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NAN LIU ENTERPRISE CO., LTD.

2015 Annual Report

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Related Information: Same as above.

Notice to readers

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

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None

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Table of Contents

I.	Letter to Shareholders.....	1
II.	Company Introduction	
	A. Founding Date.....	4
	B. Company History.....	4
III.	Corporate Governance Report	
	A. Organization.....	7
	B. Profile of Directors, Supervisors, General Manager, Deputy General Manager, Assistant Managers, and Branch Supervisors.....	10
	C. Implementation of Corporate Governance.....	29
	D. Information on Accountants' Fees.....	48
	E. Alternation of CPA.....	49
	F. The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Having Held a Position at the Accounting Firm of its CPA or at an Affiliated Enterprise in 2015	49
	G. Transfer & Pledge of Stock Equity by Directors, Supervisors, Managerial Officers and Holders of 10% or More of Company Shares in 2015 and as of the Date of the Annual Report	49
	H. Information on Relationships among the Top Ten Shareholders in Accordance with IFRS No. 6 Related Party Disclosures.....	50
	I. Number of Shares of the Same Invested Enterprise Held by the Company, Directors, Supervisors, Managerial Officers, and Enterprises Directly or Indirectly Controlled by the Company and Combined Shareholding Percentage.....	51
IV.	Capital Overview	
	A. Source of Capital.....	52
	B. Structure of Shareholders.....	53
	C. Stock Dispersion.....	54
	D. List of Major Shareholders.....	54
	E. Market Price per Share, Equity, Earnings, Dividends and Related Information in Last Two Years.....	55
	F. Dividend Policy and Its Implementation.....	55
	G. The Effect of the Current Fiscal Year's Dividend Distributions on the Company's Operational Performance and	

Earnings per Share.....	56
H. Employees' Bonuses and Directors' and Supervisors'	
Remuneration.....	56
I. Buyback of Shares.....	57
J. Corporate Bonds, Preferred Shares, Global Depository Receipts, Subscription of Warrants for Employees and M&A (Including Mergers, Acquisitions and Splits).....	57
K. Implementation of Fund Usage Plan.....	57
V. Operation Summary	
A. Business Activities.....	60
B. Production and Sales Status.....	66
C. Number, Average Year of Service, Average Age, and Education of Employees in Last Two Years and as of the Date of the Annual Report.....	74
D. Information on Environmental Protection	
Costs.....	74
E. Labor Relations.....	76
F. Major Contracts.....	77
VI. Financial Information Summary	
A. Most Recent 5-Year Concise Financial Information and CPA and Audit Comments.....	78
B. Most Recent 5-Year Financial Analysis and Reasons for Changes in Financial Ratios in Last Two Years.....	85
C. Audit Report by Supervisors in 2015.....	89
D. Financial Reports, Financial Statements and Notes in 2015.....	89
E. Consolidated Financial Statements with Subsidiaries Audited by CPA in 2015.....	89
VII. Review, Analysis, and Risks of Financial Conditions and Performance	
A. Financial Review and Analysis.....	90
B. Performance Review and Analysis.....	91
C. Cash Flow Review and Analysis.....	93
D. The Effect of Major Expenditures on Finances in 2015.....	94
E. Reinvestment Policy in 2015 and Investment Plan for Upcoming Year.....	94
F. Risks.....	95
G. Other Important Matters.....	99

VIII. Special Notes

A. Related Information on Affiliates.....	99
B. Private Placements of Securities in 2015 and as of the Date of the Annual Report.....	100
C. The Company's Shares Disposed of and Held by Subsidiaries in 2015 and as of the Date of the Annual Report.....	100
D. Legal Penalties to the Company, the Company's Resulting Punishment on Its Employees, Principal Deficiencies, and Improvements in 2015 and as of the Date of the Annual Report.....	100
E. Other Necessary Supplements.....	100
IX. Any Events in 2015 and as of the Date of the Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2, Paragraph 2, Article 36 of Securities and Exchange Act.....	100

I. Letter to Shareholders

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

The following is the report on 2015 business results.

A. 2015 Business Report

(1) Achievements of 2015 Business Plan

The Company's 2015 major business includes the sale of nonwoven fabrics, Disposable surgical gowns fabrics, hygiene consumables and facial mask/ skin care products. 2015 net sales was NT\$5,922,201,000, up 10.82% compared with 2014. Deducting cost of goods sold of NT\$4,725,558,000, total operating expenses of NT\$445,999,000, non-operating income (expenses) of NT\$26,995,000, the income before income tax was NT\$777,639,000. The estimated income tax expense was NT\$196,208,000, and 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)	-1053.55%
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 shareholders' 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

On top of a stable customer base, the Company took more orders in 2015. Material costs were steadier, because the certification time of the new product production lines from customers was 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 in the fourth quarter, so gross margin rose by 0.76% compared with 2014. Overall, sales growth (coupled with outstanding results from China's subsidiary in 2015 after years of hard work), the Company's operations, profitability and even financial conditions positively benefited. With the efforts of all employees, 2015 net income reached NT\$581,431,000, and EPS was NT\$8.01. Both surpassed the 2014 levels, so the outlook of the Company is improving.

B. Summary of 2016 Business Plan

(I) Business Policy and Implementation

- (1) New vision is implemented in the Company's daily operations, and the business philosophy is strengthened and fulfilled to achieve the goal of organizational optimization.
- (2) Integration of supply chain management: establish competitive strategic raw material suppliers, meet customers' flexible and rapid demands, and reduce inventory costs to increase cash flows.
- (3) Strengthen education and training systems, create a passionate and excellent environment, improve staff morale, and boost operational efficiency.
- (4) Keep enhancing product development capabilities and production technology: obtain leading technology and upgrade production capabilities, and further become the research and development center of the customers, in combination with technology cooperation of experts at home and abroad as well as domestic technical research institutions and academic institutes.
- (5) Implement green energy policies and reduce carbon emissions to simultaneously lower costs and protect the environment, exercise the social responsibility of global citizens, and enhance the overall image of the Company.
- (6) Persistently exercise accounting functions and strengthen financial risk management to improve profitability.
- (7) Because of earthquakes, information on soil liquefaction and plant structure has been released recently, but the Company is not affected. Plant safety measures and protection of employees in the working environment will be enhanced.

(II) Major Marketing Strategy

- (1) Buildup of capacity: add new production lines and enhance the benefits of economies of scale.
- (2) Leadership on quality and technology: with a customer-oriented approach and the development of new products, the international brand image is advanced.
- (3) Automation: consistently improve the enterprise resource planning (ERP) system, strengthen the operational control, and integrate to improve core competitive power.
- (4) Adopt a more aggressive strategy to enhance the position of the production base in Asia.

(III) Future Development Strategy

Uphold the principle of "cycle of virtues": treat customers with good quality, good service, and fair prices so that customers purchase more products of the Company, while the Company feeds back employees and shareholders with nice profits due to good operation . . . etc. Employees and shareholders are more willing to support the Company for higher profits, so customers, employees, shareholders, and the community reach a four-win situation.

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

Prices are rising at home and abroad, but the Company has strengthened cost control and improved customer orders through the competitive advantages of our international platform, and the raw material price fluctuation factor has been included in price negotiations.

The Company will continue to strengthen receipt of external information; integrate government and customer standards; strengthen regulations in response to legal requirements of accounting, environmental protection, labor, and corporate governance; and implement a business philosophy and universal values of corporate social responsibility.

To meet world trends of green energy and carbon reduction, we would like to pursue a world-class model enterprise standard as the goal of business growth with a more aggressive attitude.

In general, with an adverse external environment and rising production costs, businesses are facing increasingly rigorous challenges. The Company believes that customer demand can be satisfied by constant innovation and process improvement to maintain its competitive advantage and maximize profits for shareholders.

We wish you ladies and gentlemen health and success.

Chairman: Huang Chin-san

CEO: Huang, Huo-cun

Chief Accountant: Chuang, Chun-chin

II. Company Profile

A. Company Introduction

(I) Founding Date: December 1978

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

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

(III) Company History

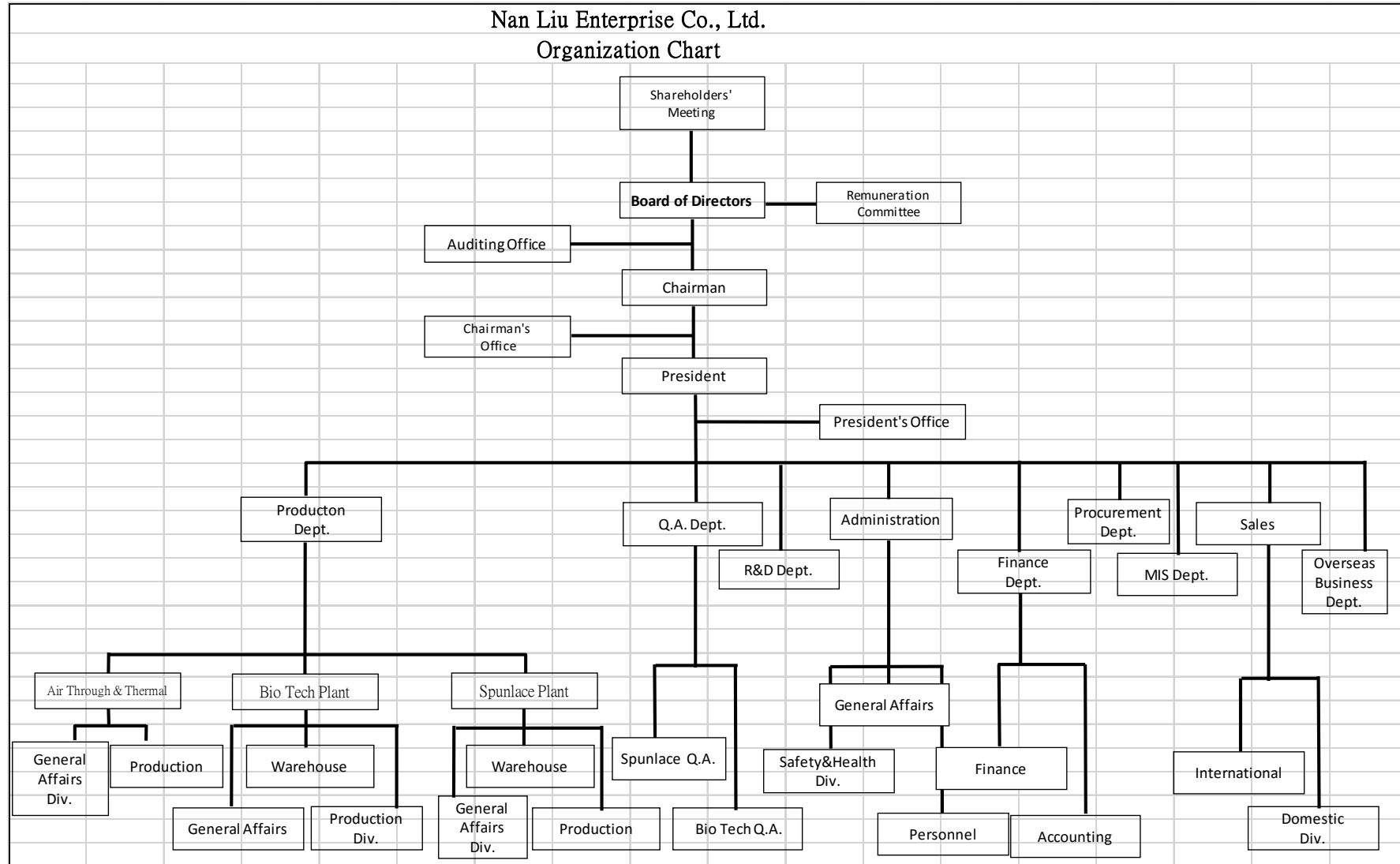
1978	Established the Company, NANLIU ENTERPRISE CO., LTD, on 166 Dingjing Road in Kaohsiung, producing and selling household cleaning fabrics. The capital was NT\$1 million.
1980	NANLIU ENTERPRISE CO., LTD combined with NANLIU ENTERPRISE AGENCY at the present site of No. 88, Bixiu Road, Qiaotou District,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

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

	<p>The CNS certificate was obtained from Bureau of Standards, Metrology & Inspection, Ministry of Economic Affairs.</p> <p>Two automatic converting lines were added for cosmetic facemasks in addition to one 80-pc wet wipe converting line and one travel pack wet wipe converting line.</p>
2012	<p>Capital increased to NT\$645 million by cash. A combined annual revenue up to NT\$3.7 billion was achieved.</p> <p>FSC™-COC (Chain of Custody) certified.</p> <p>ISO 13485 (Medical Devices Quality Management Systems Standards) certified.</p> <p>ISO 22716 (Cosmetic GMP) certified.</p>
2013	<p>Capital increased by cash to NT\$726 million. Combined annual revenue increased to NT\$4.568 billion. Approved by Taiwan Stock Exchange for Initial Public Offering on May 7, 2013.</p> <p>The widest spunlace machine (6.2 m width) was installed and began operation in Q4 at the Pinghu plant. Automatic wet wipe converting lines were added to the Taiwan and China plants.</p> <p>Ranked 32 in the Top 40 companies list by Global Nonwovens Industry for 2013.</p>
2014	<p>Combined annual revenue increased to NT\$5.34 billion.</p> <p>Installed two additional facial mask processing lines at each of the Taiwan and China plants.</p> <p>Installed another 3.8 m Thru-Air production line at the Pinghu Plant that will begin operation in Spring 2015.</p> <p>Honored with the award of Technical Textiles merit and the 11th Outstanding Enterprise Manager of Southern Taiwan.</p> <p>Qualified as a candidate for the Excellent Performance Award by the Ministry of Economic Affairs.</p> <p>Ranked 25 of Top 40 companies list by Global Nonwovens Industry for 2014.</p>
2015	<p>Combined annual revenue increased to NT\$5.92 billion.</p> <p>Established the Nanliu (Taiwan) Charities Foundation in January.</p> <p>Established the Nanliu (Pinghu) Charities Foundation in January as the first foreign company in Pinghu to set up a Charities Foundation.</p> <p>Honored with the 3rd Excellent Performance Award by the Ministry of Economic Affairs in May.</p> <p>Chairman Huang, Chin-shan was awarded the Honorary Doctor of Engineering of National Kaohsiung University of Applied Sciences in May.</p> <p>Two new automatic facial mask processing lines were added in each of the Taiwan and Pinghu plants in Q2.</p> <p>Chairman Huang, Chin-shan took over as the president of Asia Nonwoven Fabrics Association in December.</p> <p>Installed extra 3.8 m Thru-Air production lines in the Pinghu Plant that began operation in Q4.</p>
2016	<p>Started the construction of the new Yanchao plant.</p>

III. Corporate Governance Report

1. Organization:



Nan Liu Enterprise Co., Ltd.

Department Functions

Department		Primary Duties
Present's Office		<ol style="list-style-type: none"> 1. Execute the resolutions of the Board of Directors. 2. Take charge of the formulation, implementation, communication, and negotiation of the business objectives. 3. Study, formulate, execute, and follow up on the projects. 4. Formulate the guidelines and strategies for the Company's future development.
Auditing Office		<ol style="list-style-type: none"> 1. Formulate and improve the Company's internal control system. 2. Plan and execute the audit on the Company's systems, prepare the audit report on a regular basis, and follow up on the progress.
Overseas Business Department		<ol style="list-style-type: none"> 1. Take charge of operations of overseas subsidiaries.
Business Department	International Trade Division	Take charge of the development and sales of overseas markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service.
	Domestic Trade Division	<ol style="list-style-type: none"> 1. Take charge of development and sales of domestic markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service. 2. Take charge of development and sales of new domestic markets, development of sales channels, product advertising, feedback of market information, and customer service. 3. Take charge of administration, purchase orders, shipments and related promotions related to post offices. 4. Work with post offices to develop and market new products.
Finance Department	Finance Division	Take charge of financial analysis, financing, operations and management of foreign exchange, and management of treasury.
	Accounting Division	<p>Plan and execute accounting, budgets, and tax affairs.</p> <p>Disclose the information on businesses.</p>
Administration Department		<ol style="list-style-type: none"> 1. Take charge of payroll, bonuses, performance evaluation, and training programs. 2. Plan the Company's human resources and organizational development. 3. Take charge of the Company's asset management and safety and health management 4. Take charge of general affairs, transceiver, staff meals, and security.
Information Department		Take charge of formulation and implementation of the Company's computerized operation plan, maintenance of software and hardware, preparation of internal documents, and solutions for the use of computers.
Procurement Department		Take charge of procurement, outsourcing, and inventory management.

