



Stock code: 6504

# **NAN LIU ENTERPRISE CO., LTD.**

2016 Annual Shareholders' Meeting

## **Meeting Handbook**

Time: 10:00 a.m., Monday, June 13, 2016

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

NAN LIU ENTERPRISE CO., LTD.

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NAN LIU ENTERPRISE CO., LTD.  
2016 Shareholders' Meeting Agenda

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Time: 10:00 a.m., Monday, June 13, 2016

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

I. Call to Order

II. Chairperson's Remarks

III. Discussion 1

Amendments to Parts of the Articles of Incorporation

IV. Management Presentation

1. 2015 Business Report

2. Supervisor's Review of the 2015 Financial Statements

3. Report on the 2015 Compensation of Employees, Directors and Supervisors

V. Proposals

1. 2015 Financial Statements and Business Report

2. Distribution of the 2015 Profit

VI. Discussion 2

Amendments to the Rules for Electing Directors and Supervisors

VII. Elections

Election of New Directors and Supervisors

VIII. Other Matters

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

IX. Questions and Motions

X. Adjournment

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## A. Discussion 1

### Amendments to Parts of the Articles of Incorporation (Proposed by the Board of Directors)

Explanation: 1. Amendment to the related ratio of the "Compensation of Directors and Supervisors and Employees" in the Articles of Incorporation. Article 235-1 is added to the Company Act. Please refer to page 7 of the Handbook (Attachment 1) for a table comparing the Amendments to the Articles of Incorporation pre and post revisions.

2. Please proceed with discussions.

Resolution:

## B. Management Presentation

### 1. 2015 Business Report

Explanation: Please refer to pages 8-10 of the Handbook for the Business Report (Attachment 2).

### 2. Supervisor's Review of the 2015 Financial Statements

Explanation: Please refer to pages 11-12 of the Handbook for the Supervisor's Review Report (Attachment 3).

### 3. Distribution of the 2015 Compensation of Employees, Directors and Supervisors

Explanation: According to the Company Act and the Articles of Incorporation, when the Company makes a profit, over 1% of thereof should be set aside as employee compensation, and less than 2% set aside as compensation for the directors and supervisors. In the latest financial year, 1.25% (i.e., NT\$8,447,973) of the profit has been set aside for employee compensation, while 0.63% (i.e., NT\$4,223,985) has been earmarked as compensation for the directors and supervisors. All compensations are distributed in the form of cash.

## C. Proposals

### 1. Adoption of the 2015 Financial Statements and the Business Report (Proposed by the Board of Directors)

Explanation: (1)The 2015 Financial Statements of the Company were completed according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. All statements were audited and the Audit Report was completed by independent auditors, Wang Ching-Hsiang and Lin Szu-Ning of Yangtze CPAs & Co. The Business Report and the Financial Statements have been reviewed by the supervisors.

(2)For the Audit Report and the 2015 Financial Statements and the Business Report, please refer to pages 13-25 (Attachment 4 & 5) and pages 8-10 (Attachment 2) of the Handbook.

(3)Please proceed to adopt the motion.

Resolution:

2. Adoption of the Proposal for the Distribution of the 2015 Profit (Proposed by the Board of Directors)

Explanation:(1)The after-tax profit in 2015 was NT\$581,430,813. Of that, 10% (i.e., NT\$58,143,081) has been set aside as a legal reserve, subtracted other comprehensive income-defined benefit remeasured amount was NT\$6,162,123, coupled with unappropriated retained earnings of NT\$578,409,609 (including unappropriated retained earnings of NT\$27,960,645 before (1997) and NT\$550,448,964 after (1998)), retained earnings for this year is NT\$1,095,535,218.

(2)In terms of the distribution of the 2015 profit, a cash dividend of NT\$3.9 per share is proposed, amounting to NT\$283,140,000 in total. (The distributable cash dividend is calculated in NT\$, and figures are rounded up.) The total fractional amount of distribution under NT\$1 is listed in Shareholders' Equity. After approval at the shareholders' meeting, the Board of Directors is then authorized to set the ex-dividend date and amend distribution matters as required. Please refer to the Profit Distribution Table for details.

(3)In the event that the proposed profit distribution is affected by: (1) a change in the number of outstanding shares due to the buyback of shares; (2) issuance of new shares for the transfer of treasury shares to employees; (3) nullifying or rights offerings, the Board of Directors is authorized to attend to and amend such related matters.

(4)Please proceed to adopt the motion.

**NAN LIU ENTERPRISE CO., LTD.**

**2015**

**Profit Distribution Table**

**Unit: NT\$**

| <b>Items</b>   | <b>Amount (NT\$)</b> | <b>Remarks</b> |
|--|----------------------|----------------|
| Beginning retained earnings                            | 578,409,609          |                |
| Other comprehensive income-defined benefit plan        | (6,162,123)          |                |
| 2015 net income  | 581,430,813          |                |
| Legal reserve (10%)                                    | (58,143,081)         |                |
| Subtotal of distributable net profit                   | 1,095,535,218        |                |
| Distributable items                                    |                      |                |
| Dividend to shareholders-cash dividend (NT\$3.9/share) | 283,140,000          |                |
| <b>Unappropriated retained earnings</b>                | <b>812,395,218</b>   |                |

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

Note 1: 2015 unappropriated retained earnings are distributable first

Resolution:

D. Discussions 2

Amendments to the Rules for Electing Directors and Supervisors (Proposed by the Board of Directors)

Explanation: (1)Amendments to Rules for Electing Directors and Supervisors are based on the Company's circumstances. Please proceed with discussions.  
 (2)Please refer to page 26 of the Handbook (Attachment 6) for a comparison table of the amended Articles.

Resolution:

E. Elections

Election of New Directors and Supervisors (Proposed by the Board of Directors)

Explanation: (1)The terms of directors and supervisors will expire on April 29, 2016. New directors and supervisors are required to be elected at this shareholders' meeting.  
 (2)According to the Articles of Incorporation, 7 directors (including 3 independent directors) and 3 supervisors must be elected, and their three-year term will start from June 13, 2016 and conclude on June 12, 2019. They may be re-elected for a second term.  
 (3)Independent directors must be elected by shareholders from the candidates list via the candidates-nomination system.  
 (4)The candidates list of independent directors was reviewed by the Board of Directors on April 28, 2016. Personal information of the nominees are as follows:

| Serial Number | Name            | Shares held | Education and Experience  |
|---------------|-----------------|-------------|---|
| 1             | Huang Tung-rong | None        | Education: Master’s degree, Accounting Department, National Chi Nan University.<br>Department of Banking and Insurance, Tamkang University.<br>Department of Accounting, Ling Tung College of Business.<br>Current posts: Managing Partner, Universal United CPA (CPA).<br>Supervisor, Lien Chang Electronic Enterprise (stock code: 2431).<br>Independent Director, Channel Well Technology (stock code: 3078).<br>Audit Committee Member, United Way.<br>Experience: Accountant, Central Trust of China (May 1974–Jan 1979).<br>Auditor, Deloitte (Jan 1979–May 1980).<br>Supervisor, Taiwan Industrial Bank (Jun 2008–Jun 2011). |
| 2             | Huang Jin-feng  | None        | Education: Ph. D., Textile Science and Technology Management, North Carolina State University. Ph. D., Textile Science, Illinois University.<br>Bachelor’s degree, Department of Textile Engineering, Feng Chia University.<br>Current posts: Drafter and Review Committee member, Customs Officers and Textile Technician Exams, Special Exam of Civil Servants, Ministry of Examination, Executive Yuan (2006-present).<br>Review Committee member of the Technology  |

