonuses include bonuses, incentives, etc.

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

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

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

8. Pledged Assets

The Groups assets pledged as collateral were as follows:

Items	December 31, 2016	December 31, 2015
Restricted bank deposits	$ 42,676	$ 44,107
Land use rights	—	—
Land	—	48,744
Building	—	1,697
Machinery equipment	—	—
Total	$ 42,676	$ 94,548

9. Major commitments and contingencies

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

December 31, 2016		December 31, 2015	
Letter of credit	L/C deposit	Letter of credit	L/C deposit
USD 2,174	$ —	USD 1,697 EUR 165	$ —

2. In September 2011, the Company signed a superficies agreement with Taiwan Sugar Corporation for 4 pieces of land located at No. 4 Dai Tien Fu Section, Yanchao, Kaohsiung as the land for a new factory. NAN LIU Group's parent company has paid NT$ 8,153 thousand already as a rent deposit and accounted for "refundable deposits". As Taiwan Sugar Corporation completed land changes according to the superficies agreements and signed official contracts, NAN LIU Group paid a 10-years premium of NT$ 46,680 thousand to Taiwan Sugar Corporation. As of December 31st, 2013, the land changes were approved by Kaohsiung Government, and notarization of the superficies agreements was finalized on January 10th, 2014. The duration of the superficies agreements ends on January 9th, 2024. When the agreement expires, an extended contract shall be negotiated by both parties after submitting the premium. However, the duration of superficies shall not exceed 50 years, so the expiration of 50 years shall not be extended.

10. Major damage losses: none.

11. Major subsequent events: none.

12, Others:

(1) Capital risk management

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

Items	December 31, 2016	December 31, 2015
Total liabilities	$ 2,663,745	$ 2,721,368
Total equity	2,721,611	2,663,459
Debt to equity ratio	97.87%	102.17%

(2) Financial instruments

1. The totality of financial instruments and fair value information

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

December 31, 2016

Items	Book value	The fair value: The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 577,150	$ —	$ —	$ —	$ —
Notes and accounts receivable	1,354,475	—	—	—	—
Restricted assets	42,676	—	—	—	—
Other current assets	24,782	—	—	—	—
Refundable deposit	19,668	—	—	—	—
Financial liabilities:					
Financial liabilities measured at					

amortized costs					
Short-term loans	353,900	—	—	—	—
Short-term bills payable	179,961	—	—	—	—
Notes payable and payment	1,234,162	—	—	—	—
Equipment payment	6,722	—	—	—	—
Long-term liabilities due within a year	53,559	—	—	—	—
Long-term liabilities	671,605	—	—	—	—

	December 31, 2015				
		The fair value			
Items	Book value	The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 529,058	$ —	$ —	$ —	$ —
Notes and accounts receivable	1,179,453	—	—	—	—
Restricted assets	44,107	—	—	—	—
Other current assets	531	—	—	—	—
Refundable deposit	21,550	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	207,307	—	—	—	—
Short-term bills payable	164,931	—	—	—	—
Notes payable and payment	1,224,610	—	—	—	—
Equipment payment	37,893	—	—	—	—
Long-term liabilities due within a year	169,288	—	—	—	—
Long-term liabilities	722,425	—	—	—	—

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

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

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

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

a. Non-derivative financial instruments

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

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

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

b. Derivative financial instruments

The combined company currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transfer in 2016 and 2015.

2. Financial risk management policies

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

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

3. Market risk

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

(1) Foreign exchange risk:

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

A. Exchange rate risk exposures

At the balance sheet date, the book value of monetary assets and liabilities that denominated in non-functional currency were as follows. (This includes offset currency items denominated in non-functional monetary items of consolidated financial statements.)

	December 31, 2016			December 31, 2015		
Items	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets						
Monetary items						
USD	$ 28,349	32.250	$ 914,267	$ 23,639	32.825	$ 775,956
RMB	7,522	4.617	34,730	375	4.995	1,873
Euro	120	33.900	4,060	57	35.880	2,053
Financial liabilities						
Monetary items						
USD	11,897	32.250	383,667	17,146	32.825	562,817
Euro	2,666	33.900	90,383	9,407	35.880	337,524
Yen	—	—	—	120	0.2727	32

B. Sensitivity analysis

The Group's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. On December 31, 2016 and 2015, if the NTD/USD, NTD/RMB, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, in 2016 and 2015, the company’s income before income tax would increase/decrease by $4,789 thousand and $1,205 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

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

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

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Group's net income by approximately $12,590 thousand and $12,640 thousand for the years ending on December 31, 2016 and 2015, mainly due to floating rate loans.

(3) Credit risk:

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

(4) Liquidity risk:

The Group manages and maintains sufficient cash and cash equivalents to support its operations and ease the effects of fluctuations in cash flows. The

Group's management supervises the utilization of bank facilities to ensure compliance with loan agreements.

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

Items	December 31, 2016				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 353,900	$ —	$ —	$ —	$ 353,900
Short-term bills payable	179,961	—	—	—	179,961
Notes payable	590,061	—	—	—	590,061
Accounts payable	477,654	—	—	—	477,654
Other payables	166,447	—	—	—	166,447
Payables on equipment	6,722	—	—	—	6,722
Long-term loans (including due within one year or one operating cycle)	53,559	671,365	—	240	725,164

Items	December 31, 2015				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 207,307	$ —	$ —	$ —	$ 207,307
Short-term bills payable	164,931	—	—	—	164,931
Notes payable	540,796	—	—	—	540,796
Accounts payable	523,562	—	—	—	523,562
Other payables	160,252	—	—	—	160,252
Payables on equipment	37,893	—	—	—	37,893
Long-term loans (including due within one year or one operating cycle)	169,288	694,295	27,890	240	891,713

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

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

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

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

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

Items	December 31, 2016	December 31, 2015
Endorsements / guarantees provided to subsidiaries	USD 2,830	USD 23,657

(4) Fair value estimation

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

13. Disclosure items

(1) Significant transactions and (2) Business investments

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

(2) Investment information in China:

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

(3) Property transaction amount and the amount of profits and losses: none

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
ENDORSEMENTS/GUARANTEES PROVIDED
For the year ending on December 31, 2016

Note I

Unit: Thousand NT$

No	Endorsement guarantor Company name	Guarantee object by endorsement		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance of Endorsement/Guarantee for the Period	Ending Balance of Endorsement/Guarantee	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Endorsement/ Guarantee Maximum Amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Company name	Nature of Relationship											
0	Nan Liu Enterprise Co., Ltd.	NAN LIU ENTERPRISE (SAMOA) CO., LTD.	Directly possesses more than 50% shares of common stock of the subsidiary	$ 5,443,222	$ 569,404	$ 88,749	$ 88,749	$ —	3.26%	$ 5,443,222	Y	N	N	
0	Nan Liu Enterprise Co., Ltd.	Nan Liu Enterprise (Pinghu) Corporation limited	Combined common stock owned by subsidiary and parent Company more than 50% of investee companies	5,443,222	177,513	—	—	—	—	5,443,222	Y	N	Y	

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

NAN LIU Enterprise Co., Ltd. and Subsidiary

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

For the year ending on December 31, 2016

Note II

Unit: Thousand NT$

Purchase (sales) company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Nan Liu Enterprise Corporation limited	Nan Liu Enterprise (Pinghu) Corporation limited	Indirect subsidiary	Purchase	$ 1,393,946	26.96%	With the same general terms and conditions	—	—	$ 264,121	24.74%	—

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
For the year ending on December 31, 2016

Note III

Unit: Thousand NT$

No	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial statements item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Sales	$ 21,410	The same as other companies	0.35%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	2,041	The same as other companies	0.04%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	1,393,946	The same as other companies	22.89%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	264,121	The same as other companies	4.90%

Note 1: Business operating information between the parent company and subsidiary shall be indicated in the column number and number shall be filled in as follows:
1. The parent company fills out 0.
2. The subsidiary company starting from the Arabic number 1 in the sequence.