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

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

Directors and Supervisors

April 15, 2016

Unit: Share; %

Job Title	Nationality or place of registration	Name	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Chairman	Republic of China	Bixiu Investments Co., Ltd.	2013.04.30	3	2002.09.23	5,090,929	7.89	5,090,929	7.01	-	-	-	-	-	None	-	-	-
		Representative: Huang Chin-san	2013.04.30	3	2002.09.23	5,288,978	8.20	5,288,978	7.29	1,851,159	2.55	-	-	Department of Accounting, Ling Tung University Master of Industrial Engineering and Management, National Kaohsiung University of Applied Sciences Honorary Doctor of Engineering	Chairman of Bixiu Investments Co., Ltd. Chairman of Nanliu Enterprise Co., Ltd (SAMOA) Chairman of NANLIU ENTERPRISE CO., LTD. (Pinghu) Honorary Director of Taiwan Nonwoven Fabrics Industry Association Chairman of Asia Nonwoven Fabrics Association (ANFA)	Director	Huang, Huo-cun	Brother

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						Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Director	Republic of China	Tian Zi Ding Investment s Co., Ltd.	2013.04.30	3	2002.09.23	8,727,659	13.53	8,729,659	12.02	—	—	—	—	—	None	—	—	—
		Representative: Huang, Huo-cun	2013.04.30	3	2002.09.23	1,491,015	2.31	1,505,015	2.07	694,316	0.96	—	—	Department of Chinese Medicine, Beijing University of Chinese Medicine	General Manager Chairman of Tian Zi Ding Investments Co., Ltd. Deputy Chairman of NAN LIU ENTERPRISE CO., LTD. (Pinghu)	Director	Huang Chin-san	Brother
Independent Director	Republic of China	Mr. Wu Nan-yang	2013.04.30	3	2013.04.30	—	—	—	—	—	—	—	—	Master of Mechanical Engineering, Stanford University Technology Leader of Electronic and Optoelectronic System Research Laboratories, Industrial Technology Research Institute Deputy General Manager of Fortune Venture Investment Group	Director of EPISTAR Corporation Director of Edison Opto Corp. Director of ProLight Opto Technology Corporation Director of Wafer Works Optronics Corp.	—	—	—

Job Title	Nationality or place of registration	Name	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Independent Director	Republic of China	Ms. Wu Hsou-mei	2013.04.30	3	2004.12.10	-	-	-	-	-	-	-	-	Department of Law, Kindai University Associate Professor of Ling Tung University	Honorary Director of Taiwan Institute of Business Administration	-	-	-
Independent Director	Republic of China	Mr. Huang Chun-ping	2013.04.30	3	2012.06.29	-	-	-	-	-	-	-	-	Ph.D. candidate, Global Business, Institute of China and Asia-Pacific Studies, National Sun Yat-sen University General Manager of Li Yang Development Co., Ltd.	Lecturer of Department of Business Administration, Cheng Shiu University Deputy Director of Incubation Center, Cheng Shiu University	-	-	-
Director	Republic of China	Mr. Wang Chia-nan	2013.04.30	3	2012.06.29	-	-	-	-	-	-	-	-	Ph.D., Department of Industrial Engineering and Management, National Chiao Tung University Assistant Manager of Taiwan Semiconductor Manufacturing Company Limited Project Manager of SEMATECH	Professor, Industrial Engineering and Management, National Kaohsiung University of Applied Sciences Director of China Shipbuilding Corp. Supervisor of Laser Tek Taiwan Co., Ltd.	-	-	-

Job Title	Nationality or place of registration	Name	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Director	Republic of China	Mr. Yang Rui-hua	2013.04.30	3	2013.04.30	181,033	0.28	181,033	0.25	7,000	0.01			Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)			
Supervisor	Republic of China	Mr. Su Chao-shan	2013.04.30	3	2008.06.16	-	-	-	-	-	-	-	-	Executive Master of Business Administration, National Sun Yat-sen University Department of Law, National Taiwan University Professor and Dean of College of Business and Information, Shih Chien University Chairman of Bank of Kaohsiung Assistant Manager of Mizuho Bank Director of Bankers Association of Kaohsiung	Consultant of Shih Chien University Kaohsiung Campus Visiting Professor of Department of Finance, Shih Chien University Supervisor of Laser Tek Taiwan Co., Ltd.	-	-	-

Job Title	Nationality or place of registration	Name	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Supervisor	Republic of China	Mr. Chung Mao-Chih	2013.04.30	3	2007.06.07	1,497,451	2.32	1,497,451	2.06	—	—	—	—	Department of Accounting, Ling Tung University Business Administration Program, Tunghai University Manager of Pan Kuo-Chin CPAs & Co.	Xin Shi Dai Accountancy and Tax Agent	—	—	—

Job Title	Nationality or place of registration	Name	Date elected	Term	First Date elected	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 3)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
						Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation
Supervisor	Republic of China	Bai, Chi-Chung (Note 1)	2013.04.30	3	2013.04.30	—	—	—	—	—	—	—	—	Ph.D. of Textile Science, University of Tennessee Associate Professor of Department of Fiber and Composite Materials, Feng Chia University Adjunct Associate Professor of Department of Textile, National Taiwan University of Science and Technology Deputy President of China Textile Institute	President of Taiwan Textile Research Institute	—	—	—

Note 1: Supervisor Bai, Chi-Chung resigned on March 4, 2015 due to busy official business.

Note 2: For representatives of corporate shareholders, please note the name of corporate shareholders and fill in the following form: Major Shareholders of Institutional Shareholders.

Note 3: In case of discontinuity in the first term of the Company's directors or supervisors, please provide the explanation as Note 1.

Note 4: For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

2. Major Shareholders of Institutional Shareholders

April 15, 2016

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

Note 1: For representatives of institutional shareholders, please note the names of institutional shareholders and the name of shareholders holding 10% or more of company shares or top ten shareholders.

Note 2: If major shareholders of institutional shareholders are representatives of institutional shareholders, please note the name of the second-layer institutional shareholders: Not applicable.

Directors and Supervisors (2)

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

Note 1: Supervisor Bai, Chi-chung resigned on March 4, 2015 due to busy official business.

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

- (1) Not employed by the Company or an affiliated business.
- (2) Not a director or supervisor of the Company or its affiliates (except for an independent director of the Company, its parent company, or subsidiary, 50% or more of whose shares eligible for voting are directly or indirectly held by the Company).
- (3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within five degrees of kinship in the 3 preceding items.
- (5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.
- (6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a business owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse of a professional, sole proprietorship, partnership, corporation or organization that receives

business, legal, financial, or accounting service or consultation from the Company or affiliates.

- (8) Not a spouse or a relative within the second degree of kinship with any director.
- (9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
- (10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

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

Unit: Share; %

Job Title (Note 1)	Nationality or place of registration	Name	Date elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 2)	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Number of employee stock warrant
				Number of shares	Percentage	Number of shares	Percentage	Number of shares	of shares			Job Title	Name	Relations	
General Manager	Republic of China	Huang, Huo-cun	95.11.30	1,505,015	2.07%	694,316	0.96%	—	—	Beijing University of Chinese Medicine Department of Chinese Medicine	Chairman of Tian Zi Ding Investments Co., Ltd., Deputy Chairman of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	—
Vice President	Republic of China	Mr. Yang Rui-hua	86.09.01	181,033	0.25%	7,000	0.01%	—	—	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	
Overseas Business Department General Manager	Republic of China	Cheng, Te-ming	96.01.03	—	—	—	—	—	—	National Chiao Tung University Master, National Taiwan University Ph.D., Rensselaer Polytechnic Institute New York, U.S.	General Manager of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	
Vice President	Republic of China	Chang, San-hua	100.01.03	9,000	0.01%	—	—	—	—	National Kaohsiung University of Applied Sciences Department of Industrial Engineering and Management	—	—	—	—	

Job Title (Note 1)	Nationality or place of registration	Name	Date elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (Note 2)	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Number of employee stock warrant
				Number of shares	Percentage	Number of shares	Percentage	Number of shares	of shares			Job Title	Name	Relations	
Finance Manager	Republic of China	Chuang, Chun-chin	88.07.01	145,156	0.20%	—	—	—	—	Kaohsiung Municipal Kaohsiung High School of Commerce National Open College of Continuing Education affiliated to National Cheng Kung University Accountant, TOKO DENSHI CO., LTD.	—	—	—	—	—
Audit Officer	Republic of China	Chen, Shu-chiu	101.11.28	1,000	0.00%	—	—	—	—	Department of Accounting, Providence University Certified Internal Auditor (CIA) RSM International Auditor, Pontex Group	—	—	—	—	—

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

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

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

(1) Remuneration paid to directors (including independent directors) in 2015:

December 31, 2015

Unit: NT\$1,000, %

Job Title	Name		Director's remuneration						Proportion of NIAT after summing items A, B, C, and D (Note 11)		Employee remuneration for other activities								Proportion of NIAT after summing items A, B, C, D, E, F, and G (Note 11)		Whether the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 12)							
			Remuneration (A) (Note 2)		Retirement pension (B)		Director's remuneration (C) (Note 3)				Expense on professional practice (D) (Note 4)		Salaries, bonuses and special expenses (E) (Note 5)		Retirement pension (F)		Employee's remuneration (G) (Note 6)					Amount of shares that may be purchased through the employee stock warrant (H) (Note 7)		Number of shares of employee restricted stock (Note 13)				
			The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	This Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)	This Company		All companies listed in this financial report (Note 9)		The Company	All companies listed in this financial report (Note 8)		The Company	All companies listed in this financial report (Note 8)	The Company	All companies listed in this financial report (Note 8)			
Chairman	Bixiu Investments Co., Ltd.	Representative Huang, Chin-San																										
Director	Tian Zi Ding Investments Co., Ltd.	Representative Huang, Huo-cun																										
Independent Director	Mr. Wu Nan-yang		—	—	—	—	3,285	3,285	400	400	0.63%	0.63%	8,316	8,316	—	—	399	—	399	—	—	—	—	—	—	2.13%	2.13%	None
Independent Director	Ms. Wu Hsou-mei																											
Independent	Mr. Huang Chun-ping																											

Director																									
Director	Mr. Wang Chianan																								
Director	Mr. Yang Ruihua																								

Table of remuneration ranges

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

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

Note 2: Remuneration of directors in 2015 (including salaries, job remuneration, severance, bonuses, and performance fees).

Note 3: Remuneration paid to directors in 2015 upon the approval of the Board of Directors.

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

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

Note 6: For directors concurrently holding positions in the Company in 2015 (including the General Manager, Deputy Manager, other managerial officers, or employees) and receiving the remuneration (including stock and cash), the

employee's remuneration paid in 2015 upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in 2015 shall be based on the proportion of the remuneration distributed last year and filled in Schedule (4).

Note 7: Number of shares that may be purchased provided through employee stock warrant (not including those already executed) offered for directors concurrently holding positions in the Company (including the General Manager, Deputy Manager, other managerial officers, or employees) up until the publication date of this report.

Note 8: Total remuneration in various items paid out to the Company's directors by all companies (including this Company) listed in the consolidated statement shall be disclosed.

Note 9: For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.

Note 10: Total remuneration in various items paid to every director of this Company by all companies (including this Company) listed in the consolidated statement shall be disclosed. The name of the director shall also be disclosed in the proper remuneration range.

Note 11: Net income refers to the net income in 2015; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report in 2015.

Note 12: (a) The remuneration the Company's director receives from other non-subsidiary companies that this Company has invested in shall be disclosed in this column. Note 9: (b) If the director receives remuneration from investments in other companies that are not subsidiaries of this Company, said remuneration shall be included in Column J in the remuneration range table. The name of the column shall also be changed to "All investments in other companies". (c) Remuneration in this case shall refer to remuneration, fees (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the director of this Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that this Company has invested in.

Note 13: New restricted employee shares provided to directors concurrently holding other positions in the Company (including the General Manager, Deputy Manager, other managerial officers, or employees) as of the publication date of this report.

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

(2) Supervisor's remuneration

Unit: NT\$1,000, %

Job Title	Name	Supervisor's remuneration						Proportion of NIAT after summing items A, B, and C (Note 8)		Whether the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 9)
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Business execution fees (C) (Note 4)		This Company	All companies listed in this financial report (Note 5)	
		This Company	All companies listed in the financial report (Note 5)	This Company	All companies listed in this financial report (Note 5)	This Company	All companies listed in this financial report (Note 5)			
Supervisor	Mr. Su Chao-shan									
Supervisor	Mr. Chung Mao-Chih	—	—	939	939	100	100	0.16%	0.16%	None
Supervisor	Bai, Chi-Chung (Note 1)									

Note 1: Supervisor Bai, Chi-Chung resigned on March 4, 2015 due to busy official business.

Table of remuneration ranges

Remuneration range for each supervisor in this Company	Name of the supervisor	
	Sum of the first 4 items (A+B+C)	
	The company (Note 6)	All companies listed in this financial report (Note 7) D
Less than NT\$2,000,000	Chung, Mao-chih, Su, Chao-shan , Bai, Chi-chung (Note)	Chung, Mao-chih, Su, Chao-shan , Bai, Chi-chung (Note)
NT\$2,000,000 (inclusive)– NT\$5,000,000	—	—
NT\$5,000,000 (inclusive)– NT\$10,000,000	—	—
NT\$10,000,000 (inclusive)– NT\$15,000,000	—	—
NT\$15,000,000 (inclusive)– NT\$30,000,000	—	—
NT\$30,000,000 (inclusive)– NT\$50,000,000	—	—
NT\$50,000,000 (inclusive)– NT\$100,000,000	—	—
More than NT\$100,000,000	—	—
Total	3 people	3 people

Note: Supervisor Bai, Chi-chung resigned on March 4, 2015 due to busy official business.

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

Note 2: Supervisor's remuneration in 2015 (including supervisor's salary, job remuneration, severance, various bonuses, and performance fees).

Note 3: The remuneration paid to supervisors in 2015 upon the approval of the Board of Directors.

Note 4: Business expenses paid out for supervisors in 2015 (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.

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

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

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

Note 8: Net income refers to the net income in 2015; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report in 2015.

Note 9: (a) The remuneration the Company's supervisor receives from other non-subsidiary companies that this Company has invested in shall be disclosed in this column. Note 7: (b) If the supervisor receives remuneration from investments in other companies that are not subsidiaries of this Company, said remuneration shall be included in Column D in the remuneration range table. The name of the column shall also be changed to "All investments in other companies". (C) Remuneration in this case shall refer to remuneration, compensation (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the supervisor of this Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that this Company has invested in.

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

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

December 31, 2015

Unit: NT\$1,000, %

Job Title	Name	Salary (A) (Note 2)		Gratuity/Pension (B)		Bonuses and special expenses (C) (Note 3)		Employee's remuneration (D) (Note 4)				Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note 9)		Amount of employee stock warrant acquired (Note 5)		Number of shares of employee restricted stock (Note 6)		Whether the person receives remuneration from other non-subsidiary companies that this company has invested in (Note 11)	
		This Company	All companies listed in this financial report (Note 7)	This Company	All companies listed in this financial report (Note 7)	This Company	All companies listed in the financial report (Note 7)	This Company		All companies listed in this financial report (Note 5)		This Company	All companies listed in this financial report (Note 7)	This Company	All companies listed in this financial report (Note 7)	This Company	All companies listed in this financial report (Note 7)		
								Cash Sum	Shares Sum	Cash Sum	Shares Sum								
General Manager	Huang, Huo-cun																		
Vice President	Mr. Yang Rui-hua																		
Overseas Business Department General Manager	Cheng, Te-ming	7,439	7,439	—	—	1,489	1,489	537	—	537	—	1.63 %	1.63%	—	—	—	—	—	None
Vice President	Chang, San-hua																		

Table of remuneration ranges

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

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

December 31, 2015

Unit: NT\$1,000, %

	Job Title	Name	Shares Sum	Cash Sum	Total	Percentage (%) of total amount to net income after tax
Managerial Officer	General Manager	Huang, Huo-cun	0	654	654	0.11%
	Overseas Business Department General Manager	Cheng, Te-ming				
	Vice President	Mr. Yang Rui-hua				
	Vice President	Chang, San-hua				
	Finance Manager	Chuang, Chun-chin				
	Audit Officer	Chen, Shu-chiu				

* For managerial officers receiving remuneration (including stock and cash), the employee's remuneration paid in 2015 upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in 2015 shall be based on the proportion of the remuneration distributed last year. Net income refers to the net income in 2015; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report in 2015.

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

(1). Analysis of percentage in last two years

Title	Percentage of total remuneration in 2015 to the net income after tax (%) (Note 1)		Percentage of total remuneration in 2014 to the net income after tax (%) (Note 2)	
	This Company	All companies listed in the consolidated financial report	This Company	All companies listed in the consolidated financial report
Director	2.13%	2.13%	2.64%	2.64%
Supervisor	0.16%	0.16%	0.24%	0.24%
General Manager and Deputy General Manager	1.63%	1.63%	1.97%	1.97%

Note 1: Distributions of earnings are based on the amount approved by the Board of Directors prior to the proposal for distribution of earnings in the 2015 Shareholders' Meeting.

Note 2: Distributions of earnings are based on the amount approved by the Board of Directors prior to the proposal for distribution of earnings in the 2014 Shareholders' Meeting.

Note 3: Net income after tax refers to the net income after tax of all companies listed in 2014 and 2015 consolidated financial reports.

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

. The remuneration of directors and supervisors is distributed in accordance with Article 17 of the Company's

Articles of Incorporation (see the official website); the remuneration paid to directors and supervisors shall be based on the level of participation in the operations, contributions, and the standards of the same trade; the bonuses paid to directors and supervisors shall be based the Company's earnings and personal business performance and the standards of the same trade. Accordingly, the Company's business performance is closely related to the remuneration of directors, supervisors, General Manager, Deputy General Manager, and employees.