|   |                |      |  |
|---|----------------|------|--|
|   |                |      | <p>Development Program, Industrial Development Bureau, Ministry of Economic Affairs (2005-present).</p> <p>Associate Professor, Department of Fiber and Composite Materials, Feng Chia University.</p> <p>Independent Director, Tainan Enterprise (2014-present).</p> <p>Experience: Associate Professor, National Taiwan University of Science and Technology (Aug 2004-Jul 2014).</p> <p>Full-time Associate Professor, Oriental Institute of Technology, (formerly known as Oriental Institute).</p> <p>Dean, Garment Engineering (Aug 1975-Jan 1988).</p>  |
| 3 | Huang Jun-ping | None | <p>Education: Ph. D. candidate, Global Business, Institute of China and Asia-Pacific Studies, National Sun Yat-sen University.</p> <p>Master's degree, Global Business, Institute of China Studies, National Sun Yat-sen University.</p> <p>Bachelor's degree, Department of Applied Mathematics, Department of Finance (secondary), National Sun Yat-sen University.</p> <p>Current post: Deputy Executive Officer, incubation Center, Cheng Shiu University (Jul 2015–present).</p> <p>Independent Director, Nan Liu Enterprise Co., Ltd. (Jun 2012–present).</p> <p>Adjunct Lecturer, Department of Business Administration, Cheng Shiu University (May 2011–present).</p> <p>Consultant, Cheng Zhi CPA (Jul 2007–present).</p> <p>Experience: Director, Inda Composite Tech (Shenzhen) (Mar 2004–May 2007).</p> <p>General Manager, Li Yang Development (Mar 2002–Apr 2011).</p> |

(5) Please proceed to vote.

Voting Result:

#### F. Other Matters

Issues related to the Prohibition of directors from participating in competing businesses. Please proceed with discussions (Proposed by the Board of Directors).

Explanation: (1) According to Article 209 of the Company Act, a new director who does anything for him/herself or on behalf of another person that is within the scope of the Company's business without damaging the Company's interests must explain to the meeting of shareholders the essential contents of such an act and secure its approval.

(2) In order to allow directors more professional experiences, it is proposed that they be released from being prohibited to participate in competing businesses.

Resolution:

#### G. Questions and Motions

#### H. Adjournment

**NAN LIU ENTERPRISE CO., LTD.**

**Comparison of the Amendments to the Articles of Incorporation**

| Articles amended   | Current articles  | Explanation  |
|--|---|--|
| <p>Article 20:</p> <p><u>If the Company makes a profit, over 1% shall be set aside as compensation for employees, and less than 2% as compensation for directors and supervisors. However, the Company's accumulated losses shall first have been covered. If the Company makes a profit, taxes shall be paid and accumulated losses shall be covered first, followed by 10% being set aside as a legal reserve. A special reserve shall be set aside if necessary. Based on business conditions at the time, the Board of Directors may then propose to distribute any remaining profit amount, and such proposal shall be submitted for approval at the shareholders' meeting.</u></p> <p><u>Employees may be compensated in shares or in cash. Employees who qualify for compensation may include those of the Company's subsidiaries who meet specific criteria.</u></p> <p><u>Compensation of the directors and supervisors shall be paid in cash.</u></p> <p><u>The preceding two paragraphs shall be adopted by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors and submitted to the shareholders' meeting.</u></p> | <p>Article 20:</p> <p>If the Company generates a profit, taxes shall be paid and accumulated losses shall be covered first, and then 10% shall be set aside for legal reserve. A special reserve shall be set aside if necessary. The Board of Directors may then propose to distribute any remaining profit amount. Once approved at the shareholders' meeting, such profit shall be distributed. The compensation of directors and supervisors, and employee bonuses shall exceed 1% of the distributable amount.</p> | <p>In compliance with Article 235-1 of the Company Act amended and approved on May 1, 2015</p> |
| <p>The articles were drawn up on November 15, 1978 and were revised on December 30, 1979 for the first time, ....., amended on April 30, 2013 for the 32nd time, and amended on June 13, 2016 the 33rd time.</p>   | <p>The articles were drawn up on November 15, 1978 and amended on December 30, 1979 for the first time, ....., amended on April 30, 2013 for the 32nd time.</p>   | <p>Amendment dates are added</p>   |



**NAN LIU ENTERPRISE CO., LTD.**  
**2015 Business Report**

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

The following is a report of our business results in 2015.

**A. 2015 Business Report**

(1) Achievements of the 2015 Business Plan

The Company's major businesses in 2015 included the sale of nonwoven fabrics, Disposable surgical gowns fabrics, hygiene consumables, and facial mask/skin care products. In 2015, net sales was NT\$5,922,201,000, up 10.82% compared with 2014. Taking into cost of goods sold of NT\$4,725,558,000, total operating expenses of NT\$445,999,000, and other non-operating income and expenses of NT\$26,995,000, the income before income tax came in at NT\$777,639,000. Estimated income tax expense was NT\$196,208,000, and the net income was NT\$581,431,000 with an EPS of NT\$8.01.

(2) 2015 Consolidated Financial Expenditure and Profitability

Unit: NT\$ 1000

| Consolidated Statements of Comprehensive Income | 2015      | 2014      | Change %   |
|---|-----------|-----------|------------|
| Net Sales                                       | 5,922,201 | 5,343,991 | 10.82%     |
| Cost of goods sold                              | 4,725,558 | 4,304,554 | 9.78%      |
| Gross profit                                    | 1,196,643 | 1,039,437 | 15.12%     |
| Total Operating expenses                        | 445,999   | 440,649   | 1.21%      |
| Net operating profit                            | 750,644   | 598,788   | 25.36%     |
| Other non-operating income and expenses         | 26,995    | (2,831)   | -1,053.55% |
| Income before income tax                        | 777,639   | 595,957   | 30.49%     |
| Net Income                                      | 581,431   | 420,512   | 38.27%     |

(3) Consolidated Profitability Analysis

Unit: %

|                                     | 2015                     | 2014   |       |
|-------------------------------------|--------------------------|--------|-------|
| Return on assets                    | 11.66                    | 9.36   |       |
| Return on equity                    | 23.20                    | 19.35  |       |
| Capital ratio                       | Net operating profit     | 103.39 | 82.48 |
|                                     | Income before income tax | 107.11 | 82.09 |
| Net profit margin                   | 9.82                     | 7.86   |       |
| After-tax earnings per share (NT\$) | 8.01                     | 5.79   |       |

Building on our foundation of a stable customer base, sustainable growth of sales in 2015. Raw material costs stabilized during the year, as the certification time of new product line from customers were longer, and the capacity utilization rate was higher. However, we continued to develop new functional products, and customers in turn placed orders for high-quality products in the fourth quarter; this resulted in gross margins rising by 0.76% when compared to 2014. Overall, sales growth, coupled with outstanding results from our China subsidiary in 2015 after many years of intense efforts, contributed to improving the Company's operations, profitability and financial conditions. Thanks to the combined efforts of all employees, the net income in 2015 reached NT\$581,431,000 (EPS of NT\$8.01). These results surpassed the level achieved in 2014, and bode well for prospects going forward.

