

**TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three Months Ended March 31, 2016 and 2015**

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*Notice to readers*

*This English-version consolidated financial statement is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
March 31, 2016, December 31, 2015 and March 31, 2015  
(Numbers as of March 31, 2016 and 2015 are reviewed, not audited)  
(In Thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2016	December 31, 2015	March 31, 2015
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$ 3,678,669	\$ 2,729,235	\$ 3,922,934
Financial assets at fair value through profit or loss, current	4, 6(2)	18,333	19,300	29,088
Notes receivable, net	4, 6(3)	966,232	858,370	906,568
Accounts receivable, net	4, 6(4)	3,183,369	3,647,625	2,992,626
Other receivables		163,464	242,562	423,302
Inventories, net	4, 6(5)	1,277,839	1,116,052	1,211,009
Prepayments		108,257	75,357	150,815
Other current assets	8	162,475	168,108	39,299
Total current assets		9,558,638	8,856,609	9,675,641
<b>Non-current assets</b>				
Financial assets carried at cost, non-current	4, 6(6)	-	-	-
Investments accounted for under the equity method	4, 6(7)	-	-	3,761
Property, plant and equipment	4, 6(8)	2,753,858	2,694,435	2,441,027
Intangible assets	4, 6(9,11)	119,637	119,480	115,692
Deferred income tax assets	4, 6(21)	129,894	125,309	131,745
Other non-current assets	4, 6(10)	82,713	82,874	103,915
Total non-current assets		3,086,102	3,022,098	2,796,140
<b>Total assets</b>		\$ 12,644,740	\$ 11,878,707	\$ 12,471,781

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS-(Continued)  
March 31, 2016, December 31, 2015 and March 31, 2015  
(Numbers as of March 31, 2016 and 2015 are reviewed, not audited)  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	March 31, 2016	December 31, 2015	March 31, 2015
<b>Current liabilities</b>				
Short-term loans	6(12)	\$ 1,640,719	\$ 881,178	\$ 1,130,637
Financial liabilities at fair value through profit or loss, current	4, 6(13)	16,422	-	-
Notes payable		113,396	51,896	83,623
Accounts payable		1,916,680	1,901,621	1,668,297
Other payables		520,399	624,655	451,531
Current tax liabilities	4, 6(21)	128,462	96,804	180,463
Current portion of long-term loans	6(14)	732,851	303,561	125,401
Other current liabilities		27,404	6,317	3,175
Total current liabilities		<u>5,096,333</u>	<u>3,866,032</u>	<u>3,643,127</u>
<b>Non-current liabilities</b>				
long-term loans	6(14)	324,585	888,173	1,679,556
Deferred income tax liabilities	4, 6(21)	195,192	194,169	196,303
Net defined benefit liabilities, non-current	4, 6(15)	112,773	111,009	83,269
Other non-current liabilities	4, 12	47	47	98
Total non-current liabilities		<u>632,597</u>	<u>1,193,398</u>	<u>1,959,226</u>
Total liabilities		<u>5,728,930</u>	<u>5,059,430</u>	<u>5,602,353</u>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(16)			
Common stock		2,042,858	2,042,858	2,042,678
Capital surplus	6(16)	1,447,952	1,447,952	1,447,619
Retained earnings				
Legal capital reserve		611,177	611,177	522,935
Special capital reserve		102,158	102,158	102,158
Unappropriated earnings		2,639,807	2,518,408	2,637,798
Total retained earnings		<u>3,353,142</u>	<u>3,231,743</u>	<u>3,262,891</u>
Other components of equity	4	46,805	61,375	65,543
Treasury stock	6(16)	(98,744)	(98,744)	(98,744)
Total equity attributable to shareholders of the parent		<u>6,792,013</u>	<u>6,685,184</u>	<u>6,719,987</u>
<b>Non-controlling interests</b>	4, 6(16)	<u>123,797</u>	<u>134,093</u>	<u>149,441</u>
Total equity		<u>6,915,810</u>	<u>6,819,277</u>	<u>6,869,428</u>
<b>Total liabilities and equity</b>		<u>\$ 12,644,740</u>	<u>\$ 11,878,707</u>	<u>\$ 12,471,781</u>

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Three Months Ended March 31, 2016 and 2015  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	<u>Three Months Ended March 31</u>	
		<u>2016</u>	<u>2015</u>
Net revenue	4, 6(18)	\$ 2,283,325	\$ 1,904,788
Cost of revenue	4, 6(19)	(1,850,105)	(1,460,478)
Gross profit		<u>433,220</u>	<u>444,310</u>
Unrealized sales profit or loss		(95)	(113)
Gross profit, net		<u>433,125</u>	<u>444,197</u>
Operating expenses	4, 6(19)		
Sales and marketing expenses		(83,194)	(80,096)
General and administrative expenses		(85,088)	(93,060)
Research and development expenses		(48,116)	(48,787)
Total operating expenses		<u>(216,398)</u>	<u>(221,943)</u>
Operating income		<u>216,727</u>	<u>222,254</u>
Non-operating income and expenses	6(20)		
Other income		7,406	12,293
Other gains and losses		(40,857)	(61,571)
Financial costs		(31,510)	(13,571)
Share of profit or loss of associates under the equity method	4, 6(7)	-	(1,894)
Total non-operating income and expenses		<u>(64,961)</u>	<u>(64,743)</u>
Income before income tax		151,766	157,511
Income tax expense	4, 6(21)	(40,589)	(28,643)
Net income of continuing operations		<u>111,177</u>	<u>128,868</u>
Net income		<u>111,177</u>	<u>128,868</u>
Other comprehensive income (loss)	6(20)		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(17,643)	(18,223)
Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently to profit or loss		2,999	3,097
Total other comprehensive income, net of tax		<u>(14,644)</u>	<u>(15,126)</u>
Total comprehensive income		<u>\$ 96,533</u>	<u>\$ 113,742</u>
Net income (loss) attributable to:	4, 6(22)		
Shareholders of the parent		\$ 121,399	\$ 136,069
Non-controlling interests		(10,222)	(7,201)
		<u>\$ 111,177</u>	<u>\$ 128,868</u>
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$ 106,829	\$ 121,068
Non-controlling interests		(10,296)	(7,326)
		<u>\$ 96,533</u>	<u>\$ 113,742</u>
Earnings per share (NT\$)	4, 6(22)		
Earnings per share - basic		<u>\$ 0.60</u>	<u>\$ 0.67</u>
Earnings per share - diluted		<u>\$ 0.60</u>	<u>\$ 0.67</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Three Months Ended March 31, 2016 and 2015  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Others		Total	Non-controlling Interests	
				Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Treasury Stock			
Balance as of January 1, 2015	\$ 2,042,608	\$ 70	\$ 1,447,619	\$ 522,935	\$ 102,158	\$ 2,501,729	\$ 80,544	\$ (98,744)	\$ 6,598,919	\$ 156,767	\$ 6,755,686
Changes in other capital surplus											
Share-based payment	70	(70)							-		-
Net income for the three months ended March 31, 2015						136,069			136,069	(7,201)	128,868
Other comprehensive income (loss) for the three months ended March 31, 2015							(15,001)		(15,001)	(125)	(15,126)
Total comprehensive income	-	-	-	-	-	136,069	(15,001)	-	121,068	(7,326)	113,742
Balance as of March 31, 2015	<u>\$ 2,042,678</u>	<u>\$ -</u>	<u>\$ 1,447,619</u>	<u>\$ 522,935</u>	<u>\$ 102,158</u>	<u>\$ 2,637,798</u>	<u>\$ 65,543</u>	<u>\$ (98,744)</u>	<u>\$ 6,719,987</u>	<u>\$ 149,441</u>	<u>\$ 6,869,428</u>
Balance as of January 1, 2016	\$ 2,042,858	\$ -	\$ 1,447,952	\$ 611,177	\$ 102,158	\$ 2,518,408	\$ 61,375	\$ (98,744)	\$ 6,685,184	\$ 134,093	\$ 6,819,277
Net income for the three months ended March 31, 2016						121,399			121,399	(10,222)	111,177
Other comprehensive income (loss) for the three months ended March 31, 2016							(14,570)		(14,570)	(74)	(14,644)
Total comprehensive income	-	-	-	-	-	121,399	(14,570)	-	106,829	(10,296)	96,533
Balance as of March 31, 2016	<u>\$ 2,042,858</u>	<u>\$ -</u>	<u>\$ 1,447,952</u>	<u>\$ 611,177</u>	<u>\$ 102,158</u>	<u>\$ 2,639,807</u>	<u>\$ 46,805</u>	<u>\$ (98,744)</u>	<u>\$ 6,792,013</u>	<u>\$ 123,797</u>	<u>\$ 6,915,810</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Three Months Ended March 31, 2016 and 2015  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2016	2015
Cash flows from operating activities:		
Income before income tax	\$ 151,766	\$ 157,511
Adjustments:		
Non-cash income and expense items:		
Depreciation	66,231	66,187
Amortization	9,848	10,801
Gain on reversal of bad debt	(22,990)	(11,588)
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	31,050	(9,047)
Interest expense	31,510	13,571
Interest income	(4,428)	(7,297)
Share of profit or loss of associates under the equity method	-	1,894
Gain on disposal of property, plant and equipment	(195)	-
Gain on reversal of impairment loss for non-financial assets	(1,297)	(1,399)
Others	11,087	4,891
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss, current	(13,661)	(4,000)
Increase in notes receivable	(107,862)	(17,069)
Decrease in accounts receivable	548,798	813,683
Decrease (increase) in other receivables	15,711	(248,945)
Increase in inventories	(172,874)	(289,483)
Increase in prepayments	(32,900)	(38,397)
Decrease in other current assets	14,651	1,857
Increase in other non-current assets	(3,170)	(3,232)
Increase (decrease) in notes payable	61,500	(122,116)
Increase in accounts payable	15,059	28,138
Decrease in other payables	(73,378)	(130,168)
Increase (decrease) in other current liabilities	21,087	(12,806)
Increase in net defined benefit liabilities	1,764	1,796
Increase in other non-current liabilities	-	32
Cash generated from operations	<u>547,307</u>	<u>204,814</u>
Interest received	6,263	6,869
Interest paid	(28,919)	(12,866)
Income tax paid	(9,494)	(11,327)
Net cash generated by operating activities	<u>515,157</u>	<u>187,490</u>

