

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 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
June 30, 2016, December 31, 2015 and June 30, 2015
(Numbers as of June 30, 2016 and 2015 are reviewed, not audited)
(In Thousands of New Taiwan Dollars)

Assets	Notes	June 30, 2016	December 31, 2015	June 30, 2015
Current assets				
Cash and cash equivalents	4, 6(1)	\$ 3,643,645	\$ 2,729,235	\$ 3,800,020
Financial assets at fair value through profit or loss, current	4, 6(2)	21,592	19,300	27,499
Notes receivable, net	4, 6(3)	1,159,445	858,370	1,199,682
Accounts receivable, net	4, 6(4)	2,763,269	3,647,625	3,047,441
Other receivables		95,642	242,562	179,845
Inventories, net	4, 6(5)	1,171,169	1,116,052	1,279,394
Prepayments		100,224	75,357	69,254
Other current assets	8	43,349	168,108	35,415
Total current assets		8,998,335	8,856,609	9,638,550
Non-current assets				
Financial assets carried at cost, non-current	4, 6(6)	-	-	-
Investments accounted for under the equity method	4, 6(7)	-	-	1,206
Property, plant and equipment	4, 6(8)	2,768,517	2,694,435	2,440,767
Intangible assets	4, 6(9,11)	121,710	119,480	114,065
Deferred income tax assets	4, 6(21)	128,972	125,309	137,273
Other non-current assets	4, 6(10)	79,587	82,874	95,483
Total non-current assets		3,098,786	3,022,098	2,788,794
Total assets		\$ 12,097,121	\$ 11,878,707	\$ 12,427,344

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
June 30, 2016, December 31, 2015 and June 30, 2015
(Numbers as of June 30, 2016 and 2015 are reviewed, not audited)
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	June 30, 2016	December 31, 2015	June 30, 2015
Current liabilities				
Short-term loans	6(12)	\$ 1,273,134	\$ 881,178	\$ 934,707
Financial liabilities at fair value through profit or loss, current	4, 6(13)	-	-	1,680
Notes payable		105,055	51,896	26,680
Accounts payable		1,952,840	1,901,621	1,817,806
Other payables		964,736	624,655	1,113,030
Current tax liabilities	4, 6(21)	103,916	96,804	118,287
Current portion of long-term loans	6(14)	23,517	303,561	22,255
Other current liabilities		14,776	6,317	3,374
Total current liabilities		<u>4,437,974</u>	<u>3,866,032</u>	<u>4,037,819</u>
Non-current liabilities				
Long-term loans	6(14)	781,634	888,173	1,730,973
Deferred income tax liabilities	4, 6(21)	173,597	194,169	177,550
Net defined benefit liabilities, non-current	4, 6(15)	114,578	111,009	85,072
Other non-current liabilities	4, 12	46	47	97
Total non-current liabilities		<u>1,069,855</u>	<u>1,193,398</u>	<u>1,993,692</u>
Total liabilities		<u>5,507,829</u>	<u>5,059,430</u>	<u>6,031,511</u>
Equity attributable to shareholders of the parent				
Capital	6(16)			
Common stock		2,042,858	2,042,858	2,042,678
Capital collected in advance		-	-	100
Stock dividends to be distributed		40,394	-	-
Total capital		<u>2,083,252</u>	<u>2,042,858</u>	<u>2,042,778</u>
Capital surplus	6(16)	1,407,558	1,447,952	1,447,952
Retained earnings				
Legal capital reserve		684,163	611,177	611,177
Special capital reserve		102,158	102,158	102,158
Unappropriated earnings		2,293,924	2,518,408	2,106,325
Total retained earnings		<u>3,080,245</u>	<u>3,231,743</u>	<u>2,819,660</u>
Other components of equity	4	(1,065)	61,375	43,594
Treasury stock	6(16)	(98,744)	(98,744)	(98,744)
Total equity attributable to shareholders of the parent		<u>6,471,246</u>	<u>6,685,184</u>	<u>6,255,240</u>
Non-controlling interests	4, 6(16)	118,046	134,093	140,593
Total equity		<u>6,589,292</u>	<u>6,819,277</u>	<u>6,395,833</u>
Total liabilities and equity		<u>\$ 12,097,121</u>	<u>\$ 11,878,707</u>	<u>\$ 12,427,344</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 and Six Months Ended June 30, 2016 and 2015

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Notes	Three Months Ended June 30		Six Months Ended June 30	
		2016	2015	2016	2015
Net revenue	4, 6(18)	\$ 2,622,377	\$ 2,446,450	\$ 4,905,702	\$ 4,351,238
Cost of revenue	4, 6(19)	(2,132,112)	(1,937,803)	(3,982,217)	(3,398,281)
Gross profit		490,265	508,647	923,485	952,957
Unrealized sales profit or loss		-	-	(95)	(113)
Realized sales profit or loss		-	-	-	-
Gross profit, net		490,265	508,647	923,390	952,844
Operating expenses	4, 6(19)				
Sales and marketing expenses		(113,805)	(147,725)	(196,999)	(227,821)
General and administrative expenses		(81,142)	(86,867)	(166,230)	(179,927)
Research and development expenses		(53,468)	(49,853)	(101,584)	(98,640)
Total operating expenses		(248,415)	(284,445)	(464,813)	(506,388)
Operating income		241,850	224,202	458,577	446,456
Non-operating income and expenses	6(20)				
Other income		256	12,331	7,662	24,624
Other gains and losses		(59,600)	(34,859)	(100,457)	(96,430)
Finance costs		(22,252)	(11,709)	(53,762)	(25,280)
Share of profit or loss of associates under the equity method	4, 6(7)	-	(2,555)	-	(4,449)
Total non-operating income and expenses		(81,596)	(36,792)	(146,557)	(101,535)
Income before income tax		160,254	187,410	312,020	344,921
Income tax expense	4, 6(21)	(34,766)	(33,462)	(75,355)	(62,105)
Net income of continuing operations		125,488	153,948	236,665	282,816
Net income		125,488	153,948	236,665	282,816
Other comprehensive income (loss)	6(20)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(57,915)	(26,661)	(75,558)	(44,883)
Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently to profit or loss		9,845	4,533	12,844	7,630
Total other comprehensive income, net of tax		(48,070)	(22,128)	(62,714)	(37,253)
Total comprehensive income		\$ 77,418	\$ 131,820	\$ 173,951	\$ 245,563
Net income (loss) attributable to:	4, 6(22)				
Shareholders of the parent		\$ 131,039	\$ 162,618	\$ 252,438	\$ 298,687
Non-controlling interests		(5,551)	(8,670)	(15,773)	(15,871)
		\$ 125,488	\$ 153,948	\$ 236,665	\$ 282,816
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		\$ 83,169	\$ 140,668	\$ 189,998	\$ 261,737
Non-controlling interests		(5,751)	(8,848)	(16,047)	(16,174)
		\$ 77,418	\$ 131,820	\$ 173,951	\$ 245,563
Earnings per share (NT\$)	4, 6(22)				
Earnings per share - basic		\$ 0.65	\$ 0.81	\$ 1.25	\$ 1.48
Earnings per share - diluted		\$ 0.65	\$ 0.80	\$ 1.25	\$ 1.47