## **B. Summary of the 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.
- (7) Earthquakes and information of soil liquefaction and the structure of plants are important for the Company's operations. Such available information indicates that the Company has not been detrimentally affected. The Company will continue to implement plant safety measures and enhance the protection of employees in the working environment.

## (II) Major Marketing Strategies

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

## (III) Future Development Strategy

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

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

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

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

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

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

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

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

## Supervisors' Review Report

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements and Earnings Distribution Proposal. 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. The Business Report, 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 2016 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Su Chao-shan

On the Date of March 18, 2016

### *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.*

## Supervisors' Review Report

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements and Earnings Distribution Proposal. 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. The Business Report, 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 2016 Annual Shareholders' Meeting

Nan Liu Enterprise Co., Ltd.

Supervisor : Chung Mao-Chih

On the Date of March 18, 2016

### *Notice to Readers*

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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

We have audited the accompanying parent company only balance sheets of Nanliu Enterprise Company Limited as of December 31, 2015 and 2014 and January 1, 2014 and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of Nanliu Enterprise Company Limited as of December 31, 2015 and 2014 and January 1, 2014, and the results of its operations and its cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

YANGTZE CPAS & Co.,

March 18, 2016

### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Nanliu Enterprise Company Limited

We have audited the accompanying consolidated balance sheets of Nanliu Enterprise Company Limited and subsidiaries as of December 31, 2015 and 2014 and January 1, 2014 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nanliu Enterprise Company Limited and Subsidiaries as of December 31, 2015 and 2014, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

We have also audited, in accordance with the Regulations Governing Audit and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the parent company only financial statements of Nanliu Enterprise Company Limited as of and for the years ended December 31, 2015 and 2014 and January 1, 2014 on which we have issued an unqualified opinion.

YANGTZE CPAS & Co.,

March 18, 2016

### 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  
Parent Company Only Balance Sheets  
December 31,2015 and December 31,2014  
(All amounts expressed In Thousands of New Taiwan Dollars)

| ASSETS            |   |           | December 31,2015    |               | December 31,2014    |               | LIABILITIES AND EQUITY                            |   |           | December 31,2015    |               | December 31,2014    |               |
|-------------------|---|-----------|---------------------|---------------|---------------------|---------------|---|---|-----------|---------------------|---------------|---------------------|---------------|
|                   |   |           | Amount              | %             | Amount              | %             |   |   |           | Amount              | %             | Amount              | %             |
| CURRENT ASSETS    |   |           |                     |               |                     |               | CURRENT LIABILITIES                               |   |           |                     |               |                     |               |
| 1100              | Cash and cash equivalents                     | 4、6(1)    | \$ 253,723          | 6.24          | \$ 107,124          | 3.04          | 2100  | Short-term loans  | 6(7)      | \$ 110,000          | 2.70          | \$ 165,567          | 4.69          |
| 1150              | Notes receivable, net                         | 4、6(2)、7  | 50,496              | 1.24          | 53,646              | 1.52          | 2110  | Short-term bills payable, net                                       | 6(8)      | 164,931             | 4.06          | 89,952              | 2.55          |
| 1170              | Accounts receivable, net                      | 4、6(3)、7  | 502,538             | 12.36         | 516,361             | 14.64         | 2150  | Notes payable   | 4         | 109,726             | 2.70          | 146,974             | 4.17          |
| 1200              | Other receivables                             |           | 1,505               | 0.04          | 3,702               | 0.10          | 2170  | Accounts payable  | 4         | 292,575             | 7.19          | 228,252             | 6.47          |
| 1310              | Inventories                                   | 4、5、6(4)  | 373,122             | 9.17          | 265,136             | 7.52          | 2200  | Other payable   |           | 69,516              | 1.71          | 67,346              | 1.91          |
| 1410              | Prepayments                                   |           | 50,037              | 1.23          | 64,026              | 1.81          | 2230  | Current tax liabilities   | 4、6(11)   | 54,391              | 1.34          | 52,042              | 1.48          |
| 1470              | Other current assets                          | 8         | 89                  | -             | 35,105              | 1.00          | 2310  | Unearned receipts   |           | 2,832               | 0.07          | 2,633               | 0.07          |
|                   | Total current assets                          |           | <u>1,231,510</u>    | <u>30.28</u>  | <u>1,045,100</u>    | <u>29.63</u>  | 2320  | Current portion of long-term bank borrowing                         | 6(9)      | 90,000              | 2.21          | 32,000              | 0.91          |
|                   |   |           |                     |               |                     |               | 2335  | Other current liabilities   |           | 1,457               | 0.04          | 1,317               | 0.04          |
|                   |   |           |                     |               |                     |               |   | Total current liabilities   |           | <u>\$ 895,428</u>   | <u>22.02</u>  | <u>786,083</u>      | <u>22.29</u>  |
| NONCURRENT ASSETS |   |           |                     |               |                     |               | NONCURRENT LIABILITIES                            |   |           |                     |               |                     |               |
| 1550              | Investments accounted for using equity method | 4、6(5)、8  | 2,436,232           | 59.90         | 2,116,286           | 59.99         | 2540  | Long-term bank borrowing  | 6(9)      | 408,130             | 10.03         | 306,000             | 8.67          |
| 1600              | Property, plant and equipment                 | 4、6(6)、8  | 286,263             | 7.04          | 274,002             | 7.77          | 2571  | Deferred income tax liabilities-Land value increment tax            |           | 7,386               | 0.18          | 7,386               | 0.21          |
| 1780              | Intangible assets                             | 4         | -                   | -             | -                   | -             | 2572  | Deferred income tax liabilities-income tax                          | 4、6(11)   | 2,744               | 0.07          | 2,739               | 0.08          |
| 1840              | Deferred income tax assets                    | 4、5、6(11) | 22,006              | 0.54          | 19,630              | 0.56          | 2640  | Accrued pension liabilities   | 4、5、6(10) | 89,756              | 2.21          | 80,093              | 2.27          |
| 1915              | Prepayments for equipment                     |           | 41,181              | 1.01          | 17,996              | 0.51          |   | Total noncurrent liabilities  |           | <u>508,016</u>      | <u>12.49</u>  | <u>396,218</u>      | <u>11.23</u>  |
| 1920              | Refundable deposit                            | 9         | 9,904               | 0.24          | 9,836               | 0.28          |   | Total liabilities   |           | <u>1,403,444</u>    | <u>34.51</u>  | <u>1,182,301</u>    | <u>33.52</u>  |
| 1985              | Prepaid investments                           | 4、8       | 37,344              | 0.93          | 42,012              | 1.19          |   |   |           |                     |               |                     |               |
| 1990              | Other assets                                  |           | 2,463               | 0.06          | 2,637               | 0.07          |   |   |           |                     |               |                     |               |
|                   | Total noncurrent assets                       |           | <u>2,835,393</u>    | <u>69.72</u>  | <u>2,482,399</u>    | <u>70.37</u>  |   |   |           |                     |               |                     |               |
|                   |   |           |                     |               |                     |               | EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT |   |           |                     |               |                     |               |
|                   |   |           |                     |               |                     |               | Owners equity                                     |   |           |                     |               |                     |               |
|                   |   |           |                     |               |                     |               | 3100  | Capital stock   | 6(12)     | 726,000             | 17.85         | 726,000             | 20.58         |
|                   |   |           |                     |               |                     |               | 3200  | Capital surplus   | 6(12)     | 453,467             | 11.15         | 453,467             | 12.85         |
|                   |   |           |                     |               |                     |               | 3300  | Retained earnings   | 6(12)     |                     |               |                     |               |
|                   |   |           |                     |               |                     |               | 3310  | Legal reserve   |           | 201,355             | 4.95          | 159,340             | 4.52          |
|                   |   |           |                     |               |                     |               | 3320  | Special reserve   |           | 44,348              | 1.09          | 44,348              | 1.26          |
|                   |   |           |                     |               |                     |               | 3350  | Unappropriated earnings   |           | 1,153,679           | 28.37         | 823,705             | 23.35         |
|                   |   |           |                     |               |                     |               | 3400  | Other   | 6(12)     |                     |               |                     |               |
|                   |   |           |                     |               |                     |               | 3410  | Financial statements translation differences for foreign operations |           | 84,610              | 2.08          | 138,398             | 3.92          |
|                   |   |           |                     |               |                     |               |   | Equity attributable to shareholders of the parent                   |           | <u>2,663,459</u>    | <u>65.49</u>  | <u>2,345,258</u>    | <u>66.48</u>  |
| 1xxx              | Total assets                                  |           | <u>\$ 4,066,903</u> | <u>100.00</u> | <u>\$ 3,527,499</u> | <u>100.00</u> |   | Total liabilities and equity  |           | <u>\$ 4,066,903</u> | <u>100.00</u> | <u>\$ 3,527,559</u> | <u>100.00</u> |