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

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)

For the Three Months Ended March 31, 2016 and 2015

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2016	2015
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(164,379)	(93,702)
Disposal of property, plant and equipment	320	-
Increase in refundable deposits	(1,011)	-
Decrease in refundable deposits	-	17,750
Acquisition of intangible assets	(5,853)	(4,124)
Increase in other current assets - other financial assets, current	(8,871)	-
Decrease in other current assets - other financial assets, current	-	26,456
Net cash used in investing activities	(179,794)	(53,620)
 Cash flows from financing activities:		
Increase in short-term loans	759,541	-
Decrease in short-term loans	-	(88,335)
Increase in long-term loans	-	480,649
Repayment of long-term loans	(134,298)	-
Net cash provided by financing activities	625,243	392,314
 Effect of exchange rate changes on cash and cash equivalents	(11,172)	(9,695)
Net increase in cash and cash equivalents	949,434	516,489
Cash and cash equivalents at beginning of period	2,729,235	3,406,445
Cash and cash equivalents at end of period	\$ 3,678,669	\$ 3,922,934

(Concluded)

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



TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2016 and 2015 and the Year Ended December 31, 2015  
(Numbers for the Three Months Ended March 31, 2016 and 2015 are Reviewed, not Audited)  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

Taiflex Scientific Company Limited (“the Company”) was incorporated in Republic of China (R.O.C.) in August, 1997 at No.1, Huanqu 3rd Rd., Kaohsiung Export Processing Zone, Kaohsiung City, Taiwan. The Company’s principal products consist of flexible copper-clad laminate, cover layer and PV module backsheet.

The shares of the Company commenced trading on Taiwan’s Over-the-Counter Market on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three months ended March 31, 2016 and 2015 were approved and authorized for issue in the Board of Directors’ meeting on April 28, 2016.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) The Group has adopted the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) which are endorsed by Financial Supervisory Commission (FSC) and take effect for annual periods beginning on January 1, 2015. Except for the nature and impact of the following new or amended standards, the Group believes that the first-time adoption of other standards and interpretations does not have a significant effect on the consolidated financial statements.

A. IAS 19 “Employee Benefits”

Major changes in the accounting treatment of defined benefit plan due to amendments to IAS 19 are summarized as follows:

(a) The amended IAS 19 replaces interest cost and expected return on plan assets with the net interest on the net defined benefit liability (asset). The net interest is calculated by multiplying the net defined benefit liability (asset) by the discount rate. The discount rate is determined at the start of the annual period;

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Reviewed, not Audited)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) In the previous version of IAS 19, past service cost is recognized as an expense immediately to the extent that the benefits are already vested, or on a straight-line basis over the average period until the benefits become vested. Under the amended IAS 19, all past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. Therefore, unvested past service cost is no longer deferred over future vesting periods.

(c) The amended IAS 19 requires more disclosures. Please refer to Note 6 for details.

B. IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 integrates disclosure standards from various IFRSs and requires disclosure of information on an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

C. IFRS 13 “Fair Value Measurement”

IFRS 13 defines fair value, provides a framework for measuring fair value and regulates disclosure regarding fair value measurement. Upon evaluation, the adoption of IFRS 13 has not had any material impact on the Group’s financial conditions and operational results and the Group will increase disclosures regarding fair value measurement accordingly.

IFRS 13 also requires additional disclosure which is provided in the separate notes of the fair values of assets and liabilities. Information of fair value hierarchy is provided in Note 12. Pursuant to the transitional requirement of IFRS 13, the Group adopted the standard prospectively from January 1, 2015. Disclosure does not apply to comparative information provided before January 1, 2015.

D. IAS 1 “Presentation of Financial Statements” – presentation of items of other comprehensive income

Pursuant to the amendment of IAS 1, the Group has categorized items of other comprehensive income based on whether or not they will subsequently be reclassified to profit or loss. This amendment does not have any material impact on the recognition or measurement of the Group’s financial statements. It only affects the presentation of statements of comprehensive income.

(2) As of the date of issuance of the Group’s financial statements, the Group has not adopted the following standards or interpretations issued by International Accounting Standards Board (IASB) but not yet endorsed by FSC:

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Reviewed, not Audited)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
	Improvements to IFRS (2010-2012 cycle)	July 1, 2014
	Improvements to IFRS (2011-2013 cycle)	July 1, 2014
	Improvements to IFRS (2012-2014 cycle)	January 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IFRS 11	Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 1	Disclosure Initiative	January 1, 2016
IAS 7	Disclosure Initiative	January 1, 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IAS 16 & 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IAS 19	Defined Benefit Plans: Employee Contributions	July 1, 2014
IAS 36	Impairment of Assets	January 1, 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21	Levies	January 1, 2014
IAS 27	Equity Method in Separate Financial Statements	January 1, 2016
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	-
IAS 16 & 41	Agriculture: Bearer Plants	January 1, 2016
IFRS 10, 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Reviewed, not Audited)  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

For the above standards or interpretations issued by IASB but not yet endorsed by FSC, the dates of initial application will be determined by FSC. Upon evaluation, those new, revised and amended standards and interpretations do not have any material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the three months ended March 31, 2016 and 2015 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting “ endorsed by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

The Group adopts the same preparation principle as the one used in the preparation of consolidated financial statements for the year ended December 31, 2015. Please refer to the consolidated financial statements for the year ended December 31, 2015 for details.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)		
			2016.3.31	2015.12.31	2015.3.31
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%	53.86%

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Reviewed, not Audited)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor	Subsidiary	Main Business	Percentage of ownership (%)		
			2016.3.31	2015.12.31	2015.3.31
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading and technical support of electronic materials	100.00%	-	-
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%	100.00%
TSC	Kunshan Taiflex Electronic Material Co., Ltd (Kunshan Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%
TSC	Taiflex Scientific (Kunshan) Co., Ltd. (Taiflex Kunshan)	Manufacturing and selling of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%
TFS	RICHSTAR Co., Ltd. (RICHSTAR)	Investment holding	100.00%	100.00%	100.00%
RICHSTAR	Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%	—
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	Wholesale and act as a commission agent of electronic materials and components	100.00%	100.00%	100.00%

(Concluded)

- (4) Except for the following accounting policies, the consolidated financial statements for the three months ended March 31, 2016 and 2015 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2015. Please refer to the consolidated financial statements for the year ended December 31, 2015 for a summary of other significant accounting policies.

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Reviewed, not Audited)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

- A. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.
- B. Income tax expense for an interim period is accrued and disclosed by applying the tax rate of forecasted total revenue. In other words, the annual effective tax rate is applied to the income before income tax of the interim period.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The same significant accounting judgments, estimates, and assumptions have been followed in the consolidated financial statements for the three months ended March 31, 2016 and 2015 as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2015. For the summary of significant accounting judgments, estimates, and assumptions, please refer to the consolidated financial statements for the year ended December 31, 2015.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2016	December 31, 2015	March 31, 2015
Cash on hand	\$ 687	\$ 685	\$ 903
Bank deposits	3,677,982	2,728,550	3,922,031
Total	<u>\$ 3,678,669</u>	<u>\$ 2,729,235</u>	<u>\$ 3,922,934</u>

(2) Financial assets at fair value through profit or loss, current

	March 31, 2016	December 31, 2015	March 31, 2015
Held for trading:			
Non-hedging derivative financial assets			
- Forward foreign exchange contracts	\$ —	\$ —	\$ 3,116
Non-derivative financial assets			
- Stocks	18,333	19,300	25,972
Total	<u>\$ 18,333</u>	<u>\$ 19,300</u>	<u>\$ 29,088</u>

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
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(3) Notes receivable, net

	March 31, 2016	December 31, 2015	March 31, 2015
Notes receivable, net	<u>\$ 966,232</u>	<u>\$ 858,370</u>	<u>\$ 906,568</u>

The Group entered into agreements of notes receivable financing with recourse with banks. Notes receivables were used as collateral for short-term loans. Please refer to Note 8 for details.