(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 Six Months Ended June 30, 2016 and 2015

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											
	Common Stock	Capital Collected in Advance	Stock Dividends to be Distributed	Capital Surplus	Retained Earnings			Others	Treasury Stock	Total	Non-Controlling Interests	Total Equity
					Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations				
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
Appropriation and distribution of 2014 earnings												
Legal capital reserve					88,242		(88,242)			-		-
Cash dividends for common shares							(605,849)			(605,849)		(605,849)
Changes in other capital surplus												
Share-based payment	70	30	-	333						433		433
Net income for the six months ended June 30, 2015							298,687			298,687	(15,871)	282,816
Other comprehensive income (loss) for the six months ended June 30, 2015								(36,950)		(36,950)	(303)	(37,253)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,687</u>	<u>(36,950)</u>	<u>-</u>	<u>261,737</u>	<u>(16,174)</u>	<u>245,563</u>
Balance as of June 30, 2015	<u>\$ 2,042,678</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 1,447,952</u>	<u>\$ 611,177</u>	<u>\$ 102,158</u>	<u>\$ 2,106,325</u>	<u>\$ 43,594</u>	<u>\$ (98,744)</u>	<u>\$ 6,255,240</u>	<u>\$ 140,593</u>	<u>\$ 6,395,833</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
Appropriation and distribution of 2015 earnings												
Legal capital reserve					72,986		(72,986)			-		-
Cash dividends for common shares							(403,936)			(403,936)		(403,936)
Changes in other capital surplus												
Stock dividends from capital surplus			40,394	(40,394)						-		-
Net income for the six months ended June 30, 2016							252,438			252,438	(15,773)	236,665
Other comprehensive income (loss) for the six months ended June 30, 2016								(62,440)		(62,440)	(274)	(62,714)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,438</u>	<u>(62,440)</u>	<u>-</u>	<u>189,998</u>	<u>(16,047)</u>	<u>173,951</u>
Balance as of June 30, 2016	<u>\$ 2,042,858</u>	<u>\$ -</u>	<u>\$ 40,394</u>	<u>\$ 1,407,558</u>	<u>\$ 684,163</u>	<u>\$ 102,158</u>	<u>\$ 2,293,924</u>	<u>\$ (1,065)</u>	<u>\$ (98,744)</u>	<u>\$ 6,471,246</u>	<u>\$ 118,046</u>	<u>\$ 6,589,292</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 Six Months Ended June 30, 2016 and 2015
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2016	2015
Cash flows from operating activities:		
Income before income tax	\$ 312,020	\$ 344,921
Adjustments:		
Non-cash income and expense items:		
Depreciation	131,591	134,167
Amortization	18,199	20,729
(Gain on reversal of) bad debt expense	(38,670)	20,768
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	11,252	(11,863)
Interest expense	53,762	25,280
Interest income	(9,457)	(15,955)
Compensation cost of share-based payment	-	334
Share of profit or loss of associates under the equity method	-	4,449
Gain on disposal of property, plant and equipment	(193)	(190)
Gain on reversal of impairment loss for non-financial assets	(2,595)	(2,782)
Others	11,359	(12,436)
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss, current	(13,544)	2,085
Increase in notes receivable	(301,075)	(310,183)
Decrease in accounts receivable	860,744	740,278
Decrease (increase) in other receivables	209,696	(18,320)
Increase in inventories	(66,476)	(340,541)
(Increase) decrease in prepayments	(24,867)	43,164
Decrease in other current assets	11,726	2,000
Increase in other non-current assets	(3,713)	(4,438)
Increase (decrease) in notes payable	53,159	(179,059)
Increase in accounts payable	51,219	177,647
Decrease in other payables	(35,737)	(93,030)
Increase (decrease) in other current liabilities	8,459	(12,607)
Increase in net defined benefit liabilities	3,569	3,599
Increase (decrease) in other non-current liabilities	(1)	31
Cash generated from operations	<u>1,240,427</u>	<u>518,048</u>
Interest received	11,297	15,751
Interest paid	(50,244)	(26,760)
Income tax paid	<u>(79,634)</u>	<u>(126,713)</u>
Net cash generated by operating activities	<u>1,121,846</u>	<u>380,326</u>

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

(Continued)

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

For the Six Months Ended June 30, 2016 and 2015

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2016	2015
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(260,452)	(153,426)
Disposal of property, plant and equipment	311	230
Increase in refundable deposits	(2,969)	-
Decrease in refundable deposits	-	20,244
Acquisition of intangible assets	(12,362)	(3,708)
Decrease in other current assets - other financial assets, current	113,186	30,371
Net cash used in investing activities	(162,286)	(106,289)
 Cash flows from financing activities:		
Increase in short-term loans	391,956	-
Decrease in short-term loans	-	(284,265)
Increase in long-term loans	-	428,920
Repayment of long-term loans	(386,583)	-
Exercise of employee stock options	-	100
Net cash provided by financing activities	5,373	144,755
 Effect of exchange rate changes on cash and cash equivalents	(50,523)	(25,217)
Net increase in cash and cash equivalents	914,410	393,575
Cash and cash equivalents at beginning of period	2,729,235	3,406,445
Cash and cash equivalents at end of period	\$ 3,643,645	\$ 3,800,020

(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 Six Months Ended June 30, 2016 and 2015 and the Year Ended December 31, 2015
(Numbers for the Six Months Ended June 30, 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 six months ended June 30, 2016 and 2015 were approved and authorized for issue in the Board of Directors’ meeting on July 28, 2016.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) As of the date of issuance of the Group’s financial statements, the Group has not adopted the following new, revised and amended standards or interpretations endorsed by the Financial Supervisory Commission (FSC) but not yet applicable:

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 11	Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IAS 1	Disclosure Initiative	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)

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
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
IAS 16 & 41	Agriculture: Bearer Plants	January 1, 2016
IFRS 10, 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016

The above new, revised and amended standards or interpretations are issued by the International Accounting Standards Board (IASB) and endorsed by FSC to take effect for annual periods beginning on January 1, 2017. Upon evaluation, those new, revised and amended standards and interpretations do not have any material impact on the Group.