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



NAN LIU ENTERPRISE CO., LTD

Parent Company Only Statements of Comprehensive Income

For the Year Ended December 31 ,2015 and 2014

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

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

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

NAN LIU ENTERPRISE CO., LTD  
Parent Company Only Statements of Changes in Equity  
For the year ended December 31, 2015 and 2014  
(All amounts expressed In Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

|   | Capital Stock - Common Stock |            | Retained Earnings |               |                 |                         | Other equity items  | Non-controlling interests | Total Equity |
|---|------------------------------|------------|-------------------|---------------|-----------------|-------------------------|---|---------------------------|--------------|
|   | Ordinary shares              | Amounts    | Capital Surplus   | Legal Reserve | Special Reserve | Unappropriated Earnings | Financial statements translation differences for foreign operations |                           |              |
| Balance as of January 1, 2014           | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 121,661    | \$ 55,760       | \$ 587,980              | \$ 51,683   | \$ -                      | \$ 1,996,551 |
| Legal reserve appropriated              | -                            | -          | -                 | 37,679        | -               | (37,679)                | -   | -                         | -            |
| Cash dividends of ordinary share        | -                            | -          | -                 | -             | -               | (159,720)               | -   | -                         | (159,720)    |
| Reversal of special reserve             | -                            | -          | -                 | -             | (11,412)        | 11,412                  | -   | -                         | -            |
| Net income in 2014                      | -                            | -          | -                 | -             | -               | 420,152                 | -   | -                         | 420,152      |
| Other comprehensive income for the year | -                            | -          | -                 | -             | -               | 1,560                   | 86,715  | -                         | 88,275       |
| Balance as of December 31, 2014         | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 159,340    | \$ 44,348       | \$ 823,705              | \$ 138,398  | \$ -                      | \$ 2,345,258 |
| Balance as of January 1, 2015           | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 159,340    | \$ 44,348       | \$ 823,705              | \$ 138,398  | \$ -                      | \$ 2,345,258 |
| Legal reserve appropriated              | -                            | -          | -                 | 42,015        | -               | (42,015)                | -   | -                         | -            |
| Cash dividends of ordinary share        | -                            | -          | -                 | -             | -               | (203,280)               | -   | -                         | (203,280)    |
| Net income in 2015                      | -                            | -          | -                 | -             | -               | 581,431                 | -   | -                         | 581,431      |
| Other comprehensive income for the year | -                            | -          | -                 | -             | -               | (6,162)                 | (53,788)  | -                         | (59,950)     |
| Balance as of December 31, 2015         | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 201,355    | \$ 44,348       | \$ 1,153,679            | \$ 84,610   | \$ -                      | \$ 2,663,459 |

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

NAN LIU ENTERPRISE CO., LTD

Parent Company Only Statements of Cash Flows

For the Year Ended December 31 ,2015 and 2014

(All Amounts Expressed In Thousands of New Taiwan Dollars)

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

( Continued )

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

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

NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES  
Consolidated Balance Sheets  
December 31,2015 and December 31,2014  
(All Amounts Expressed In Thousands of New Taiwan Dollars)