(4) Accounts receivable, net

	March 31, 2016	December 31, 2015	March 31, 2015
Accounts receivable	\$ 3,429,238	\$ 3,978,775	\$ 3,346,729
Less: allowance for doubtful accounts	(245,869)	(331,150)	(354,103)
Net	<u>\$ 3,183,369</u>	<u>\$ 3,647,625</u>	<u>\$ 2,992,626</u>

A. The credit terms of accounts receivable are generally set on monthly period of 60 to 120 days. The movements in the allowance for impairment of accounts receivable were as follows (please refer to Note 12 for credit risk disclosure):

	March 31, 2016	March 31, 2015
Beginning balance	\$ 331,150	\$ 366,149
Charge (reversal) for the period	(84,542)	(11,588)
Effect of exchange rate changes	(739)	(458)
Ending balance	<u>\$ 245,869</u>	<u>\$ 354,103</u>

B. Ageing analysis of net accounts receivables:

	March 31, 2016	December 31, 2015	March 31, 2015
Neither past due nor impaired	<u>\$ 2,181,027</u>	<u>\$ 2,722,094</u>	<u>\$ 1,809,897</u>
Past due but not impaired			
≤ 120 days	512,809	563,566	741,350
121 to 180 days	215,797	162,989	295,524
≥ 181 days	273,736	198,976	145,855
Total	<u>\$ 3,183,369</u>	<u>\$ 3,647,625</u>	<u>\$ 2,992,626</u>

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- C. The Group entered into agreements of factoring without recourse with banks. The banks would engage in factoring with respect to accounts receivable selected. The information of factoring transactions was as follows:

March 31, 2016			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US\$ 17,492 thousand	US\$ 17,482 thousand	Without recourse	US\$ 10 thousand (NT\$ 344 thousand)

December 31, 2015			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US\$ 22,186 thousand	US\$ 22,149 thousand	Without recourse	US\$ 37 thousand (NT\$ 1,204 thousand)

March 31, 2015			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US\$ 17,002 thousand	US\$ 16,966 thousand	Without recourse	US\$ 36 thousand (NT\$ 1,131 thousand)

(5) Inventories, net

	March 31, 2016	December 31, 2015	March 31, 2015
Raw materials	\$ 445,930	\$ 217,615	\$ 425,341
Inventories in transit	70,318	301,162	85,523
Supplies	3,570	3,821	3,564
Work in process	180,449	100,000	73,548
Finished goods	381,482	348,697	474,486
Merchandise	196,090	144,757	148,547
Total	\$ 1,277,839	\$ 1,116,052	\$ 1,211,009



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Expenses or income recognized were as follows:

	Three months ended March 31	
	2016	2015
Cost of inventories sold	\$ 1,842,816	\$ 1,458,585
Loss on net realizable value of inventories	6,493	1,897
Loss on inventory write-off	4,594	2,994
Revenue from sale of scraps	(3,798)	(2,998)
Cost of revenue	<u>\$ 1,850,105</u>	<u>\$ 1,460,478</u>

(6) Financial assets measured at cost, non-current

	March 31, 2016	December 31, 2015	March 31, 2015
Stocks	\$ 6,600	\$ 6,600	\$ 6,600
Less: accumulated impairment	(6,600)	(6,600)	(6,600)
Net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(7) Investments accounted for under the equity method

Investees	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	Percentage of ownership	Amount	Percentage of ownership	Amount	Percentage of ownership
Investments in associates:						
Innovision FlexTech Corp.	\$ 31,518	16.72%	\$ 31,518	16.72%	\$ 35,279	19.87%
Less: accumulated impairment - Innovision FlexTech Corp.	(31,518)		(31,518)		(31,518)	
Net	<u>\$ —</u>		<u>\$ —</u>		<u>\$ 3,761</u>	

A. The shares of profit or loss of the associate accounted for under the equity method based on the unaudited financial statements of the investee for the three months ended March 31, 2016 and 2015 were as follows:

Investees	Three Months Ended March 31	
	2016	2015
Innovision FlexTech Corp.	<u>\$ —</u>	<u>\$ (1,894)</u>

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B. In 2007, the Group invested in Innovision FlexTech Corp. (Innovision), which mainly engages in the manufacturing and selling of electronic materials, for NT\$110,600 thousand and acquired 92.17% of ownership. The Company's ownership in Innovision reduced to 20.52% in July 2008. As a result, Innovision was no longer consolidated and the profit or loss was accounted for using the equity method. The Group acquired additional shares of Innovision by cash in February 2014. Upon completion of the acquisition, the Group increased its shareholding percentage from 20.52% to 22.83%. In October 2014, the Group did not participate in the capital increase of Innovision. As a result, the shareholding percentage reduced to 19.87%. Since December 2015, the Group did not participate in the capital increase of Innovision. As a result, the shareholding percentage reduced to 16.72%. The Group evaluated and concluded that it still has significant influence over Innovision, thus, this investment of the Group used the equity method for evaluation.

C. The summarized financial information of the Group's investments in associates was as follows:

	March 31, 2016	December 31, 2015	March 31, 2015												
Total assets	\$ 218,086	\$ 226,938	\$ 194,781												
Total liabilities	\$ 36,409	\$ 39,950	\$ 20,925												
<table style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="width: 40%;"></th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Three Months Ended March 31</th> </tr> <tr> <th></th> <th style="text-align: center; border-bottom: 1px solid black;">2016</th> <th style="text-align: center; border-bottom: 1px solid black;">2015</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">\$ 15,665</td> <td style="text-align: right;">\$ 8,695</td> </tr> <tr> <td>Net loss</td> <td style="text-align: right;">\$ (5,311)</td> <td style="text-align: right;">\$ (9,531)</td> </tr> </tbody> </table>					Three Months Ended March 31			2016	2015	Revenue	\$ 15,665	\$ 8,695	Net loss	\$ (5,311)	\$ (9,531)
	Three Months Ended March 31														
	2016	2015													
Revenue	\$ 15,665	\$ 8,695													
Net loss	\$ (5,311)	\$ (9,531)													

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(8) Property, plant and equipment

	March 31, 2016	December 31, 2015	March 31, 2015
Land	\$ 100,843	\$ 100,843	\$ 100,843
Buildings	1,022,404	1,042,055	1,076,514
Machinery and equipment	842,635	820,598	774,554
Hydropower equipment	101,769	106,580	116,146
Testing equipment	88,692	83,410	72,697
Miscellaneous equipment	44,843	49,244	54,094
Construction in progress and equipment awaiting inspection	552,672	491,705	246,179
Net	<u>\$ 2,753,858</u>	<u>\$ 2,694,435</u>	<u>\$ 2,441,027</u>

	As of January 1, 2016	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of March 31, 2016
<u>Cost</u>							
Land	\$ 100,843	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,843
Buildings	1,396,219	847	—	—	—	(4,694)	1,392,372
Machinery and equipment	2,261,959	103	—	58,905	—	(3,791)	2,317,176
Hydropower equipment	359,000	—	—	—	—	(1,180)	357,820
Testing equipment	179,198	1,872	(383)	6,911	—	(209)	187,389
Miscellaneous equipment	254,072	860	(2,254)	87	—	(719)	252,046
Total	<u>\$ 4,551,291</u>	<u>\$ 3,682</u>	<u>\$ (2,637)</u>	<u>\$ 65,903</u>	<u>\$ —</u>	<u>\$ (10,593)</u>	<u>\$ 4,607,646</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 354,164	\$ 16,911	\$ —	\$ —	\$ —	\$ (1,107)	\$ 369,968
Machinery and equipment	1,441,361	35,699	—	(280)	—	(2,239)	1,474,541
Hydropower equipment	252,420	4,284	—	—	—	(653)	256,051
Testing equipment	95,788	3,152	(383)	280	—	(140)	98,697
Miscellaneous equipment	204,828	6,185	(1,986)	—	(1,297)	(527)	207,203
Total	<u>\$ 2,348,561</u>	<u>\$ 66,231</u>	<u>\$ (2,369)</u>	<u>\$ —</u>	<u>\$ (1,297)</u>	<u>\$ (4,666)</u>	<u>\$ 2,406,460</u>
Construction in progress and equipment awaiting inspection	491,705	127,227	—	(66,247)	—	(13)	552,672
Net	<u>\$ 2,694,435</u>						<u>\$ 2,753,858</u>

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	As of January 1, 2015	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of March 31, 2015
<u>Cost</u>							
Land	\$ 100,843	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,843
Buildings	1,384,840	464	—	784	—	(5,131)	1,380,957
Machinery and equipment	2,114,994	1,780	—	—	—	(3,903)	2,112,871
Hydropower equipment	358,438	204	—	476	—	(1,285)	357,833
Testing equipment	149,657	2,497	—	11,585	—	(212)	163,527
Miscellaneous equipment	249,167	918	—	277	—	(751)	249,611
Total	<u>\$ 4,357,939</u>	<u>\$ 5,863</u>	<u>\$ —</u>	<u>\$ 13,122</u>	<u>\$ —</u>	<u>\$ (11,282)</u>	<u>\$ 4,365,642</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 288,665	\$ 16,612	\$ —	\$ —	\$ —	\$ (834)	\$ 304,443
Machinery and equipment	1,304,576	35,597	—	—	—	(1,856)	1,338,317
Hydropower equipment	237,335	4,909	—	—	—	(557)	241,687
Testing equipment	88,398	2,546	—	—	—	(114)	90,830
Miscellaneous equipment	190,835	6,523	—	—	(1,399)	(442)	195,517
Total	<u>\$ 2,109,809</u>	<u>\$ 66,187</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,399)</u>	<u>\$ (3,803)</u>	<u>\$ 2,170,794</u>
Construction in progress and equipment awaiting inspection	174,607	84,993	—	(13,167)	—	(254)	246,179
Net	<u>\$ 2,422,737</u>						<u>\$ 2,441,027</u>