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

3. Implementation of Corporate Governance:

(1) Implementation of the Board of Directors:

- i. Six meetings were held by the Board of Directors in the recent year (2015) with their attendance shown as follows:

Job Title	Name	2015			Remarks
		Attendance in person Number of seats B	Delegated presence	Rate of actual presence (attendance) (%) 【B/A】	
Chairman	Legal representative of Bixiu Investments Co., Ltd.: Huang, Chin-san	6	-	100%	
Director	Legal representative of Tian Zi Ding Investments Co., Ltd.: Huang, Huo-cun	4	2	100%	
Independent Director	Mr. Wu Nan-yang	4	2	100%	
Independent Director	Ms. Wu Hsou-mei	6	-	100%	
Independent Director	Mr. Huang Chun-ping	6	-	100%	
Director	Mr. Wang Chia-nan	6		100%	
Director	Mr. Yang Rui-hua	5	1	100%	

- ii. Three meetings were held by the Board of Directors as of the publication date of the annual report with the attendance of supervisors shown as follows:

Job Title	Name	2016			Remarks
		Attendance in person Number of seats B	Number of delegated presence	Rate of actual presence (attendance) (%) 【B/A】	
Chairman	Legal representative of Bixiu Investments Co., Ltd.: Huang, Chin-san	3	-	100%	
Director	Legal representative of Tian Zi Ding Investments Co., Ltd.: Huang, Huo-cun	2	1	100%	
Independent Director	Mr. Wu Nan-yang	2	1	100%	
Independent Director	Ms. Wu Hsou-mei	3		100%	
Independent Director	Mr. Huang Chun-ping	3	-	100%	
Director	Mr. Wang Chia-nan	3		100%	
Director	Mr. Yang Rui-hua	2	1	100%	

Other items that shall be recorded:

1. For matters specified in Article 14-3 of Taiwan's Securities and Exchange Act or Board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, the date of the Board meeting, session number, content of proposal, opinions

of all independent directors, and the Company's disposal of such opinions shall be stated.
The Company's independent directors have expressed no opposition or qualified opinions.

2. For the avoidance of conflict of interest by directors, the names of directors, content of proposal, reasons for the avoidance of conflict of interest, and the participation in the vote shall be stated: None.

3. Assessment of objectives and implementation status in the area of strengthening the powers of the Board of Directors for current and immediately past years:
The Company has formulated Regulations Governing Procedure for Board of Directors Meetings according to Regulations Governing Procedure for Board of Directors Meetings of Public Companies and uploaded the attendance to the Board of Directors meetings to Market Observation Post System. Major resolutions made by the Board of Directors have been disclosed on the Company's website and maintained by responsible departments. Information on the Company's finances is also disclosed on the website from time to time. Established by the Company in 2011, the Remuneration Committee is responsible to assist the Board of Directors in managing the remuneration.

iii. Operations of the Audit Committee or supervisors' participation in the Board meeting:

The Company does not have an audit committee.

(2) Supervisors' participation in the Board meeting

i. Six meetings (A) were held by the Board of Directors in the recent year (2015) with their attendance shown as follows:

Job Title	Name	Attendance in person (B)	Delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Supervisor	Mr. Su Chao-shan	6	-	100%	
Supervisor	Mr. Chung Mao-Chih	6	-	100%	
Supervisor	Bai, Chi-Chung	0	-	0%	The first Board of Directors meeting was held on March 16, 2015; supervisors resigned on March 4, 2015.

ii. Three meetings (A) were held by the Board of Directors in 2016 with their attendance shown as follows:

Job Title	Name	Attendance in person (B)	Number of delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Supervisor	Mr. Su Chao-shan	3	-	100%	
Supervisor	Mr. Chung Mao-Chih	3	-	100%	

Other items that shall be recorded:

1. Composition and responsibilities of the supervisors:

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

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

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

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

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

C. Supervisors may carry out face-to-face communication and communication in written form with

accountants on finance from time to time.

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

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

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
1. Did the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has stipulated best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclosed them in the Investor Area on the Company's website.	No material gap was found.
2. Equity structure and shareholders' rights of the Company (1) Did the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	✓		The Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation. The Company also allows shareholders to ask questions or propose properly. In addition, shareholders may instantly and frequently obtain related information on the Company via the Market Observation Post System or phone and have the right to share profits. The Company convenes the shareholders' meeting according to the Company Act and related regulations and formulates Rules and Procedures for the Shareholders' Meeting (see Meeting Handbook of 2015 Annual Shareholders' Meeting). All resolutions are made in accordance with Rules and Procedures for the Shareholders' Meeting. The resolutions made in the shareholders' meeting comply with related regulations and the Company's Articles of Incorporation. The spokesperson or deputy spokesperson is dedicated to processing shareholder proposals or disputes. The Company will seek the assistance of legal consultants if necessary.	No material gap was found.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		The Company's stock transfer and registrar agency is Yuanta Securities Co., Ltd., which helps the Company control major shareholders and ultimate controlling shareholders. The Company regularly discloses the pledge, increase/decrease in the Company's shares, or major matters that may result in the change in shares for the supervision of shareholders.	No material gap was found.
(3) Did the Company establish and enforce risk control and firewall systems with its affiliated businesses?	✓		The Company has established rules for specific companies or groups with related business operations and financial transactions and supervision measures for	No material gap was found.

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
(4) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		subsidiaries and disclosed related information on affiliates in accordance with regulations. The Company has set Regulations Governing Prevention of Insider Trading to prevent insider trading.	No material gap was found.
3. Composition and responsibilities of the Board of Directors:	✓		Three independent directors were established. To achieve diversity of members of the Board of Directors, the Company considers basic conditions, values (including sex, age, nationality, and culture), and professional knowledge and skills (including background, specialty, and industrial experience) to fulfill the goal of ideal corporate governance.	No material gap is found.
(1) Has a policy of diversity been established and implemented for the composition of the Board of Directors?	✓			
(2) In addition to Salary and Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional committees?	✓		The Company has established the Salary and Remuneration Committee in accordance with regulations and laws. Other operations of corporate governance are processed by responsible departments. No other committee is established. In the future, the Company will evaluate the necessity of establishing other committees.	No material gap is found.
(3) Did the Company stipulate regulations for assessing the performance of the Board of Directors and the process of assessment? Are these performance assessments carried out regularly every year?	✓		The Salary and Remuneration Committee shall formulate and regularly review the policy, system, standards, and structure for the performance assessment, salary, and remuneration of Directors and managerial officers and shall submit the Committee's recommendations to the Board meeting for discussion.	No material gap is found.
(4) Did the Company regularly implement assessments on the independence of the CPA?	✓		The Company authorizes CPAs from Yangtze CPAs & Co and has avoided matters and persons that directly or indirectly have a conflict of interest to fully adhere to fair, rigorous and honest independence. Independent directors regularly evaluate the independence of CPAs and report the evaluation to the Board of Directors.	No material gap is found.
4. Has the Company established a communication channel with stakeholders? Has a stakeholders' area been established on the Company's website? Are major corporate social responsibility (CSR) topics concerning the stakeholders addressed appropriately by the Company?	✓		The Company sets corresponding contact windows for business administration and operations. Stakeholders may obtain related information on the Company via the Market Observation Post System or Contact Us page on the Company's website.	No material gap is found.
5. Has the Company delegated a professional shareholder services agent to handle the shareholders' meeting?	✓		The Company authorizes Stock Transfer and Registrar Department, Yuanta Securities Co., Ltd. to process the stock transfer and registrar services in	No material gap is found.

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

Assessed items	State of operations		Summary	Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No		
agencies or companies to assess the Company's corporate governance efforts and generate relevant reports? (If yes, please describe the opinions of the Company's Board of Directors, results of self-assessment or commissioned assessments, as well as major defects, recommendations, and state of improvements.)			evaluation results were announced on April 11, 2016. For items not complying with the indicator of self-assessment, the Company will implement the assessment step by step in accordance with the Company's current status and related regulations.	is found.

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

1. Information on the members of the Salary and Remuneration Committee

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

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

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

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

Note 4: If a member is a director, please indicate whether he or she complies with the provision of Paragraph 5, Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

2. Operations of the Salary and Remuneration Committee

(1) This Company has a Salary and Remuneration Committee composed of 3 members.

(2) Duration of the current term of service: April 40, 2013 to April 29, 2016. In 2015, a total of two Salary and Remuneration Committee meetings (A) were held. The following lists member qualifications and presence at these meetings:

Job Title	Name	Actual presence (B)	Delegated presence	Rate of actual presence (%) (B / A) (Note)	Remarks
Committee chair	Mr. Wu Nan-yang	1	1	100%	
Member	Ms. Wu Hsou-mei	2	—	100%	
Member	Mr. Huang Chun-ping	2	—	100%	
<p>Other items that shall be recorded:</p> <p>一、 If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, results of meeting resolutions, and the Company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.</p> <p>二、 Where resolutions of the Salary and Remuneration Committee include a dissenting or qualified opinion that is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.</p>					

(5) Performance of Social Responsibilities:

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
<p>1. Implementation of corporate governance</p> <p>(1) Has the Company stipulated corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?</p> <p>(2) Has the Company provided regular training on CSR topics?</p> <p>(3) Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?</p> <p>(4) Has the Company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the Company established a clear reward and penalty system?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has stipulated corporate social responsibility policies to fulfill the corporate social responsibilities in accordance with the global trend of a balanced environment and social and corporate governance.</p> <p>(2) The Company continues to promote the business philosophy and corporate social responsibilities in various meetings.</p> <p>(3) The company has established an exclusively (or concurrently) dedicated unit for promoting CSR: General Manager's Office. Currently, the General Manager's Office continues to promote the corporate social responsibilities.</p> <p>(4) The company has provided regular training on CSR topics. Currently, the Company is planning to combine the training and performance assessment to establish a clearer reward and penalty system.</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>
<p>2. Developing a sustainable environment</p> <p>(1) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?</p> <p>(2) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?</p> <p>(3) Is the Company concerned with changes to the global climate and how it may affect business activities? Has the Company implemented greenhouse gas (GHG) inventory checks and stipulated strategies for reducing energy</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established a recycling system to reduce the impact of disposal of waste on human bodies and the environment.</p> <p>(2) The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with responsible personnel to maintain a clean environment.</p> <p>(3) To save water and energy consumption, the Company has installed water-saving devices, except faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees.</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
consumption, carbon emissions, and GHG production?				
3. Sustaining community services				
(1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	✓		(1) The company has referred to Labor Standards Act and international human rights instruments, such as gender equality, rights of employment, and prohibition of discrimination, to stipulate relevant management policies and procedures. In addition, the Company has established the Employee Welfare Committee to supervise and protect employees' interest. The Company also encourages employees to participate in activities held by the Employees' Welfare Committee and grants employees bonuses and gifts during folk festivals.	No material gap is found.
(2) Has the Company established an employee appeal system and channels, and are employee appeals handled appropriately?	✓		(2) Based on humane management, the Company has set up communication forums, suggestion boxes, and group meetings to allow employees to unilaterally or bilaterally communicate with supervisors.	No material gap is found.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(3) The Company holds an annual health examination and fire drill on a regular basis and continuously provides training, promotion seminars, communication forums, and consultation to encourage employees to make improvements, care for the environment, and jointly create a healthy and energetic enterprise through a voluntary safety and health management system.	No material gap is found.
(4) Has the Company established a system to regularly communicate with its employees and used appropriate means to notify employees of operational changes that may result in material impacts?	✓		(4) The Company holds a labor conference on a regular basis to build up a harmonious communication mechanism between the Company and employees and uses appropriate means to notify employees of operational changes that may result in material impacts.	No material gap is found.
(5) Has the Company established an effective competency development career training program for employees?	✓		(5) The Company holds internal training programs and expatriate professional training programs from time to time to cultivate employees' competencies and strengths. The training programs for employees are described below.	No material gap is found.
(6) Has the Company established relevant policies and systems of appeal for consumer rights for the processes of research and development, purchasing, production, operations, and services?	✓		(6) The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product liability insurance of NT\$50 million to enhance its corporate social responsibilities.	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
(7) Is the Company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?	✓		(7) The Company is compliant with relevant laws and international laws governing the marketing and labeling of its products and services. The Company follows the related laws and regulations governing its business operations.	No material gap is found.
(8) Has the Company assessed any record of a supplier's impact on the environment and society before engaging in commercial dealings with said supplier?	✓		(8) The Company evaluates new and existing suppliers based on the quality, price, service, and speed; to build long-term partnerships, the Company will emphasize environmental protection and human rights to fulfill corporate governance in the supply chain.	No material gap is found.
(9) Do contracts between the Company and its major suppliers include terms whereby the Company may terminate or rescind the contract at any time if said supplier has violated the Company's corporate social responsibility policy and has caused a significant impact upon the environment and society?	✓		(9) The contracts between the Company and its major suppliers do not include terms whereby the Company may terminate or rescind the contract at any time if said supplier has violated the Company's corporate social responsibility policy.	In the future, related steps will be taken in accordance with the Company's needs and related regulations.
4. Improvement of information disclosure (1) Does the Company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?			Information relating to CSR is disclosed on the Company's website and the prospectus.	No material gap is found.
5. If the Company makes its own corporate social responsibilities according to the rule of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: The Company has not yet formulated its own corporate social responsibilities. In the future, the Company will still adhere to Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.				
6. Other important information for better understanding of corporate social responsibilities (such as the Company's systems and measures and the implementation of environmental protection, social engagement, social contribution, social service, social charity, customer interest, human rights, safety and health, and other CSR activities): (1) Business Performance To fulfill the corporate governance, the Company has established the effective internal control system and independent directors to improve the practical experience of the management team. Also, the Company has stipulated Rules and Procedures for the Shareholders' Meeting to strengthen the competency of the Board of Directors. To secure shareholders' equity and improve the transparency of the disclosure of information, the Company has the spokesperson and deputy spokesperson responsible for the instant disclosure of important information and arranges responsible personnel to communicate with shareholders. In addition, the Company has obtained a certain level of revenue and profit over				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
<p>the past three years and has been committed to create shareholder values.</p> <p>(2) Environmental Protection</p> <p>The Company has established a recycling system to reduce the impact of disposal of waste on human bodies and the environment and has been committed to maintain the environment in accordance with related regulations and standards and achieve a GMP-certified production environment and management. In addition, the Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; General Affairs Division works with responsible personnel to maintain a clean environment. To save water and energy consumption, the Company has installed water-saving devices, except faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees.</p> <p>(3) Employee Interest and Care</p> <p>Consistently upholding stable and sustainable operation, the Company attaches great importance to employee benefits by allocating monthly benefits and arranging activities that promote employees' health, such as gatherings, an annual health examination, wedding and funeral allowances, group insurance, and casualty insurance. In addition, the Company has stipulated regulations governing retirement and set up a Supervisory Committee of Business Entities' Labor Retirement Reserve according to the Labor Standards Act to allocate a labor retirement reserve based on a certain percentage of monthly salary to a pension account at the Bank of Taiwan. According to Labor Pension Act, starting from July 1, 2005, the amount of labor pension borne by the employer shall not be less than six percent of the worker's monthly wage. The labor pension shall be calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis. The regulations of and measures for the labor relations formulated by the Company are well implemented in accordance with applicable laws. In addition, the Company held the following training programs to improve employees' competency and strengths: (1) 53 employees attended the Workplace Safety class; (2) 24 employees attended the Corporate Management class; and (3) 12 employees attended the Professional Continuing Education class.</p> <p>(4) Investor Relations</p> <p>According to the Company Act and related regulations, the Company holds an annual shareholders' meeting and notifies shareholders of the meeting; the Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation; the Company reports material finances, including the disposal of assets and endorsements and guarantees, to the shareholders' meeting. The Company also allows shareholders to ask questions or propose properly, records the shareholder's meeting minutes, and discloses related information on the Market Observation Post System. In addition, to ensure that shareholders fully understand and participate in the determination of the Company's major matters, the Company will provide an annual report for the stock transfer and registrar agency prior to the annual shareholders' meeting and have the spokesperson and deputy spokesperson deal with the recommendations, doubts, and disputes related to shareholders.</p> <p>Since listed in the emerging stock market on May 7, 2013, the Company has disclosed related information in accordance with the Taiwan Stock Exchange Guidelines for Stock Review and appointed responsible personnel from the Department of Finance, Audit Office and Accounting Division to collect and disclose information online that may affect investors' decisions upon the review and approval of responsible supervisors.</p> <p>(5) Stakeholders' Interest</p>				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
<p>The Company has set up smooth communication channels with banks and other creditors, employees, customers, and suppliers and values and maintains their legitimate rights and interests.</p> <p>1. The Company provides sufficient information for banks to make the best judgment and decision on the Company's operations and finances.</p> <p>2. The Company has established the Employees' Welfare Committee and regularly holds labor conferences, where representatives from both the Company and labor participate, to take care of employees and maintain a smooth communication channel between both parties.</p> <p>3. The Company appoints responsible personnel to deal with suppliers. No arrears or late payments exist so far. The Company regularly discloses the related information on finances on the Market Observation Post System and maintains good relations with suppliers.</p> <p>4. The Company has the spokesperson and deputy spokesperson to communicate with stakeholders.</p> <p>(6) The Company has engaged in communities and charities through commercial activities, in-kind donations, volunteer service or other gratuitous professional services.</p> <p>1. The Company has actively participated in community and artistic activities through contributions to social welfare and artistic performances.</p> <p>3. Contributions:</p> <p>(1) The Company made the following donations to the government and local groups from time to time:</p> <p>A. Donated NT\$3.75 million to Lioujia District Office, Tainan City Government and Gangshan Precinct.</p> <p>B. Donated NT\$950,000 to Ling Tung University, National Kaohsiung University of Applied Sciences, Liou-Jia Junior High School, Liou-Jia Elementary School, and Lin-feng Elementary School.</p> <p>C. Donated NT\$4 million to the elderly meal service in Qijia Community, Tainan City and cultural and educational foundations.</p> <p>D. Donated NT\$70,000 to the provision of white rice in kindergartens, elementary schools, and junior high schools.</p> <p>E. Donated NT\$150,000 to children and family foundations, Teacher Chang Foundation, Fuxing Disability Association of Kaohsiung, Boai Disability Association of New Taipei City Xinzhuang District.</p> <p>F. Donated NT\$1 million to community activities.</p> <p>G. Donated NT\$140,000 to Friends of Police Association and Friends of Armed Forces Association.</p> <p>H. Donated NT\$2.55 million to cultural, artistic, and sports activities.</p> <p>I. Donated NT\$1.97 million to cultural and educational foundations.</p> <p>J. Donated NT\$400,000 to Kaohsiung Municipal Social Education Center and China Youth Corps.</p> <p>(2) Promoted industry-academia cooperation with colleges and universities, including the development of multifunction composite diaphragms and packaging technologies with National Kaohsiung University of Applied Sciences, industry-academia cooperation with Cheng Shiu University, talent incubation programs with Feng Chia University, and on-the-job training programs with Shih Chien University.</p> <p>3. The Company processed waste in accordance with the Industrial Waste Disposal Plan and reported the flow of waste online according to applicable laws and regulations.</p>				
7. Any review standards of certification bodies for which the Company's CSR report has been qualified shall be described: None.				