| ASSETS            |                               |           | December 31,2015    |               | December 31,2014    |               | LIABILITIES AND EQUITY                            |   |          | December 31,2015    |               | December 31,2014    |               |
|-------------------|-------------------------------|-----------|---------------------|---------------|---------------------|---------------|---|---|----------|---------------------|---------------|---------------------|---------------|
|                   |                               |           | Amount              | %             | Amount              | %             |   |   |          | Amount              | %             | Amount              | %             |
| CURRENT ASSETS    |                               |           |                     |               |                     |               | CURRENT LIABILITIES                               |   |          |                     |               |                     |               |
| 1100              | Cash and cash equivalents     | 4、6(1)    | \$ 529,058          | 9.82          | \$ 339,335          | 6.92          | 2100  | Short-term loans  | 6(6)     | \$ 207,307          | 3.85          | \$ 259,041          | 5.28          |
| 1150              | Notes receivable, net         | 4、6(2)、7  | 58,691              | 1.09          | 58,657              | 1.20          | 2110  | Short-term bills payable, net                                       | 6(7)     | 164,931             | 3.06          | 89,952              | 1.83          |
| 1170              | Accounts receivable, net      | 4、6(3)、7  | 1,119,267           | 20.79         | 1,055,013           | 21.51         | 2150  | Notes payable   | 4        | 540,796             | 10.04         | 529,444             | 10.80         |
| 1200              | Other receivables             |           | 1,495               | 0.03          | 3,686               | 0.08          | 2170  | Accounts payable  | 4        | 523,562             | 9.72          | 548,373             | 11.19         |
| 1310              | Inventories                   | 4、5、6(4)  | 991,811             | 18.42         | 770,785             | 15.72         | 2200  | Other payable   |          | 160,252             | 2.98          | 156,512             | 3.19          |
| 1410              | Prepayments                   |           | 354,415             | 6.58          | 357,985             | 7.30          | 2213  | Payables on equipment   |          | 37,893              | 0.70          | 47,221              | 0.96          |
| 1470              | Other current assets          | 8         | 44,938              | 0.83          | 83,335              | 1.70          | 2230  | Current tax liabilities   | 4、6(10)  | 81,986              | 1.52          | 71,906              | 1.47          |
|                   | Total current assets          |           | <u>3,099,675</u>    | <u>57.56</u>  | <u>2,668,796</u>    | <u>54.43</u>  | 2311  | Unearned receipts   |          | 9,569               | 0.18          | 13,837              | 0.28          |
|                   |                               |           |                     |               |                     |               | 2322  | Current portion of long-term bank borrowing                         | 6(8)     | 169,288             | 3.14          | 87,388              | 1.78          |
|                   |                               |           |                     |               |                     |               | 2399  | Other current liabilities   |          | 2,973               | 0.06          | 2,276               | 0.05          |
|                   |                               |           |                     |               |                     |               |   | Total current liabilities   |          | <u>\$ 1,898,557</u> | <u>35.25</u>  | <u>1,805,950</u>    | <u>36.83</u>  |
| NONCURRENT ASSETS |                               |           |                     |               |                     |               | NONCURRENT LIABILITIES                            |   |          |                     |               |                     |               |
| 1600              | Property, plant and equipment | 4、6(5)、8  | 2,054,428           | 38.15         | 1,864,367           | 38.02         | 2540  | Long-term bank borrowing  | 6(8)     | 722,425             | 13.42         | 661,748             | 13.49         |
| 1780              | Intangible assets             | 4         | 24                  | -             | 171                 | -             | 2571  | Deferred income tax liabilities-Land value increment tax            |          | 7,386               | 0.14          | 7,386               | 0.15          |
| 1840              | Deferred income tax assets    | 4、5、6(10) | 29,230              | 0.54          | 22,175              | 0.45          | 2572  | Deferred income tax liabilities-income tax                          | 4、6(10)  | 2,744               | 0.05          | 2,739               | 0.06          |
| 1915              | Prepayments for equipment     |           | 76,135              | 1.41          | 221,217             | 4.51          | 2640  | Accrued pension liabilities   | 4、5、6(9) | 89,756              | 1.67          | 80,093              | 1.63          |
| 1920              | Refundable deposit            | 9         | 21,550              | 0.40          | 15,524              | 0.32          | 2645  | Guarantee deposits  |          | 500                 | 0.01          | 509                 | 0.01          |
| 1985              | Prepaid investments           | 4、8       | 101,322             | 1.88          | 108,796             | 2.22          |   | Total noncurrent liabilities  |          | <u>822,811</u>      | <u>15.29</u>  | <u>752,475</u>      | <u>15.34</u>  |
| 1990              | Other assets                  |           | 2,463               | 0.06          | 2,637               | 0.05          |   | Total liabilities   |          | <u>2,721,368</u>    | <u>50.54</u>  | <u>2,558,425</u>    | <u>52.17</u>  |
|                   | Total noncurrent assets       |           | <u>2,285,152</u>    | <u>42.44</u>  | <u>2,234,887</u>    | <u>45.57</u>  | EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT |   |          |                     |               |                     |               |
|                   |                               |           |                     |               |                     |               | 3100  | Owners equity   |          |                     |               |                     |               |
|                   |                               |           |                     |               |                     |               |   | Capital stock   | 6(11)    | 726,000             | 13.49         | 726,000             | 14.81         |
|                   |                               |           |                     |               |                     |               |   | Capital surplus   | 6(11)    | 453,467             | 8.42          | 453,467             | 9.25          |
|                   |                               |           |                     |               |                     |               |   | Retained earnings   | 6(11)    |                     |               |                     |               |
|                   |                               |           |                     |               |                     |               |   | Legal reserve   |          | 201,355             | 3.74          | 159,340             | 3.25          |
|                   |                               |           |                     |               |                     |               |   | Special reserve   |          | 44,348              | 0.82          | 44,348              | 0.90          |
|                   |                               |           |                     |               |                     |               |   | Unappropriated earnings   |          | 1,153,679           | 21.42         | 823,705             | 16.80         |
|                   |                               |           |                     |               |                     |               |   | Other   | 6(11)    |                     |               |                     |               |
|                   |                               |           |                     |               |                     |               |   | Financial statements translation differences for foreign operations |          | 84,610              | 1.57          | 138,398             | 2.82          |
|                   |                               |           |                     |               |                     |               |   | Equity attributable to shareholders of the parent                   |          | <u>2,663,459</u>    | <u>49.46</u>  | <u>2,345,258</u>    | <u>47.83</u>  |
| lxxx              | Total assets                  |           | <u>\$ 5,384,827</u> | <u>100.00</u> | <u>\$ 4,903,683</u> | <u>100.00</u> |   | Total liabilities and equity  |          | <u>\$ 5,384,827</u> | <u>100.00</u> | <u>\$ 4,903,683</u> | <u>100.00</u> |