Note 2: There are three types of relations with dealers. They are marked as follows:
1. The parent company to subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to subsidiary.

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary

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

For the year ending on December 31, 2016

Note IV

Unit: Thousand NT$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of December 31,2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 2016	December 31, 2015	Shares	Percentage	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	$ 1,487,607	$ 1,383,441	47,728	100.00%	$ 2,757,207	$ 455,086	$ 455,086	

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

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

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
Information on Investment in Mainland China
For the year ending on December 31, 2016

Note v

Unit: Thousand NT$

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	$ 1,846,701	2	$ 1,383,441	$ 104,166	$ —	$ 1,487,607	$ 428,225	100.00%	$ 428,225	$ 3,033,172	$ —	

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment by Investment Commission, MOEA
$ 1,487,607	$ 1,877,537	$ -

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

14. Operating segments information:

(1) General information:

The Group has four reportable segments, including Thermal-bonded nonwovens fabrics, Spunlace nonwovens fabrics, Biotechnology, and B2 Post-processing. They are mainly engaged in manufacturing and subcontracting thermal-bonded nonwoven fabrics, wet wipes, facial masks and skin care products. The segments are classified based on the nature of the products.

In accordance with SFAS 41 “Disclosures about Segments", operating and reporting segments are identified. If operating segments reach the quantitative thresholds, core principles of the compilation should be taken into account to determine whether to separately or collectively disclose reportable segments. If the operating segments do not reach the quantitative thresholds, they are included in other segments. The measured amount is provided to major decision makers to allocate resources to segments and assess performance. In addition, accounting policies adopted by operating segments and a summary of significant accounting policies is described in Note 2. There are no significant inconsistencies.

(2) Measurement of segment information:

The Group's segments use the same accounting policy as the Group. The Group uses the net income from operations as the measurement for segment profit and the basis for performance assessment.

(3) Segment profit/losses and asset information:

For the year ending on December 31, 2016

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	$ 3,212,014	$ 2,878,376	$ —	$ 6,090,390
Net revenue from sales among intersegments	21,410	1,393,946	(1,415,356)	—
Segment revenue	$ 3,233,424	$ 4,272,322	$ (1,415,356)	$ 6,090,390
Segment income	$ 175,510	$ 518,388	$ —	$ 693,898
Segment assets	$ 460,559	$ 1,531,866	$ —	$ 1,992,425

For the year ending on December 31, 2015

Items	Parent company	Subsidiaries of subsidiaries in China	Adjustment and elimination	Total
Net revenue from external customers	$ 3,078,510	$ 2,843,691	$ —	$ 5,922,201
Net revenue from sales among intersegments	75,696	1,079,399	(1,155,095)	—
Segment revenue	$ 3,154,206	$ 3,923,090	$ (1,155,095)	$ 5,922,201

Segment income	$ 308, 677	$ 441, 967	$ –	$ 750, 644
Segment assets	$ 327, 444	$ 1, 803, 119	$ –	$ 2, 130, 563

(4) Reconciliation for segment income (loss):

(a). Measurement of segments gain or loss:

The Group's segments use the same accounting policy as the Group. The Group uses income from operations as its measurement for segment profit and the basis for performance assessment.

(b) Reconciliation for segment income (loss):

The segment's operating income reported to the chief operating decision-maker was measured in a manner consistent with revenue and expenses in the income statement. The Group did not provide the amount of total assets and total liabilities to the chief operating decision-maker for decision making. The reconciliation of reportable segment income or loss and income before tax for operating segments is provided as follows:

Item	2016	2015
Reportable segments income	$ 693, 898	$ 750, 644
Unallocated amounts:		
Non-operating income and expense	83, 947	26, 995
Income before income tax	$ 777, 845	$ 777, 639

(5)Geographic information

The company distinguishes revenue information based on the geographic location of customers and non-current assets based on the geographic location of assets.

1. Revenue from external customers

Area	2016	2015
Taiwan	$ 1, 257, 146	$ 1, 518, 762
China	2, 336, 915	2, 703, 201
Asia	2, 319, 494	1, 503, 928
Others	176, 835	196, 310
Total	$ 6, 090, 390	$ 5, 922, 201

2. Non-current assets

Area	December 31, 2016	December 31, 2015
Taiwan	$ 506, 159	$ 377, 155
China	1, 635, 705	1, 878, 767
Total	$ 2, 141, 864	$ 2, 255, 922

(6) Major customers

2016

Name	Amount		Percentage of net revenue %
Customer A	$	632,268	10.38%
Total	$	632,268	10.38%

	2015		
Name	Amount		Percentage of net revenue %
Customer A	$	680,201	11.49%
Total	$	680,201	11.49%

揚智聯合會計師事務所
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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.

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.

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.

揚智聯合會計師事務所
YANGTZE CPAS & CO.
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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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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	
	ASSETS		Amount	%	Amount	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	4、6(1)	$ 166,989	3.74	$ 253,723	6.24
1150	Notes receivable, net	4、6(2)	70,400	1.58	50,496	1.24
1170	Accounts receivable, net	4、6(3)、7	453,066	10.16	502,538	12.36
1200	Other receivables		31,039	0.70	1,505	0.04
1310	Inventories	4、5、6(4)	333,295	7.47	373,122	9.17
1410	Prepayments		97,085	2.18	50,037	1.23
1470	Other current assets	8	24,987	0.56	89	0.00
	Total current assets		1,176,861	26.39	1,231,510	30.28
	NONCURRENT ASSETS					
1550	Investments accounted for using equity method	4、6(5)	2,757,207	61.83	2,436,232	59.90
1600	Property , plant and equipment	4、6(6)、8	296,772	6.65	286,263	7.04
1780	Intangible assets	4	789	0.02	-	-
1840	Deferred income tax assets	4、5、6(14)	19,559	0.44	22,006	0.54
1915	Prepayments for equipment		163,787	3.67	41,181	1.01
1920	Refundable deposit		9,771	0.22	9,904	0.24
1985	Prepaid investments	4、9	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
1xxx	Total assets		$ 4,459,786	100.00	$ 4,066,903	100.00