- (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 IASB but not yet endorsed by FSC:

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
IFRS 2	Amendments to Share-based Payment	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 7	Disclosure Initiative	January 1, 2017

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

<u>No.</u>	<u>Projects of New, Revised and Amended Standards or Interpretations</u>	<u>Effective Date</u>
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	-

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 six months ended June 30, 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.

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

(Reviewed, not Audited)

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)		
			2016.6.30	2015.12.31	2015.6.30
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%
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%	100.00%
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%

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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 (%)		
			2016.6.30	2015.12.31	2015.6.30
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 six months ended June 30, 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.

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 six months ended June 30, 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.

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

(Reviewed, not Audited)

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	\$ 691	\$ 685	\$ 889
Bank deposits	3,642,954	2,728,550	3,799,131
Total	<u>\$ 3,643,645</u>	<u>\$ 2,729,235</u>	<u>\$ 3,800,020</u>

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

	June 30, 2016	December 31, 2015	June 30, 2015
Held for trading:			
Non-hedging derivative financial assets			
- Forward foreign exchange contracts	\$ 6,900	\$ —	\$ —
Non-derivative financial assets			
- Stocks	14,692	19,300	27,499
Total	<u>\$ 21,592</u>	<u>\$ 19,300</u>	<u>\$ 27,499</u>

(3) Notes receivable, net

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable, net	<u>\$ 1,159,445</u>	<u>\$ 858,370</u>	<u>\$ 1,199,682</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

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable	\$ 3,047,527	\$ 3,978,775	\$ 3,420,592
Less: allowance for doubtful accounts	(284,258)	(331,150)	(373,151)
Net	<u>\$ 2,763,269</u>	<u>\$ 3,647,625</u>	<u>\$ 3,047,441</u>

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- 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):

	June 30, 2016	June 30, 2015
Beginning balance	\$ 331,150	\$ 366,149
Charge for the period	25,946	8,160
Write off	(70,504)	-
Effect of exchange rate changes	(2,334)	(1,158)
Ending balance	<u>\$ 284,258</u>	<u>\$ 373,151</u>

- B. Ageing analysis of net accounts receivables:

	June 30, 2016	December 31, 2015	June 30, 2015
Neither past due nor impaired	<u>\$ 2,289,960</u>	<u>\$ 2,722,094</u>	<u>\$ 2,146,461</u>
Past due but not impaired			
≤ 120 days	412,129	563,566	461,304
121 to 180 days	27,938	162,989	128,885
≥ 181 days	33,242	198,976	310,791
Total	<u>\$ 2,763,269</u>	<u>\$ 3,647,625</u>	<u>\$ 3,047,441</u>

- 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:

June 30, 2016			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US\$ 17,851 thousand	US\$ 17,846 thousand	Without recourse	US\$ 5 thousand (NT\$ 155 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)

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June 30, 2015			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US\$ 21,231 thousand	US\$ 21,185 thousand	Without recourse	US\$ 46 thousand (NT\$ 1,418 thousand)

(5) Inventories, net

	June 30, 2016	December 31, 2015	June 30, 2015
Raw materials	\$ 392,750	\$ 217,615	\$ 549,474
Inventories in transit	65,247	301,162	46,950
Supplies	2,959	3,821	2,979
Work in process	120,424	100,000	169,289
Finished goods	427,415	348,697	368,086
Merchandise	162,374	144,757	142,616
Total	\$ 1,171,169	\$ 1,116,052	\$ 1,279,394

Expenses or income recognized were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Cost of inventories sold	\$ 2,134,888	\$ 1,957,012	\$ 3,977,704	\$ 3,415,597
Gain on inventory value recovery	(8,322)	(22,897)	(1,829)	(21,000)
Loss on inventory write-off	8,594	5,570	13,188	8,564
Revenue from sale of scraps	(3,048)	(1,882)	(6,846)	(4,880)
Cost of revenue	\$ 2,132,112	\$ 1,937,803	\$ 3,982,217	\$ 3,398,281

For the three months and six months ended June 30, 2016 and 2015, gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT\$ 8,322 thousand, NT\$ 22,897 thousand, NT\$ 1,829 thousand and NT\$ 21,000 thousand, respectively.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Stocks	\$ 6,600	\$ 6,600	\$ 6,600
Less: accumulated impairment	(6,600)	(6,600)	(6,600)
Net	\$ —	\$ —	\$ —

(7) Investments accounted for under the equity method

Investees	June 30, 2016		December 31, 2015		June 30, 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%	\$ 32,724	19.87%
Less: accumulated impairment - Innovision FlexTech Corp.	(31,518)		(31,518)		(31,518)	
Net	\$ —		\$ —		\$ 1,206	

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 and six months ended June 30, 2016 and 2015 were as follows:

Investees	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Innovision FlexTech Corp.	\$ —	\$ (2,555)	\$ —	\$ (4,449)

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.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Total assets	\$ 216,166	\$ 226,938	\$ 188,446
Total liabilities	\$ 36,414	\$ 39,950	\$ 27,447

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Revenue	\$ 19,059	\$ 6,400	\$ 34,724	\$ 15,095
Net loss	\$ (1,925)	\$ (12,857)	\$ (7,236)	\$ (22,388)

(8) Property, plant and equipment

	June 30, 2016	December 31, 2015	June 30, 2015
Land	\$ 100,843	\$ 100,843	\$ 100,843
Buildings	994,279	1,042,055	1,054,006
Machinery and equipment	805,624	820,598	771,316
Hydropower equipment	96,137	106,580	110,831
Testing equipment	95,047	83,410	77,518
Miscellaneous equipment	42,048	49,244	51,233
Construction in progress and equipment awaiting inspection	634,539	491,705	275,020
Net	\$ 2,768,517	\$ 2,694,435	\$ 2,440,767

	As of January 1, 2016	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of June 30, 2016
<u>Cost</u>							
Land	\$ 100,843	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,843
Buildings	1,396,219	847	—	—	—	(19,497)	1,377,569
Machinery and equipment	2,261,959	2,478	—	60,066	—	(15,747)	2,308,756
Hydropower equipment	359,000	—	—	—	—	(4,901)	354,099
Testing equipment	179,198	4,068	(470)	14,721	—	(868)	196,649
Miscellaneous equipment	254,072	3,042	(2,471)	351	—	(2,986)	252,008
Total	\$ 4,551,291	\$ 10,435	\$ (2,941)	\$ 75,138	\$ —	\$ (43,999)	\$ 4,589,924