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 ,2015 and 2014

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

|      |  | For the year ended December 31 |         |              |         |
|------|--|--------------------------------|---------|--------------|---------|
|      |  | 2015                           |         | 2014         |         |
| Item | Note   | Amount                         | %       | Amount       | %       |
| 4110 | Sales revenue  | \$ 5,969,160                   | 100.79  | \$ 5,376,982 | 100.62  |
| 4170 | Less: Sales return   | (24,782)                       | (0.42)  | (10,877)     | (0.20)  |
| 4190 | Less: Sales allowances   | (22,177)                       | (0.37)  | (22,114)     | (0.41)  |
| 4000 | Net Sales  | 5,922,201                      | 100.00  | 5,343,991    | 100.01  |
|      |  |                                |         |              |         |
| 5000 | Cost of goods sold   | (4,725,558)                    | (79.79) | (4,304,554)  | (80.55) |
| 5900 | Gross profit   | 1,196,643                      | 20.21   | 1,039,437    | 19.46   |
| 6000 | Operating expenses   |                                |         |              |         |
| 6100 | Promotion expenses   | (215,902)                      | (3.65)  | (222,049)    | (4.16)  |
| 6200 | Management expenses  | (201,449)                      | (3.40)  | (184,927)    | (3.46)  |
| 6300 | Research expenses  | (28,648)                       | (0.48)  | (33,673)     | (0.63)  |
| 6000 | Total Operating expenses   | (445,999)                      | (7.53)  | (440,649)    | (8.25)  |
| 6900 | Operating profit   | 750,644                        | 12.68   | 598,788      | 11.21   |
|      | Other non-operating income and expenses                                |                                |         |              |         |
| 7020 | Other income   | 51,451                         | 0.87    | 20,951       | 0.39    |
| 7050 | Finance costs  | (24,456)                       | (0.42)  | (23,782)     | (0.45)  |
| 7000 | Other non-operating income and expenses                                | 26,995                         | 0.45    | (2,831)      | (0.06)  |
| 7900 | Income before income tax   | 777,639                        | 13.13   | 595,957      | 11.15   |
| 7950 | Income tax expense   | (196,208)                      | (3.31)  | (175,805)    | (3.29)  |
| 8200 | Net Income   | 581,431                        | 9.82    | 420,152      | 7.86    |
| 8300 | Other comprehensive income (loss)                                      |                                |         |              |         |
| 8310 | Items that will not be reclassified subsequently to profit or loss:    |                                |         |              |         |
| 8311 | Remeasurement of defined benefit obligation                            | (7,424)                        | (0.12)  | 1,880        | 0.04    |
| 8349 | Income tax (expense) related to components of the comprehensive income | 1,262                          | 0.02    | (320)        | (0.01)  |
| 8360 | Items that may be reclassified subsequently to profit or loss:         |                                |         |              |         |
| 8361 | Exchange differences arising on translation of foreign operations      | (53,788)                       | (0.91)  | 86,715       | 1.62    |
| 8300 | Other comprehensive income(loss)for the period ,net of income tax      | (59,950)                       | (1.01)  | 88,275       | 1.65    |
| 8500 | Total comprehensive income for the period                              | \$ 521,481                     | 8.81    | \$ 508,427   | 9.51    |

(Continued)

|      |   | For the year ended December 31 |             |                   |             |
|------|---|--------------------------------|-------------|-------------------|-------------|
|      |   | 2015                           |             | 2014              |             |
|      |   | Amount                         | %           | Amount            | %           |
| 8600 | Net income attributable to :              |                                |             |                   |             |
| 8610 | Owners of parent                          | \$ 581,431                     | 9.82        | \$ 420,152        | 7.86        |
| 8620 | Non-controlling interests                 | -                              | -           | -                 | -           |
|      | Net income                                | <u>\$ 581,431</u>              | <u>9.82</u> | <u>\$ 420,152</u> | <u>7.86</u> |
| 8700 | Comprehensive income attributable to :    |                                |             |                   |             |
| 8710 | Owners of parent                          | \$ 521,481                     | 8.81        | \$ 508,427        | 9.51        |
| 8720 | Non-controlling interests                 | -                              | -           | -                 | -           |
|      | Total comprehensive income for the period | <u>\$ 521,481</u>              | <u>8.81</u> | <u>\$ 508,427</u> | <u>9.51</u> |
| 9750 | Basic earnings per share(NT dollars)      | 4 · 6(12)                      | \$ 8.01     | \$ 5.79           |             |
| 9850 | Diluted earnings per share(NT dollars)    | 4 · 6(12)                      | \$ 8.00     | \$ 5.78           |             |

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, 2015 and 2014  
(All Amounts Expressed In Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

|   | Capital Stock - Common Stock |            | Retained Earnings |               |                 |                         | Other equity items  | Non-controlling interests | Total Equity |
|---|------------------------------|------------|-------------------|---------------|-----------------|-------------------------|---|---------------------------|--------------|
|   | Ordinary shares              | Amounts    | Capital Surplus   | Legal Reserve | Special Reserve | Unappropriated Earnings | Financial statements translation differences for foreign operations |                           |              |
| Balance as of January 1, 2014           | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 121,661    | \$ 55,760       | \$ 587,980              | \$ 51,683   | \$ -                      | \$ 1,996,551 |
| Legal reserve appropriated              | -                            | -          | -                 | 37,679        | -               | (37,679)                | -   | -                         | -            |
| Reversal of special reserve             | -                            | -          | -                 | -             | (11,412)        | 11,412                  | -   | -                         | -            |
| Cash dividends of ordinary share        | -                            | -          | -                 | -             | -               | (159,720)               | -   | -                         | (159,720)    |
| Net income in 2014                      | -                            | -          | -                 | -             | -               | 420,152                 | -   | -                         | 420,152      |
| Other comprehensive income for the year | -                            | -          | -                 | -             | -               | 1,560                   | 86,715  | -                         | 88,275       |
| Balance as of December 31, 2014         | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 159,340    | \$ 44,348       | \$ 823,705              | \$ 138,398  | \$ -                      | \$ 2,345,258 |
| Balance as of January 1, 2015           | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 159,340    | \$ 44,348       | \$ 823,705              | \$ 138,398  | \$ -                      | \$ 2,345,258 |
| Legal reserve appropriated              | -                            | -          | -                 | 42,015        | -               | (42,015)                | -   | -                         | -            |
| Cash dividends of ordinary share        | -                            | -          | -                 | -             | -               | (203,280)               | -   | -                         | (203,280)    |
| Net income in 2015                      | -                            | -          | -                 | -             | -               | 581,431                 | -   | -                         | 581,431      |
| Other comprehensive income for the year | -                            | -          | -                 | -             | -               | (6,162)                 | (53,788)  | -                         | (59,950)     |
| Balance as of December 31, 2015         | 72,600                       | \$ 726,000 | \$ 453,467        | \$ 201,355    | \$ 44,348       | \$ 1,153,679            | \$ 84,610   | \$ -                      | \$ 2,663,459 |

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



NAN LIU ENTERPRISE CO., LTD AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
For the Year Ended December 31 ,2015 and 2014  
(All Amounts Expressed In Thousands of New Taiwan Dollars)

|   | For the year ended December 31 |            |
|---|--------------------------------|------------|
|   | 2015                           | 2014       |
| <b>Cash flows from operating activities</b>                             |                                |            |
| Consolidated Profit before income tax                                   | 777,639                        | \$ 595,957 |
| <b>Adjustments for :</b>  |                                |            |
| Depreciation expense  | 261,124                        | 262,196    |
| Amortization expense  | 6,445                          | 6,379      |
| Other expense   | (465)                          | 344        |
| Interest expense  | 24,456                         | 23,782     |
| Interest income   | (2,871)                        | (2,706)    |
| Provision for doubtful accounts   | 6,255                          | 5,468      |
| (Reversal of allowance) Provision for inventory<br>market price decline | -                              | (3,415)    |
| Loss on disposal of inventory   | 9,188                          | 23,958     |
| (Profit) Loss on physical inventory                                     | (1,059)                        | 29         |
| Loss on disposal of assets  | 4,290                          | 950        |
| (Reversal ) Impairment of Assets  | (2,188)                        | (2,170)    |
| Foreign exchange (gain)   | (7,985)                        | (7,676)    |
| <b>Changes in operating assets and liabilities</b>                      |                                |            |
| (Increase) in notes receivable  | (34)                           | (19,430)   |
| (Increase) in accounts receivable                                       | (68,278)                       | (220,793)  |
| Decrease in other receivable  | 2,015                          | 14,914     |
| (Increase) in inventories   | (229,155)                      | (142,112)  |
| Decrease in prepayments   | 12,702                         | 4,655      |
| Decrease (Increase) in other current assets                             | 37,832                         | (29,509)   |
| Increase in notes payable   | 10,790                         | 86,046     |
| (Decrease) Increase in accounts payable                                 | (25,458)                       | 95,393     |
| Increase (Decrease) in other payable                                    | 3,938                          | (23,532)   |
| (Decrease) Increase in unearned receipts                                | (4,268)                        | 984        |
| Increase in accrued pension liabilities                                 | 2,239                          | 2,403      |
| Cash generated from operating   | 817,152                        | 672,115    |
| Interest received   | 3,047                          | 2,723      |
| Income taxes paid   | (191,916)                      | (151,200)  |
| Net cash generated by operating activities                              | 628,283                        | 523,638    |