(6) Implementation of Integrity Management:

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
<p>1. Stipulating policies and plans for ethical corporate management</p> <p>(1) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies?</p> <p>(2) Has the Company stipulated a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within said plan? Is the plan implemented accordingly?</p> <p>(3) Has the Company established preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or business activities with a higher risk of being involved in an unethical conduct within the Company's scope of business?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1)The Company has stipulated a Code of Ethics for Directors, Supervisors, and Managerial Officers, which is fully understood and followed by the Board of Directors and the management.</p> <p>(2) According to Code of Ethics for Directors, Supervisors, and Managerial Officers, if directors or managerial officers violate the code of ethics, the Company will punish them based on the disciplinary measures. In addition, the Company will emphasize in the annual meeting and managerial meetings that integrity is the foundation of the Company's business philosophy.</p> <p>(3) The Company has established an effective accounting system and internal control system and reviewed and revised them from time to time to keep the systems sustained and effective.</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>
<p>2. Implementing ethical corporate management</p> <p>(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?</p> <p>(2) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the Board of Directors? Does said unit regularly report to the Board of Directors on the state of its activities?</p> <p>(3) Has the Company established policies preventing conflicts of interest, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(4) Has the Company established effective accounting systems and</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company evaluated the legality and credit of major clients before doing business with them to avoid acts of bad faith.</p> <p>(2) The Office of Chairman is the dedicated unit for promoting the corporate integrity operation; the Audit Office is responsible to supervise, audit, and report on the integrity operation to supervisors and the Board of Directors.</p> <p>(3) The Rules and Procedures for the Board Meeting stipulate the avoidance of conflicts of interest between directors. When discussing a proposal in the Board meeting, directors involved in the conflict of interest shall avoid participating in the resolution. The Company has set up a smooth channel for employees to directly complain or make appeals through immediate supervisors.</p> <p>(4) The Company has established an effective accounting system and internal control</p>	<p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p> <p>No material gap is found.</p>

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?			system and reviewed and revised them from time to time; the Company also has full-time auditors to audit the accounting system and internal control system on a regular basis, provide opinions for improvements to keep the systems sustained and effective, and submit the audit report to supervisors and the Board of Directors.	found.
(5) Does the Company regularly organize internal and external training for ethical corporate management?	✓		(5) The Company promotes integrity in operation to employees on a regular basis.	No material gap is found.
3. Status for enforcing whistleblowing systems in the Company				
(1) Has the Company established concrete whistleblowing and reward systems and accessible whistleblowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistleblower?	✓		(1) The Company has established a reporting mail system and appointed a responsible department to deal with complaints in accordance with related regulations and procedures.	No material gap is found.
(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistleblower?	✓		(2) The Company clearly defined in the Regulations Governing the Procedures of Communication and Responses that responsible personnel shall hold the identity of the informant confidential.	No material gap is found.
(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistleblower?	✓		(3) The Company will hold the informant confidential and harmless in the process of reporting.	No material gap is found.
4. Improvement of information disclosure				
(1) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System (MOPS)?		✓	The Company has set up an exclusive area to disclose the related information on the Company's integrity operation.	The Company will process the information on a timely basis, subject to the actual needs.
5. Where the company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: No material gap is found.				
6. Other important information for better understanding of the integrity operation: None.				

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

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

- (8) In 2015 and as of the publication date of the annual report, the dismissal of related individuals listed in the financial report (including Chairman, General Manager, Accounting Officer, Financial Officer, Internal Audit Officer, and R&D Officer) is summarized as follows:

March 31, 2016

Job Title	Name	Date of arrival	Date of dismissal	Reason for resignation or dismissal
Supervisor	Bai, Chi-Chung	April 30, 2013	104.03.04	Busy official business

- (9) Other Important Corporate Governance Information: None.

(10) Implementation of Internal Control System

1. Statement of Internal Controls:

NAN LIU ENTERPRISE CO., LTD.
Statement of Internal Control System

Date: March 18, 2016

The internal control system from January 1 to December 31, 2015, according to the result of self-assessment is stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and asset protection), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal Control System by Listed Companies” (hereinafter referred to as “Highlights” has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments, 3. Control activities, 4. Information and communication, 5. Monitoring. Each element also includes several items. For the foregoing items, refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure that the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 8, 2016, and those 12 directors in presence all agree at the contents of this statement.

NAN LIU ENTERPRISE CO., LTD.

Chairman: Mr. Huang Chin-San
General Manager: Mr. Huang, Huo-Cun

Notice to Readers

For the convenience of readers, the Supervisors' Review Report have been translated into English from the original Chinese version prepared. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language Supervisors' Review Report shall prevail.

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

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

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

2015 major resolutions made in the Board meeting

Session number of the Board meeting	Date	Major resolutions
The Board of Directors	2015.03.16	1. Adoption of the 2014 Individual and Consolidated Financial Statements and the Business Report
		2. Approval of the Proposal for the Distribution of the 2014 Profit
		3. Approval of the Proposal for the Convention of 2015 Shareholders' Meeting, Proposals, and Period of Nomination
		4. Approval of the 2014 Statement of Internal Controls Submitted by the Company
The Board of Directors	2015.04.20	1. Approval of the Proposal for the Recent General Credit Limit.
		2. The Salary and Remuneration Committee's Proposal for the Distribution of Managerial Officers' Salaries, Directors' and Supervisors' Remuneration, and Employees' Bonuses
The Board of Directors	2015.05.12	1. Adoption of the Q115 Consolidated Financial Statements
		2. Approval of the Proposal for the Recent General Credit Limit
The Shareholders' Meeting	2015.06.02	1. Adoption of the Proposal for 2014 Individual and Consolidated Financial Statements and the Business Report
		2. Adoption of the Proposal for the Distribution of the 2014 Profit
		3. Approval of the Resolution on the Interest Reference Date
The Board of Directors	2015.08.11	1. Adoption of the Q215 Consolidated Financial Statements
		2. Approval of the Proposal for Establishment of Yanchao Plant
		3. Approval of the Proposal for the Credit Limit of Endorsements and Guarantees for the Subsidiary (Samoa Nan Liu) and the Sub-subsidiary (Nan Liu – Pinghu)
The Board of Directors	2015.11.11	1. Adoption of the Q315 Consolidated Financial Statements
		2. Approval of the Proposal for the General Credit Limit
The Board of Directors	2015.12.25	1. Approval of the Proposal for 2016 Business Plan
		2. Approval of the Proposal for 2016 Audit Plan
		3. Approval of the Salary and Remuneration Committee's Proposal for 2016 Managerial Officers' Remuneration
		4. Approval of the Salary and Remuneration Committee's Proposal for the Articles of Incorporation
		5. Approval of the Proposal for the General Credit Limit
		6. Approval of the Application Procedure for Temporary Suspension and Resumption of Trading of this Company

2016 major resolutions made in the Board meeting

Session number of the Board meeting	Date	Major resolutions
The Board of Directors	2016.03.18	1. Approval of the Distribution of 2015 Remuneration of Employees and Directors and Supervisors
		2. Adoption of the 2015 Individual and Consolidated Financial Statements and the Business Report
		3. Approval of the Proposal for the Distribution of the 2015 Profit
		4. Approval of the Proposal for the Election of Directors and Supervisors
		5. Approval of the Proposal for the Release of Prohibition on Directors from Participation in Competitive Business
		6. Approval of the Proposal for the Amendments to Rules for Electing Directors and Supervisors
		7. Approval of the Proposal for the Convention of 2016 Shareholders' Meeting
		8. Approval of the Proposal for Independent Director Candidates Nominated by Shareholders in 2016 Shareholders' Meeting
		9. Approval of the Proposal for the Nomination of Independent Director Candidates
		10. Approval of the Proposal for 2015 Statement of Internal Controls
		11. Approval of the Proposal for the Recent General Credit Limit
The Board of Directors	2016.04.28	1. Approval of the Proposal for the Review of Qualifications for the 4th Independent Directors
		2. Approval of the Proposal for the Replacement of CPAs (Internal Adjustment of the CPA Firm)
		3. Approval of the Proposal for the Recent General Credit Limit
		4. Approval of the Proposal for the Addition of Corporate Social Responsibility Best Practice Principles and Ethical Corporate Management Best Practice Principles
The Board of Directors	2016.05.11	1. Adoption of the Q1 16 Financial Statements
		2. Approval of the Proposal for the Recent General Credit Limit

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

4. Accounting Expenses

Name of the accounting firm	Name of the CPA		Audit period	Notes
Yangtze CPAs & Co.	Wang Ching-Hsiang	Lin Szu-Ning	104.01.01– 104.12.31	

Unit: NT\$1,000

Professional charge		Accounting charge	Non-accounting charge	Total
Fee range				
1	Less than NT\$2,000,000		V	
2	NT\$2,000,000 (inclusive) to NT\$4,000,000	V		V
3	NT\$4,000,000 (inclusive) to NT\$6,000,000			
4	NT\$6,000,000 (inclusive) to NT\$8,000,000			
5	NT\$8,000,000 (inclusive) to NT\$10,000,000			
6	More than NT\$10,000,000 (inclusive)			

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

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

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

(4) Assessments on the Independence of CPA

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

A. Statement of independence of CPA.

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

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

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

5. Alternation of CPA: None.

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

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

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

April 15, 2016, Unit: Share

Title	Name	2014		2015		As of April 15, 2016	
		Additional (reduction) of shares held	Additional (reduction) of hypothecation	Additional (reduction) of shares held	Additional (reduction) of hypothecation	Additional (reduction) of shares held	Additional (reduction) of hypothecation
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Chin-san	—	—	—	—	—	—
Director Major shareholder	Tian Zi Ding Investments Co., Ltd. Representative: Huang, Huo-cun	—	—	2,000	—	—	—
Independent Director	Mr. Wu Nan-yang	—	—	—	—	—	—
Independent Director	Ms. Wu Hsou-mei	—	—	—	—	—	—
Independent Director	Mr. Huang Chun-ping	—	—	—	—	—	—
Director	Mr. Wang Chianan	—	—	—	—	—	—
Director. Vice President	Mr. Yang Rui-hua	—	—	—	—	—	—
Supervisor	Mr. Su Chao-shan	—	—	—	—	—	—
Supervisor	Mr. Chung Mao-Chih	—	—	—	—	—	—
Supervisor	Bai, Chi-Chung (Note 1)	—	—	—	—	—	—
General Manager	Huang, Ho-cun	—	—	—	—	—	—
Overseas Business Department General Manager	Cheng, Te-ming	—	—	—	—	—	—
Vice President	Chang, San-hua	(2,000)	—	(5,000)	—	—	—
Finance Manager	Chuang, Chun-chin	—	—	—	—	—	—
Audit Officer	Chen, Shu-chiu	(1,000)	—	—	—	—	—

Note 1: Resigned on March 4, 2015.

(1) Information on equity transfer: None.

(2) Information on equity pledge: None.

8. Information on relationships among the top ten shareholders:

Name (Note 1)	Shares held by the shareholder		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship. (Note 3)		Remarks
	Number of shares	Percentage -	Number of shares	Percentage -	Number of shares	Percentage -	Name (or name)	Relations	
Tian Zi Ding Investments Co., Ltd.	8,729,659	12.02%	—	—	—	—	Huang, Huo-cun	Chairman of Tian Zi Ding Investments Co., Ltd.	—
Nei Investments Co., Ltd.	5,743,924	7.91%	—	—	—	—	Huang, Shih-chung	Chairman of Nei Zhuang Investments Co., Ltd.	—
Huang Chin-san	5,288,978	7.29%	1,851,159	2.55%	—	—	Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju Huang, Huo-cun	Spouse Adult children Adult children Adult children or brothers	—
Bixiu Investments Co., Ltd.	5,090,929	7.01%	—	—	—	—	Huang Chin-san	Chairman of Bixiu Investments Co., Ltd.	—
Huang Hsieh, Mei-yun	1,851,159	2.55%	5,288,978	7.29%	—	—	Huang Chin-san Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju Huang, Huo-cun	Spouse Adult children Adult children Adult children Uncle	—
Huang, Shih-chung	1,800,028	2.48%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and sister	—
Huang, Jen-tsung	1,791,693	2.47%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Hui-ju	Father and son Mother and son Brother Brother and sister	—
Huang, Hui-ju	1,579,455	2.18%	—	—	—	—	Huang Chin-san Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung	Father and son Mother and son Brother and sister Brother and sister	—
Huang, Ho-cun	1,505,015	2.07%	694,316	0.96%	—	—	Huang Chin-san Huang Hsieh, Mei-yun	Brother Sister-in-law	—
Mr. Chung Mao-Chih	1,497,451	2.06%	—	—	—	—	—	—	—

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

Unit: 10,000 share, %

Shift in investment	Investment by the Company		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by this Company		Combined investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
NANLIU ENTERPRISE CO., LTD (SAMOA)	44,528	100%	-	-	44,528	100%
Nan Liu Enterprise Co., Ltd. (Pinghu)	-	-	-	100%	-	100%

IV. Capital Overview

1. Source of capital :

A. Capital stock status

Unit: 1000 shares; NT\$1000

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

Note:

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

document number 09833204310 on August 14, 2009.

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

B. Stock type		April 15, 2016				Unit: share
Stock type	Authorized capital stock					Remarks
	Outstanding stocks			Unissued shares	Total	
	Already on the market (listed)	Not on the market (unlisted)	Total			
Common shares	72,600,000	–	72,600,000	27,400,000	100,000,000	The Company's stocks are listed stocks

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

2. Shareholder structure:

		April 15, 2016				Unit: share
Shareholder structure	Government Agency	Financial Agencies	Others Legal person	Individual	Foreign institutions And outsiders	Total
Quantity						
The number of people	2	2	46	3,089	75	3,214
Shares held	622,000	1,503,000	22,766,512	43,440,481	4,268,007	72,600,000
Proportion of shares held (%)	0.86%	2.07%	31.36%	59.84%	5.87%	100.00%

3. Stock ownership distribution status:

April 15, 2016 Unit: share

Stock holding classification	Number of shareholders	Shares held	Shareholding percentage
1 to 999	328	38,267	0.05%
1,000 to 5,000	2,390	4,233,217	5.83%
5,001 to 10,000	200	1,564,412	2.15%
10,001 to 15,000	60	748,281	1.03%
15,001 to 20,000	22	404,155	0.56%
20,001 to 30,000	36	918,906	1.27%
30,001 to 40,000	30	1,053,187	1.45%
40,001 to 50,000	12	546,495	0.75%
50,001 to 100,000	50	3,398,827	4.68%
100,001 to 200,000	28	4,259,244	5.87%
200,001 to 400,000	31	8,392,316	11.56%
400,001 to 600,000	10	4,830,124	6.65%
600,001 to 800,000	2	1,470,484	2.03%
800,001 to 1,000,000	2	1,808,570	2.49%
1,000,001 or more	13	38,933,515	53.63%
Total	3,214	72,600,000	100%

4. List of major shareholders

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

April 15, 2016 Unit: share

Name of major shareholders	Shares held	Shareholding percentage
Tian Zi Ding Investment Holding Limited	8,729,659	12.02%
Nei Chuang Investment Holding Limited	5,743,924	7.91%
Huang Qing-San	5,288,978	7.29%
Pi Hsiu Investment Holding Limited	5,090,929	7.01%
Huang Xie Mei-Yun	1,851,159	2.55%
Huang Shi-Zhong	1,800,028	2.48%
Huang Ren-Cong	1,791,693	2.47%
Huang Hui-Ru	1,579,455	2.18%
Huang Huo-Cun	1,505,015	2.07%
Mr. Chung Mao-Chih	1,497,451	2.06%

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

Unit: thousand shares/dollar

Item		2014	2015	From this year to March 31, 2016 (Note 4)
Year				
Dividend per share per share	Max	188.00	207.00	176.00
	Min	109.00	128.50	133.50
	Average	151.74	175.57	147.50
Net value per share	Before issuance	32.30	36.69	—
	After issuance	29.50	(Note 5)	—
Earnings per share	Weighted average	72,600	72,600	—
	Earnings per share (before adjustment)	5.79	8.01	—
	Earnings per share (adjusted)	5.39	(Note 5)	—
Dividend per share (DPS)	Cash dividend	2.8	3.9 (Note 5)	—
	Stock grants	- (Note 5)	—	—
		- (Note 5)	—	—
	Cumulative unpaid dividends	—	—	—
Return on invest ment analysis	P/E ratio (Note 1)	26.21	21.92	—
	Dividend yield (Note 2)	54.19	45.02 (Note 5)	—
	Cash dividend yield (Note 3)	0.02	0.02 (Note 5)	—

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

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

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

Note 4: for the sake of data accuracy, only data through March 31, 2016 are shown.