			December 31,2016		December 31,2015	
	LIABILITIES AND EQUITY		Amount	%	Amount	%
	CURRENT LIABILTIES					
2100	Short-term loans	6(7)	$ 320,000	7.18	$ 110,000	2.70
2110	Short-term bills payable , net	6(8)	179,961	4.04	164,931	4.06
2150	Notes payable	4	163,305	3.66	109,726	2.70
2170	Accounts payable	4	393,563	8.82	292,575	7.19
2200	Other payable		66,167	1.48	65,605	1.61
2213	Payables on equipment		6,722	0.15	3,911	0.10
2230	Current tax liabilities	4	23,213	0.52	54,391	1.34
2311	Unearned receipts		5,552	0.12	2,832	0.07
2322	Current portion of long-term bank borrowing	6(9)	-	-	90,000	2.21
2399	Other current liabilities		1,668	0.04	1,457	0.04
	Total current liabilities		$ 1,160,151	26.01	895,428	22.02
2540	NONCURRENT LIABILTIES					
2571	Long-term bank borrowing	6(9)	490,240	10.99	408,130	10.04
2572	Deferred income tax liabilities-Land value increment tax		7,386	0.17	7,386	0.18
2640	Deferred income tax liabilities-income tax	4、6(14)	2,307	0.05	2,744	0.07
	Accrued pension liabilities	4、5、6(10)	78,091	1.75	89,756	2.21
	Total noncurrent liabilities		578,024	12.96	508,016	12.50
	Total liabilities		1,738,175	38.97	1,403,444	34.52
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Owners equity					
3100	Capital stock	6(11)	726,000	16.28	726,000	17.84
3200	Capital surplus	6(11)	453,467	10.17	453,467	11.15
3300	Retained earnings	6(11)				
3310	Legal reserve		259,498	5.82	201,355	4.95
3320	Special reserve		44,348	0.99	44,348	1.09
3350	Unappropriated earnings		1,393,965	31.26	1,153,679	28.37
3400	Other	6(11)				
3410	Financial statements translation differences for foreign operations		(155,667)	(3.49)	84,610	2.08
	Equity attributable to shareholders of the parent		2,721,611	61.03	2,663,459	65.48
	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			Retained Earnings			Other equity items		
	Ordinary shares	Amounts	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Financial statements translation differences for foreign operations	Non-controlling interests	Total Equity
Balance as of January 1, 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 consolidated financial statements. (Concluded)

NAN LIU Enterprise Co., Ltd. and Subsidiaries

Notes to Parent Company Only financial statements

For the year ending on December 31, 2016 and 2015

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

1. Company history

NAN LIU Enterprise Co., Ltd. (hereinafter referred to as the company) was established in 1973 and approved by the Ministry of Economic Affairs with the registered address of No.88, Bixiu Road, Qiaotou District, Kaohsiung City. The Company is engaged in selling air-through nonwovens, spunlace nonwovens, wet napkins, facial masks and skin care products as shown in appendix 14.

2. The date of authorization for issuance of the parent company only financial statements and procedures for authorization

The parent company only financial statements were approved and authorized for issue by the board of directors on March 14th of 2017.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”): None

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company:

On July 18, 2016, according to Rule No. 1050026834 and on December 19, 2016, according to Rule No. 1050050021 issued by the FSC. The Company has applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC, and SIC (hereinafter referred to as IFRS), and Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the International Accounting Standards Board (IASB) and endorsed by Financial Supervisory Commission (FSC) with effective date starting 2017.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016

Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendment to IFRS 14 Regulatory Deferral Accounts	January 1, 2016
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 "agriculture: bearer plants"	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014

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

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

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

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

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

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

8. Annual Improvements to IFRSs 2010 - 2012 Cycle

(8) IFRS 2 Share-based Payment

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

(9) IFRS 3 Business Combinations

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

(10)IFRS 8 Operating Segments

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

(11)IFRS 13 Measured at fair value

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

(12)IAS 16 Property, plant and equipment

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

(13)IAS 24 Related Party Disclosures

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation and its subsidiaries is a related party of the Corporation and its subsidiaries. Consequently, the Corporation and its subsidiaries are required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

(14)IAS 38 Intangible Assets

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

9. Annual Improvements to IFRSs 2011 - 2013 Cycle

(3) IFRS 3 Business Combinations

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

(4) IFRS 13 Measured at fair value

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

10. Annual Improvements to IFRSs 2012 - 2014 Cycle

(3) IFRS 7 Financial Instruments: Disclosures

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

(4) IAS 19 Employee Benefits

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

11. IAS 36 Impairment of Assets

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

12. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2016. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company and subsidiaries respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefits on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the aforementioned impact, as of the date that the accompanying parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The related impact will be disclosed when the Company completes the evaluation.

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

The Company has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. The IFRSs in issue on 3th October, 2016 by Financial Supervisory Commission (FSC) and endorsed from with effective date starting 2017. The IFRSs issued by IASB before 1 January, 2016 and endorsed from with effective date starting 2017. (The IFRSs effectively not yet and effective date confirmed not yet are not including of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.) FSC announced that Public entity must be applied IFRS 9 and IFRS 15 from 2018. As of the date that the parent company only financial statements were issued, the initial adoption to the new, revised or amended standards and interpretations except mentioned above is still subject to the effective date to be published by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014 - 2016 Cycle	Note 2
Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amended by Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

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

7. IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

<u>Transition</u>

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

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

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

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

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

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

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

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

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

(6) Identify the contract with the customer;
(7) Identify the performance obligations in the contract;
(8) Determine the transaction price;
(9) Allocate the transaction price to the performance obligations in the contract; and
(10) Recognize revenue when the Corporation and its subsidiaries satisfy a performance obligation.

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

10. Amendments to explanation of IFRS 15

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

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

11. IFRS 16 “Leases”

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

Under IFRS 16, if the Company and its subsidiaries are a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the parent company only balance sheets except for low-value and short-term leases. The Company and its subsidiaries may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the parent company only statements of comprehensive income, the Company and its subsidiaries should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of the lease liability and the interest portion are classified within financing activities.

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

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

12. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

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

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

4. Summary of significant accounting policies

The parent company only financial statements are prepared in conformity with significant accounting policies are as follows. The accounting policies applied consistently during the reporting period unless otherwise stated.

(1) Statement of Compliance

The parent company only financial statements are prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS, IAS, interpretations, and announcements approved by the Financial Supervisory Commission.

(2) Basis of preparation

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

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

5. The significant accounting policies apply to all periods covered by the parent company only financial report.

6. The preparation of financial statements is in conformity with the IFRS requirement of the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment and complexity or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency exchange

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

3. Foreign currency transactions and balances

   E. Foreign currency transactions are exchanged into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

   F. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

   G. Exchange differences of non-monetary assets and liabilities arising upon re-translation are recognized in fair value profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date. Their translation differences are then recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

   H. All foreign exchange gains and losses are presented in the statement of comprehensive income within other gains and losses.

4. Translation of foreign operations

   (a) The operating results and financial position of all Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the functional currency as follows:

      i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

      ii. Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and

      iii. All resulting exchange differences are recognized as other comprehensive income.

   (b) Financial statements of foreign entities reported in the currency of a hyperinflationary economy should be restated by applying a general price index of the balance sheet date. Restated financial statements are then translated into the currency of the Company using the exchange rate of the balance sheet date.

   (c) Translation differences from net investments of foreign operations, loans with long-term investment natures, and other monetary instruments designated as hedging instruments for these investments are recognized as other comprehensive income.

(d) Upon partial disposal or sale of the foreign operation, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the profit or loss on sale. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(e) Goodwill and fair value adjustments generated from acquiring the foreign entity are considered as the assets and liabilities of the foreign entity, and they are translated using the closing exchange rate at the date of that balance sheet.

(4) Classification of Current and Noncurrent Assets and Liabilities

A. Assets that meet one of the following criteria are classified as current assets. Otherwise, they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

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

(5) Cash equivalents

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

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

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

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

(6) Receivables

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

(7) Impairment of financial assets

In addition to measuring gain or loss of financial assets at fair value, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset, and if the loss event has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated, the financial assets are considered impaired.

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

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

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

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

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

(8) Derecognition of financial assets

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

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

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

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

(9) Inventories

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

(10) Investments Accounted for Using Equity Method

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

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

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

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

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

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

(11) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they occur.