(9) Intangible assets

	March 31, 2016	December 31, 2015	March 31, 2015
Trademarks	\$ 191	\$ 221	\$ 124
Patents	14,894	16,903	19,891
Software cost	34,771	32,575	25,896
Goodwill	69,781	69,781	69,781
Total	<u>\$ 119,637</u>	<u>\$ 119,480</u>	<u>\$ 115,692</u>

	As of January 1, 2016	Additions	Reclassification	Effect of exchange rate changes	As of March 31, 2016
<u>Cost</u>					
Trademarks	\$ 372	\$ —	\$ —	\$ —	\$ 372
Patents	39,233	624	—	—	39,857
Software cost	93,511	5,229	(175)	(112)	98,453
Goodwill	69,781	—	—	—	69,781
Total	<u>\$ 202,897</u>	<u>\$ 5,853</u>	<u>\$ (175)</u>	<u>\$ (112)</u>	<u>\$ 208,463</u>

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	As of January 1, 2016	Additions	Reclassification	Effect of exchange rate changes	As of March 31, 2016
<u>Accumulated</u>					
<u>Amortization and</u>					
<u>impairment</u>					
Trademarks	\$ 151	\$ 30	\$ —	\$ —	\$ 181
Patents	22,330	2,633	—	—	24,963
Software cost	60,936	2,816	—	(70)	63,682
Total	83,417	\$ 5,479	\$ —	\$ (70)	88,826
Net	<u>\$ 119,480</u>				<u>\$ 119,637</u>

	As of January 1, 2015	Additions	Reclassification	Effect of exchange rate changes	As of March 31, 2015
<u>Cost</u>					
Trademarks	\$ 269	\$ —	\$ —	\$ —	\$ 269
Patents	38,526	—	—	—	38,526
Software cost	75,515	4,124	(320)	(84)	79,235
Goodwill	69,781	—	—	—	69,781
Total	<u>\$ 184,091</u>	<u>\$ 4,124</u>	<u>\$ (320)</u>	<u>\$ (84)</u>	<u>\$ 187,811</u>

Accumulated  
Amortization and  
impairment:

Trademarks	\$ 126	\$ 19	\$ —	\$ —	\$ 145
Patents	16,094	2,541	—	—	18,635
Software cost	50,785	2,608	—	(54)	53,339
Total	67,005	\$ 5,168	\$ —	\$ (54)	72,119
Net	<u>\$ 117,086</u>				<u>\$ 115,692</u>

(Concluded)

(10) Other non-current assets

	March 31, 2016	December 31, 2015	March 31, 2015
Long-term prepaid rent (Land use rights)	\$ 23,110	\$ 23,468	\$ 23,992
Refundable deposits	18,128	17,116	22,790
Other non-current assets - other	41,475	42,290	57,133
Total	<u>\$ 82,713</u>	<u>\$ 82,874</u>	<u>\$ 103,915</u>

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(11) Impairment testing of goodwill

Goodwill acquired through business combinations had been allocated to each of the CGUs, which were expected to benefit from synergies. Impairment evaluation of recoverable amount of goodwill was conducted at each year end. The recoverable amount of the CGU had been determined based on value-in-use which was calculated using cash flow projections from financial budgets approved by management covering a five-year period discounted at a pre-tax rate. The projected cash flows had been updated to reflect the change in demand for relevant products. As a result of the analysis, the Group did not identify any impairment for goodwill of NT\$ 69,781 thousand.

Key assumptions used in value-in-use calculations

Discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU (including the time value of money and the risks specific to the asset not included in the future cash flow estimates). The Group used the pre-tax discount rate to reflect the relevant specific risk in the operating segment.

Sensitivity to changes in assumptions

The Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(12) Short-term loans

	March 31, 2016	December 31, 2015	March 31, 2015
Unsecured bank loans	\$ 1,379,578	\$ 881,178	\$ 1,130,637
Secured bank loans	261,141	—	—
Total	<u>\$ 1,640,719</u>	<u>\$ 881,178</u>	<u>\$ 1,130,637</u>

The interest rates of loans ranged from 0.54% to 5.66%, 0.55% to 3.03% and 0.52% to 2.76% as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively.

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(13) Financial liabilities at fair value through profit or loss, current

	March 31, 2016	December 31, 2015	March 31, 2015
Held for trading:			
Non-hedging derivative financial liabilities			
- Forward foreign exchange contracts	\$ 16,422	\$ —	\$ —

(14) Long-term loans

	March 31, 2016	December 31, 2015	March 31, 2015
Secured loans	\$ 74,528	\$ 77,094	\$ 84,694
Revolving loans	278,144	387,188	782,838
Syndicated loans	710,204	727,452	939,000
Total	1,062,876	1,191,734	1,806,532
Less: current portion	(732,851)	(303,561)	(125,401)
Less: unamortized syndicated loan fee	(5,440)	—	(1,575)
Net	\$ 324,585	\$ 888,173	\$ 1,679,556

A. The interest rates of loans ranged from 1.34% to 2.10%, 1.22% to 2.10% and 1.02% to 2.17% as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively.

B. Please refer to Note 8 for collateral of those long-term loans.

C. In January 2012, the Group entered into a syndicated loan agreement with eight lending institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$ 1.8 billion dollars or the equivalent in U.S. dollars. The credit term of the agreement was mid-term loans - current. The terms and conditions of the agreement were as follows:

- (a) The contract term is three years from the initial draw-down date, i.e. March 21, 2012 to March 21, 2015. The Group may apply for a 2-year extension 6 months before the maturity date. In August 2014, the Group entered into the first addendum to the syndicated loan agreement with eight lending institutions (the crediting banks), including the Bank of Taiwan. The contract stated that the crediting banks agreed to the 2-year credit extension of contract term and the term was extended to March 21, 2017.
- (b) During the loan term, the Group is required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited

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by CPAs every six months: current ratio, liability ratio, interest coverage ratio and tangible net value.

D. In January 2016, the Group entered into a syndicated loan agreement with ten lending institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$ 2.5 billion dollars or the equivalent in U.S. dollars. The credit term of the agreement was mid-term loans - current. The terms and conditions of the agreement were as follows:

(a) The contract term is five years from the initial draw-down date. The Group may apply for a 2-year extension 6 months before the maturity date.

(b) During the loan term, the Group is required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, liability ratio, interest coverage ratio and tangible net value.

E. The Company entered into a mid-term revolving loan agreement with the Shanghai Commercial & Savings Bank on May 7, 2015. The credit line amounted to NT\$ 300 million.

F. The Company entered into a mid-term revolving loan agreement with the China Development Industrial Bank on October 30, 2014. The credit line amounted to NT\$ 300 million. The China Development Industrial Bank transferred its claims to KGI Bank on May 4, 2015.

G. The Company entered into a mid-term revolving loan agreement with the Export-Import Bank of the ROC on June 5, 2015. The credit line amounted to US\$ 4.8 million.

H. The Company entered into a mid-term revolving loan agreement with the Far Eastern International Bank on September 17, 2015. The credit line amounted to NT\$ 200 million.

(15) Post-employment benefits

A. Defined contribution plan

Expenses under the defined contribution plan for the three months ended March 31, 2016 and 2015 were NT\$ 5,470 thousand and NT\$ 4,853 thousand, respectively.

B. Defined benefits plan

Expenses under the defined benefits plan for the three months ended March 31, 2016 and 2015 were NT\$ 2,533 thousand and NT\$ 2,081 thousand, respectively.



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(16)Equity

A. Capital

- (a) The Company's authorized capital was NT\$ 3,000,000 thousand, each at a par value of NT\$ 10, divided into 300,000 thousand shares (including 15,000 thousand shares reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants) as of March 31, 2016, December 31, 2015 and March 31 2015.
- (b) The Company's issued capital was NT\$ 2,042,858 thousand, NT\$ 2,042,858 thousand and NT\$ 2,042,678 thousand, each at a par value of NT\$10, divided into 204,286 thousand shares, 204,286 thousand shares and 204,268 thousand shares as of March 31, 2016, December 31, 2015 and March 31 2015, respectively.

B. Capital Surplus

	March 31, 2016	December 31, 2015	March 31, 2015
Additional paid-in capital	\$ 1,062,997	\$ 1,062,997	\$ 1,062,664
Premium from merger	262,500	262,500	262,500
Donated assets	1,970	1,970	1,970
Treasury share transactions	6,937	6,937	6,937
Others	113,548	113,548	113,548
Total	<u>\$ 1,447,952</u>	<u>\$ 1,447,952</u>	<u>\$ 1,447,619</u>

According to laws and regulations, capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The distribution could be made in the form of cash dividends to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury Stock

In accordance with Article 28-2 of the Securities and Exchange Act, the Company repurchased 2,318 thousand treasury stocks from the open market in 2014 for transferring to employees. The repurchase amounted to NT\$ 98,744 thousand. The Company has not transferred those stocks to employees as of March 31, 2016.