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	As of January 1, 2016	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of June 30, 2016
<u>Accumulated</u>							
<u>depreciation and</u>							
<u>impairment</u>							
Buildings	\$ 354,164	\$ 33,662	\$ —	\$ —	\$ —	\$ (4,536)	\$ 383,290
Machinery and equipment	1,441,361	71,035	—	(280)	—	(8,984)	1,503,132
Hydropower equipment	252,420	8,225	—	—	—	(2,683)	257,962
Testing equipment	95,788	6,579	(470)	280	—	(575)	101,602
Miscellaneous equipment	204,828	12,090	(2,210)	—	(2,594)	(2,154)	209,960
Total	<u>\$ 2,348,561</u>	<u>\$ 131,591</u>	<u>\$ (2,680)</u>	<u>\$ —</u>	<u>\$ (2,594)</u>	<u>\$ (18,932)</u>	<u>\$ 2,455,946</u>
Construction in progress and equipment awaiting inspection	491,705	218,381	—	(75,492)	—	(55)	634,539
Net	<u>\$ 2,694,435</u>						<u>\$ 2,768,517</u>

(Concluded)

	As of January 1, 2015	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of June 30, 2015
<u>Cost</u>							
Land	\$ 100,843	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,843
Buildings	1,384,840	464	—	784	—	(12,716)	1,373,372
Machinery and equipment	2,114,994	12,189	(1,850)	27,067	—	(9,799)	2,142,601
Hydropower equipment	358,438	803	—	476	—	(3,187)	356,530
Testing equipment	149,657	4,485	—	17,409	—	(530)	171,021
Miscellaneous equipment	249,167	1,431	—	2,354	—	(1,867)	251,085
Total	<u>\$ 4,357,939</u>	<u>\$ 19,372</u>	<u>\$ (1,850)</u>	<u>\$ 48,090</u>	<u>\$ —</u>	<u>\$ (28,099)</u>	<u>\$ 4,395,452</u>
<u>Accumulated</u>							
<u>depreciation and</u>							
<u>impairment</u>							
Buildings	\$ 288,665	\$ 33,079	\$ —	\$ —	\$ —	\$ (2,377)	\$ 319,367
Machinery and equipment	1,304,576	72,989	(1,810)	—	—	(4,470)	1,371,285
Hydropower equipment	237,335	9,775	—	—	—	(1,411)	245,699
Testing equipment	88,398	5,395	—	—	—	(290)	93,503
Miscellaneous equipment	190,835	12,929	—	—	(2,782)	(1,131)	199,851
Total	<u>\$ 2,109,809</u>	<u>\$ 134,167</u>	<u>\$ (1,810)</u>	<u>\$ —</u>	<u>\$ (2,782)</u>	<u>\$ (9,679)</u>	<u>\$ 2,229,705</u>
Construction in progress and equipment awaiting inspection	174,607	151,794	—	(50,851)	—	(530)	275,020
Net	<u>\$ 2,422,737</u>						<u>\$ 2,440,767</u>

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(9) Intangible assets

	June 30, 2016	December 31, 2015	June 30, 2015
Trademarks	\$ 362	\$ 221	\$ 171
Patents	14,442	16,903	18,936
Software cost	37,125	32,575	25,177
Goodwill	69,781	69,781	69,781
Total	<u>\$ 121,710</u>	<u>\$ 119,480</u>	<u>\$ 114,065</u>

	As of January 1, 2016	Additions	Reclassification	Effect of exchange rate changes	As of June 30, 2016
<u>Cost</u>					
Trademarks	\$ 372	\$ 185	\$ —	\$ —	\$ 557
Patents	39,233	1,467	—	—	40,700
Software cost	93,511	10,710	(175)	(465)	103,581
Goodwill	69,781	—	—	—	69,781
Total	<u>\$ 202,897</u>	<u>\$ 12,362</u>	<u>\$ (175)</u>	<u>\$ (465)</u>	<u>\$ 214,619</u>

Accumulated
amortization and
impairment

Trademarks	\$ 151	\$ 44	\$ —	\$ —	\$ 195
Patents	22,330	3,928	—	—	26,258
Software cost	60,936	5,808	—	(288)	66,456
Total	<u>83,417</u>	<u>\$ 9,780</u>	<u>\$ —</u>	<u>\$ (288)</u>	<u>\$ 92,909</u>
Net	<u>\$ 119,480</u>				<u>\$ 121,710</u>

	As of January 1, 2015	Additions	Reclassification	Effect of exchange rate changes	As of June 30, 2015
<u>Cost</u>					
Trademarks	\$ 269	\$ 50	\$ —	\$ —	\$ 319
Patents	38,526	290	—	—	38,816
Software cost	75,515	3,368	2,380	(208)	81,055
Goodwill	69,781	—	—	—	69,781
Total	<u>\$ 184,091</u>	<u>\$ 3,708</u>	<u>\$ 2,380</u>	<u>\$ (208)</u>	<u>\$ 189,971</u>

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	As of January 1, 2015	Additions	Reclassification	Effect of exchange rate changes	As of June 30, 2015
<u>Accumulated</u>					
<u>amortization and</u>					
<u>impairment:</u>					
Trademarks	\$ 126	\$ 22	\$ —	\$ —	\$ 148
Patents	16,094	3,786	—	—	19,880
Software cost	50,785	5,233	—	(140)	55,878
Total	<u>67,005</u>	<u>\$ 9,041</u>	<u>\$ —</u>	<u>\$ (140)</u>	<u>\$ 75,906</u>
Net	<u>\$ 117,086</u>				<u>\$ 114,065</u>

(Concluded)

(10) Other non-current assets

	June 30, 2016	December 31, 2015	June 30, 2015
Long-term prepaid rent (Land use rights)	\$ 22,320	\$ 23,468	\$ 23,502
Refundable deposits	20,085	17,116	20,296
Other non-current assets - other	37,182	42,290	51,685
Total	<u>\$ 79,587</u>	<u>\$ 82,874</u>	<u>\$ 95,483</u>

(11) Impairment testing of goodwill

Goodwill acquired through business combinations had been allocated to each of the cash-generating units (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.

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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

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured bank loans	\$ 1,105,425	\$ 881,178	\$ 934,707
Secured bank loans	167,709	—	—
Total	<u>\$ 1,273,134</u>	<u>\$ 881,178</u>	<u>\$ 934,707</u>

The interest rates of loans ranged from 0.80% to 5.00%, 0.55% to 3.03% and 0.52% to 2.94% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Held for trading:			
Non-hedging derivative financial liabilities			
- Forward foreign exchange contracts	\$ —	\$ —	\$ 1,680

(14) Long-term loans

	June 30, 2016	December 31, 2015	June 30, 2015
Secured loans	\$ 82,853	\$ 77,094	\$ 82,174
Revolving loans	210,502	387,188	777,164
Syndicated loans	516,576	727,452	894,940
Total	809,931	1,191,734	1,754,278
Less: current portion	(23,517)	(303,561)	(22,255)
Less: unamortized syndicated loan fee	(4,780)	—	(1,050)
Net	<u>\$ 781,634</u>	<u>\$ 888,173</u>	<u>\$ 1,730,973</u>

A. The interest rates of loans ranged from 1.50% to 2.09%, 1.22% to 2.10% and 1.04% to 2.17% as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

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- 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 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 six 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 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 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, i.e. June 15, 2016 to June 15, 2021. The Group may apply for a 2-year extension six 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.