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

(12) Impairment of non-financial assets

At each balance sheet date, the Company assesses the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(13) Leases (lessor/lessee)

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

(14) Long-term prepaid rent

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

D. NANLIU ENTERPRISE (PINGHU) CO. has land use rights for 50 years, amortized over 50 years.

(15) Loans

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

D. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(16) Accounts and notes payable

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

(17) Derecognition of financial liabilities

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

(18) Offsetting financial instruments

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

(19) Provisions

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

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Post-employment benefit plans

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Severance benefit

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

(22) Share-based payment transaction

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

(23) Earnings per share

The Company presents the basic and diluted earnings per share of the common shareholders of the Company. The consolidation's basic earnings per share represent the profit and loss of the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share is calculated by adjusting the influence of all potential diluted common shares with the gain or loss of the Company's common stock holders and weighted average number of common shares outstanding. Potential dilution of Company common shares includes convertible bonds, warrants, and employee bonuses that are not resolved by the shareholders' meeting and can be taken by stock issuance.

(24) Operating segments

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

(25) Revenue recognition

A. Sales revenue

Revenue arising from the sale of goods should be recognized when meeting all of the following criteria: (a) the delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer; (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of sales revenue can be measured reliably; (d) it is probable that the future economic benefits associated with the transaction will flow to the entity; and (e) costs related to current or upcoming transactions can be measured reliably.

B. Service revenue

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

C. Interest income and Dividends

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

5. <u>Critical accounting judgements and key sources of estimation and uncertainty</u>

During the process of applying accounting policies when preparing the parent company only financial statements, the Company did not make significant accounting judgments. Assumptions and estimates concerning future events are evaluated and adjusted based on historical experience and other factors on an ongoing basis. The details of this are as follows.

Important accounting estimate and assumptions

Accounting assumptions and estimates are based on reasonable estimates concerning future events regarding conditions on the balance sheet data and may differ from the actual results. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below.

E. Accounts receivable, allowance doubtful debts

The company's management level evaluate accounts receivable attentively whether have objective evidence of impairment or not. Recognized percentage of allowance doubtful debts is evaluated by the company's management level. If there are evidence of impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of accounts receivable is reduced through the use of an impairment allowance account. The losses are recognized in current comprehensive income. The explanation of allowance doubtful debts please refer to Notes 6 (3).

F. Valuation of inventory

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

As of December 31, 2016, the Company's carrying amount of inventory was NT $333,295 thousand.

G. Realization of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the management's judgment and estimation. This includes assumptions such as future revenue growth and profitability, the amount of tax credits that can be utilized, and tax planning. Any changes in the global economic environment, industry trends and relevant laws could result in significant adjustments to deferred tax assets.

As of December 31, 2016, the Company recognized NT $19,559 thousand as deferred income tax liabilities.

H. Calculation of accrued pension obligations

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

As of December 31, 2016, the Company's carrying amount of accrued pension obligations amounted to NT $78,091 thousand.

6. Details of significant accounts

(1) Cash and cash equivalents

Items	December 31, 2016	December 31, 2015
Cash	$ 881	$ 1,655
Demand deposits	55,249	67,047
Checking account	69	84
Foreign currency deposits	102,111	149,472
Time deposits	8,679	35,465
Total	$ 166,989	$ 253,723

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

(2) Notes receivable, net

Items	December 31, 2016	December 31, 2015
Non-related parties	$ 70,400	$ 50,496
Related parties	—	—
Less: Allowance for doubtful receivables	—	—
Net	$ 70,400	$ 50,496

The Company does not have collateral as security for receivable notes

(3) Accounts receivable, net

Items	December 31, 2016	December 31, 2015
Non-related parties	$ 455,883	$ 501,377
Related parties	2,041	9,945
Less: Allowance for doubtful accounts	(4,858)	(8,784)
Net	$ 453,066	$ 502,538

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

	December 31, 2016	December 31, 2015
Neither past due nor impaired	$ 476,645	$ 543,428
Past due but not impaired		
Within 60 days	4,993	6,902
From 61 to 90 days	9,473	2,704
From 91 to 180 days	32,190	—
Over 180 days	165	—
Total	$ 523,466	$ 553,034

4. Movements of the allowance for doubtful receivables:

	2016		
	Individually assessed for impairment	Collectively assessed for impairment	Total
January 1st, 2016	$ 874	$ 8,784	$ 9,658
Provision (reversal) for impairment	(119)	(3,926)	(4,045)
December 31, 2016	$ 755	$ 4,858	$ 5,613

	2015		
	Individually assessed for impairment	Collectively assessed for impairment	Total
On January 1st, 2015	$ 1,758	$ 193	$ 1,951
Provision (reversal) for impairment	(114)	8,591	8,477
Write-off and unrecoverable	(770)	—	(770)
December 31, 2015	$ 874	$ 8,784	$ 9,658

5. Individually assessed for impairment and relative accounts are presented under "Other noncurrent assets".

4. For the Company's accounts receivable on December 31, 2016 and December 31, 2015, the exposure amount of maximum credit risk is the book value for receivables.

5. The Company did not hold collateral for accounts receivable.

(4) Net inventories

	December 31, 2016		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw materials	$ 135,520	$ 3,981	$ 131,539
Supplies	39,346	1,490	37,856
Work in process	19,696	941	18,755
Finished goods	108,411	3,805	104,606
Merchandise inventory	3,177	24	3,153
Inventory in transit	37,386	—	37,386
Total	$ 343,536	$ 10,241	$ 333,295

	December 31, 2015		
	Cost	Allowance for price decline of inventories	Carrying amount
Raw material	$ 168,836	$ 3,363	$ 165,473
Supplies	50,481	2,002	48,479
Work in process	13,006	1,425	11,581
Finished goods	130,366	3,451	126,915
Merchandise inventory	5,235	—	5,235
Inventory in transit	15,439	—	15,439
Total	$ 383,363	$ 10,241	$ 373,122

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

Items	2016	2015
Cost of goods sold	$ 2,823,801	$ 2,623,746
Idle capacity cost	10,907	9,364
Revenue from sale of scraps	(5,617)	(4,776)
Provision for inventory market price decline	—	—
Loss on disposal of inventory	32,394	3,007
Loss (profit) on physical inventory	(29)	(1,055)
Total	$ 2,861,456	$ 2,630,286

(5) Investments accounted for using equity method

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

	December 31, 2016			
Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership

NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 1,487,607	$ 2,757,207	$ —	100%

	December 31, 2015			
Subsidiaries	Original investment amount	Amount	Difference between investment cost and net equity	Percentage of ownership
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 1,383,441	$ 2,436,232	$ —	100%

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

	2015	2014	Foundation
NANLIU ENTERPRISE(SAMOA) CO.,LTD.	$ 455, 086	$ 330, 268	Audit report of the same period by CPA
Nanliu Enterprises (Pinghu) Ltd.	(1, 820)	(4, 454)	Elimination of unrealized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	4, 535	220	Elimination of realized profits on upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	(510)	4, 520	Tax effects of downstream and upstream transactions
Nanliu Enterprises (Pinghu) Ltd.	(1, 041)	161	Tax effects of realized fixed asset profits on downstream transactions
Total	$ 456, 250	$ 330, 715	

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

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

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

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

(6) Property, plant and equipment

	Land	Land revaluation	Building/ Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Balance on January 1st, 2016	$ 46,046	$ 11,264	$ 48,846	$ 119,122	$ 8,904	$ 12,936	$ 2,293	$ 9,316	$ 27,536	$ 286,263
Added	—	—	285	21,470	2,913	—	—	3,770	16,096	44,534
Disposals or retirements	—	—	—	—	(2)	—	(2)	(112)	—	(116)
Deconsolidation	—	—	—	(442)	—	—	—	—	—	(442)
Other changes	—	—	271	22,934	267	—	—	149	(271)	23,350
Annual depreciation	—	—	(7,568)	(39,676)	(3,371)	(3,488)	(926)	(3,269)	—	(58,298)
Reversal of impairment	—	—	1,481	—	—	—	—	—	—	1,481
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 43,315	$ 123,408	$ 8,711	$ 9,448	$ 1,365	$ 9,854	$ 43,361	$ 296,772