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

6. Company dividend policy and implementation status

(1) Dividend policy stipulated within the articles of association

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

(2) This year's proposed dividend distribution:

Nan Liu Enterprise Co., Ltd.

2015

Profit Distribution Table

Unit: NT\$

Items	Amount (NT\$)	Remarks
Beginning retained earnings	578,409,609	
Other consolidated profit/loss—confirm the benefit plans before measuring the numbers	(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	
Unappropriated retained earnings	812,395,218	

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

This Company's 2015 surplus distribution has been endorsed by the March 18, 2015 Board resolution. Shareholders will be given a NT\$3.9 cash dividend per share, with the total amounting to NT\$283,140,000. However, this has not been approved by the regular shareholders' meeting.

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

8. Employee, Director, and supervisor remuneration:

In May 2015, the Company Act was revised, and articles regarding employee bonuses in the surplus distribution were deleted. The revision also required the Company to set aside a certain amount or proportion, depending on the annual profit status, as employee remuneration in the Company's articles of association. This Company expects to revise the Company's article of association according to the aforementioned revisions at the 2016 regular shareholders' meeting. According to this Company's drafted article of association rules, the Company shall set aside no more than 2% of the annual profit as Directors' remuneration and no less than 1% as employee remuneration before distributing surplus.

This Company's Board of Directors passed the employee cash remuneration for 2015 at the March 18, 2016 Board meeting. The remuneration shall be listed based on a specific percentage according to the year's profit status. Directors' remuneration is listed into accounting based on expected issued monetary amount. If the aforementioned listed monetary amount is different from the actual issued monetary amount, the change will be handled according to accounting

estimates and adjusted and accounted for in the issuing year.

2015 Directors and employees' remuneration: Monetary amount (NT\$)

	Board of Directors resolution (March 18, 2016) (NT\$)	Note:
Directors/supervisors' remuneration (in cash)	4,223,985	Accounts for 0.63% of income before income
Employee remuneration (in cash)	8,447,973	Accounts for 1.25% of income before income tax
Total	12,671,958	

Note: this Company provided NT\$8,447,973 as an employee cash bonus for every quarter of 2015. The aforementioned employee remuneration is scheduled to be issued in 2016.

2014 Directors' and employees' remuneration: Monetary amount (NT\$)

	Board of Directors resolution (April 20, 2015) (NT\$)	Actual number of issued (note)
Directors'/supervisors' remuneration (in cash)	3,781,371	3,781,371
Employee remuneration (in cash)	7,562,741	7,562,741
Total	11,344,112	11,344,112

Note: the aforementioned Director remuneration and employee cash bonus has been listed as expenses in 2014, and the accounting monetary amount is the same as the monetary amount drafted to be issued by the April 20, 2015 Board of Directors' resolution. The aforementioned employee cash bonus was issued after passage by the 2015 regular shareholders' meeting.

9. The Company's buyback of company stock: none

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

11. Funding application plan and implementation:

(1) Capital increase plan implementation schedule

1. Planned items and application schedule:

Unit: NT\$1000

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

2. Implementation status

Units: Thousand NT\$; %

Project items	Status of implementation		Up until the first quarter of 2016	Reasons for being ahead of or behind schedule and improvement plans
Repay bank loans	Expenses	Planned	152,000	Has been completed during the second quarter of 2013 according to the original plan.
		Actual implementation progress	152,000	
		Planned	100.00	
		Actual	100.00	

Build new plant	Expenses	Planned	253,000	Because the Yanchao plant was delayed by land division and setting up aboveground rights with Taisugar, the follow-up expenditure was also delayed. However, the aboveground rights setting procedures have been completed.
		Actual implementation progress	72,388	
	Planned	100.00		
		Actual implementation progress	28.61	

As of the end of the first quarter of 2016, the actual expended monetary amount was NT\$224,388,000. Of this, NT\$152,000,000 was used to pay bank loans according to plan. There were no major abnormalities. The remaining NT\$72,388,000 was used to build the new plant. The planned schedule is to start work in the second quarter of 2013. The expected expenditure monetary amount was NT\$253,000,000, and the actual expended monetary amount was NT\$72,388,000. The expected expenditure progress was 100.00%, and the actual expenditure progress was 28.61%. The main reason is because there was a delay in the Gangshan Land Office's land division and aboveground rights setting procedures, which led to follow-up delays. There were no major abnormalities. As described above, the planned company funding implementation progress is proceeding as planned. There are no major abnormal events.

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

1. Expected benefits

Bank loans have been repaid according to the original plan for this Company's capital cash increase. An estimated NT\$1,082,000 in interest was saved in 2013, and an annual NT\$2,165,000 cash interest expenditure can be saved starting in 2014. After loans are paid with the current capital increase, not only are the debt ratio reduced and the financial structure improved but the lowered interest expenditure also reduces operating turnover risks and increases company profitability.

Unit: NT\$1000

Lending institutions	Interest rate (%)	Loan type	The original loan use	The original loan sum	Expected payback amount	Estimated annual savings in interest payments		
						2013	2014	2015
Dah Chung Bills Finance Corp.	1.39%	Mortgage loan	Working capital	50,000	50,000	347	695	695
Mega Bills	1.39%	Mortgage loan	Working capital	50,000	50,000	347	695	695
International Bills Finance Corp.	1.40%	Mortgage loan	Working capital	30,000	30,000	210	420	420
China Bills Finance Corporation	1.39%	Mortgage loan	Working capital	10,000	10,000	70	139	139
Mega International Commercial Bank	1.8%	Mortgage loan	Working capital	12,000	12,000	108	216	216
			Total	152,000	152,000	1,082	2,165	2,165

When this Company moved to the new plant, the benefits of integrating resources became evident. Management costs are expected to decrease, and the number of

personnel is expected to be maintained at the current level. The increase in sales orders did not increase operating costs. As the future operating scale increases, the benefits from economies of scale will also be evident. The operating profit margin will increase, and the expected new 2016–2020 operating profit is as follows: (1) facial mask production line is NT\$19,800,000, NT\$22,050,000, NT\$21,930,000, NT\$23,202,000, and NT\$23,213,000; (2) wet wipes production line is NT\$21,896,000, NT\$30,375,000, NT\$30,544,000, NT\$30,400,000, and NT\$30,030,000.

2. Actual status

As of the first quarter of 2016, this Company's planned expenditure monetary amount was NT\$405,000,000. This Company's relevant documents revealed that after this Company received all share proceeds in the second quarter of 2013, and through the end of the first quarter in 2016, the actual expended monetary amount was NT\$224,388,000. Overall, NT\$152,000,000 in bank loans have been paid according to planned funding use. The additional NT\$8,100,000 added because of a capital increase price change has been used to pay back other bank loans according to the original planned use. There were no major abnormalities. The remaining NT\$253,000,00 is planned for the construction of the new plant. The planned work began in the second quarter of 2013, and the planned expenditure was NT\$253,000,000. The expected expenditure progress was 100.00%. The actual progress for paying payments, royalties, rent, filling and back filling for the new plant was NT\$72,388,000. This was behind the original estimated schedule. Because there was a delay in the handling of the land division and aboveground rights setting procedure by the Gangshan Land Office, the original planned investment in site preparation work was also delayed. Thus, these funds were not used and are temporarily listed on the account as operation working capital. There were no major abnormalities. As described above, the planned company funding implementation progress is proceeding as planned. There are no major abnormal events.

3. Benefit evaluation

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

(3) Rationality of this quarter's unspent funds

This Company's unspent funds are from the first phase land preparation and foundation project for the Yanchao plant, which amounts to NT\$180,612,000. Currently, this amount is temporarily listed in accounting as operation working capital. To maintain the funds' safety and liquidity, they are being held in the form of bank savings. The utilization and safekeeping of unspent funds as of the end of the first quarter in 2016 are reasonable.

(4) Whether funding use is related to plan changes

As of the end of the first quarter of 2016, this Company has implemented fundraising according to plan. No changes were made.

V. Operating summary

1. Business Activities

A. Business scope

(1) Main business contents

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

(2) The business proportion of main products

Units: 1000 NT\$; %

Main products	2015	
	Monetary amount	%
Spunlace nonwoven fabrics	1,504,359	25.40%
Biotechnology products (note)	2,326,110	39.28%
Air through & Thermal bond nonwoven fabrics	1,185,522	20.02%
Disposable surgical gowns fabrics	895,450	15.12%
Others	10,760	0.18%
Total	5,922,201	100.00%

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

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

① Hgiene materials:

- A. PP air through & Thermal bond nonwoven fabrics—baby/adult diaper and sanitary napkin surface material.
- B. Spunlace nonwoven fabrics—medical grade operation protective clothing fabrics, dust-free electronic cleaning cloth, clean wipes, medical drape cloth, and ointment cloth.
- C. Needle rolled nonwoven fabric—bra liner and shoulder pad cotton material.
- D. Biotech products—wet wipes (infant, adult skin), masks, makeup remover cotton, emulsion liquid cosmetics (collagen day cream, placenta night cream, lotions, extracts, eye creams, marine creams, and skincare products).

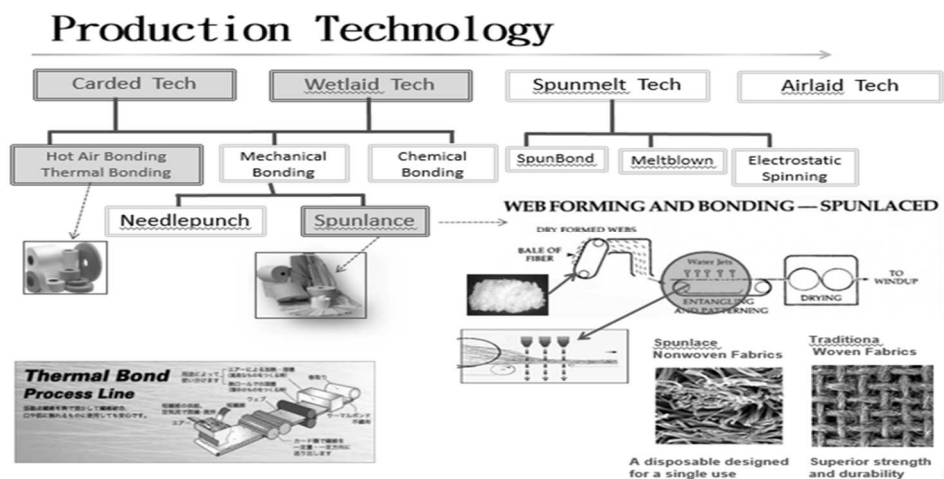
② Industrial products:

- A. Grinding wheels—stainless steel, copper PCB grinding, wood polishing, and electroplating polishing.
 - B. High-end air filter cloth.
 - C. Household articles—household cleaning rags, scouring pads, and other cleaning products.
- (4) Planned product development
- ① Nonwoven fabrics: medical/surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven cloth, biodegradable environmentally friendly nonwoven cloth, 3D surface nonwoven fabric, and industrial wipes.
 - ② Biotech products: top-grade facial masks, top skincare products, food grade collagen, plant extract, emulsions, liquid agent for cosmetics, washable wet wipes, far infrared mask.

B. Industry overview

1. Current state and development of the industry

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



Data source: Nanliu

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

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

Nonwoven fabrics use

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

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

From the beginning of Taiwan's nonwoven fabric industry in the 1960s to the present, operators have experienced Taiwan's economic flight and prosperity after 10 great construction projects. After the 2000 financial crisis, Taiwan businessmen moved abroad. Later, the oil crisis, the American housing loan crisis, and the European debt crisis resulted in a global economic downturn. In 2009, 2011, and 2012, sales in Taiwan's nonwoven fabric industry declined. The sales value gradually improved after 2013, along with economic revival, expansion of the application market, and improvements in production technology. In 2014, Taiwan's nonwoven fabric export value was USD 370 million, and the export quantity was 93,411 tons. This was a growth of 9.1% and 13.5% compared with 2013. Nonwoven fabric is the only special fabric product that showed export growth after 2012.

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

	2010	2011	2012	2013	2014	Unit
Production volume	149,954	164,798	130,492	153,147	181,535	Ton
Export value	291,215	322,161	324,157	338,541	369,531	1000 USD
Import value	114,780	149,970	130,272	122,246	122,628	1000 USD
Export volume	73,616	71,556	74,010	82,289	93,411	Ton
Import volume	27,108	31,351	27,778	26,579	26,712	Ton

Data source: ANFA - 2015 Taiwan statistic report (2015.12.21)

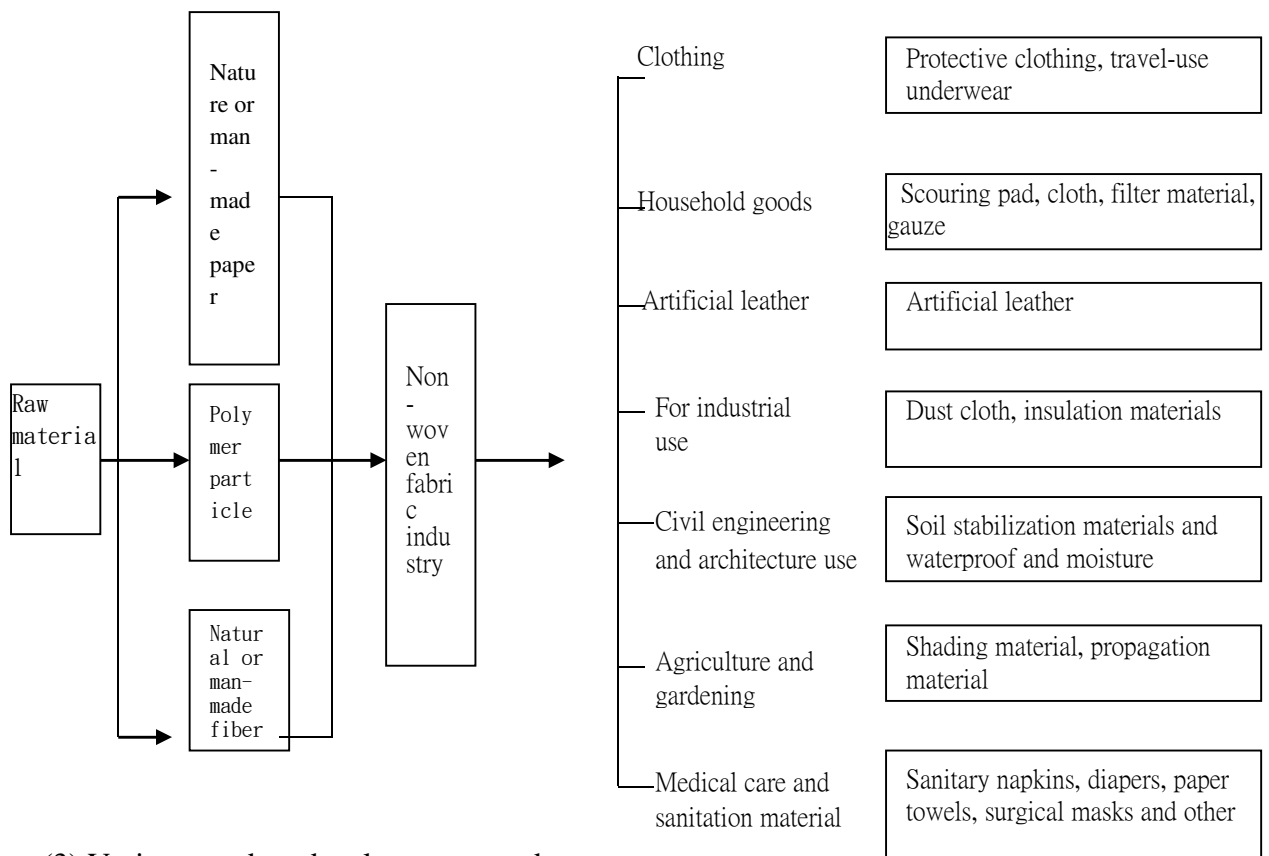
According to Euromonitor IMIS's cosmetics and toiletries survey of 52 countries across the globe (accounting for 95% of global GDP), the 2009 global cosmetic sales value was approximately USD 347.4 billion. This was a 4% growth compared to that in 2008. It is estimated that by 2014, the market scale will reach USD 390 billion. In addition, the three best-selling products are skincare products, hair products, and cosmetics, in that order. Asia-Pacific had the largest skincare product market, accounting for approximately 40% of the worldwide skincare product market. The global sales value increased from USD 79 billion in 2009 to USD 86 billion in 2013. Western Europe had the largest hair product market, accounting for approximately 1/4 of the global hair product market. In the hair product market, the sale value grew from USD 61 billion in 2009 to USD 68 billion in 2013. The global cosmetics market grew from USD 42 billion in 2009 to USD 48 billion in 2013. Emerging markets were less affected in the post-financial-crisis era. Thus, cosmetics demands in these areas are in a period of long-term growth. It is expected that growing demand from emerging markets will drive the future

global beauty and healthcare product market. Currently, the most anticipated emerging markets are China and Brazil. As mainland China's consumer consciousness rises, cosmetics is no longer a symbol of status and luxury. With a consumer market of up to 100 million people, the Chinese market is expected to increase from 142.13 billion Yuan in 2009, which is an 8.65% growth compared to the previous year, to 216.49 billion Yuan in 2014 (a growth of 3.56%).

