Stock Code: 4154

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

2016 and 2015

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Independent Auditor's Report

To: Kino Biotech Co., Ltd.

Audit opinions

We have audited the accompanying consolidated balance sheets of Kino Biotech Co., Ltd. and its subsidiaries as of December 31, 2016 and 2015, and the related consolidated income statements, changes in stockholders' equity and cash flows and notes to the consolidated financial statements (including major accounting policy collection) for the years then ended.

In our opinion, the consolidated financial statements referred to the above present fairly, in all material respects, the consolidated financial position of Kino Biotech Co., Ltd. and its subsidiaries as of December 31, 2016 and 2015, and the consolidated financial performance and consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC ,and SIC approved and published by the Financial Supervisory Commission.

Basis of an audit opinion

We conducted our audits in accordance with the Rules Governing Auditing and Certifications of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Those rules and standards require that we plan and perform the audit. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of the "independent auditor's responsibility for consolidated financial statements." The personnel subject to the independence norms of the accounting firm that we belong to maintains an independent status with Kino Biotech Co., Ltd. and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant and fulfills other responsibilities of the Norm. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

Key audit matters refer to the most important matters in the audit on the 2016 consolidated financial statements of Kino Biotech Co., Ltd. and its subsidiaries based on our professional judgment. The key audit matters have been responded to in the process of auditing the consolidated financial statements as a whole and forming an audit opinion; therefore, the independent auditor does not express an opinion on these matters separately.

The descriptions for the key audit matters on the 2016 consolidated financial statements of Kino Biotech Co., Ltd. and its subsidiaries are as follows:

Evaluation on inventory

Kino Biotech Co., Ltd. and its subsidiaries are mainly selling beauty products and healthy functional drinks. This type of product has an expiration date, which adds the risk of expiration, obsolescence or no market value on the inventory. As of December 31, 2016, the inventory in the consolidated balance sheet is 96,159 thousand (accounting for 25% of the total consolidated assets). As prescribed in Note 5, the impairment of inventory involves the significant judgment of the management. Therefore, it is a key audit matter.

We implemented the following major audit procedures:

1. Understand and test the effectiveness of design and execution of the major internal control system of the inventory evaluation;
2. Understand and assess the reasonableness of the inventory evaluation policy of the management, including the identification of idle inventory;
3. Acquire information of inventory age, randomly inspect the most recent sales price, and verify the correctness of inventory age; and
4. Audit that whether the allowance for inventory valuation loss is accounted in accordance with policy.

Liability reserve for sales returns

The major sales targets of Kino Biotech Co., Ltd. and its subsidiaries are the retailers and distributors. Some retailers or distributors have the right to return products, so the risk of that the significant risks and return on the commodity ownership are not fully transferred to and recognized as income may exist. As prescribed in Note 5, the specific ratio estimating the possible sales return and discount estimated liability reserve determined by the management in accordance with historical experience and other known reasons involves significant judgment, so it is a key audit matter.

We implemented the following major audit procedures:

1. Understand and test the effectiveness of design and execution of the major internal control system of the liability reserve for sales return;
2. Understand and assess the reasonableness of the liability reserve for sales return of the management;
3. Randomly inspect the contracts of major products and examine the provisions concerning sales return in the contracts; and
4. Execute retrospective test and assess whether the amount of liability reserve is reasonable after taking the actual amount of sales return occurred in the past as the reference.

The responsibility of the management and management units to the consolidated financial statements

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reports Standards, International Accounting Standards interpretations, and announcements of interpretations recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure the material misstatement caused by fraud or error does not exist in the consolidated financial statements.

Unless the management intends to clear Kino Biotech Co., Ltd. and its subsidiaries or to cease operation or there is no other possible schemes other than clearance or ceasing operation, the responsibility of the management when preparing the consolidated financial statements also includes assessment on the going capacity, disclosure of related matters, and the adoption of going accounting basis.

The governance department (including audit committee) of Kino Biotech Co., Ltd. and its subsidiaries has the responsibility of supervising the financial report procedure.

The responsibilities of the independent auditor to the consolidated financial statements

The purpose of the independent auditor's auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the consolidated financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the consolidated financial statements, it is considered significant.