Book value：

On December 31, 2016

	Land	Land revaluation	Building/ Structure	Machinery and equipment	Hydropower equipment	Transport equipment	Office equipment	Other equipment	Construction in progress	Total
Cost	$ 46,046	$ 11,264	$ 184,728	$ 852,461	$ 52,282	$ 39,061	$ 13,278	$ 40,316	$ 43,361	$ 1,282,797
Less: Accumulated depreciation and impairment	—	—	(141,413)	(729,053)	(43,571)	(29,613)	(11,913)	(30,462)	—	(986,025)
Balance on December 31, 2016	$ 46,046	$ 11,264	$ 43,315	$ 123,408	$ 8,711	$ 9,448	$ 1,365	$ 9,854	$ 43,361	$ 296,772

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

1. For the information regarding the Company’s property, plant and equipment pledged to others as collateral, please refer to Note 8.
2. Capitalized interest for the years 2016 and 2015 were 1,509 and 0 thousand, respectively.

(7) Short-term borrowings

Items	December 31, 2016 Amount	Interest rate
Credit loans	$ 320, 000	0. 72% ~1. 08%
Foreign currency loans	—	—
Total	$ 320, 000	

Items	December 31, 2015 Amount	Interest rate
Credit loans	$ 110, 000	1. 20% ~1. 25%
Foreign currency loans	—	—
Total	$ 110, 000	

For short-term loans, the Company assign Huang Chin-San and Huang Ho-Chun as guarantors.

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

December 31, 2016

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	International Bills	105/12/05~106/02/03	0. 710%	$ 20, 000
Short-term notes and bills payable	Wan tong Bills.	105/10/03~106/01/04	0. 642%	70, 000
Short-term notes and bills payable	MEGA Bills	105/11/22~106/01/20	0. 612%	40, 000
Short-term notes and bills payable	China Bills	105/10/20~106/01/18	0. 432%	50, 000
Total				180, 000
Less: discount on short-term notes and bills				(39)
Short-term net notes and bills				$ 179, 961

December 31, 2015

Item	Guarantee agency	Period	Interest rate	Amount
Short-term notes and bills payable	Wan tong Bills	2015/11/26~ 2016/02/24	0.892%	$ 25,000
Short-term notes and bills payable	Dah Chung Bills	2015/11/13~ 2016/01/12	0.832%	60,000
Short-term notes and bills payable	International Bills	2015/12/01~ 2016/01/11	0.962%	80,000
Total				165,000
Less: discount on Short-term notes and bills				(69)

Short-term net notes and bills	$ 164,931

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

	December 31, 2016	December 31, 2015
Credit loans	$ 490, 240	$ 498, 130
Secured bank borrowings	–	–
Subtotal	490, 240	498, 130
Less: current portion of long-term bank borrowings	–	(90, 000)
Total	$ 490, 240	$ 408, 130
Range of maturity dates	104/03~111/03	103/01~111/03
Range of interest rates	1. 10%~1. 99%	1. 68%~1. 95%

The Company pledges some part of its assets as collateral against the loans listed above. Please refer to note 8.

(10) Pensions

A. Defined benefit plan;

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law. The plan covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and the service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries to the retirement fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31 every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to be qualified for retirement in the next year, the Company will make contributions to cover the deficit by the following March.

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

	December 31, 2016	December 31, 2015

Present value of defined benefit obligations	(92,782)	(93,827)
Fair value of plan assets	14,691	4,071
Net defined benefit liability	(78,091)	(89,756)

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

	2016	2015
Defined benefit obligations at January 1	$ 93,827	$ 83,598
Current service cost	1,424	1,369
Interest cost	1,159	1,336
Benefits paid	(4,637)	—
Remeasurement losses/(gains):		
Actuarial losses (gains)-experience adjustments	756	2,484
Actuarial losses (gains)-changes in demographics assumptions	253	488
Actuarial losses (gains)-changes in financial assumptions	—	4,552
Defined benefit obligations on December 31	$ 92,782	$ 93,827

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

	2016	2015
Fair value of plan assets at January 1	$ 4,071	$ 3,505
Expected return on plan assets	43	35
Contributions on plan assets	15,167	432
Benefits paid from plan assets	(4,637)	—
Actuarial gain or loss on plan assets	47	99
Fair value of plan assets on December 31	$ 14,691	$ 4,071

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

	December 31, 2016	December 31, 2015
Cash	$ 14,691	$ 4,071
Equity instruments	—	—
Debt instruments	—	—
Total	$ 14,691	$ 4,071

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

	2016	2015
Current service cost	$ 1,424	$ 1,369
Interest cost	1,159	1,336
Expected return on plan assets	(43)	(35)
Current pension costs	$ 2,540	$ 2,670

Remeasurement details of net defined benefit liabilities are as follows:

	2016		2015	
Actuarial gain or loss on defined benefit obligation	$	1,009	$	7,523
Gain (loss) on plan assets		(47)		(99)
Remeasurement of net defined benefit liabilities' other comprehensive loss (gain)	$	962	$	7,424

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

	2016		2015	
Cost of goods sold	$	1,277	$	1,374
Selling expenses		76		98
General and administrative expenses		865		847
Research and development expenses		316		351
Cost of fix asset		6		—
Total	$	2,540	$	2,670

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

	2016		2015	
Current period	$	(962)	$	(7,424)
Accumulated amount	$	(8,609)	$	(7,647)

(g) The Bank of Taiwan was commissioned to manage the funds of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilization plan and Article 6 of "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc. With regard to the utilization of the fund, its minimum earnings in annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of the fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected returns on plan assets represent a projection of overall returns for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee. It was also taken into account that the fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

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

	December 31, 2016	December 31, 2015
Discount rate	1.25%	1.25%
Future salary increase rate	2.00%	2.00%

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

	Discount rate		Future salary increases	
December 31, 2016	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effects on present value of defined benefit obligation	$ (2,173)	$ 2,260	$ 2,237	$ (2,162)

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

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

(i) The expected total contributions paid to the Company's defined benefit pension plans within one year from December 31, 2016 was $2,105 thousand.

(j) As of December 31, 2016, the weighted average duration of the retirement plan is 10 years.

The analysis of timing was as follows:

Within 1 year	$ 2,316
1-2 years	10,879
2-5 years	19,021
Over 5 years	79,297
	$ 111,513

B. Defined contribution plan:

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

(b) Monthly contributions of Nan Liu Enterprise (Pinghu) in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Monthly contributions are administered by the government.

Other than the monthly contributions, the Company has no further obligations.

(c) The pension costs (including pension insurance) under the Company's defined contribution pension plans for the years ending on December 31, 2016 and 2015 were \$5,257 thousand and \$5,239 thousand, respectively.

(10) Capital and other equity

1. Common stock

As of 2016 and December 31, 2015, the Company's authorized capital was \$1,000,000 thousand, and issued capital was \$726,000 thousand.

2. Capital surplus

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

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

3. Retained earnings and dividend policy

(1) According to the Company's Articles of Incorporation:

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

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

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

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

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

(3) Company employee bonuses were calculated by the percentage before remuneration of employees and directors deducted from income before tax, and the amount was estimated to reach $8,142 thousand and $8,448 thousand in 2016 and 2015, respectively. Remuneration of directors was expensed based on the estimated amount payable. The estimated amount was $5,226 thousand and $4,224 thousand in 2016 and 2015, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issuance, the differences are recorded as a change in the accounting estimate in the next year.