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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 were NT\$ 5,370 thousand and NT\$ 5,008 thousand for the three months ended June 30, 2016 and 2015, respectively; and NT\$ 10,840 thousand and NT\$ 9,861 thousand for the six months ended June 30, 2016 and 2015, respectively.

B. Defined benefits plan

Expenses under the defined benefits plan were NT\$ 2,531 thousand and NT\$ 2,082 thousand for the three months ended June 30, 2016 and 2015, respectively; and NT\$ 5,064 thousand and NT\$ 4,163 thousand for the six months ended June 30, 2016 and 2015, respectively.

(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 June 30, 2016, December 31, 2015 and June 30 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 June 30, 2016, December 31, 2015 and June 30 2015, respectively.

(c) The shareholders' meeting on May 27, 2016 resolved to capitalize capital surplus of NT\$ 40,394 thousand for issuance of new shares. The record date was later resolved in the Board of Directors' meeting on July 28, 2016 to be August 27, 2016.

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B. Capital Surplus

	June 30, 2016	December 31, 2015	June 30, 2015
Additional paid-in capital	\$ 1,022,603	\$ 1,062,997	\$ 1,062,997
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>\$ 1,407,558</u>	<u>\$ 1,447,952</u>	<u>\$ 1,447,952</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 June 30, 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 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

The original 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;

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- (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;
 - iii. 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 ten percent of the total dividends and shall be capped at one hundred percent.)

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. According to the amended Articles of Incorporation approved by the shareholders' meeting on May 27, 2016, 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.

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(b) Dividend policies

The Company's dividend policies 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 issued Order No. Jin-Guan-Zheng-Fa-1010012865 on April 6, 2012, 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 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 capital reserve to undistributed earnings during the six months ended June 30, 2016 and 2015 as a result of the use, disposal or reclassification of related assets.

The information about the appropriations of 2015 and 2014 earnings resolved in the shareholders' meetings on May 27, 2016 and May 28, 2015, respectively, 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	<u>\$ 476,922</u>	<u>\$ 694,091</u>		

In addition, the shareholders' meeting on May 27, 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 to employees and remuneration to directors and supervisors.

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E. Non-controlling interests (NCI)

	Six Months Ended June 30	
	2016	2015
Beginning balance	\$ 134,093	\$ 156,767
Net loss attributable to NCI	(15,773)	(15,871)
Other comprehensive income attributable to NCI		
Exchange differences arising on translation of foreign operations	(274)	(303)
Ending balance	<u>\$ 118,046</u>	<u>\$ 140,593</u>

(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 six months ended June 30, 2016 was NT\$ 0.

There have been no cancellations or modifications to any of the employee stock option plans by June 30, 2016.

	Six Months Ended June 30			
	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	—	\$ 9.80	8	\$ 12.80
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding at end of period	<u>—</u>	—	<u>8</u>	12.80
Exercisable at end of period	<u>—</u>	—	<u>8</u>	12.80

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The information on the aforementioned outstanding employee stock options as of June 30, 2016 and 2015 was as follows:

Date of Grant	Weighted Average Remaining Contractual Years	
	June 30, 2016	June 30, 2015
December 26, 2007	-	0.50

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 six months ended June 30, 2016 was NT\$ 0.

There have been no cancellations or modifications to any of the employee stock option plans by June 30, 2016.

	Six Months Ended June 30			
	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	—	—	(10)	43.40
Expired	(30)	—	—	—
Outstanding at end of period	<u>972</u>	39.70	<u>1,012</u>	43.40
Exercisable at end of period	<u>972</u>	39.70	<u>1,012</u>	43.40

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The information on the aforementioned outstanding employee stock options as of June 30, 2016 and 2015 was as follows:

Date of Grant	Weighted Average Remaining Contractual Years	
	June 30, 2016	June 30, 2015
April 30, 2010	1.83	2.83

(18) Revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Sale of goods	\$ 2,622,377	\$ 2,446,450	\$ 4,905,702	\$ 4,351,238

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

Function Nature	Three Months Ended June 30					
	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	96,711	90,710	187,421	96,090	89,374	185,464
Labor and health insurance	9,300	6,402	15,702	8,997	6,287	15,284
Pension	4,251	3,650	7,901	3,875	3,215	7,090
Other employee benefits expense	10,098	6,623	16,721	9,824	6,315	16,139
Depreciation	60,659	4,701	65,360	65,703	2,277	67,980
Amortization	4,368	3,984	8,352	6,056	3,872	9,928

Function Nature	Six Months Ended June 30					
	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	190,257	185,215	375,472	179,936	178,896	358,832
Labor and health insurance	19,707	13,777	33,484	18,957	13,438	32,395
Pension	8,536	7,368	15,904	7,683	6,341	14,024
Other employee benefits expense	19,560	11,952	31,512	17,681	10,901	28,582
Depreciation	122,053	9,538	131,591	124,374	9,793	134,167
Amortization	8,871	9,328	18,199	11,501	9,228	20,729

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The Company passed the amended Article of Incorporation in the shareholders' meeting on May 27, 2016. 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. 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.

Based on earnings for the period, the Company recognized NT\$ 21,541 thousand and NT\$ 6,462 thousand as compensation to employees and remuneration to directors and supervisors, respectively, as payroll expenses for the six months ended June 30, 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.

The bonus to employees and remuneration to directors and supervisors for the six months ended June 30, 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\$ 27,655 thousand and NT\$ 7,704 thousand as bonus to employees and remuneration to directors and supervisors, respectively, for the six months ended June 30, 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.

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There was no significant difference between the actual amount of bonus to employees and remuneration to directors and supervisors paid from the 2015 and 2014 earnings and the amount recognized as expense in the financial statements for the years ended December 31, 2015 and 2014, respectively.