Pursuant to the Securities and Exchange Act, the number of shares repurchased cannot exceed ten percent of the shares outstanding and the repurchase amount shall not exceed the

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sum of retained earnings, share premium and realized capital surplus. The shares bought back by the Company for transferring to employees shall be transferred within three years from the buyback date. Shares not transferred within the said time limit shall be deemed as unissued shares and have to be cancelled. Furthermore, treasury shares shall not be pledged as collateral and they do not have shareholders' rights before being transferred.

D. Appropriation of profits and dividend policies

(a) Appropriation of profits

Before amendments were approved by the Board of Directors' meeting on October 27, 2015, the Articles of Incorporation state that current year's earnings, if any, shall be distributed in the following order:

- (i) Deficit compensation;
- (ii) 10% of net profit as legal capital reserves;
- (iii) Special capital reserve appropriated or reversed as stipulated by laws or competent securities authority;
- (iv) For the remaining profits, if any, the Board of Directors shall appropriate in the following manners depending on the financial and economic conditions of current year:
  - i. Bonus to employees shall not be lower than eight percent of the remaining balance after the deductions specified in Paragraphs (i) to (iii) of the Article. The bonus to employees, distributed in cash or shares, shall not exceed fifty percent of current period's net profit when calculated by market price, or fifty percent of current period's net profit combined with the undistributed earnings accumulated during the previous years, whichever is higher. The parties receiving the stock dividends shall include employees in affiliated companies who met certain conditions stipulated by the Board of Directors;
  - ii. Remuneration to directors and supervisors shall not be higher than five percent of the remaining balance after the deductions specified in Paragraphs (i) to (iii) of the Article;  
The shareholders' meeting shall then resolve as to whether the remaining balance combined with the undistributed earnings accumulated during previous years shall be reserved or distributed to the shareholders as dividends. (The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100 percent.)

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According to the amended Articles of Incorporation approved by the Board of Directors' meeting on October 27, 2015, compensation to employees and remuneration to directors and supervisors shall be distributed in accordance with the following percentages when earnings are made during the year. However, if the Company has an accumulated deficit, the profit shall be used to offset the deficit before it can be distributed as compensation to employees and remuneration to directors and supervisors.

- (i) The compensation to employees shall not be lower than five percent of the balance and it can be made in the form of cash or stock. Parties eligible to receive the said compensation shall include employees in affiliated companies who met certain conditions set by the Board.
- (ii) The remuneration to directors and supervisors shall not be higher than four percent of the balance.

However, Article 235-1 of the Company Act, as amended on May 20, 2015, states that compensation to employees shall be distributed based on the company's profitability of the year after all accumulated deficits have been compensated. The above-mentioned compensation to employees can be made in the form of stock or cash by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors. A report of such distribution shall be submitted to the shareholders' meeting. In addition, the Articles of Incorporation shall specify parties eligible to receive the said stock or cash, including employees in affiliated companies who met certain conditions. The Company plans to revise the Articles of Incorporation to be in compliance with the amended Company Act in the 2016 Annual General Meeting.

(b) Dividend policies

The Company shall take into account the environment and development stage of the Company in meeting the needs of capital in the future and establishing long-term financial planning together with satisfying the shareholders' demand for cash.

(c) Special capital reserve

Following the adoption of IFRS, the FSC on April 6, 2012 issued Order No. Jin-Guan-Zheng-Fa-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special capital reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the company has already set aside special capital

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reserve according to the requirements in the preceding point, it shall set aside supplemental special capital reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2016 and 2015, special capital reserve set aside for the first-time adoption of IFRS amounted to NT\$ 102,158 thousand. Furthermore, the Company did not reverse special reserve to retained earnings during the three months ended March 31, 2016 and 2015 as a result of the use, disposal or reclassification of related assets.

The information about the appropriations of 2015 earnings resolved in the Board of Directors' meeting on February 24, 2016 and the appropriations of 2014 earnings approved by the shareholders' meeting on May 28, 2015 was as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2015	2014	2015	2014
Legal capital reserve	\$ 72,986	\$ 88,242	-	-
Cash dividends-common stock	403,936	605,849	\$ 2.00	\$ 3.00
Total	\$ 476,922	\$ 694,091		

In addition, the Board of Directors' meeting on February 24, 2016 resolved to capitalize capital surplus of NT\$ 40,394 thousand for issuance of new shares.

Please refer to Note 6(19) for information about the accrual basis and amounts recognized for compensation (bonus) to employees and remuneration to directors and supervisors.

E. Non-controlling interests (NCI)

	Three Months Ended March 31	
	2016	2015
Beginning balance	\$ 134,093	\$ 156,767
Net loss attributable to NCI	(10,222)	(7,201)
Other comprehensive income attributable to NCI		
Exchange differences arising on translation of foreign operations	(74)	(125)
Ending balance	\$ 123,797	\$ 149,441

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(17) Share-based payment plans

A. The Company issued employee stock options – before January 1, 2008

On November 21, 2007, the Company resolved at the Board of Directors' meeting to issue employee stock options with a total number of 3,000 units. Each unit entitles an optionee to subscribe to one thousand share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. An optionee may exercise the options in accordance with certain schedules as prescribed by the plan two years from the grant date. The expense of compensatory employee stock option plan for the three months ended March 31, 2016 was NT\$0.

There have been no cancellations or modifications to any of the employee stock option plans by March 31, 2016.

	Three Months Ended March 31			
	2016		2015	
Stock options	Options	Weighted average exercise price per share (NT\$)	Options	Weighted average exercise price per share (NT\$)
Outstanding at beginning of period	—	\$ 9.80	8	\$ 12.80
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding at end of period	—	—	8	12.80
Exercisable at end of period	—	—	8	12.80

The information on the aforementioned outstanding employee stock options as of March 31, 2016 and 2015 was as follows:

Date of grant	Weighted average remaining contractual years	
	March 31, 2016	March 31, 2015
2007.12.26	-	0.75

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B. The Company issued employee stock options – after January 1, 2008

On February 25, 2010, the Company resolved at the Board of Directors' meeting to issue employee stock options with a total number of 2,355 units. Each unit entitles an optionee to subscribe to one thousand share of the Company's common stock. The chairperson is authorized by the Board to set the actual grant date. If a consensus was not reached regarding all terms and conditions, the grant date would be the date when consensus for all were reached (April 30, 2010). Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. An optionee may exercise the options in accordance with certain schedules as prescribed by the plan two years from the grant date. The expense of compensatory employee stock option plan for the three months ended March 31, 2016 was NT\$ 0.

There have been no cancellations or modifications to any of the employee stock option plans by March 31, 2016.

	Three Months Ended March 31			
	2016		2015	
	Options	Weighted average exercise price per share (NT\$)	Options	Weighted average exercise price per share (NT\$)
Stock options				
Outstanding at beginning of period	1,002	\$ 39.70	1,022	\$ 43.40
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Expired	(23)	—	—	—
Outstanding at end of period	<u>979</u>	39.70	<u>1,022</u>	43.40
Exercisable at end of period	<u>979</u>	39.70	<u>1,022</u>	43.40

The information on the aforementioned outstanding employee stock options as of March 31, 2016 and 2015 was as follows:

Date of grant	Weighted average remaining contractual years	
	March 31, 2016	March 31, 2015
2010.4.30	2.08	3.08

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(18) Revenue

	Three Months Ended March 31	
	2016	2015
Sale of goods	\$ 2,302,401	\$ 1,921,990
Less: Sales returns and discounts	(19,076)	(17,202)
Total	\$ 2,283,325	\$ 1,904,788

(19) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function Nature	Three Months Ended March 31					
	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	93,546	94,505	188,051	83,846	89,522	173,368
Labor and health insurance	10,407	7,375	17,782	9,960	7,151	17,111
Pension	4,285	3,718	8,003	3,808	3,126	6,934
Other employee benefits expense	9,462	5,329	14,791	7,857	4,586	12,443
Depreciation	61,394	4,837	66,231	58,671	7,516	66,187
Amortization	4,503	5,345	9,848	5,445	5,356	10,801

The Company passed the amended Article of Incorporation in the Board of Directors' meeting on October 27, 2015. According to the amended Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to directors and supervisors shall not be higher than four percent of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors and supervisors based on the above-mentioned ratios. The amended Article of Incorporation will be submitted to 2016 annual shareholder's meeting for approval.

Based on earnings for the period, the Company recognized NT\$ 9,639 thousand and NT\$ 2,892 thousand as compensation to employees and remuneration to directors and supervisors, respectively, as payroll expenses for the three months ended March 31, 2016. If compensation to employees is resolved by the Board to be distributed in shares, the calculation for number of shares is based on the closing price of shares on the day preceding the Board meeting. If amounts resolved in the Board of Directors' meeting differ from the estimates, the difference would be recognized in the profit or loss of the subsequent year.