(4) The bonus to employees and remuneration of directors and supervisors were NT$8,142 thousand and NT$5,226 thousand, respectively proposed by the Board of Directors on March 14, 2017. There was no difference between the actual amounts of bonus to employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016. The distribution of the 2016 will be approved in the shareholders' meeting on May 31, 2017.

(5) The distributions of profit for 2015 and 2014 were approved by the shareholders' meeting on June 13, 2016 and June 2, 2015, respectively. The appropriations and dividends per share were as follows:

	2015		2014	
	Dividends per share (NT$)	Amount	Dividends per share (NT$)	Amount
Cash	3.9	$ 283,140	2.8	$ 203,280
Shares	—	—	—	—
		$ 283,140		$ 203,280

	2015	2014
Bonus to employees - cash	$ 8,448	$ 7,563
Remuneration of directors and supervisors	4,224	3,781
	$ 12,672	$ 11,344

The distribution of 2015 profit were as follows:

	2015		
	The amount to be allocated by the Board of Directors allotment case	Estimated annual cost recognized in the estimated amount	Differences
4. Distribution			
Cash bonus to employees	$ 8, 448	$ 8, 448	$ —
Remuneration of directors and supervisors	$ 4, 224	$ 4, 224	$ —

Distribution of 2015 profit was the same as proposal by the Board of Directors on March 18, 2016 and the shareholder resolution made on June 13, 2016. Please refer to the Taiwan Stock Exchange website under "Market Observation Post System" for the resolutions of the Board of Directors and shareholders' meeting.

4. Other equity

	Foreign Currency Translation Difference
On January 1st, 2016	$ $ 84, 610
Currency translation differences (after tax)	(240, 277)
On December 31, 2016	$ $ (155, 667)
On January 1st, 2015	$ $ 138, 398
Currency translation differences (after tax)	(53, 788)
On December 31, 2015	$ $ 84, 610

The conversion of foreign-operating agency net assets to company currency will cause exchange differences. This can be recognized as other comprehensive income and accumulated in the conversion of financial statements due to the foreign operating agency exchange differences.

(12) Net Sales

Items	2016	2015
Sale of goods	3,232,980	3,153,902
Sale of processing	444	304
Total	3,233,424	3,154,206

(13) Non-operating income and expenses

1. Others

Items	2016	2015
Share of comprehensive income (loss) of associates and joint ventures	$ 456,250	$ 330,715
Interest income	1,249	1,426
Impairment or reversal of property, plant and equipment	1,481	1,602
gain on disposal of assets	86	(682)
Foreign exchange gain, net	557	18,818
Other income	10,508	11,812
Total	$ 470,131	$ 363,691

5. Finance costs

Items	2016	2015
Interest expense (Bank loans)	$ 7,639	$ 10,480
Total	$ 7,639	$ 10,480

(14) Income taxes

1. Components of income tax expense:

Item	2016	2015
Current income tax		
Income tax incurred in current period	$ 29,764	$ 59,518
10% tax on unappropriated earnings	23,399	17,486
Income tax adjustments on prior years	298	4,561
Deferred income tax expense		
Recognition and reversal of temporary differences	2,174	(1,108)
Income tax expense	$ 55,635	$ 80,457

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

Items	2016	2015
Currency translation differences	$ —	$ —

Actuarial gains/losses on defined benefit obligations	(164)	(1,262)
Total	$ (164)	$ (1,262)

6. Reconciliation between income tax expense and accounting profit:

Item	2016	2015
Income before tax	$ 638,002	$ 661,888
Income tax expense at the statutory 17% tax rate	$ 108,460	$ 112,521
Nondeductible (deductible) items in determining taxable income	(74,348)	(53,002)
10% tax on unappropriated earnings	23,399	17,486
Prior year income tax underestimation	298	4,561
Changes of deferred tax		
Temporary differences	(2,174)	(1,109)
Income tax expense	$ 55,635	$ 80,457

7. Deferred income tax assets or liabilities:

	2016			
Items	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance
Temporary differences				
Impairment of assets	$ 2,534	$ (251)	$ –	$ 2,283
Loss on inventory market value decline	1,741	–	–	1,741
Exchange gain or loss	(1,539)	1,141	–	(398)
Investment income with equity method (Note)	–	–	–	–
Net defined benefit liability	15,259	(2,527)	164	12,896
Currency translation differences(Note)	–	–	–	–
Others	1,267	(537)	–	730
Deferred tax income(expenses)		$ (2,174)	$ 164	
Net deferred tax assets(liabilities)	$ 19,262			$ 17,252
The balance sheet information is as follows:				
Deferred tax assets	$ 22,006			$ 19,559
Deferred tax liabilities	$ 2,744			$ 2,307

	2015			
Items	Beginning balance	Recognition of income	Recognition of Other comprehensive income	Ending balance

Temporary differences				
Impairment of assets	$ 2,807	$ (273)	$ –	$ 2,534
Loss on inventory market value decline	1,741	–	–	1,741
Exchange gain or loss	(1,820)	281	–	(1,539)
Investment income with equity method (Note)	–	–	–	–
Net defined benefit liability	13,616	381	1,262	15,259
Currency translation differences(Note)	–	–	–	–
Others	547	720	–	1,267
Deferred tax income(expenses)		$ 1,109	$ 1,262	
Net deferred tax assets(liabilities)	$ 16,891			$ 19,262
The balance sheet information is as follows:				
Deferred tax assets	$ 19,630			$ 22,006
Deferred tax liabilities	$ 2,739			$ 2,744

(Note) The Company controls its subsidiary's dividends. NAN LIU plans to support its subsidiary in establishing nonwoven fabric at the Science and Technology Park in Yanchao District through subsidiary's earnings distribution. Because the company's current funds are sufficient and a new factory is not a major capital expenditure at this stage, it is unnecessary for the subsidiary to allocate its earnings. At the same time, the Company actively plans to apply retained earnings to extend subsidiary operations. Therefore, undistributed profits and foreign conversion differences were evaluated for the future without rotation in 2016. According to IAS12's 39th provision for investment subsidiaries related to taxable temporary differences (including subsidiaries' undistributed earnings and foreign exchange differences), the above are not accounted-as deferred tax liabilities.

5. The Company annual profit-seeking enterprise income tax for last year had been approved by Tax Collection agency in 2014.

6. Information of undistributed earnings:

Items	December 31, 2016	December 31, 2015
Before 1997	$ 27,961	$ 27,961
From 1998 to 2009	–	–
After 2010	1,366,004	1,125,718
Total	$ 1,393,965	$ 1,153,679

7. Imputation credit account and creditable ratio:

	December 31, 2016	December 31, 2015
Imputation credit account balance	$ 139,122	$ 79,074
	2016 (forecast)	2015 (actual)

Tax deduction ratio	13.32%	13.90%

Tax deduction ratio of forecast in 2016 and actual earnings in 2015 were 13.32% and 13.90%, respectively. However, according to the 66th new amended income tax law article 6, the tax deductible rate for shareholders living in the territory of the Republic China can be cut in half. Surplus allocation became available since January 1st, 2015. Actual distribution to shareholders' deductible tax is shareholders account balances for deduction, because the tax deduction ratio based on planned earnings distributions may vary from the tax deduction ratio of actual shareholder distributions.

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

	2016		
	Operating cost	Operating expenses	Total
Employee benefit expense	$ 105,262	$ 64,645	$ 169,907
Wages and salaries	85,128	57,768	142,896
Labor and health insurance costs	9,048	3,560	12,608
Pension and severance expenses	5,016	2,775	7,791
Other personnel expenses-food expenses	6,070	542	6,612
Depreciation	53,661	4,637	58,298
Amortization	99	5,818	5,917

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

There were 254 and 266 workers in the Company on December 31, 2016 and December 31, 2015, respectively.