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 June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Interest income	\$ 5,029	\$ 8,658	\$ 9,457	\$ 15,955
Other income (expense)	(4,773)	3,673	(1,795)	8,669
Total	<u>\$ 256</u>	<u>\$ 12,331</u>	<u>\$ 7,662</u>	<u>\$ 24,624</u>

B. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Gain (loss) on disposal of property, plant and equipment	\$ (2)	\$ 190	\$ 193	\$ 190
Foreign exchange loss, net	(80,982)	(31,644)	(88,991)	(66,359)
Gain from recovery of impairment	1,298	1,383	2,595	2,782
Gain (loss) of financial assets (liabilities) at fair value through profit or loss	19,798	2,816	(11,252)	11,863
Other gains (losses)	288	(7,604)	(3,002)	(44,906)
Total	<u>\$ (59,600)</u>	<u>\$ (34,859)</u>	<u>\$ (100,457)</u>	<u>\$ (96,430)</u>

C. Finance costs

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Interest on borrowings from bank	<u>\$ (22,252)</u>	<u>\$ (11,709)</u>	<u>\$ (53,762)</u>	<u>\$ (25,280)</u>

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D. Components of other comprehensive income

For the three months ended June 30, 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	\$ (57,915)	\$ —	\$ (57,915)	\$ 9,845	\$ (48,070)

For the three months ended June 30, 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	\$ (26,661)	\$ —	\$ (26,661)	\$ 4,533	\$ (22,128)

For the six months ended June 30, 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	\$ (75,558)	\$ —	\$ (75,558)	\$ 12,844	\$ (62,714)

For the six months ended June 30, 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	\$ (44,883)	\$ —	\$ (44,883)	\$ 7,630	\$ (37,253)

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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

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2016	2015	2016	2015
Current income tax expense:				
Current income tax expense	\$ 46,964	\$ 74,780	\$ 88,003	\$ 118,287
Income tax adjustments on prior years	(1,531)	(21,556)	(1,531)	(18,695)
Effect of exchange rate changes	202	23	329	25
Deferred tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	(10,869)	(19,785)	(11,446)	(37,512)
Total income tax expense	<u>\$ 34,766</u>	<u>\$ 33,462</u>	<u>\$ 75,355</u>	<u>\$ 62,105</u>

Income tax recognized in other comprehensive income

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2016	2015	2016	2015
Deferred tax expense:				
Exchange differences arising on translation of foreign operations	\$ (9,845)	\$ (4,533)	\$ (12,844)	\$ (7,630)
Income tax relating to components of other comprehensive income	<u>\$ (9,845)</u>	<u>\$ (4,533)</u>	<u>\$ (12,844)</u>	<u>\$ (7,630)</u>

B. Imputation credit information:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Balance of imputation credit account	<u>\$ 544,129</u>	<u>\$ 481,752</u>	<u>\$ 539,180</u>

The expected creditable ratio for 2015 and the actual creditable ratio for 2014 were 21.61% 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 June 30, 2016, the assessment of 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 June 30, 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	\$ 131,039	201,968	\$ 0.65
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee compensation – stock	—	333	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 131,039	202,301	\$ 0.65
	Three Months Ended June 30, 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	\$ 162,618	201,953	\$ 0.81
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee stock options	—	46	
Employee compensation – stock	—	351	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 162,618	202,350	\$ 0.80

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	Six Months Ended June 30, 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	\$ 252,438	201,968	\$ 1.25
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee compensation – stock	—	603	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 252,438	202,571	\$ 1.25

	Six Months Ended June 30, 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	\$ 298,687	201,951	\$ 1.48
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee stock options	—	69	
Employee compensation – stock	—	645	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 298,687	202,665	\$ 1.47

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The shareholders' meeting on May 27, 2016 resolved to capitalize capital surplus of NT\$ 40,394 thousand for issuance of new shares. The record date was later resolved in the Board of Directors' meeting on July 28, 2016 to be August 27, 2016. The pro-forma earnings per share after retrospective adjustment was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Basic earnings per share (NT\$)				
Net income	\$ 0.64	\$ 0.79	\$ 1.23	\$ 1.45
Diluted earnings per share (NT\$)				
Net income	\$ 0.64	\$ 0.79	\$ 1.22	\$ 1.44

7. RELATED PARTY TRANSACTIONS

(1) Acquisition of property, plant and equipment

	Acquisition price		
	June 30, 2016	December 31, 2015	June 30, 2015
Other related parties	\$ —	\$ 4,260	\$ —

(2) Compensation to key management personnel

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 10,702	\$ 15,997	\$ 30,972	\$ 38,249
Post-employment benefits	237	257	881	515
Total	\$ 10,939	\$ 16,254	\$ 31,853	\$ 38,764

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8. PLEDGED ASSETS

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

	Carrying amount			Purpose of pledge
	June 30, 2016	December 31, 2015	June 30, 2015	
Demand deposits (Note)	\$ 13,091	\$ 127,207	\$ 8,539	Collateral for short-term loans
Time deposits (Note)	20,264	20,264	20,150	Customs guarantee
Notes receivable	167,709	—	—	Collateral for short-term loans
Land	100,843	100,843	100,843	Collateral for long-term loans
Buildings	108,067	114,183	119,082	Collateral for long-term loans
Machinery and equipment	—	187	1,312	Collateral for long-term loans
Prepaid equipment	14,850	—	—	Collateral for long-term loans
Total	<u>\$ 424,824</u>	<u>\$ 362,684</u>	<u>\$ 249,926</u>	

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Details of the Group's unused letters of credit as of June 30, 2016 were as follows:

	<u>L/C Amount</u>
NTD	NT\$ 5,078 thousand
USD	US\$ 8,366 thousand
JPY	JPY\$ 21,466 thousand

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

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12. OTHERS

(1) Categories of financial instruments

Financial assets

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets at fair value through profit or loss:			
Non-hedging derivative financial assets –			
Forward foreign exchange contracts	\$ 6,900	\$ —	\$ —
Non-derivative financial assets –			
Stocks	14,692	19,300	27,499
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	3,642,954	2,728,550	3,799,131
Receivables	4,018,356	4,748,557	4,426,968
Other financial assets, current	33,355	146,541	28,690

Financial liabilities

Financial liabilities at fair value through profit or loss:			
Non-hedging derivative financial liabilities -			
Forward foreign exchange contracts	\$ —	\$ —	\$ 1,680
Financial liabilities at amortized cost:			
Short-term loans	1,273,134	881,178	934,707
Payables	3,022,631	2,578,172	2,957,516
Long-term loans (current portion included)	805,151	1,191,734	1,753,228

(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.

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(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.

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.

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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 Board of Directors reviews and approves all equity investment decisions.

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

For the six months ended June 30, 2016

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign exchange +/- 1%	+/- NT\$ 3,319 thousand
	NTD/CNY Foreign exchange +/- 1%	+/- NT\$ 495 thousand
Interest rate risk	Market rate +/- 10 basis points	+/- NT\$ 1,565 thousand

For the six months ended June 30, 2015

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign exchange +/- 1%	+/- NT\$ 7,130 thousand
	NTD/CNY Foreign exchange +/- 1%	+/- NT\$ 5,715 thousand
Interest rate risk	Market rate +/- 10 basis points	+/- NT\$ 1,112 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.