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The bonus to employees and remuneration to directors and supervisors for the three months ended March 31, 2015 were accrued based on net income for the period, after taking into account factors such as legal capital reserve, and ratios stipulated in the Article of Incorporation. Those estimates were recognized as payroll expenses. If amounts resolved in the Board of Directors' meeting differ significantly from those estimates in the subsequent period, current income would be adjusted. If amounts resolved in the shareholders' meeting differ from those estimates in the subsequent year, the difference would be recognized in the profit or loss of that year. If bonus to employees is resolved to be distributed in shares in the shareholders' meeting, the calculation for number of shares is based on the closing price (after considering the effect of cash and stock dividends) of shares on the day preceding the shareholders' meeting. The Company recognized NT\$ 12,598 thousand and NT\$ 2,729 thousand as bonus to employees and remuneration to directors and supervisors, respectively, for the three months ended March 31, 2015.

On January 28, 2016, the Board of Directors' meeting resolved to pay NT\$ 64,754 thousand and NT\$ 19,426 thousand as compensation to employees and remuneration to directors and supervisors for 2015, respectively, by cash.

There was no significant difference between the actual amount of bonus to employees and remuneration to directors and supervisors paid from the 2014 earnings and the amount recognized as expense in the financial statements for the year ended December 31, 2014.

The information about the compensation (bonus) to employees and remuneration to directors and supervisors resolved or submitted to the meetings of Board of Directors and shareholders is available at the Market Observation Post System website.

(20) Non-operating income and expenses

A. Other income

	Three Months Ended March 31	
	2016	2015
Interest income	\$ 4,428	\$ 7,297
Other income	2,978	4,996
Total	\$ 7,406	\$ 12,293



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B. Other gains and losses

	Three Months Ended March 31	
	2016	2015
Gain on disposal of property, plant and equipment	\$ 195	\$ —
Foreign exchange loss, net	(8,009)	(34,715)
Gain from recovery of impairment	1,297	1,399
Gains (losses) of financial assets (liabilities) at fair value through profit or loss, net	(31,050)	9,047
Other losses	(3,290)	(37,302)
<b>Total</b>	<b>\$ (40,857)</b>	<b>\$ (61,571)</b>

C. Financial costs

	Three Months Ended March 31	
	2016	2015
Interest on borrowings from bank	\$ (31,510)	\$ (13,571)

D. Components of other comprehensive income

For the three months ended March 31, 2016:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	\$ (17,643)	\$ —	\$ (17,643)	\$ 2,999	\$ (14,644)

For the three months ended March 31, 2015:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	\$ (18,223)	\$ —	\$ (18,223)	\$ 3,097	\$ (15,126)

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(21) Income tax

A. The major components of income tax expense (benefit) were as follows:

Income tax expense (benefit) recognized in profit or loss

	Three Months Ended March 31	
	2016	2015
Current income tax expense (benefit):		
Current income tax expense	\$ 41,039	\$ 43,507
Income tax adjustments on prior years	-	2,861
Effect of exchange rate changes	127	2
Deferred tax expense (benefit):		
Deferred income tax benefit relating to origination and reversal of temporary differences	(577)	(17,727)
Total income tax expense	<u>\$ 40,589</u>	<u>\$ 28,643</u>

Income tax recognized in other comprehensive income

	Three Months Ended March 31	
	2016	2015
Deferred tax expense (benefit):		
Exchange differences arising on translation of foreign operations	\$ (2,999)	\$ (3,097)
Income tax relating to components of other comprehensive income	<u>\$ (2,999)</u>	<u>\$ (3,097)</u>

B. Imputation credit information:

	March 31, 2016	December 31, 2015	March 31, 2015
Balance of imputation credit account	<u>\$ 481,641</u>	<u>\$ 481,641</u>	<u>\$ 427,093</u>

The expected creditable ratio for 2015 and the actual creditable ratio for 2014 were 22.34% and 21.54%, respectively.

Pursuant to Article 66-6 of the revised Income Tax Act, the creditable ratio for individual shareholders residing in the territory of the Republic of China is reduced by half. The amendment is effective from January 1, 2015.

C. All of the Company's earnings generated prior to December 31, 1997 have been appropriated.

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D. The assessment of income tax returns:

As of March 31, 2016, the assessment of the income tax returns of the Group in ROC was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2010
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2013

(22) Earnings per share

	Three Months Ended March 31, 2016		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income available to common shareholders of the Company	\$ 121,399	201,968	\$ 0.60
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee compensation – stock	—	265	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 121,399	202,233	\$ 0.60
Three Months Ended March 31, 2015			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income available to common shareholders of the Company	\$ 136,069	201,950	\$ 0.67
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee stock options	—	96	
Employee compensation – stock	—	262	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 136,069	202,308	\$ 0.67

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7. RELATED PARTY TRANSACTIONS

(1) Acquisition of property, plant and equipment

	Acquisition price		
	March 31, 2016	December 31, 2015	March 31, 2015
Other related parties	\$ —	\$ 4,260	\$ —

(2) Compensation to key management personnel

	Three Months Ended March 31	
	2016	2015
Short-term employee benefits	\$ 20,270	\$ 22,252
Post-employment benefits	644	258
Total	\$ 20,914	\$ 22,510

8. PLEGDED ASSETS

The following table lists assets of the Group pledged as collateral:

	Carrying amount			Purpose of pledge
	March 31, 2016	December 31, 2015	March 31, 2015	
Demand deposits (Note)	\$ 135,148	\$ 127,207	\$ 12,454	Collateral for short-term loans
Time deposits (Note)	20,264	20,264	20,150	Customs guarantee
Notes receivable	261,141	—	-	Collateral for short-term loans
Land	100,843	100,843	100,843	Collateral for long-term loans
Buildings	111,125	114,183	122,120	Collateral for long-term loans
Machinery and equipment	—	187	1,874	Collateral for long-term loans
Total	\$ 628,521	\$ 362,684	\$ 257,441	

Note: Those were recognized as other current assets – other.

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9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Details of the Group's unused letters of credit as of March 31, 2016 were as follows:

	<u>L/C Amount</u>	
NTD	NT\$	8,001 thousand
USD	US\$	5,265 thousand
JPY	JPY\$	61,692 thousand

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

<u>Financial assets</u>	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Financial assets at fair value through profit or loss:			
Non-hedging derivative financial assets –			
Forward foreign exchange contracts	\$ —	\$ —	\$ 3,116
Non-derivative financial assets –			
Stocks	18,333	19,300	25,972
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	3,677,982	2,728,550	3,922,031
Receivables	4,313,065	4,748,557	4,322,946
Other financial assets, current	155,412	146,541	32,604

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Financial liabilities

	March 31, 2016	December 31, 2015	March 31, 2015
Financial liabilities at fair value through profit or loss:			
Non-hedging derivative financial liabilities -			
Forward foreign exchange contracts	\$ 16,422	\$ —	\$ —
Financial liabilities at amortized cost:			
Short-term loans	1,640,719	881,178	1,130,637
Payables	2,550,475	2,578,172	2,203,451
Long-term loans (current portion included)	1,057,436	1,191,734	1,804,957

(2) Objectives of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations.

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The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the impact of possible changes in foreign exchange rates on the Group's profit and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates of U.S. dollars and Chinese Yuan.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's variable interest rates for loans.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans.

C. Equity price risk

Equity securities of listed domestic companies held by the Group are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

D. The information of the pre-tax sensitivity analysis was as follows:

For the three months ended March 31, 2016

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign exchange +/- 1%	+/- NT\$ 1,395 thousand
	NTD/CNY Foreign exchange +/- 1%	+/- NT\$ 4,849 thousand
Interest rate risk	Market rate +/- 10 basis points	+/- NT\$ 981 thousand

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For the three months ended March 31, 2015

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign exchange +/- 1%	+/- NT\$ 4,188 thousand
	NTD/CNY Foreign exchange +/- 1%	+/- NT\$ 3,515 thousand
Interest rate risk	Market rate +/- 10 basis points	+/- NT\$ 1,111 thousand

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and various financial instruments).

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance, or by demanding customers with poorer financial condition to provide collateral to reduce their credit risk.

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are domestic and international financial institutions with good credit ratings, thus, no significant default risk is expected.

(5) Liquidity risk management

The Group maintains financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.



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Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>March 31, 2016</u>					
Borrowings	\$ 2,377,863	\$ 260,349	\$ —	\$ 64,236	\$ 2,702,448
Payables	2,550,475	—	—	—	2,550,475
<u>December 31, 2015</u>					
Borrowings	\$ 1,186,369	\$ 821,296	\$ —	\$ 66,877	\$ 2,074,542
Payables	2,578,172	—	—	—	2,578,172
<u>March 31, 2015</u>					
Borrowings	\$ 1,258,888	\$ 1,571,965	\$ 32,943	\$ 74,648	\$ 2,938,444
Payables	2,203,451	—	—	—	2,203,451

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>March 31, 2016</u>					
Inflows	\$ 862,045	\$ —	\$ —	\$ —	\$ 862,045
Outflows	883,166	—	—	—	883,166
Net	\$ (21,121)	\$ —	\$ —	\$ —	\$ (21,121)
<u>December 31, 2015</u>					
Inflows	\$ —	\$ —	\$ —	\$ —	\$ —
Outflows	—	—	—	—	—
Net	\$ —	\$ —	\$ —	\$ —	\$ —
<u>March 31, 2015</u>					
Inflows	\$ —	\$ —	\$ —	\$ —	\$ —
Outflows	—	—	—	—	—
Net	\$ —	\$ —	\$ —	\$ —	\$ —

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following

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methods and assumptions are used by the Group in measuring or disclosing the fair values of financial assets and liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(8) for details.