(16) Earnings per share

1. Basic earnings per share

Earnings per share were attributed to the common equity holders of the Company's profit and losses and divided by the weighted average number of shares for the calculations for the current period.

2. Dilute earnings per share

The effect of diluted earnings per share indicates the number of adjustments to all diluted potential common shares, and was attributable to the equity holders of the parent company's common stock profit and loss calculation and the weighted average number of shares outstanding.

	2016		
	Net income	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent company	$ 582,367	72,600	$ 8.02
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	54	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 582,367	72,654	$ 8.02

	2015		
	Net income	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to common stock holders of the parent company	$ 581,431	72,600	$ 8.01
Diluted earnings per share			
Assumed conversion of all dilutive potential common stocks	–	49	
Profit attributable to common stock holders plus assumed conversion of all dilutive potential common stocks	$ 581,431	72,649	$ 8.00

If enterprises choose to offer employees remuneration or profits in the way of shares or cash, in order to calculate the diluted earnings per share, employee remuneration (or employee profits issued with stock that has a dilution effect on potential ordinary shares) should be included in the weighted average number of outstanding shares. Calculating diluted earnings per share is based on the closing price reported on the end period date of potential ordinary shares (taking into account the ex-right and ex-dividend effect) as a basis for judging the number of shares. The following year of resolution staff remuneration or issuance of profit shares will continue to take into account the dilution effects to potential ordinary shares when calculating the diluted earnings per share.

7. Related party transactions

(1) Name of related parties and relationship

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

(2) Significant transactions and balances with related parties:

1. Purchasing:

	2016		2015	
Name of related party	Amount	%	Amount	%
Nanliu Enterprises (Pinghu) Ltd.	$ 1,393,946	56.85%	$ 1,079,399	45.26%

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

ii. As of December 31, 2016 and December 31, 2015, unrealized gross profit that the Company purchased from related party (Nanliu Enterprises (Pinghu) Ltd.) was 1,820 thousand and 4,454 thousand ,respectively.

2. Sales:

	2016		2015	
Related party	Total	Percentage	Total	Percentage
Nanliu Enterprises (Pinghu) Ltd.	$ 21,410	0.66	$ 75,696	2.40
BEAUTY EXPRESS CO.	—	—	816	0.03
Total	$ 21,410	0.66	$ 76,512	2.43

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

ii. As of December 31, 2016 and December 31, 2015, unrealized gross profit that the Company sold to related party (Nanliu Enterprises (Pinghu) Ltd.) was 194 thousand and 15,202 thousand, respectively.

3. Notes and accounts payable:

	Account	December 31, 2016		December 31, 2015	
Related party	name	Amount	%	Amount	%
Nanliu Enterprises (Pinghu) Ltd.	Accounts payable	$ 264,121	67.11	$ 203,377	69.51

4. Notes and accounts receivable:

Related party	Account name	December 31, 2016 Amount	%	December 31, 2015 Amount	%
BEAUTY EXPRESS CO.	accounts receivable	$ —	—	$ 182	0.04
Nanliu Enterprises (Pinghu) Ltd.	accounts receivable	2,041	0.45	9,763	1.94
Total		$ 2,041	0.45	$ 9,945	1.98

5. Property transactions: none.

6. Guarantees:

As of December 31, 2016 and December 31, 2015, the Company provided financial guarantees as following:

	December 31, 2016	
	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Nanliu Enterprises (Pinghu) Ltd.
Mega Bank	USD 2,830	USD —
Total	USD 2,830	USD —

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

7. Rent expenses:

(1) The Company rented the house located in Loung-Shua Lane, No.11 and No.19 in Bixiu Road, Qiaotou District, Kaohsiung City from the related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in February, 2008 as a staff dormitory. The lease time was from February 1st, 2008 to December 31st, 2014, and the rent was NT 8 thousand per month. From December 31st, 2014, the contract was renewed until December 31st, 2017. Annual rental expenses were NT $200 thousand for 2016 and 2015. As of December 31, 2016 and 2015, the above amounts were settled.

(2) The Company rented the land in Bixiu No 613, Qiaotou District, Kaohsiung City with NT$ 10 thousand per month from related parties Huang Hsieh Mei-Yun and Huang Ho-Chun in July, 2011. The lease time was from July 1st, 2011 to December

31st, 2015, which the contract was extended to December 31st, 2018. Annual rental expenses were NT $240 thousand for 2016 and 2015. As of December 31, 2016 and 2015, the above amounts were settled.

8. Others:

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

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

Items	2016	2015
Salary	$ 8,672	$ 11,224
Bonus	2,644	2,683
Service allowance	730	500
Distribution of surplus items	4,675	4,453
Total	$ 16,721	$ 18,860

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

G. Bonuses include bonuses, incentives, etc.

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

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

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

8. Pledged Assets

The Company's assets pledged as collateral were as follows:

Item	December 31, 2016	December 31, 2015
Restricted Assets	$ —	$ —
Land	—	48,744
Building	—	—
Total	$ —	$ 48,744

9. Major commitments and contingencies

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

December 31, 2016		December 31, 2015	
Letter of credit	guarantee deposit	Letter of credit	guarantee deposit
USD 1,782	$ —	USD 205	$ —

2. In September 2011, the Company signed a superficies agreement with Taiwan Sugar Corporation for 4 pieces of land located at No. 4 Dai Tien Fu Section, Yanchao, Kaohsiung as the land for a new factory. The company has paid NT$ 8,153 thousand already as a rent deposit and accounted for "refundable deposits". As Taiwan Sugar Corporation completed land changes according to the superficies agreements and

signed official contracts, the Company paid a 10-years premium of NT$ 46,680 thousand to Taiwan Sugar Corporation. As of December 31st, 2013, the land changes were approved by Kaohsiung Government, and notarization of the superficies agreements was finalized on January 10th, 2014. The duration of the superficies agreements ends on January 9th, 2024. When the agreement expires, an extended contract shall be negotiated by both parties after submitting the premium. However, the duration of superficies shall not exceed 50 years, so the expiration of 50 years shall not be extended.

10. Major damage losses: none.

11. Major subsequent events: none.

12, Others:

(4) Capital risk management

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

Items	December 31, 2016	December 31, 2015
Total liabilities	$ 1,738,175	$ 1,403,444
Total equity	2,721,611	2,663,459
Debt to equity ratio	63.87%	52.69%

(5) Financial instruments

4. The totality of financial instruments and fair value information

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

	December 31, 2016				
		The fair value			
Items	Book value	The first level	The second level	The third level	Total

Items	Book value	The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 166,989	$ —	$ —	$ —	$ —
Notes and accounts receivable	554,505	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	24,782	—	—	—	—
Refundable deposit	9,771	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	320,000	—	—	—	—
Short-term bills payable	179,961	—	—	—	—
Notes payable and payment	623,035	—	—	—	—
Equipment payment	6,722	—	—	—	—
Long-term liabilities due within a year	—	—	—	—	—
Long-term liabilities	490,240	—	—	—	—

	December 31, 2015				
		The fair value			
Items	Book value	The first level	The second level	The third level	Total
Financial assets:					
Loans and account receivables					
Cash and cash equivalents	$ 253,723	$ —	$ —	$ —	$ —
Notes and accounts receivable	554,539	—	—	—	—
Restricted assets	—	—	—	—	—
Other current assets	17	—	—	—	—
Refundable deposit	9,904	—	—	—	—
Financial liabilities:					
Financial liabilities measured at amortized costs					
Short-term loans	110,000	—	—	—	—
Short-term bills	164,931	—	—	—	—

payable					
Notes payable and payment	467,906	—	—	—	—
Equipment payment	3,911	—	—	—	—
Long-term liabilities due within a year	90,000	—	—	—	—
Long-term liabilities	408,130	—	—	—	—

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

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

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

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

a. Non-derivative financial instruments

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

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

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

b. Derivative financial instruments

The combined company currently has no derivatives financial instruments.