Trade between the two straits has gradually opened, and Chinese tourists are allowed to travel freely in Taiwan. To increase Chinese tourists' willingness to visit Taiwan, the Ministry of the Interior loosened financial restrictions for visiting Chinese tourists in September 2011. This is expected to increase the number of Chinese tourists visiting Taiwan. According to Tourism Bureau statistics, the number of Chinese tourists in Taiwan is steadily growing. In addition, Taiwan's cosmetic manufacturers have a good reputation for product quality and brand image, and the product prices are economical compared to other international brands. Thus, Taiwan's cosmetic and beauty care vendors are actively developing the Chinese market and expanding Taiwan's brand image for related products. The continuing increase of Chinese tourists and the potential consumer power that they bring can be a business opportunity for Taiwan's cosmetic and skincare industry.

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

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



(3) Various product development trends

① Product diversification

In recent years, the nonwoven fabric industry has been affected by significant fluctuation in raw material prices, and the cost has significantly increased. China's

nonwoven fabric industry operators have also increased their production scale and taken a price-competition model of sales. As a result, gross profit has fallen for Nan Liu and other nonwoven fabric operators in recent years. Thus, relevant nonwoven fabric operators must diversify their development direction and products and use increased product added value to increase profitability.

② Cross-field nonwoven fabric composite technology development

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

③ World trend in environmentally friendly material

In recent years, environmental awareness has emerged, and single-use, disposable nonwoven fabric products such as wet wipes, medical use surgical garment, masks, and gauze all require the development of environmentally friendly materials. The nonwoven fabric industry is developing different fiber materials that will be able to quickly decompose into shorter molecular chains. This will allow the materials to decompose into smaller fragments in natural environments and reduce pollution. The industry is also developing fiber materials that can decompose into small CO₂, H₂O, or CH₄ molecules in the natural environment. This will allow materials to return to nature and lower their impact on the environment. This Company will continue to improve its composite technology and is currently in the initial stages of developing composite, decomposable nonwoven fabric.

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

(4) Competition

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

Unit: Thousand NT\$

Company Items	Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
M a i n Business items	1. Spunlace nonwoven fabric (including Disposable surgical gowns fabrics) 40% 2. Air through & Thermal bond nonwoven fabrics 20% 3. Biotechnology products (including wet wipes) 40%	1. Sanitary napkin 31% 2. Diaper 7% 3. Wet wipes 50% 4. nonwoven cloth and others 12%	1. Nonwoven cloth 98% 2 Other 2%	1. Spunbond and composite nonwoven fabric 2. Meltblown nonwoven fabric 3. Bonded cloth and post-processing cloth 4. Other
2 0 1 5 consolidated operating net r e v e n u e	5,922,201	4,475,154	3,856,997	1,109,886

Data source: 2015 combined financial statement from each company that was certified by a certified public accountant

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

(1) Short-term plan

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

(2) Long-term plans

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

2. Market, production, and sales status:

i. Market analysis

(1) Main product sales area

Unit: 1000 NT\$

Area	Year	2014 (consolidated)		2015 (consolidated)	
		Monetary amount	Ratio%	Monetary amount	Ratio%
Taiwan		1,342,229	25.12%	1,518,762	25.64%
China		2,546,167	47.65%	2,703,201	45.65%
External sales	Japan	628,771	11.76%	836,590	14.13%
	Asia	654,922	12.25%	667,338	11.27%
	Others	171,902	3.22%	196,310	3.31%
Total		5,343,991	100.00%	5,922,201	100.00%

(2) Market share

The Company's main business is the production and sales of Air through & Thermal bond nonwoven fabrics, spunlace nonwoven fabrics, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In 2015, this Company's consolidated operating revenue was superior to that of similar companies in the industry, including Nan Liu, Shinih, and Universal Incorporation.

Unit: 1000 NT\$

Company		Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
2015 (combined)	Operating revenue	5,922,201	4,475,154	3,856,997	1,109,886

Data source: the consolidated financial statement from various companies that are certified by certified public accountants

In addition, according to a statistic by the main United States nonwoven fabric monthly journal, Nonwovens Industry, this Company ranked 25th among all nonwoven fabric companies in the world in 2014. This Company has exceeded the rankings of all similar companies in Taiwan and has become an important nonwoven fabric company in the Asia region. According to a survey of the 2000 largest companies by *CommonWealth Magazine*, this Company ranked 441st among companies of the manufacturing industry in 2015.

(3) Future market supply and demand and growth

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

① The downstream application product demand is growing steadily.

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

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

In terms of individual areas, China has the fastest growth in the nonwoven fabric industry. In 2008, China's nonwoven fabric production quantity was 765.1 thousand tons

but reached 2.635 million by 2014. This is an annual compound growth rate of 25%, which far exceeds the global average. However, the 2011 growth showed only a 14.70% increase compared to 2010. This is mainly attributed to increasing Chinese labor costs, appreciation of the RMB, and raw material price increase. At the time, the European and American markets showed weak economic numbers, increased national debt, high unemployment rate, and other negative factors, which resulted in decreased demands. Still, China itself is showing growing demands, and increased salaries have raised the average income of its citizens. This, in addition to the two-child policy, has led to expected increased demand in the nonwoven fabric production, and demand is expected to grow.

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

	2010	2011	2012	2013	2014	Unit
Production volume	1,879	2,054	2,163	2,387	2,635	Thousand tons
Export value	1082.9	1479.7	1624.4	1971.9	2311.6	Million USD
Import value	841.3	874.6	839	849.8	947.9	Million USD
Export volume	373	451.6	484.9	559.3	656.2	Thousand tons
Import volume	162.1	148.3	138.3	139.7	152	Thousand tons

Data source: ANFA - 2015 China statistic (12/21/2015)

③ Stable domestic demand

Domestic nonwoven fabric industry showed a decrease in sales value in 2009 and 2011. This is mainly because of the effects of the global financial crisis in 2009. The decline in 2011 was caused by weak American market demands and the ongoing European debt crisis. As the economy gradually began reviving in 2013, expanded market application and production technology advancements gave Taiwan's nonwoven fabric industry a highly competitive edge in the global market. Taiwan's nonwoven fabric export in 2014 was USD 370 million, and the quantity was 93,411 tons. This was a growth of 9.1% and 13.5%, respectively, compared to 2013. Nonwoven fabric was the only product among special textiles that showed growth after 2012.

(4) Competitive niche

① Continuing investment in research and development

This Company has invested in the production and development of nonwoven fabric since 1995. We have accumulated more than 20 years of production experience and built a technology team to improve our development abilities. Currently, this Company has professionals who were once part of the PGI group, and who have nonwoven fabric experience, leading the R&D team. The team has continually developed nonwoven fabric production technology and expanded its relevant applications. At present, the Company's research results include surgical medical protective clothing fabrics and industrial-strength cloth. In the future, we will expand into embedded anti-corrosion technology, water purification technology, flushable wipes, elastic diaper waists, strong wipes for 3D printing technology and other high value-added products. Regarding production technology and process improvement, the Company will adjust production equipment

based on new material development and process improvements. Actual production site tests will be conducted to set the best production parameters, which will improve production yield and lower production costs. Furthermore, this Company will maintain close exchange with major European, American, Japanese, and Korean hygiene product companies to fully understand market trends. This will enable this Company to rapidly develop products that conform to market demands.

② Good stability product quality

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

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

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

① Advantageous factors

A. Downstream product application demand is steadily growing

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

B. Continual development of new application fields

The application scope of nonwoven fabric is continuing to expand and can be used in different applications after processing with different techniques. Nonwoven fabric products are continuing to be developed and innovated. In the United States, Japan,

Europe, and other advanced nations, nonwoven fabric is still classified as an emerging industry that is environmentally friendly. Because there are diverse application fields, nonwoven fabric can be used in daily living supplies; medical protection; car materials; electronics and hi-tech; industrial, agricultural and textile products; and as shoe material and synthetic leather. Global demand for nonwoven fabric products is still steadily growing, and the production value will soon be higher than that of conventional textile products. Of these, nonwoven fabric is showing the fastest growth in everyday hygiene products and medical protection products.

C. Biotechnology products have a certain brand visibility

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

② Disadvantageous factors

A. Risk of price competition from Chinese companies

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

Response measures:

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

B. Risk of substitute products

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

Response measures:

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

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

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

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

Response measures

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

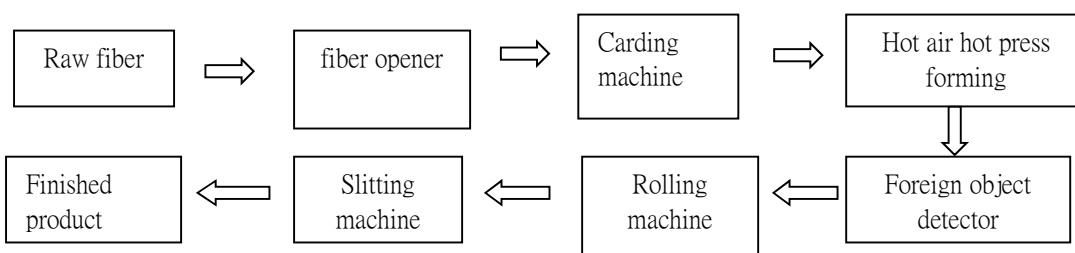
ii. Major uses and production process of the primary products

(1) Major uses of the primary products

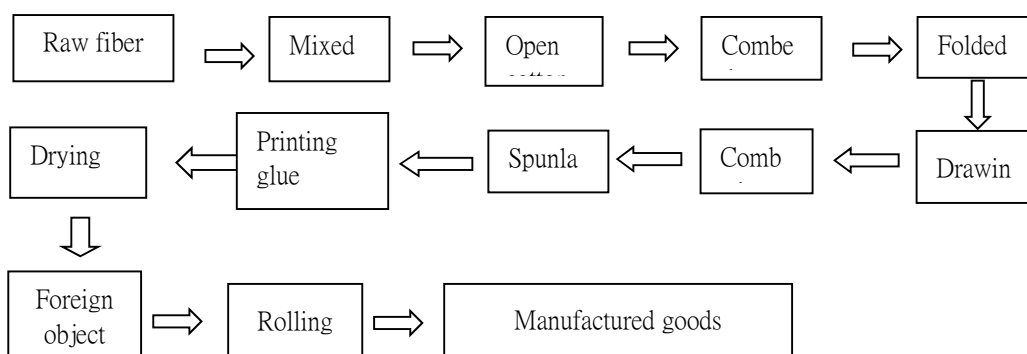
Main products	Important use
Air through & thermal bond nonwoven fabrics	Baby diaper and sanitary napkin surface material
Spunlace nonwoven fabric	Medical and sanitary materials, cleaning supplies, shoes
Biotech products	Wipes (infant, adult skin), masks, cleansing cotton, emulsion liquid cosmetics

(2) Production process

① Air through & thermal bond nonwoven fabric



② Spunlace nonwoven fabric



iii. Main raw material supply status

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

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

Units: Thousand NT\$; %

Items	2014				2015				As of March 31, 2016			
	Name	Monetary amount	% of net purchase	Relationship with the issuer	Name	Sum	% of net purchase	Relationship with the issuer	Name	Sum	% of net purchase	Relationship with the issuer
1	SPV	664,902	19.80	None	SPV	727,867	18.42	None	SPV	148,096	17.13	None
2	Sinopec Yizheng	422,530	12.58	None	Sinopec Yizheng	378,616	9.58	None	Sinopec Yizheng	98,154	11.35	None

3	Others	2,271,293	67.62	None	Others	2,845,579	72.00	None	Others	618,210	71.52	None
Purchase Net		3,358,725	100.00		Purchase Net	3,952,063	100.00		Purchase Net	864,460	100.00	

Explanation for any changes:

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

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

Units: Thousand NT\$; %

Items	2014				2015				As of March 31, 2016			
	Name	Sum	% of net sales	Relationship with the issuer	Name	Sum	% of net sales	Relationship with the issuer	Name	Sum	% of net sales	Relationship with the issuer
1	According to company	781,107	14.65	None	According to company	680,201	11.49	None	According to company	174,556	12.15	None
2	Others	4,562,884	85.35		Others	5,242,000	88.51		Others	1,262,228	87.85	
	Sales Net	5,343,991	100.00		Sales Net	5,922,201	100.00		Sales Net	1,436,784	100.00	

Explanation for any changes:

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

vi. Production quantity and value in the last two years

Unit: thousand packs/ton/and NT\$1000

Production quantity and value Primary commodity	2015			2014		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Spunlace nonwoven fabric	27,120	31,244	2,452,613	27,120	27,975	2,347,244
Air through & thermal bond nonwoven fabric	10,350	10,794	1,019,537	9,000	9,410	937,353
Biotechnology products (note)	—	284,161	2,584,279	—	289,295	2,318,796
Disposable surgical gowns fabrics	6,000	6,237	707,672	6,000	5,494	668,590

Others	—	305	8,966	—	—	10,320
Total	—	—	6,773,067	—	—	6,282,303

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

vii. Sales quantity and value in the last two years

Unit: thousand packs/ton/and NT\$1000

Year Sales value Primary products	2015				2014			
	Domestic sales		Export		Domestic sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Spunlace nonwoven fabric	4,119	496,328	18,748	1,008,031	3,449	417,315	10,154	907,902
Air through & thermal bond nonwoven fabric	8,239	913,455	2,354	272,067	7,637	911,715	1,137	132,157
Biotechnology products (note)	130,072	1,959,174	31,771	366,936	130,224	1,757,351	60,652	479,375
Disposable surgical gowns fabrics	380	56,719	5,874	838,731	548	71,799	4,604	655,790
Others	287	10,760	—	—	—	10,576	—	11
Total		3,436,436		2,485,765		3,168,756		2,175,235

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

3. Number of employees in the last two years

Year		end of 2015	end of 2015	End of March 2016
The number of employees	Direct	483	536	536
	Indirect	316	250	250
	Total	799	786	786
Average age		32.24	32.52	32.52
Average length of service (years)		3.58	3.99	3.99
Education distribution ratio (%)	Ph.D.	0.13	0.13	0.13
	Master	1.75	2.04	2.04
	College	27.78	26.97	26.97
	High	36.92	40.46	40.46
	Below	33.42	30.40	30.40

4. Environmental protection expenditures

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

This Company's business is classified at a Batch 6 (as announced by the Environmental

Protection Administration) fixed pollutant source that requires a pollution facility establishment and operation permit. This business is required to declare air pollution prevention fees each quarter.

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

2. This Company's investment in environmental pollution prevention equipment, their uses, and their expected benefits:

March 31, 2016

Equipment name	Quantity	Obtainmen t date	Investment cost (NT\$1000)	No reduced Remaining sum	Remarks
Dust collection equipment	4	09/25/2000	1,083	0	Fiber opening machine is fitted with dust collection equipment to meet air pollution testing standards.
Dust collection equipment	1	07/31/2005	750	0	For use in opening fiber and collecting dust, reducing production costs, meeting environmental requirements.
Recycled water treatment equipment	1	04/01/2004	4,653	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	12/31/2000	220	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	11/25/2010	660	87	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	03/28/2011	3,630	579	Recycled water, reduce production costs, meet environmental requirements
Dust collection equipment	1	01/25/2011	95	0	Purification of waste gas, reduce production costs, and meet environmental requirements.
New construction of biotech wastewater retention equipment	1	09/25/2015	240	220	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Continuous and automatic monitoring of waste water (video) transmission	1	10/25/2015	500	465	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Storage equipment (spunlace)—20T flat bottom tanks	1	02/25/2016	250	246	Process wastewater with regulated procedures until it reaches environmental protection requirements.

Note: from 2015 through the printing of this annual report, this Company has expended NT\$845 thousand on environmental cleaning and maintenance-related items.

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

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

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

5. Employer/employee relationship

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

(1) Benefits:

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

- ① Issue performance bonuses according to operating conditions.
- ② Funeral/wedding, work injury, hospitalization subsidies and Labor Day bonuses.
- ③ Handle labor insurance, health insurance and relevant insurance for dependents.
- ④ Hold employee travel and issue employee birthday bonus.
- ⑤ Year-end banquet and lottery.
- ⑥ Engage in industry-academia cooperation and encourage employees to learn while on the job.

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

(3) Retirement system:

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

(4) Employer/employee agreements:

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

2. This Company's losses and total fines as a result of employer/employee disputes within the last two years through the printing of this annual report. Disclose current and future estimated

monetary amount and response measures. If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.

6. Important contracts

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

VI. Financial summary

1. Concise financial data from the last five years

(1) Concise asset balance sheet and profit/loss table

i. Concise asset balance sheet—consolidated

Unit: Thousand NT\$

Year		Financial data from the last five years (note 3)					2015/3/31
		2012/1/1	2012/12/31	2013/12/31	2014/12/31	2015/12/31	Financial data (note 4)
Item							
Current assets		1,452,670	1,739,777	2,375,884	2,668,796	3,099,675	2,976,380
Property, plant and equipment		1,125,575	1,183,428	1,829,673	1,864,367	2,054,428	2,016,675
Intangible assets		237	-	307	171	24	-
Other assets		249,083	519,817	230,777	370,349	230,700	223,661
Total assets		2,827,565	3,443,022	4,436,641	4,903,683	5,384,827	5,216,716
Current liabilities	before distribution	1,120,234	1,004,100	1,883,995	1,805,950	1,898,557	1,805,732
	after distribution	1,138,234	1,100,850	2,043,715	2,009,230	note 1	note 2
Noncurrent liabilities		793,059	1,221,479	556,095	752,475	822,811	644,202
Total liabilities	before distribution	1,913,293	2,225,579	2,440,090	2,558,425	2,721,368	2,449,934
	after distribution	1,931,293	2,322,329	2,599,810	2,761,705	note 1	note 2
Owners equity		914,272	1,217,443	1,996,551	2,345,258	2,663,459	2,766,782
Capital		600,000	645,000	726,000	726,000	726,000	726,000
Capital surplus		6,804	112,855	453,467	453,467	453,467	453,467
Retained earnings	before distribution	307,468	486,969	765,401	1,027,393	1,399,382	1,516,092
	after distribution	289,468	390,219	605,681	824,113	note 1	note 2
Other equity		-	(27,381)	51,683	138,398	84,610	71,223
Treasury stock		-	-	-	-	-	-
Non-control equity		-	-	-	-	-	-
Total equity	before distribution	914,272	1,217,443	1,996,551	2,345,258	2,663,459	2,766,782
	after distribution	896,272	1,120,693	1,836,831	2,141,978	note 1	note 2

(Note 1) The 2015 surplus distribution is waiting for approval at the shareholders' meeting.