(7) Derivative financial instruments

As of March 31, 2016, December 31, 2015 and March 31, 2015, the Group's derivative financial instruments that were not eligible for hedge accounting and were outstanding (including forward foreign exchange contracts and embedded derivatives) were listed as follows:

A. Forward foreign exchange contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract period	Contract amount (in thousands)
<u>March 31, 2016</u>		
USD to CNY	2016.3~2016.8	US\$ 26,704/CNY 177,094
<u>March 31, 2015</u>		
USD to CNY	2015.2~2015.5	US\$ 860/CNY 5,410
NTD to JPY	2015.3~2015.11	NT\$ 62,314/JPY 240,000
USD to NTD	2015.1~2015.5	US\$ 7,000/NT\$ 221,591

For the transactions of forward foreign exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there

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will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, significant risk of cash flows is not expected.

B. Forward foreign exchange contracts that were not eligible for hedge accounting and have expired as of the balance sheet date were listed as follows:

Currency	Expiration Period	Contract amount (in thousands)
<u>March 31, 2016</u>		
USD to CNY	2016.1~2016.3	US\$ 30,259/CNY 201,391
<u>December 31, 2015</u>		
USD to CNY	2015.1~2015.6	US\$ 2,420/CNY 15,142
USD to NTD	2014.11~2015.5	US\$ 19,000/NT\$ 595,519
CNY to NTD	2015.12~2015.12	CNY 102,000/NT\$ 511,008
NTD to JPY	2015.3~2015.11	NT\$ 62,314/JPY 240,000
<u>March 31, 2015</u>		
USD to CNY	2015.1~2015.3	US\$ 1,260/CNY 7,866
USD to NTD	2014.11~2015.3	US\$ 12,000/NT\$ 373,928

For the transactions of forward foreign exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, significant risk of cash flows is not expected.

(8) Fair value hierarchy

A. Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities at the measurement date

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs are unobservable inputs for the asset or liability

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated

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at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

B. Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis was disclosed as follows:

	Level 1	Level 2	Level 3	Total
<u>March 31, 2016</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ —	\$ —	\$ —
Stocks	18,333	—	—	18,333
Financial liabilities:				
Forward foreign exchange contracts	—	16,422	—	16,422
<u>December 31, 2015</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$ 19,300	\$ —	\$ —	\$ 19,300
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	—	—	—
<u>March 31, 2015</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 3,116	\$ —	\$ 3,116
Stocks	25,972	—	—	25,972

For the three months ended March 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value hierarchy.

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(9) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the significant financial assets and liabilities denominated in foreign currencies was listed below:

	March 31, 2016			December 31, 2015		
	Foreign currencies (in thousands)	Exchange rate	NTD	Foreign currencies (in thousands)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 98,837	32.2820	\$ 3,190,656	\$ 69,499	33.0660	\$ 2,298,054
CNY	97,868	4.9870	488,068	3,964	5.0310	19,943
HKD	30,951	4.1630	128,849	—	—	—
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 94,517	32.2820	\$ 3,051,198	\$ 75,023	33.0660	\$ 2,480,711
JPY	131,220	0.2871	37,673	495,469	0.2747	136,105
<u>March 31, 2015</u>						
	Foreign currencies (in thousands)	Exchange rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 96,652	31.3000	\$ 3,025,208			
CNY	69,750	5.0440	351,819			
HKD	30,806	4.0360	124,333			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 110,033	31.3000	\$ 3,444,033			
JPY	275,644	0.2604	71,778			

The data above is disclosed based on the carrying amounts in foreign currencies (already translated to functional currencies).

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the three months ended March 31, 2016 and 2015, the Group's foreign exchange gain (loss) amounted to NT\$ (8,009) thousand and NT\$ (34,715) thousand, respectively.

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(10)Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions and investees

- A. Financing provided to others: Please refer to Table 1.
- B. Endorsement/Guarantee provided to others: Please refer to Table 2.
- C. Marketable securities held as of March 31, 2016 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the three months ended March 31, 2016: None.
- E. Acquisition of individual real estate with amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the three months ended March 31, 2016: None.
- F. Disposal of individual real estate with amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the three months ended March 31, 2016: None.
- G. Related party transactions with purchase or sales amount of at least NT\$ 100 million or 20 percent of the paid-in capital for the three months ended March 31, 2016: Please refer to Table 4.
- H. Receivables from related parties of at least NT\$ 100 million or 20 percent of the paid-in capital as of March 31, 2016: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the three months ended March 31, 2016 (excluding investments in mainland China): Please refer to Table 6.

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J. Financial instruments and derivative transactions: Please refer to Note 12.

K. Others: intercompany relationships and significant intercompany transactions for the three months ended March 31, 2016: Please refer to Table 8.

(2) Information on investments in Mainland China: Please refer to Table 7.

14. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into operating segments based on each independent utility and has two reportable operating segments as follows:

The general management segment is responsible for the Group's operation planning and owns manufacturing, R&D and sales functions.

The overseas segment owns manufacturing and sales functions.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements. However, finance costs, financial benefits and income taxes are managed on a group basis and are not allocated to operating segments.

(1) Segment income (loss)

For the three months ended March 31, 2016

	General management	Overseas	Adjustment and elimination (Note)	Consolidated
Revenue				
External customer	\$ 941,463	\$ 1,341,862	\$ —	\$ 2,283,325
Inter-segment	585,882	150,235	(736,117)	—
Total revenue	<u>\$ 1,527,345</u>	<u>\$ 1,492,097</u>	<u>\$ (736,117)</u>	<u>\$ 2,283,325</u>
Segment income (loss) (Income before income tax)	<u>\$ 132,985</u>	<u>\$ 35,504</u>	<u>\$ (16,723)</u>	<u>\$ 151,766</u>

Note: Inter-segment revenues were eliminated on consolidation.

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(Reviewed, not Audited)

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For the three months ended March 31, 2015

	General management	Overseas	Adjustment and elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,070,758	\$ 834,030	\$ —	\$ 1,904,788
Inter-segment	519,218	214,609	(733,827)	—
Total revenue	<u>\$ 1,589,976</u>	<u>\$ 1,048,639</u>	<u>\$ (733,827)</u>	<u>\$ 1,904,788</u>
Segment income (loss) (Income before income tax)	<u>\$ 146,353</u>	<u>\$ 5,994</u>	<u>\$ 5,164</u>	<u>\$ 157,511</u>

Note: Inter-segment revenues were eliminated on consolidation.



TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account (Note 2)	Whether a related party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Doubtful Accounts	Collateral		Financing Limits for Each Borrower	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	\$ 605,700	\$ 581,076	\$ —	1.50%~7.00%	1	\$ 1,347,604	—	—	—	—	\$ 1,347,604	\$ 1,358,403	(Note 7, 8)
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., Ltd.	Other receivables - related parties	Y	471,100	451,948	—	1.50%~7.00%	1	2,738,528	—	—	—	—	1,358,403	1,358,403	(Note 7, 8)
1	Taistar Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	201,900	193,692	—	1.20%~2.00%	2	—	Operating capital	—	—	—	360,108	720,217	(Note 9)
1	Taistar Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	201,900	193,692	129,128	1.20%~2.00%	2	—	Operating capital	—	—	—	360,108	720,217	(Note 8)
2	Kunshan Taiflex Electronic Material Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	51,230	49,870	49,870	4.00%~7.00%	2	—	Operating capital	—	—	—	59,051	118,101	(Note 8)

Note 1: Companies are coded as follows:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The investees are coded from "1" in the order presented in the table above.

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments and temporary payments etc. are required to be disclosed in this field if they are financings provided to others.

Note 3: The maximum balance of financing provided to others for the three months ended March 31, 2016.

Note 4: Nature of Financing are coded as follows:

(1) Business transaction is coded "1".

(2) Short-term financing is coded "2".

Note 5: If nature of financing is business transaction, the amount of transaction should be disclosed. Amount of transaction shall refer to the business transaction amounts of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counter-party shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements, except for financings between foreign companies of which the Company holds, directly and indirectly, 100% of the voting shares. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise, whose voting shares are 100% held, directly or indirectly, by the Company, shall not exceed 20% of the Company's net worth.

Note 9: For subsidiaries that the Company holds, directly and indirectly, 100% of the voting shares, the financing provided to any single entity shall not exceed 20% of the net worth in the most recent financial statements of the Company. Total financing shall not exceed 40% of the net worth in the most recent financial statements of the Company.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, resolve at the board meetings each individually lending, the amounts resolved before drawing shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayment may be made subsequently, as drawings are likely to happen, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to subsidiaries in China
		Name	Nature of Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	2	\$ 3,396,007	\$ 201,900	\$ 193,692	\$ 193,692	—	2.85%	\$ 3,396,007	Y	N	N
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., Ltd.	3	3,396,007	151,425	80,705	78,066	—	1.19%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	3,396,007	370,150	355,102	36,156	—	5.23%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	3	3,396,007	1,446,950	1,323,562	895,505	—	19.49%		Y	N	Y

Note 1: Companies are coded as follows:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The investees are coded from "1" in the order presented in the table above.