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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 its financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarized the maturity profile of the Group's financial liabilities based on the earliest repayment dates and contractual undiscounted cash flows. The amount included the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates was extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
<u>June 30, 2016</u>					
Borrowings	\$ 1,302,260	\$ 720,050	\$ —	\$ 61,584	\$ 2,083,994
Payables	3,022,631	—	—	—	3,022,631
<u>December 31, 2015</u>					
Borrowings	\$ 1,186,369	\$ 821,296	\$ —	\$ 66,877	\$ 2,074,542
Payables	2,578,172	—	—	—	2,578,172
<u>June 30, 2015</u>					
Borrowings	\$ 959,648	\$ 1,629,050	\$ 29,842	\$ 72,081	\$ 2,690,621
Payables	2,957,516	—	—	—	2,957,516

Derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
<u>June 30, 2016</u>					
Inflows	\$ 484,290	\$ —	\$ —	\$ —	\$ 484,290
Outflows	485,304	—	—	—	485,304
Net	\$ (1,014)	\$ —	\$ —	\$ —	\$ (1,014)
<u>December 31, 2015</u>					
Inflows	\$ —	\$ —	\$ —	\$ —	\$ —
Outflows	—	—	—	—	—
Net	\$ —	\$ —	\$ —	\$ —	\$ —

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<u>June 30, 2015</u>	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Inflows	\$ 60,576	\$ —	\$ —	\$ —	\$ 60,576
Outflows	62,314	—	—	—	62,314
Net	<u>\$ (1,738)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,738)</u>

The table above contained 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 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 June 30, 2016, December 31, 2015 and June 30, 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:

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- 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>June 30, 2016</u>		
USD to CNY	2016.1~2016.12	US\$ 27,380/CNY 182,094
NTD to CNY	2016.5~2016.10	NT\$ 157,756/CNY 32,000
<u>June 30, 2015</u>		
NTD to JPY	2015.3~2015.11	NT\$ 62,314/JPY 240,000

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.

- 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	Contract period	Contract amount (in thousands)
<u>June 30, 2016</u>		
USD to CNY	2016.1~2016.6	US\$ 36,476/CNY 242,391
NTD to CNY	2016.5~2016.6	NT\$ 99,490/CNY 20,000
<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>June 30, 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

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.

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(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 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>June 30, 2016</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 6,900	\$ —	\$ 6,900
Stocks	14,692	—	—	14,692
Financial liabilities:				
Forward foreign exchange contracts	—	—	—	—

December 31, 2015

Financial assets:

Financial assets at fair value through profit or loss

Stocks

	\$ 19,300	\$ —	\$ —	\$ 19,300
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(Continued)

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	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	—	—	—
<u>June 30, 2015</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$ 27,499	\$ —	\$ —	\$ 27,499
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	1,680	—	1,680 (Concluded)

For the six months ended June 30, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(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:

	June 30, 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	\$ 94,655	32.2860	\$ 3,056,031	\$ 69,499	33.0660	\$ 2,298,054
CNY	2,208	4.8485	10,705	3,964	5.0310	19,943
HKD	31,308	4.1610	130,273	—	—	—
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 84,379	32.2860	\$ 2,724,260	\$ 75,023	33.0660	\$ 2,480,711
CNY	12,412	4.8485	60,180	—	—	—
JPY	136,808	0.3143	42,999	495,469	0.2747	136,105

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June 30, 2015			
	Foreign currencies (in thousands)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 92,391	30.8600	\$ 2,851,186
CNY	114,992	4.9730	571,855
HKD	31,106	3.9800	123,802
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 115,466	30.8600	\$ 3,563,281
JPY	334,015	0.2524	84,305

The data above was 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 and six months ended June 30, 2016 and 2015, the Group's foreign exchange gain (loss) amounted to NT\$ (80,982) thousand, NT\$ (31,644) thousand, NT\$ (88,991) thousand and NT\$ (66,359) thousand, respectively.

(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.

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- C. Marketable securities held as of June 30, 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 six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 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 June 30, 2016: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the six months ended June 30, 2016 (excluding investments in mainland China): Please refer to Table 6.
- J. Financial instruments and derivative transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions for the six months ended June 30, 2016: Please refer to Table 8.

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

14. 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.

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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 June 30, 2016

	General management	Overseas	Adjustment and elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,042,293	\$ 1,580,084	\$ —	\$ 2,622,377
Inter-segment	597,399	84,354	(681,753)	—
Total revenue	<u>\$ 1,639,692</u>	<u>\$ 1,664,438</u>	<u>\$ (681,753)</u>	<u>\$ 2,622,377</u>
Segment income (loss) (Income before income tax)	<u>\$ 150,948</u>	<u>\$ 20,124</u>	<u>\$ (10,818)</u>	<u>\$ 160,254</u>

Note: Inter-segment revenues were eliminated on consolidation.

For the three months ended June 30, 2015

	General management	Overseas	Adjustment and elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,239,594	\$ 1,206,856	\$ —	\$ 2,446,450
Inter-segment	369,229	146,429	(515,658)	—
Total revenue	<u>\$ 1,608,823</u>	<u>\$ 1,353,285</u>	<u>\$ (515,658)</u>	<u>\$ 2,446,450</u>
Segment income (loss) (Income before income tax)	<u>\$ 176,512</u>	<u>\$ 5,552</u>	<u>\$ 5,346</u>	<u>\$ 187,410</u>

Note: Inter-segment revenues were eliminated on consolidation.

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For the six months ended June 30, 2016

	General management	Overseas	Adjustment and elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,983,756	\$ 2,921,946	\$ —	\$ 4,905,702
Inter-segment	1,183,281	234,589	(1,417,870)	—
Total revenue	<u>\$ 3,167,037</u>	<u>\$ 3,156,535</u>	<u>\$ (1,417,870)</u>	<u>\$ 4,905,702</u>
Segment income (loss) (Income before income tax)	<u>\$ 283,933</u>	<u>\$ 55,628</u>	<u>\$ (27,541)</u>	<u>\$ 312,020</u>

Note: Inter-segment revenues were eliminated on consolidation.