(Note 2) As of May 20, 2016, the 2015 surplus distribution proposal has not been proposed for the shareholders' meeting.

Therefore, the amount after distribution is not listed.

(Note 3) The aforementioned financial figures were all audited and approved by certified public accountants.

(Note 4) Financial data through March 31, 2016 have been examined and completed by accountants.

2. Concise consolidated income statement—consolidated

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

Year Item	Financial data from the last five years (note 1)				2016/3/31
	2012	2013	2014	2015	Financial data (note2)
Net sales	3,700,620	4,568,214	5,343,991	5,922,201	1,436,784
Gross profit	679,726	903,293	1,039,437	1,196,643	271,712
Operating profit	340,647	506,533	598,788	750,644	146,081
Other non-operating income and expenses	(68,271)	(24,293)	(2,831)	26,995	13,244
Income before income tax	272,376	482,240	595,957	777,639	159,325
Income from continuing operations	197,641	376,787	420,152	777,639	159,325
Net income	197,641	376,787	420,152	581,431	116,710
Other comprehensive income(loss)	(27,521)	77,459	88,275	(59,950)	(13,387)
Total comprehensive income(loss)	170,120	454,246	508,427	521,481	103,323
Net income attributable to owner of parent	197,641	376,787	420,152	581,431	116,710
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owner of parent	170,120	454,246	508,427	521,481	103,323
Comprehensive income attributable to non- controlling interests	-	-	-	-	-
Earnings per share (After retroactive adjustment)	3.20	5.39	5.79	8.01	1.61

(Note 1) The aforementioned financial figures have been audited and certified by certified public accountants.

(Note 2) Financial data through March 31, 2016 have been examined and completed by accountants.

3. Concise balance sheet—individual
Unit: NT\$1000

Year		Financial data from the last five years (note 2)				
		2012/1/1	2012/12/31	2013/12/31	2014/12/31	2015/12/31
Item						
Current assets		759,933	751,766	886,993	1,045,160	1,231,510
Property, plant and equipment		284,850	284,007	246,108	274,002	286,263
Intangible assets		169	-	-	-	-
Other assets		1,054,701	1,251,036	1,801,650	2,208,397	2,549,130
Total assets		2,099,653	2,286,809	2,934,751	3,527,559	4,066,903
Current liabilities	before distribution	452,872	435,812	699,555	786,083	895,428
	after distribution	470,872	532,562	859,275	989,363	note 1
Noncurrent liabilities		732,509	633,554	238,645	396,218	508,016
Total liabilities	before distribution	1,185,381	1,069,366	938,200	1,182,301	1,403,444
	after distribution	1,203,381	1,166,116	1,097,920	1,385,581	note 1
Owners equity		914,272	1,217,443	1,996,551	2,345,258	2,663,459
Capital		600,000	645,000	726,000	726,000	726,000
Capital surplus		6,804	112,855	453,467	453,467	453,467
Retained earnings	before distribution	307,468	486,969	765,401	1,027,393	1,399,382
	after distribution	289,468	390,219	605,681	824,113	note 1
Other equity		-	(27,381)	51,683	138,398	84,610
Treasury stock		-	-	-	-	-
Non-control equity		-	-	-	-	-
Total equity	before distribution	914,272	1,217,443	1,996,551	2,345,258	2,663,459
	after distribution	896,272	1,120,693	1,836,831	2,141,978	note 1

(Note 1) The 2015 surplus distribution is waiting for approval at the shareholders' meeting.

(B) The aforementioned annual financial figures were all audited and approved by certified public accountants.

4. Concise consolidated income statement - individual

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

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

(Note 1) The aforementioned financial figures have been audited and certified by certified public accountants.

5. Concise balance sheet—Taiwan's financial accounting standards

Unit: Thousand NT\$

Year		Financial data from the last five years (note 3)				
Item		2009	2010	2011	2012	2013
Current assets		78,151	792,929	755,714	751,766	886,993
Funds and investment		497,453	526,000	978,088	1,209,269	1,726,804
Fixed assets		356,561	317,263	297,355	284,007	246,108
Intangible assets		4,328	3,462	2,597	-	-
Other assets		66,093	59,073	62,658	41,767	74,846
Total assets		1,712,586	1,698,727	2,096,412	2,286,809	2,934,751
Current liabilities	before distribution	291,982	201,920	447,661	435,812	699,555
	after distribution	315,382	209,920	465,661	532,562	859,275
Long-term liabilities		580,000	700,000	652,800	532,800	150,000
Other liabilities		48,600	51,324	58,870	83,368	81,259
Total liabilities	before distribution	927,968	960,630	1,166,717	1,069,366	938,200
	after distribution	951,368	968,630	1,184,717	1,166,116	1,097,920
Capital		468,000	528,000	600,000	645,000	72,600
Capital surplus		10,681	10,681	10,681	112,855	453,467
Retained earnings	before distribution	281,777	203,659	263,120	486,969	765,401
	after distribution	258,377	195,659	245,120	390,219	605,681
Unrealized gains(loss) from financial		-	-	-	-	-
Financial statements translation differences for foreign operations		31,843	3,343	67,306	(27,381)	51,683
Net loss not recorgnized as pension cost		(7,683)	(7,586)	(11,412)	-	-
Total equity	before distribution	784,618	738,097	929,695	1,217,443	1,996,551
	after distribution	761,218	730,097	911,695	1,120,693	1,836,831

Note: the aforementioned financial data have been reviewed or approved by certified public accountants.

6. Concise income statement—Taiwan's financial accounting standards

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

Items	Year	Financial data for the last five years				
		2009	2010	2011	2012	2013
Net operating revenue		1,922,948	2,229,099	2,394,970	2,184,026	2,348,101
Gross profit		380,828	305,741	289,953	314,268	362,964
Operating profit		208,190	133,126	98,419	113,250	127,331
Non-operating income and expenses		(140,238)	(69,506)	71,524	138,300	264,885
Continuing operation business departments		67,952	63,620	169,943	249,820	392,216
Gain (loss) of continuing operations		47,445	50,147	139,461	197,641	376,787
Gain (loss) of discontinued operations		-	-	-	-	-
Gain (loss) of extraordinary items		-	44,865	-	-	-
Cumulative effect of changes in accounting principles		-	-	-	-	-
Profit for this period		47,445	5,282	139,461	197,641	376,787
Earnings per share (NT\$)	Before retroactive adjustment	1.01	0.10	2.32	3.20	5.39
	After retroactive adjustment	0.79	0.09	2.32	3.20	5.39

Note 1: the aforementioned financial data have been reviewed or approved by certified public accountants.

- (2) Important items such as accounting changes, corporate merger or shutdown of business sector that affected the consistency of the aforementioned financial statements, and the effects on the year's financial statement.

1. Inventory

Starting from January 1, 2009, this Company has used the revised SFAS 10: Accounting for Inventories. Revisions in this accounting principle caused this Company's investment income from long-term equity investments in 2009 (calculated based on the equity method) to decrease by NT\$3,236,000. Thus, this Company's 2009 income before income tax was reduced by NT\$3,236,000, which resulted in a decrease of NT\$0.07 surplus (pre-tax) per share. Also, evaluation of losses changed from non-operating gains/losses and was reclassified as operating cost. This caused a decrease of NT\$11,439,000 in profit. However, inventory-related non-operating profit increased profit by NT\$11,439,000.

2. Employee bonuses and Directors' remuneration

The Company first began using the SFAS 39: Share-Based Payment and the Accounting Research and Development Foundation document number 052 (2007) interpretation on January 1, 2008. This Company classified, evaluated, and disclosed share-based payment, employee bonuses, and Director/supervisor remuneration based on SFAS and the interpretation document. This resulted in a NT\$1,862,000 reduction in the post-tax net profit and a decrease of NT\$0.01 surplus per share (post-tax).

3. Notes and accounts receivable and other receivables

This Company began using the revised SFAS 34 Financial Instruments: Recognition and Measurement starting January 1, 2011. When relevant notes, accounts receivable, other receivables, and other debts show objective evidence of impairment loss, they are recognized as bad debt or loss. This accounting principle change will not affect the 2011 net profit.

(3). Name of the CPA for the 5 most recent years and audit opinions

1. Accounting firms, former and successor CPAs, and reasons for any replacement of CPAs in the 5 most recent years:

Year	Accounting firms	Name of the CPA	Audit opinions
2011	Yangtze CPAs & Co.	Wang Shu-Dong, and Hu Xiang-Ning	Amendment official—No reservations
2012	Yangtze CPAs & Co.	Hu Xiang-Ning, Lin Szu-Ning	Amendment official—No reservations
2013	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	Amendment official—No reservations
2014	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	Amendment official—No reservations
2015	Yangtze CPAs & Co.	Wang Jin-Xiang, Lin Szu-Ning	Amendment official—No reservations

2. Accounting firms, former and successor CPAs, and reasons for any replacement of CPAs in the 5 most recent years:

This Company's 2012 financial report auditing accountant was originally Wang Shu-Dong, who was replaced by Lin Szu-Ning. The accountant for 2013 was Hu Xiang-Ning, who was replaced by Wang Jin-Xiang. The reason for the change was the accounting firm's internal rotation and had no effect on the Company's financial operations.

3. If the same accountant is used for financial audits for the past five consecutive years (counting from the public issuing date of Taiwan and foreign issuing companies), state the reason for not changing accountants. Clarify the independence of the current accountant, and state specific response measures for improving accountant independence: Not applicable

2. Financial analysis

(1) Financial analysis—consolidated

		Financial analysis from the last five years				
		2012	2013	2014	2015	2016/3/31
Year						
Item analyzed		2012	2013	2014	2015	2016/3/31
Financial structure (%)	Liability to asset ratio	64.65	55.00	52.17	50.54	46.96
	Long-term capital as a proportion of fixed assets	206.09	139.51	166.15	169.70	169.14
Debt repayment Capacity %	Current ratio	173.27	126.11	147.78	163.26	164.83
	Quick ratio	106.98	72.38	85.28	92.36	95.79
	Interest coverage (times)	7.83	16.32	26.06	32.80	35.44
Operation Capacity	Receivables turnover (times)	5.97	5.86	5.38	5.17	5.05 (註)
	Average collection days	61.00	62.00	68.00	71.00	72.00 (註)
	Inventory turnover (times)	6.32	6.55	6.06	5.36	4.76 (註)
	Payables turnover (times)	9.49	5.65	4.38	4.42	4.71 (註)
	Average inventory turnover days	58.00	56.00	60.00	68.00	77.00 (註)
	Fixed asset turnover (times)	3.21	3.03	2.89	3.02	2.82 (註)
	Total asset turnover (times)	1.18	1.16	1.14	1.15	1.08 (註)
Operation Capacity	Asset rate of return (%)	7.23	10.19	9.36	11.66	2.27
	Return on equity (%)	18.54	23.45	19.35	23.22	4.30
	Percentage of income before income tax to paid-up capital (%) (note7)	42.23	66.42	82.09	107.11	21.95
	Net profit ratio (%)	5.34	8.25	7.86	9.82	8.12
	Earnings per share (NT\$)	3.20	5.39	5.79	8.01	1.61
Cash Flow	Cash flow ratio (%)	46.99	36.77	29.00	33.09	11.36
	Cash flow adequacy ratio (%)	47.60	75.01	81.90	83.65	87.69
	Cash reinvestment ratio (%)	12.50	15.07	7.68	7.92	3.83
Degree of leverages	Degree of operating leverage	1.86	1.66	1.65	1.54	1.76
	Degree of financial leverage	1.13	1.07	1.04	1.03	1.03

(Note 1) This financial analysis has been converted for the entire year.

(Note 2) All financial ratios have been calculated according to the financial statement audited and approved by the accountant.

(2) Financial analysis—individual

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

Note: All financial ratios have been calculated according to the financial statement audited and approved by the accountant.

The financial analysis calculation formula is as follows:

1. Financial structure

- (1) Liability to asset ratio = Total liabilities / Total assets.
- (2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities) / (Total net value of property, plant, and equipment).

2. Debt-paying ability

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current asset – inventories) / Current liabilities.
- (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.

3. Operating ability

- (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
- (2) Average collection days = 365 / Receivables turnover ratio.
- (3) Inventory turnover ratio = Cost of sales / Average inventory value.
- (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
- (5) Average inventory turnover days = 365 / Inventory turnover ratio.
- (6) Property, plant, and equipment (PP&E) turnover ratio = Net sales / Average value of PP&E
- (7) Total inventory turnover rate = Net sales / Average total asset value.

4. Return on investments

- (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses \times (1 – interest rates)] / Average total asset value.
- (2) Return on Equity (ROE) = Gain (loss) after tax / Average total equity value.
- (3) Net profit rate = Gain (loss) after tax / Net sales.
- (4) Earnings per share (EPS) = (Gain (loss) attributable to the owner of the parent company – dividends of preferred shares) / Weighted average of outstanding shares. (Note 4)

5. Cash flow

- (1) Cash flow ratio = Net cash flow of business activities / Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years / (Capital expenditure + inventory increase + cash dividends) for the 5 most recent years.
- (3) Cash reinvestment ratio = (Net cash flow for business activities – cash dividends) / (Gross value of PP&E + Long-term investments + Other non-current assets + business capital). (Note 5)

6. Degrees of leverage

- (1) Degree of operating leverage (DOL) = (Net operating revenue – operating change costs and expenses) / Operating profit (Note 6).
- (2) Degree of financial leverage (DFL) = Operating profit / (Operating profit – interest expenses).

(3) Financial analysis—Taiwan Financial Accounting Standards

Item analyzed	Year	Financial data for the last five years (note)					
		2009	2010	2011	2012	2013	
Financial structure (%)	Liability to asset ratio	54.17	56.55	55.65	46.76	31.96	
	Long-term capital as a proportion of fixed	382.72	453.28	532.19	651.74	908.22	
Debt repayment Capacity (%)	Current ratio	269.93	392.69	168.81	172.5	126.79	
	Quick ratio	182.43	269.16	113.97	110.2	8.29	
	Interest coverage (times)	5.40	4.48	8.92	12.92	31.90	
Operation Capacity	Receivables turnover (times)	6.45	7.15	8.16	7.48	6.56	
	Average collection days	57	51	45	49	56	
	Inventory turnover (times)	6.74	7.82	8.84	7.93	7.85	
	Payables turnover (times)	18.70	19.62	13.96	10.31	8.48	
	Average inventory turnover days	54	48	43	46	46	
	Fixed asset turnover (times)	5.00	7.03	8.05	7.68	8.86	
	Total asset turnover (times)	1.16	1.31	1.14	1.00	0.9	
Profit Capacity	Asset rate of return (%)	3.56	1.20	8.29	9.77	14.90	
	Return on equity (%)	6.12	0.69	16.72	18.54	23.45	
	Percentage of the paid-up capital	Net operating profit	44.49	25.21	16.40	15.60	69.77
		Pre-tax profit	14.52	1.81	28.32	38.69	66.42
	Net profit ratio (%)	2.47	0.23	5.82	9.04	16.03	
	Earnings per share (NT\$)	Before retroactive adjustment	1.01	0.10	2.32	3.20	5.39
After retroactive adjustment		0.79	0.09	2.32	3.20	5.39	
Cash Flow	Cash flow ratio (%)	59.03	76.82	60.53	36.11	25.70	
	Cash flow adequacy ratio (%)	86.32	230.48	254.31	53.64	57.42	
	Cash reinvestment ratio (%)	7.03	5.95	10.87	5.23	2.68	
Degree of leverages	Degree of operating leverage (DOL)	1.57	1.78	2.73	2.40	2.39	
	Degree of financial leverage (DFL)	1.08	1.16	1.28	1.23	1.11	

Note: All financial ratios have been calculated according to the financial statement audited and approved by the accountant.

Financial analysis calculation formula is as follows:

1. Financial structure

(1) Liability to asset ratio = Total liabilities / Total assets.

(2) Long-term funds to fixed asset ratio = (Net shareholders' equity + long-term liabilities) / Net fixed assets.

2. Debt-paying ability

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current asset – inventories) / Current liabilities.

(3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.

3. Operating ability

(1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).

(2) Average collection days = 365 / Receivables turnover ratio.

(3) Inventory turnover ratio = Cost of sales / Average inventory value.

(4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).

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

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

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

4. Return on investments

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

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

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

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

5. Cash flow

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

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

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

6. Degrees of leverage

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

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

3. Supervisor's review report on the 2015 Accounting List (as in Pg. 101)

4. The most recent annual accountant audit report, financial report, and notes:

Please read Pg. 103.–Pg. 109.

5. Company-only financial report audited and attested by a CPA from the most recent year

Please read Pg. 110.–Pg. 115.