(4) Transfer between Class 1 and Class 2

There was no transfer in 2016 and 2015.

5. Financial risk management policies

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

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

6. Market risk

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

(1) Foreign exchange risk:

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

A. Exchange rate risk exposures

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

	December 31, 2016			December 31, 2015		
Items	Foreign currency	Exchange rates	NTD	Foreign currency	Exchange rates	NTD
Financial assets						
Monetary items						
USD	$ 10,702	32.250	$ 345,150	$ 12,348	32.825	$ 405,325
RMB	7,347	4.617	33,923	203	4.995	1,012

Investments accounted for using equity method						
RMB	654,706	4.617	2,757,207	567,533	4.995	2,436,232
Financial liabilities						
Monetary items						
USD	8,801	32.250	283,820	6,775	32.825	222,398
Non-Monetary items						
USD	3	32.250	108	24	32.825	790

B. Sensitivity analysis

The Company's exchange rate risk mainly arises from the conversion of cash and cash equivalents, receivables (payable), other receivables (payable), and loans that are denominated in nonfunctional currency. On December 31, 2016 and 2015, if the NTD/USD, NTD/RMB, NTD//EUR exchange rate appreciates/depreciates by 1% with all other factors remaining constant, in 2016 and 2015, the company’s income before income tax would increase/decrease by $952 thousand and $1,839 thousand respectively. The analysis uses the same basis as the one used in the prior period.

(2) Interest rate risk:

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

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

All variables remaining the same, a hypothetical increase/decrease of 1% in the interest rate would result in an increase/decrease in the Company's net income by approximately $9,902 thousand and $7,731 thousand for the years ending on December 31, 2016 and 2015, mainly due to floating rate loans.

(3) Credit risk:

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

(4) Liquidity risk:

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

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

Items	December 31, 2016				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 320,000	$ —	$ —	$ —	$ 320,000
Short-term bills payable	179,961	—	—	—	179,961
Notes payable	163,305	—	—	—	163,305
Accounts payable	393,563	—	—	—	393,563
Other payables	66,167	—	—	—	66,167
Payables on equipment	6,722	—	—	—	6,722
Long-term loans (including due within one year or one operating cycle)	—	490,000	—	240	490,240

Items	December 31, 2015				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Contractual cash flows
Short-term loans	$ 10,000	$ —	$ —	$ —	$ 10,000
Short-term bills payable	164,931	—	—	—	164,931
Notes payable	109,726	—	—	—	109,726
Accounts payable	292,575	—	—	—	292,575
Other payables	65,605	—	—	—	65,605
Payables on equipment	3,911	—	—	—	3,911
Long-term loans (including due within one year or one operating cycle)	90,000	380,000	27,890	240	498,130

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

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

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

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

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

Items	December 31, 2016	December 31, 2015
Endorsements / guarantees provided to subsidiaries	USD 2,830	USD 23,657

(4) Fair value estimation

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

13. Disclosure items

(1) Significant transactions and (2) Business investments

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

(2) Investment information in China:

1. China investee company name, business items, amount of paid-up capital, investment methods, capital transaction conditions, shareholding ratio, investment gains and losses, final investment book value, investment income repatriation and China investment limits: As note V
2. Significant transactions with China investee company through direct or indirect third regions and their prices, terms of payment, unrealized gains and losses:
   (1) Purchase amount percentage and the final balance percentage of payment: As note II
   (2) Sales amount percentage and the final balance percentage of receivables: none.
   (3) Property transaction amount and the amount of profits and losses: none
   (4) The note endorsement guarantee or collateral providing balance and purpose: As note I
   (5) The highest of the financing balance, ending balance, interest rate range and total amount of current interests: none
   (6) Other statement or financial condition that has a significant impact on transactions, such as providing or receiving services: none

NAN LIU Enterprise Co., Ltd. and Subsidiary
ENDORSEMENTS/GUARANTEES PROVIDED
For the year ending on December 31, 2016

Note I

Unit: Thousand NT$

No	Endorsement guarantor Company name	Guarantee object by endorsement		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance of Endorsement/Guarantee for the Period	Ending Balance of Endorsement/Guarantee	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Endorsement/Guarantee Maximum Amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remarks
		Company name	Nature of Relationship											
0	Nan Liu Enterprise Co., Ltd.	NAN LIU ENTERPRISE (SAMOA) CO., LTD.	Directly possesses more than 50% shares of common stock of the subsidiary	$ 5,443,222	$ 569,404	$ 88,749	$ 88,749	$ —	3.26%	$ 5,443,222	Y	N	N	
0	Nan Liu Enterprise Co., Ltd.	Nan Liu Enterprise (Pinghu) Corporation limited	Combined common stock owned by subsidiary and parent Company more than 50% of investee companies	5,443,222	177,513	—	—	—	—	5,443,222	Y	N	Y	

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

NAN LIU Enterprise Co., Ltd. and Subsidiary

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

For the year ending on December 31, 2016

Note II

Unit: Thousand NT$

Purchase (sales) company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Nan Liu Enterprise Corporation limited	Nan Liu Enterprise (Pinghu) Corporation limited	Indirect subsidiary	Purchase	$ 1,393,946	56.85%	With the same general terms and conditions	－	－	$ 264,121	47.43%	－

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
For the year ending on December 31, 2016

Note III

Unit: Thousand NT$

No	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial statements item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Sales	$ 21,410	The same as other companies	0.66%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts receivable	2,041	The same as other companies	0.05%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Purchase	1,393,946	The same as other companies	43.11%
0	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Pinghu) Ltd.	1	Accounts payable	264,121	The same as other companies	5.92%

Note 1: Business operating information between the parent company and subsidiary shall be indicated in the column number and number shall be filled in as follows:
1. The parent company fills out 0.
2. The subsidiary company starting from the Arabic number 1 in the sequence.

Note 2: There are three types of relations with dealers. They are marked as follows:
1. The parent company to subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to subsidiary.

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary

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

For the year ending on December 31, 2016

Note IV

Unit: Thousand NT$; shares; %

Investment company name	Investee company name	Location	Main businesses and products	Original investment amount		Balance as of December 31,2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 2016	December 31, 2015	Shares	Percentage	Carrying amount			
Nan Liu Enterprise Co., Ltd.	NANLIU ENTERPRISE (SAMOA) CO., LTD.	Samoa	Investment business	$ 1,487,607	$ 1,383,441	47,728	100.00%	$ 2,757,207	$ 455,086	$ 455,086	

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

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

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

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

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

NAN LIU Enterprise Co., Ltd. and Subsidiary
Information on Investment in Mainland China
For the year ending on December 31, 2016

Note v

Unit: Thousand NT$

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	Remarks
					Outflow	Inflow							
Nanliu Enterprise (Pinghu) Ltd.	Manufacturing and processing of nonwovens fabric	$ 1,846,701	2	$ 1,383,441	$ 104,166	$ —	$ 1,487,607	$ 428,225	100.00%	$ 428,225	$ 3,033,172	$ —	

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment by Investment Commission, MOEA
$ 1,487,607	$ 1,877,537	$ -

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