For the six months ended June 30, 2015

	General management	Overseas	Adjustment and elimination (Note)	Consolidated
Revenue				
External customer	\$ 2,310,352	\$ 2,040,886	\$ —	\$ 4,351,238
Inter-segment	888,447	361,038	(1,249,485)	—
Total revenue	<u>\$ 3,198,799</u>	<u>\$ 2,401,924</u>	<u>\$ (1,249,485)</u>	<u>\$ 4,351,238</u>
Segment income (loss) (Income before income tax)	<u>\$ 322,865</u>	<u>\$ 11,546</u>	<u>\$ 10,510</u>	<u>\$ 344,921</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	\$ 581,148	\$ 48,485	1.50%~7.00%	1	\$ 1,347,604	—	—	—	—	\$ 1,294,249	\$ 1,294,249	(Note 7, 8)
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., Ltd.	Other receivables - related parties	Y	471,100	452,004	—	1.50%~7.00%	1	2,738,528	—	—	—	—	1,294,249	1,294,249	(Note 7, 8)
1	Taistar Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	201,900	193,716	—	1.20%~2.00%	2	—	Operating capital	—	—	—	351,144	702,288	(Note 7, 8)
1	Taistar Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	201,900	193,716	129,144	1.20%~2.00%	2	—	Operating capital	—	—	—	351,144	702,288	(Note 7, 8)
2	Kunshan Taiflex Electronic Material Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	51,230	48,485	48,485	4.00%~7.00%	2	—	Operating capital	—	—	—	51,354	102,708	(Note 9)

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 six months ended June 30, 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. 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	\$ 3,235,623	\$ 201,900	\$ 193,716	\$ 129,144	—	2.99%	\$ 3,235,623	Y	N	N
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., Ltd.	3	3,235,623	151,425	80,715	—	—	1.25%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	3,235,623	588,470	581,260	36,160	—	8.98%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	3	3,235,623	1,446,950	1,420,696	783,585	—	21.95%		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) A 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 six months ended June 30, 2016.

Note 5: As of June 30, 2016, the Company assumed endorsement or guarantee liabilities for endorsement/guarantee contracts signed or bill facilities 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 JUNE 30, 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	June 30, 2016				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Fair 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	\$ 14,692	0.03%	\$ 14,692	—

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 Receivable (Payable)		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	\$ 249,281	8.11%	Collection within 120 days from the end of delivery month by TT	—	—	\$ 92,172	5.31%	—
	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchases	207,164	6.36%	Payment within 120 days from the end of delivery month by TT	—	—	(182,385)	(9.02%)	—
	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	1,409,702	45.88%	Collection within 120 days from the end of delivery month by TT	—	—	131,042	7.55%	—
	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	792,631	25.80%	Collection within 120 days from the end of delivery month by TT	—	—	786,571	45.34%	—
Taiflex Scientific (Kunshan) Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Sales	207,164	9.37%	Collection within 120 days from the end of delivery month by TT	—	—	182,385	7.66%	—
	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Purchases	1,409,702	69.87%	Payment within 120 days from the end of delivery month by TT	—	—	(131,042)	(9.36%)	—
Kunshan Taiflex Electronic Material Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Purchases	249,281	81.53%	Payment within 120 days from the end of delivery month by TT	—	—	(92,172)	(94.25%)	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent	Purchases	792,631	95.24%	Payment within 120 days from the end of delivery month by TT	—	—	(786,571)	(99.47%)	—

Note 1: The sales prices and collection terms to related parties are 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	\$ 92,172	1.60	—	—	\$ 43,810	—	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	1,057,577	(Note 1)	—	—	75,780	—	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	131,042	19.66	—	—	32,864	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	786,571	2.77	—	—	—	—	—

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 EXERCISES SIGNIFICANT INFLUENCE OR CONTROLS DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEEES IN MAINLAND CHINA)
(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2016			Net Income (Losses) of the Investee	Share of Profits/Losses	Note
				June 30, 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%	\$ 1,711,786	\$ 29,663	\$ 29,792	(Note 1)
Taiflex Scientific Co., Ltd.	LEADMAX LIMITED	Samoa	Trading of electronic materials	337	337	10	100.00%	15,071	1,047	1,047	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	27,400	53.86%	246,316	(34,186)	(21,260)	(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	(7,236)	—	(Note 3)
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	192,657	192,657	6,020	100.00%	149,454	5,478	5,478	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	—	6	100.00%	16,559	(2,155)	(2,155)	—
TFS Co., Ltd.	RICHSTAR Co., Ltd.	Samoa	Investment holding	192,423	192,423	6,010	100.00%	169,853	5,478	5,478	—
Taistar Co., Ltd.	TSC INTERNATIONAL Ltd.	Grand Cayman Islands	Investment holding	801,604	801,604	25,010	100.00%	1,686,736	40,477	40,477	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	15,929	(8,097)	(8,097)	—
KTC Global Co., Ltd	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	15,214	(8,062)	(8,062)	—

Note 1: Including unrealized gain/loss from affiliates.

Note 2: Including amortization of fixed assets.

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 June 30, 2016	Profits/Losses of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profits/Losses	Carrying Amount as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016
					Outflow	Inflow						
Kunshan Taiflex Electronic Material Co., Ltd.	Trading of coating materials for high polymer film and copper foil	\$184,126 (US\$ 5,603,350)	Through reinvestment of a company established in the third area	\$ 32,536	—	—	\$ 32,536	\$ 22,655	100.00%	\$ 22,655	\$ 256,770	\$ 128,532
Taiflex Scientific (Kunshan) Co., Ltd.	Manufacturing and selling of coating materials for high polymer film and copper foil	\$767,141 (US\$ 24,000,000)	Through reinvestment of a company established in the third area	767,141	—	—	767,141	17,822	100.00%	17,822	1,429,597	—
Kunshan Koatech Technology Corporation	Wholesale and act as a commission agent of electronic materials, parts and components and accessories	\$28,351 (US\$ 950,000)	Through reinvestment of a company established in the third area	28,351	—	—	28,351	(8,027)	53.86%	(4,323)	8,162	—
Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	\$193,020 (US\$ 6,000,000)	Through reinvestment of a company established in the third area	193,020	—	—	193,020	5,478	100.00%	5,478	169,453	—
Accumulated Outflow of Investment from Taiwan to Mainland China as of June 30, 2016				Investment Amounts Authorized by Investment Commission, MOEA				Upper Limit on Investment				
\$1,021,048				\$1,054,876				\$3,882,748				

Note 1: The methods for investment in Mainland China are divided into the following three types. Please specify the type.

- (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

(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	\$ 249,281	General trading terms	5.08%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Material Co., Ltd.	1	Accounts receivable	92,172	General trading terms	0.76%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Sales revenue	1,409,702	General trading terms	28.74%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts receivable	131,042	General trading terms	1.08%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	1,057,577	—	8.74%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Cost of revenue	207,164	General trading terms	4.22%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts payable	182,385	General trading terms	1.51%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	792,631	General trading terms	16.16%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	786,571	General trading terms	6.50%
1	Taistar Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Other receivables	129,144	Financing	1.07%
2	Kunshan Taiflex Electronic Material Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	3,051	General trading terms	0.03%
2	Kunshan Taiflex Electronic Material Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Other receivables	48,485	Financing	0.40%

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. Please specify the type.

- (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.