Note 2: The relationships between endorsement/guarantee providers and guaranteed parties are categorized into the following six types. Please specify the type.

(1) An company that has a business relationship with Taiflex.

(2) A subsidiary in which Taiflex holds directly over 50% of common equity interest.

(3) An investee in which Taiflex and its subsidiaries jointly hold over 50% of common equity interest.

(4) A parent company that holds directly over 50% or indirectly over 50% through a subsidiary of the company's common equity interest.

(5) A company that has provided guarantees to Taiflex, and vice versa, due to contractual requirements.

(6) A company in which Taiflex jointly invests with other shareholders, and for which Taiflex has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3: The overall amount of guarantees/endorsements shall not exceed 50% of the Company's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to any single entity shall not exceed 20% of the net worth in the most recent financial statements. However, the restriction does not apply to guarantees and endorsements between companies, whose voting shares are 100% held, directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the three months ended March 31, 2016.

Note 5: As of March 31, 2016, the Company assumes the endorsement or guarantee liability for endorsement or bills facilities applications approved; any other related endorsement or guarantee shall be included in the balance of guarantee/endorsement.

Note 6: This is the ending balance after evaluation.

TABLE 3: MARKETABLE SECURITIES HELD AS OF MARCH 31, 2016 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES)  
(In Thousands of New Taiwan Dollars)

Name of Held Company	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	March 31, 2016				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Market Value	
Taiflex Scientific Co., Ltd.	Not listed (OTC) stocks	Exploit Technology Co., Ltd.	—	Financial assets measured at cost, non-current	25	—	0.30%	—	—
	Not listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	—	Financial assets measured at cost, non-current	741	—	18.66%	—	—
	Listed stocks	Zhen Ding Technology Holding Limited	—	Financial assets at fair value through profit or loss, current	255	\$ 18,333	0.03%	\$ 18,333	—

Note 1: The marketable securities stated in this table shall refer to stocks, bonds, beneficiary certificates and securities derived from the said items stated in IAS No. 39—Financial Instruments: Recognition and Measurement.

Note 2: Not required if the issuer of the marketable securities is not a related party.

Note 3: If measured at fair value, please fill in the carrying amount after valuation adjustment of fair value and net of accumulated impairment. If not measured at fair value, please fill in the carrying value of the original cost or amortized cost, net of accumulated impairment.

TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction(Note 1)		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage to Total	Collection / Payment Terms	Unit Price	Collection / Payment Terms	Ending Balance	Percentage to Total	
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., LTD	Holds 100% of the third-tier subsidiary	Sales	\$ 116,318	7.83%	Collection within 120 days from the end of delivery month by TT	—	—	\$ 60,496	3.59%	—
	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchases	132,369	8.01%	Payment within 120 days from the end of delivery month by TT	—	—	(190,334)	(9.51%)	—
	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	819,200	55.14%	Collection within 120 days from the end of delivery month by TT	—	—	158,086	9.38%	—
	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	402,977	27.13%	Collection within 120 days from the end of delivery month by TT	—	—	565,129	33.53%	—
Taiflex Scientific (Kunshan) Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Sales	132,369	13.17%	Collection within 120 days from the end of delivery month by TT	—	—	190,334	7.48%	—
	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Purchases	819,200	76.23%	Payment within 120 days from the end of delivery month by TT	—	—	(158,086)	(11.70%)	—
Kunshan Taiflex Electronic Material Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Purchases	116,318	82.26%	Payment within 120 days from the end of delivery month by TT	—	—	(60,496)	(82.54%)	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Purchases	402,977	94.02%	Payment within 120 days from the end of delivery month by TT	—	—	(565,129)	(90.50%)	—

Note 1: The sales prices and collection terms to related parties were not significantly different from those of sales to non-related parties.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Allowance for Doubtful Accounts	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., Ltd.	Holds 100% of the third-tier subsidiary	\$ 60,496	1.57	—	—	—	—	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	984,665	(Note 1)	—	—	48,784	—	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	158,086	20.88	—	—	—	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	565,129	0.87	—	—	—	—	—

Note 1: Receivables from related parties are recognized as other receivables; thus, turnover ratio analysis is not applicable.

TABLE 6: INVESTEEES OVER WHICH THE COMPANY EXERCISE SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investors	Investee Company	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				March 31, 2016	December 31, 2015	Shares (In Thousands)	Shareholding Percentage	Carrying Value			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	\$ 822,194	\$ 822,194	25,665	100.00%	\$ 1,752,282	\$ 20,322	\$ 19,387	(Note 1)
Taiflex Scientific Co., Ltd.	LEADMAX LIMITED	Samoa	Trading of electronic materials	337	337	10	100.00%	14,555	530	530	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	27,400	53.86%	254,453	(22,156)	(13,357)	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	4,513	16.72%	31,518	(5,311)	—	(Note 3)
Taiflex Scientific Co., Ltd.	TFS Co., LTD.	Belize	Investment holding	192,657	192,657	6,020	100.00%	154,767	6,315	6,315	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	—	6	100.00%	16,473	(758)	(758)	—
TFS Co., Ltd.	RICHSTAR Co., Ltd.	Samoa	Investment holding	192,423	192,423	6,010	100.00%	175,451	6,315	6,315	—
Taistar Co., Ltd.	TSC INTERNATIONAL LTD.	Grand Cayman Islands	Investment holding	801,604	801,604	25,010	100.00%	1,775,234	22,342	22,342	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	21,524	(2,897)	(2,897)	—
KTC Global Co., Ltd	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	20,848	(2,862)	(2,862)	—

Note 1: Including unrealized gain/loss from affiliates.

Note 2: Including amortization of property, plant and equipment.

Note 3: The net amount of investments accounted for under the equity method was zero.

TABLE 7: INFORMATION ON INVESTMENT IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2016	Profits/Losses of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profits/Losses	Carrying Amount as of March 31, 2016	Accumulated Inward Remittance of Earnings as of March 31, 2016
					Outflow	Inflow						
Kunshan Taiflex Electronic Material Co., Ltd.	Trading of coating materials for high polymer film and copper foil	\$184,126 (USD5,603,350)	Through reinvestment of a company established in the third area	\$ 32,536	—	—	\$ 32,536	\$ 872	100.00%	\$ 872	\$ 295,253	\$ 128,532
Taiflex Scientific (Kunshan) Co., Ltd.	Manufacturing and selling of coating materials for high polymer film and copper foil	\$767,141 (USD24,000,000)	Through reinvestment of a company established in the third area	767,141	—	—	767,141	21,470	100.00%	21,470	1,479,612	—
Kunshan Koatech Technology Corporation	Wholesale and act as a commission agent of electronic materials, parts and components and accessories	\$28,351 (USD950,000)	Through reinvestment of a company established in the third area	28,351	—	—	28,351	(2,826)	53.86%	(1,522)	11,197	—
Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	\$193,020 (USD6,000,000)	Through reinvestment of a company established in the third area	193,020	—	—	193,020	6,315	100.00%	6,315	175,051	—
Accumulated Outflow of Investment from Taiwan to Mainland China as of March 31, 2016				Investment Amounts Authorized by Investment Commission, MOEA				Upper Limit on Investment				
\$1,021,048				\$1,054,876				\$4,075,208				

Note 1: The methods for investment in Mainland China are divided into the following three types and the types are required to be specified.

- (1) Direct investment in Mainland China.
- (2) Investment in Mainland China through companies in the third area.
- (3) Others.

Note 2: Significant transactions with the investee companies in China directly or indirectly through the third area and the relevant prices, payment terms and unrealized gains and losses:

- (1) Purchase, ending balance of related accounts payable and their weightings: see Table 4.
- (2) Sales, the ending balance of related accounts receivable and their weightings: see Tables 4 and 5.
- (3) The transaction amount and gain or loss arising from property transactions: N/A.
- (4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
- (5) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: refer to Table 1.
- (6) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: N/A.



TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2016  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount (Note 4)	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., LTD	1	Sales revenue	\$ 116,318	General trading terms	5.09%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., LTD	1	Accounts receivable	60,496	General trading terms	0.48%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Sales revenue	819,200	General trading terms	35.88%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts receivable	158,086	General trading terms	1.25%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	984,665	—	7.79%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Cost of revenue	132,369	General trading terms	5.80%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts payable	190,334	General trading terms	1.51%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	402,977	General trading terms	17.65%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	565,129	General trading terms	4.47%
1	Taistar Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Other receivables	129,128	Financing	1.02%
2	Kunshan Taiflex Electronic Material Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	57,165	General trading terms	0.45%
2	Kunshan Taiflex Electronic Material Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Other receivables	49,870	Financing	0.39%

Note 1: Transaction information between Taiflex and its subsidiaries should be disclosed by codes below:

- (1) Taiflex is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationships are categorised into the following three types and the types are required to be indicated:

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated operating revenues for income statement items.

Note 4: This is the ending balance after evaluation.