( Continued )

|  | For the year ended December 31 |            |
|--|--------------------------------|------------|
|  | 2015                           | 2014       |
| Cash flows from investing activities                         |                                |            |
| Acquisition of property , plant and equipment                | (168,240)                      | (105,801)  |
| Disposal of property , plant and equipment                   | 840                            | 1,540      |
| (Increase) in prepayments for equipment                      | (190,110)                      | (238,500)  |
| (Increase) in long-term prepaid rent                         | -                              | (46,680)   |
| (Increase) Decrease in restricted assets                     | (336)                          | 21,570     |
| Decrease (Increase) in Instead of payment                    | 901                            | (705)      |
| (Increase)in other noncurrent assets                         | -                              | (1,509)    |
| (Increase) in refundable deposits                            | (6,135)                        | (79)       |
| Net cash used in investing activities                        | (363,080)                      | (370,164)  |
| Cash Flows From Financing Activities :                       |                                |            |
| Interest paid  | (24,675)                       | (24,592)   |
| (Decrease) Increase in short-term loans                      | (51,734)                       | 12,540     |
| Increase in short-term bills payable                         | 75,000                         | 40,000     |
| Increase (Decrease) in long-term bank borrowing              | 135,647                        | (120,285)  |
| Cash dividends   | (203,280)                      | (159,720)  |
| Increase in other current liabilities                        | 697                            | 302        |
| Net cash used in financing activities                        | (68,345)                       | (251,755)  |
| Effect of exchange rate changes on cash and cash equivalents | (7,135)                        | 39,199     |
| Net Increase (Decrease) in cash and cash equivalents         | 189,723                        | (59,082)   |
| Cash and cash equivalents, beginning of year                 | 339,335                        | 398,417    |
| Cash and cash equivalents, end of year                       | \$ 529,058                     | \$ 339,335 |

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

**NAN LIU ENTERPRISE CO., LTD.****Comparison of the Amendments to the Rules for Electing Directors and Supervisors**

| Articles amended  | Current articles  | Explanation   |
|---|---|---|
| Article 6 ( <del>deleted</del> )  | Article 6. Election of the Company's directors, supervisors, shall comply with the candidates-nomination system of Article 192-1 in the Company Act.  | Amendments made to reflect the Company's current practices. |
| Article 7. Elections of directors and supervisors adopt a cumulative <u>voting system</u> ; one share shall have the same voting rights as the number of directors and supervisors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of several candidates.   | Article 7. Elections of directors and supervisors adopt a cumulative <u>voting system</u> ; one share shall have the same voting rights as the number of directors and supervisors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates.   | Amendments made to reflect the Company's current practices. |
| Article 10. Before the start of the election, the Chairperson shall appoint voting supervisors who are shareholders <u>and</u> several qualified tellers to perform related duties. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.   | Article 10. Before the start of the election, the Chairman shall appoint voting supervisors who are shareholders and several qualified tellers to perform related duties. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.   | Amendments made to reflect the Company's current practices. |
| Article 11. If the candidate is a shareholder, voters <u>should</u> fill in the account name and shareholder account number of <u>the</u> candidate. If the candidate is not a shareholder, voters should fill in the candidate's name and the identity document number. When the government or a juristic person shareholder is the candidate, not only the name of the government or the juristic person but also the name of their representatives should be filled in as the account name of the candidate in the ballot; if there are more than two representatives, their names should be filled in separately. | Article 11. If the candidate is a shareholder, voters should fill in the account name and shareholder account number of the candidate in the ballot. If the candidate is not a shareholder, voters should fill in the candidate's name and the identity document number. When the government or a juristic person is a shareholder, not only the name of the government or the juristic person but also the names of their representatives shall be filled in as the account name of the candidate in the ballot; if there are more than two representatives, their names should be filled in separately. | Amendments made to reflect the Company's current practices. |



### **Chapter I General Provisions**

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

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

1. Manufacturing, processing, trade, and import and export of suede, imitation leather, nonwoven linings, fabrics for civil engineering, waterproof/fire-resistant filter bag nets, resin bond paddings, shoe materials, non-woven carpets, nylon carpets, and DuPont synthetic fiber bullet-proof vests. (C303010 non-woven) (C399990 other textile and apparel manufacturing) (C0401030 leather, fur finishing) (CK01010 shoe manufacturing) (CI01020 carpet, felt manufacturing)
2. Manufacturing, trade, and import and export of scrub sponges, abrasive wheels for industrial use, household aluminum foil products (aluminum foil anti-pollution plates). (F106020 wholesale of articles for daily use) (C901990 other non-metallic mineral products manufacturing)
3. Trade, import and export of household hardware, non-woven, resin, carborundum, aluminum products and their raw materials. (F106010 wholesale of hardware) (F107990 wholesale of other chemicals) (F207990 retailing of other chemicals)
4. Manufacturing, processing, trade, and import and export of non-woven air filters, cotton fabrics, and aluminum paper dining tableware. (CO01010 cutlery manufacturing)
5. Trade, import and export of household plastic products (tableware) and stainless steel cutlery. (F401010 international trade)
6. Agent of domestic and foreign manufacturers' distribution, quotation and bidding for above-mentioned products. (F401010 international trade)
7. H701020 development and rental of industrial plants.
8. H701040 specialized field construction and development.
9. C802100 cosmetic manufacturing.
10. C601040 paper processing.
11. F108040 wholesale of cosmetics.
12. F208040 retailing of cosmetics.
13. C802110 cosmetic pigment manufacturing.
14. C103030 dehydrated foods manufacturing.
15. F102160 wholesale of supplementary foods.
16. F102010 wholesale of frozen prepared foods.
17. F102160 wholesale of dehydrated foods.
18. ZZ99999 the Company may operate any business not prohibited or restricted by laws or regulations, except for those that require special permission.
19. C802090 cleaning preparations manufacturing.
20. F107030 wholesale of cleaning preparations.
21. F207030 trade of cleaning preparations.

Article 3: The Company may guarantee other companies.

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

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

## **Chapter II Shares**

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

Article 7: Deleted

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

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

## **Chapter III Shareholders' Meeting**

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

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

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

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

Voting rights for resolutions adopted at a shareholders' meeting shall be performed in writing or by electronic transmission.