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

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

1. Financial condition

Review and analysis of financial status

(1) Financial status analysis table—consolidated

Unit: Thousand NT\$

Item \ Year	end of 2015	end of 2014	Difference	
			monetary amount	%
Current assets	3,099,675	2,668,796	430,879	16.15
Property, plant, and equipment	2,054,428	1,864,367	190,061	10.19
Intangible assets	24	171	(147)	(85.96)
Other assets	230,700	370,349	(139,649)	(37.71)
Total assets	5,384,827	4,903,683	481,144	9.81
Current liability	1,898,557	1,805,950	92,607	5.13
Non-current liability	822,811	752,475	70,336	9.35
Total liabilities	2,721,368	2,558,425	162,943	6.37
Capital from common stock	726,000	726,000	0	0.00
Capital reserve	453,467	453,467	0	0.00
Retained earnings	1,399,382	1,027,393	371,989	36.21
Other equity	84,610	138,398	(53,788)	(38.86)
Total stockholders' equities	2,663,459	2,345,258	318,201	13.57
<p>Main reasons for significant changes in assets, liabilities and shareholders' equity items within the last two years (changes over 10% between the first and second period, and change amount reaches NT\$10 million), its effects, and future response plans:</p> <p>(1) Current assets: because net profit increased in 2015, cash, cash equivalents, and accounts receivable increased. This was also caused in part by response to the 2016 operating scale, in which the Company's safe stock amount must be maintained, and raw material procurement increased compared to the last period.</p> <p>(2) Real estate, plant, and equipment: mainly involves the Pinghu four-phase plant project and the addition of the hot air nonwoven fabric machine production line. The production line is complete and will enter mass production in the fourth quarter.</p> <p>(3) Other assets: Pinghu factory's newly added hot air nonwoven fabric machine production line has been changed to property, plant and equipment.</p> <p>(4) Retained earnings: mainly the result of combining this period's company earnings increase.</p> <p>(5) Other equity: mainly caused by decrease in RMB exchange rate. This caused foreign operating agency's financial statement foreign currency conversion to decrease.</p> <p>The changes mentioned above are normal operation changes and have no significant effect on this Company's finances.</p>				

(2) Financial status analysis form—individual

Unit: Thousand NT\$

Item \ Year	end of 2015	end of 2014	Difference	
			Sum	%
Current assets	1,231,510	1,045,160	186,350	17.83
Adopt the equity method in	2,436,232	2,116,286	319,946	15.12

Item \ Year	end of 2015	end of 2014	Difference	
			Sum	%
investments				
Property, plant, and equipment	286,263	274,002	12,261	4.47
Other assets	112,898	92,111	20,787	22.57
Total assets	4,066,903	3,527,559	539,344	15.29
Current liability	895,428	786,083	109,345	13.91
Non-current liability	508,016	396,218	111,798	28.22
Total liabilities	1,403,444	1,182,301	221,143	18.70
Capital from common stock	726,000	726,000	0	0.00
Capital reserve	453,467	453,467	0	0.00
Retained earnings	1,399,382	1,027,393	371,989	36.21
Other equity	84,610	138,398	(53,788)	(38.86)
Total stockholders' equities	2,663,459	2,345,258	318,201	13.57
<p>Main reasons for significant changes in assets, liabilities and shareholders' equity items within the last two years (changes over 10% between the first and second period, and change amount reaches NT\$10 million), its effects, and future response plans:</p> <ol style="list-style-type: none"> (1) Current assets: because net profit increased in 2015, cash, cash equivalents, and accounts receivable also increased. This was also caused in part by response to the 2016 operating scale, in which the Company's safe stock amount must be maintained, and raw material procurement increased compared to the last period. (2) Investment with the equity method: primarily because the Nanliu Enterprise reinvestment income was recognized. (3) Other assets: the parent company's spunlace production line components have reached their regular time for change. Thus, relevant equipment advance payment increased. (4) Current liabilities: the original long-term borrowings have entered the beginning years of repayment of principal. This has caused an increase in long-term borrowings within a year. The growth of the Company's operating scale has also increased the relevant short-term operating working capital loan compared to the last period. (5) Non-current liabilities: increase caused mainly by signing long-term financing credit loan with banks in response to the Company's long-term investment plan. (6) Retained earnings: mainly attributed to increase from this period's profit and recognizing reinvestment income. (7) Other equity: mainly caused by the change in the RMB exchange rate, which caused a decrease in foreign operating agency's financial statement foreign currency conversion. <p>The changes mentioned above are normal operation changes and have no significant effect on this Company's finances.</p>				

2. Operating results

(1) Comparative analysis of operating results—consolidated

Unit: Thousand NT\$

Item \ Year	2015	2014	Increase (decrease) amount	Proportion of the changes (%)
Operating cost	4,725,558	4,304,554	421,004	9.78
Gross profit	1,196,643	1,039,437	157,206	15.12
Operating expenses	445,999	440,649	5,350	1.21

Item	Year		Increase (decrease) amount	Proportion of the changes (%)
	2015	2014		
Net operating profit	750,644	598,788	151,856	25.36
Non-operating income and	26,995	(2,831)	29,826	1,053.55
Continuing business	777,639	595,957	181,682	30.49
Income tax expense	196,208	175,805	20,403	11.61
Continuing business	581,431	420,152	161,279	38.39
Other comprehensive gain or	(59,950)	88,275	(148,225)	(167.91)
Total combined gain/loss for	521,481	508,427	13,054	2.57
<p>Analysis and description of percentage change that exceeds 20% and the amount that exceeds NT\$10 million:</p> <p>(1) Net operating profit and net profit before taxes: this period's orders have grown, and raw material costs have been more stable than the previous year. Thus, the overall profit increased compared to the last period.</p> <p>(2) Non-operating income and expenditure: the RMB to USD exchange rate changed at the Pinghu factory, which caused the exchange interest to increase for this period.</p> <p>(3) Other combined gains/losses: the change in the RMB exchange rate during this period caused a decrease in foreign operating agency's financial statement foreign currency conversion.</p> <p>The changes mentioned above are normal operation changes and have no significant effect on this Company's finances.</p>				

(2) Comparative analysis of operating results—individual

Unit: Thousand NT\$

Item	Year		Increase (decrease) amount	Proportion of the changes (%)
	2015	2014		
Net operating revenue	3,154,206	2,746,554	407,652	14.84
Operating costs (note)	2,645,488	2,305,338	340,150	14.75
Operating gross profit (note)	508,718	441,216	67,502	15.30
Operating expenses	200,041	193,350	6,691	3.46
Net operating profit	308,677	247,866	60,811	24.53
Non-operating income (expenditure)	353,211	241,013	112,198	46.55
Continuing business department income before income tax	661,888	488,879	173,009	35.39
Income tax expense	80,457	68,727	11,730	17.07
Continuing business department post-tax net profit	581,431	420,152	161,279	38.39
Other comprehensive gain or loss	(59,950)	88,275	(148,225)	(167.91)
Total combined gain/loss for this year	521,481	508,427	13,054	2.57

Item	Year	2015	2014	Increase (decrease) amount	Proportion of the changes (%)
(Note) include unrealized sales (interest) from associated companies.					
Analysis and description of percentage change that exceeds 20% and amount that exceeds NT\$10 million:					
(1) Operating net profit and net profit before taxes: this period's orders have grown, and raw material costs have been more stable than the previous year. Thus, the overall profit increased compared to the last period.					
(2) Non-business income (expenditure): recognized reinvestment interests.					
(3) Other combined (losses) gains: the change in the RMB exchange rate during this period caused a decrease in foreign operating agency's financial statement foreign currency conversion.					
The changes mentioned above are normal operation changes and have no significant effect on this Company's finances.					

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

3. Cash flow

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

Unit: Thousand NT\$

Items	2015	2014	Changes
Net cash flow from operating activities	628,283	523,638	19.98%
Net cash flow from investing activities	(363,080)	(370,164)	1.91%
Net cash flow from financing activities	(68,345)	(251,755)	72.85%
Data source: financial statements audited and certified by accountants			
Analysis of the changes in cash flow this year:			
(1) Net cash inflow from operating activities increased by NT\$104.625 million. This was mainly from 2015 net profit increases and the Company's change of the deposit period to 3 months (cash and cash equivalent increase at the end of the period).			
(2) Net cash outflow from financing activities decreased by NT\$183.41 million. This was mainly from the previous year's implementation of the 2013 capital increase plan (payback of company loans) and this year's company operating scale expansion (increase in medium- and long-term working capital loan).			

2. Analysis of changes in cash flow for the most recent year—individual

Unit: Thousand NT\$

Items	2015	2014	Changes
Net cash flow from operating activities	321,337	182,868	75.72
Net cash flow from investing activities (out)	(146,768)	(158,934)	(7.65)
Net cash inflow from financing activities (out)	(34,008)	(38,712)	(12.15)
Data source: financial statements audited and certified by accountants			
Analysis of the changes in cash flow this year:			

- (1) Net cash inflow (outflow) generated from investing activities and financing activities. The two periods are approximately the same.
- (3) Net cash inflow from operating activities increased by NT\$138.469 million. This is primarily because purchases in 2015 were concentrated in the fourth quarter (causing accounts payable to increase at the end of the period) and active recovery of accounts receivable.

3. Liquidity improvement program: not applicable.

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

Unit: Thousand NT\$

Cash balance at the beginning of the period A	Expected net cash inflow resulting from business activities throughout the year	Expected cash flows for the year C	Projected cash surplus (deficiency) A+B-C	Remedial measures for expected cash inadequacy	
				Investment plan	Capital increase planned
529,058	602,375	731,316	400,117	—	—
<p>Analysis description:</p> <p>(1) Business activities: expect company profit to continue to grow, resulting in net cash inflow generated by operating activities.</p> <p>(2) Investment activities: build new factory and buy equipment, which results in a net cash outflow from investing activities.</p> <p>(3) Financing activities: repay long- and short-term loans according to the loan contract. Issuing of cash dividend results in financing activity net cash outflow.</p> <p>(4) Remedial measures for projected cash shortfall: as analyzed above, annual cash surplus is expected.</p>					

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

This Company's major capital expenditures for the most recent year include increased reinvestment and operation expansion. The factory area is being expanded, and the funding comes primarily from bank loans and working capital. Thus, there is no significant impact on finances.

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

(1) Reinvestment policy for the most recent year:

This Company's current reinvestment is through a Samoa holding company, and the investment is in the Pinghu City subsidiary company (of a subsidiary company). Because investment in Pinghu, China, was implemented early, the China reinvestment company showed continuing profit growth in 2015 after many years of hard work and development. Strong future domestic Chinese demand is expected, and this Company is maintaining its high manufacturing quality and is appropriately expanding its business scale.

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

31 December 2015

Unit: Thousand NT\$

Reinvestment undertakings	Accumulated remittance Investment amount	Main reason for profits or losses	
		2015 investment interest	Details
NANLIU ENTERPRISE CO., LTD. (SAMOA)	1,383,441	330,268	Operation normal, profit in good condition
Nanliu Enterprise (Pinghu) Ltd.	1,846,701	357,665	Operation normal, profit in good condition

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

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

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

(6) Other important matters: none.

6. Risk management assessment and analysis:

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

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

The Company's 2015 long- and short-term bank loan rates range from 1.20–2.748%. In recent years, market interest rates have been low, which is beneficial to the Company when negotiating financing interest rates. Owing to the unstable global economic situation, there is an international interest rate environment, and it is expected that Taiwan's Central Bank will maintain the current standard for future long-term interest rates. This Company's

Finance Department specialists will periodically or regularly assess bank lending rates and pay attention to changes in the international and domestic financial markets. Finance personnel will also maintain close contact with banks to obtain more favorable lending rates and ample credit.

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

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

① Foreign currency assets and liabilities offset

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

② Collect exchange rate change information at all times to fully grasp exchange rate trends.

This is used to determine the time for converting foreign currency to NT\$ or retained foreign currency in a foreign exchange account.

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

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

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

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

This Company has not engaged in high-risk, highly leveraged investments and has not carried out derivative transactions. Lending to others, endorsements, and guarantees are handled according to policy and response measures set up in the Company's Regulations on Lending to Others and Procedure for Endorsing and Guaranteeing Others.

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

This Company is a professional nonwoven fabric producer and uses this as a core technology. We are gradually crossing over to downstream product applications such as sanitary material, medical supplies and beauty care items to diversify our products. To provide customers with the highest-quality grade of nonwoven products and follow the latest market trends, this Company's research and development team has spared no effort in improving production technology and research. The team has continually developed

sanitary materials and beauty care products according to popular trends to lead the market and obtain opportunities. The Company expects to invest NT\$29.507 million in research and development. Development plans are as follows:

- (1) Nonwoven fabric: medical, surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven fabric, biodegradable environmentally friendly nonwoven material, 3D surface nonwoven fabric, and industrial wipes.
- (2) Biotechnology products: high-quality facial mask, high-quality skincare products, food grade collagen, plant placenta extract, emulsions, liquid cosmetics, and flushable wet towels.

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

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

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

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

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

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

(7) Anticipated benefits of mergers and possible risks:

This Company currently has no plans to acquire another company.

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

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

increase product production benefits.

(9) Purchase or sale concentration risks:

A. Purchase concentration risk:

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

B. Sales concentration risk

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

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

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

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

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

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

- A. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices shall be disclosed. Disclosure includes disputed facts, amount, proceeding starting date, the main parties involved, and present status: none.
- B. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items involving company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of this Company's stock in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices: none.
- C. Company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of this Company's stock that was involved with Securities Exchange Act Article 157 items, and the Company's current handling status, within the

last two years through the printing of this annual report: none.

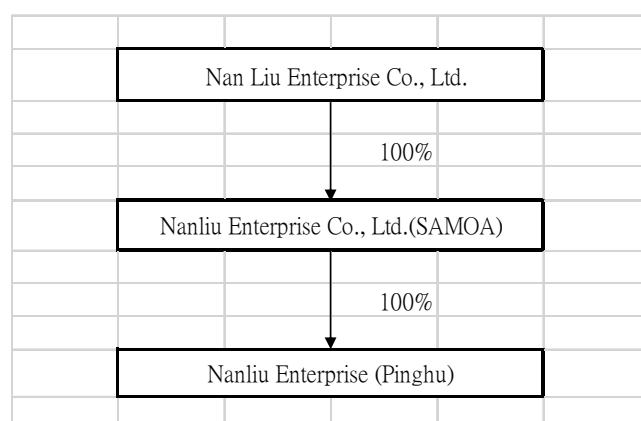
(13) Other important risks and response measures: None.

7. Other important issues: None

Special items to be included:

1. Relevant data on affiliated businesses:

A. Organization structure of affiliated businesses



B. Relationship with affiliated companies and mutual holding of shares

December 31, 2015

Units: 1000 NT\$; 1000 shares

Name of affiliated company	Relationship with this Company	This Company's holding of affiliated company shares			Affiliated company's holding of this Company's shares		
		Percentage of shares	Number of shares	Actual investment amount	Percentage of shares	Number of shares	Actual investment amount
NANLIU ENTERPRISE CO., LTD (SAMOA)	The Company's subsidiary company	100%	44,528	1,383,441	0	0	0
Nanliu Enterprises (Pinghu) Ltd.	Subsidiary company of this Company's subsidiary company	100%	0	1,846,701	0	0	0

C. Affiliated company consolidated financial statements:

For 2015 (January 1 to December 31, 2015), affiliated businesses of this Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by International Financial Reporting Standards No. 7. All information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated

financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated businesses were not generated separately.

2. Privately placed securities handling status in the past year through the printing of this annual report shall disclose the date and amount passed by the shareholders' meeting or the Board of Directors, price setting basis and rationale, selection method for specific people, necessary reason for organizing private placement, and the completion of the fund application plan after monies and proceeds are fully collected. Fund application status in privately placed securities and plan implementation progress: no such situation.
3. Holding or disposal of subsidiary company shares in the last year through the publication date of this report. None
4. Legal penalization of this Company, penalization of internal personnel by this Company, major deficiencies, and improved situation within the last year through the printing of this annual report: none
5. Other supplemental items that must clarified: None.

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

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

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.



揚智聯合會計師事務所
YANGTZE CPAS & CO.
<http://www.yzcpa.com.tw>

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 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
		4、6(13)、7			
5000	Cost of goods sold	(4,725,558)	(79.79)	(4,304,554)	(80.55)
		6(4)			
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
		6(14)			
7050	Finance costs	(24,456)	(0.42)	(23,782)	(0.45)
		6(14)			
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)
		4、6(10)			
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
		6(9)			
8349	Income tax (expense) related to components of the comprehensive income	1,262	0.02	(320)	(0.01)
		6(10)			
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
		6(11)			
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
Cash flows from operating activities		
Consolidated Profit before income tax	777,639	\$ 595,957
Adjustments for :		
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 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)
Changes in operating assets and liabilities		
(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	<u>(363,080)</u>	<u>(370,164)</u>
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	<u>(68,345)</u>	<u>(251,755)</u>
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	<u>\$ 529,058</u>	<u>\$ 339,335</u>

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



揚智聯合會計師事務所
YANGTZE CPAS & CO.
<http://www.yzcpa.com.tw>

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

(Continued)

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

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

Nanliu Enterprise Company Limited and Subsidiaries
for the Years Ended December 31, 2015 and 2014
Notes to Consolidated Financial Statements
Please refer to page 89~133 of the Chinese annual report.

For the Year Ended December 31 ,2015 and 2014
Notes to Parent Company Only Financial Statements
Please refer to page 140~183 of the Chinese annual report.