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of

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

#### **Chapter IV Directors and Supervisors**

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

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

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

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

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

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

#### **Chapter V Managers**

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

#### **Chapter VI Accounting**

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

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

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

Article 20: If the Company generates a profit, taxes shall be paid and accumulated losses shall be covered first, and then 10% shall be set aside for legal reserve. A special reserve shall be set aside if necessary. The Board of Directors may then propose to distribute any remaining profit amount. Once approved at the shareholders' meeting, such profit shall be distributed. The compensation of directors and supervisors, and employee bonuses shall exceed 1% of the distributable amount.

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

### **Chapter VII Supplemental Provisions**

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

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

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

NAN LIU ENTERPRISE CO., LTD.

Chairman: Mr. Huang Chin-shan

NAN LIU ENTERPRISE CO., LTD.  
Rules and Procedures of Shareholders' Meeting

Amended edition, November 16, 2012

- Article 1 To establish an effective governing system for shareholders' meetings, build solid supervisory functions, and enhance management functions. The Rules and Procedures are made according to Article 5 of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
- Article 2 The rules and procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be in accordance with the Rules and Procedures stated below.
- Article 3 (Convening shareholders' meetings and shareholders' meeting notices)  
Unless otherwise provided by regulations, a shareholders' meeting is convened by the Board of Directors.  
30 days before the Company convenes a regular shareholders' meeting, or 15 days before it convenes a special shareholders' meeting, the Company shall prepare electronic files of the meeting announcement, proxy form, and explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or supervisors, and other matters on the shareholders' meeting agenda, and upload them to the Market Observation Post System. 21 days before the Company is to convene a regular shareholders' meeting, or 15 days before it convenes a special shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental materials, and upload it to the Market Observation Post System. 15 days before the Company is to convene a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the company and its stock registrar and transfer agent, and distributed on-site at the meeting.  
The causes or subjects of a shareholders' meeting to be convened shall be indicated in the individual notice and the public notice; the notice may be effected via electronic transmission, after obtaining prior consent from the recipients.  
Election or discharge of directors and supervisors, alteration of the Articles of Incorporation, and dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, shall be itemized in the causes or subjects to be described in the notice, and shall not be brought up as extemporary motions.  
Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a proposal to the Company for discussion at a regular shareholders' meeting. However, only one matter shall be allowed in each proposal. If a proposal contains more than one matter, such proposal shall not be included in the agenda. In addition, if a shareholder's proposal contains matters related to Paragraph 4 of Article 172-1 in the Company Act, the Board of Directors shall not include it in the agenda.  
Prior to the book closure date and before a regular shareholders' meeting is convened, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals to be discussed at the meeting; the period for accepting such proposals shall not be less than 10 days.  
The number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting and shall take part in the discussion of such proposal.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 10 (Discussion of proposals)

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

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

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

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

Article 11 (Shareholders' speeches)

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

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

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

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

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

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

Article 12 (Calculation of voting shares and recusal system)

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

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

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

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

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

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

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic transmission. When voting rights are exercised by correspondence or electronic transmission, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. Therefore, the Company shall avoid the extraordinary motions and amendments to original proposals.

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

After a shareholder has exercised voting rights by correspondence or electronic transmission, and subsequently intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised shall be made

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

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

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of the Company. Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting shall be announced on-site at the meeting, and a record made of the votes.

Article 14 (Election of directors and supervisors)

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

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

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

Article 16 (Public disclosure)

On the day of a shareholders' meeting, the Company shall compile in the prescribed form a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

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

Article 17 (Maintaining order at the meeting place)

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

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

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

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

Article 18 (Recess and resumption of a shareholders meeting)

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

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

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

**NAN LIU ENTERPRISE CO., LTD.**

Procedures for the Election of Directors and Supervisors

Article 1 To ensure a just, fair, and open election of directors and supervisors, these Procedures are adopted pursuant to Articles 21 and 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2 Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of directors and supervisors shall be conducted in accordance with these Procedures.

Article 3 The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's directors. Each board member shall have the necessary knowledge, skill, and experience to perform their duties. The abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership.
8. Decision making ability.

Article 4 Supervisors of the Company shall meet the following qualifications:

1. Integrity and a practical attitude.
2. Impartial judgment.
3. Professional knowledge.
4. Broad experience.
5. Ability to read financial statements.

In addition to the requirements of the preceding paragraph, at least one among the supervisors of the Company must be an accounting or financial professional.

Article 5 The qualifications for the independent directors of the Company shall comply with Articles 2, 3, and 4 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. The election of independent directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 6 Elections of both directors and supervisors at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

Article 7 The cumulative voting method shall be used for election of the directors and supervisors at the Company. Each share will have voting rights in number equal to the directors or supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 8 The Board of Directors shall prepare separate ballots for directors and supervisors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting.

Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 9 The number of directors and supervisors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more people receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chair drawing lots on behalf of any person not in attendance.

Article 10 Before the election begins, the Chair shall appoint a number of people with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.

Article 11 If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the candidate column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

Article 12 A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by the Board of Directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register; or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name (or name) or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

Article 13 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation shall be announced by the Chair on the site.

Article 14 The Board of Directors of the Company shall issue notifications to the people elected as directors or supervisors.

Article 15 These Procedures, and any amendments thereto, shall be implemented after approval at shareholders' meetings.

## Appendix IV

## NAN LIU ENTERPRISE CO., LTD.

## Shareholding of Directors and Supervisors

(I) The paid-up capital of the company stands at NT\$726,000,000 with 72,600,000 shares.

(II) In compliance with Article 26 of the Securities and Exchange Act:

Total minimum number of shares required to be held by directors: 5,808,000 shares

Total minimum number of shares required to be held by supervisors: 580,800 shares

As of April 15, 2016, the book closure date, shareholding information of directors and supervisors was as follows:

| Job Title                        | Name  | Shares held |
|----------------------------------|---|-------------|
| Chairperson                      | Bixiu Investments Co., Ltd.<br>(Representative: Mr. Huang Chin-san)       | 5,090,929   |
| Director                         | Tian Zi Ding Investments Co., Ltd.<br>(Representative: Mr. Huang Huo-cun) | 8,729,659   |
| Independent Director             | Mr. Wu Nan-yang   | 0           |
| Independent Director             | Ms. Wu Hsou-mei   | 0           |
| Independent Director             | Mr. Huang Chun-ping   | 0           |
| Director                         | Mr. Wang Chia-nan   | 0           |
| Director                         | Mr. Yang Juei-hua   | 181,033     |
| Supervisor                       | Mr. Su Chao-shan  | 0           |
| Supervisor                       | Mr. Chung Mao-Chih  | 1,497,451   |
| Total shares held of directors   |   | 14,001,621  |
| Total shares held of supervisors |   | 1,497,451   |



## Appendix V

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

(I) The effect of dividend distributions proposed by shareholders' meeting for the current fiscal year on the Company's operating performance and earnings per share:

Not applicable.