When conducting an audit in conformity with the generally accepted auditing standards, we use our professional judgment and maintain professional suspicion. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the consolidated financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. We acquire necessary understanding on the internal control relating to the audit to design a proper audit procedure for the situation of that time. However, the purpose is not to express opinions on the effectiveness of the internal control of Kino Biotech Co., Ltd. and its subsidiaries.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. We make conclusions about the appropriateness of the going accounting basis adopted by the management and that the going capacity of Kino Biotech Co., Ltd. and its subsidiaries may generate substantial doubt or whether the circumstance contains significant uncertainty in accordance with the audit evidences acquired. If the independent auditor believes that such events or circumstances are with significant uncertainties, it is necessary to remind the users of the consolidated financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may lead to the situation that Kino Biotech Co., Ltd. and its subsidiaries no longer have an on-going capacity.
5. Assess the overall expression, structure, and content of the consolidated financial statements (including the relevant notes) and whether or not the relevant transactions and events in the consolidated financial statements are presented fairly.
6. We acquired sufficient and appropriate audit proof about the financial information of the entities of Kino Biotech Co., Ltd. and its subsidiaries to express opinions on the consolidated financial statements. We are responsible for the direction, supervision and execution of the

audit on Kino Biotech Co., Ltd. and its subsidiaries and responsible for forming the audit opinions of Kino Biotech Co., Ltd. and its subsidiaries.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

We also provide the governance department a statement declaring that the personnel subject to the independence norms of the accounting firm that we belong to are in conformity of The Norm of Professional Ethics for Certified Public Accountant and communicate with the governance department about the relationships and matters (including relating protection measures) that may influence the independence of a certified public accountant.

We determine the key audit matters of the audit on the 2016 consolidated financial statements of Kino Biotech Co., Ltd. and its subsidiaries from the communication matters with the governance matters. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

Deloitte & Touche

CPA Vita Kuo

CPA Yu-Wei Fan

Securities & Futures Committee of the Ministry of Finance approval no.
Tai.cai.jen (VI) tzi No. 0920123784

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Tai.cai.jen (VI) tzi No. 0920123784

March 30, 2017

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2016 and 2015

Unit: NTD Thousand

Code	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current assets				
1100	Cash and cash equivalent (Note IV & VI)	$ 70,169	18	$ 10,979	4
1170	Accounts receivable – net (Note IV, V, & VII)	132,269	35	127,721	40
1220	Current income tax assets (Note IV & XVI)	2,719	1	1,233	-
130X	Inventories (Note IV, V, & VIII)	96,159	25	73,060	23
1470	Other current assets	9,942	3	20,562	6
11XX	Total current assets	311,258	82	233,555	73
	Noncurrent assets				
1600	Property, plant, and equipment (Note IV, X, & XXII)	37,291	10	68,849	21
1780	Intangible assets (Note IV & XI)	18,902	5	9,839	3
1920	Guarantee deposit and margin paid (Note XXI)	9,161	2	6,652	2
1980	Other financial assets – noncurrent (Note IV & XXII)	2,630	1	2,489	1
15XX	Total noncurrent assets	67,984	18	87,829	27
1XXX	Total assets	$ 379,242	100	$ 321,384	100
Code	**Liabilities & Shareholder's equity**				
	Current liabilities				
2100	Short-term loan (Note XII)	$ 28,866	8	$ 15,398	5
2170	Accounts payable	44,714	12	22,423	7
2200	Other payable (Note XIII)	73,022	19	46,636	14
2230	Current income tax liability (Note IV & XVI)	-	-	163	-
2250	Liability reserve – current (Note IV & XIV)	2,184	-	3,722	1
2320	Long-term liability due in one year (Note XII & XXII)	580	-	2,954	1
21XX	Total current liability	149,366	39	91,296	28
	Noncurrent liability				
2540	Long-term loan (Note XI & XXII)	2,251	1	7,071	2
2645	Guarantee deposit and margin received (Note XXI)	5,238	1	1,000	1
25XX	Total noncurrent liability	7,489	2	8,071	3
2XXX	Total liabilities	156,855	41	99,367	31
	Equity attributable to the Company's shareholder (Note XV)				
3110	Common stock capital	195,260	51	195,260	61
3200	Additional paid-in capital	48,887	13	66,661	21
3350	Undistributed earnings (accumulated deficit)	13,279	4	(17,774	(6
3410	Exchange difference from the translation of financial statements of foreign operations	(35,039	(9	(22,130	(7
3XXX	Total equity	222,387	59	222,017	69
	Total Liabilities and Shareholder's equity	$ 379,242	100	$ 321,384	100

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock Manager: Chong Ka Wee Chief Accountant: Carolyn Tan

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Income Statement

January 1 ~ December 31, 2016 and 2015

Unit: NTD Thousand, except for earnings (losses) per share in NTD

Code		2016 Amount	2016 %	2015 Amount	2015 %
	Operating income (Note IV & V)				
4110	Total sales income	$ 661,199	121	$ 533,402	110
4170	Sales return and discount	(116,257)	(21)	(50,267)	(10)
4000	Total operating income	544,942	100	483,135	100
5000	Operating cost (Note IV & VIII)	186,790	34	146,852	30
5900	Gross profit	358,152	66	336,283	70
	Operating expense (Note XVI & XXI)				
6100	Marketing expense	256,390	47	237,411	49
6200	Administrative expense	129,164	24	111,409	23
6000	Total operating expense	385,554	71	348,820	72
6900	Operating net loss	(27,402)	(5)	(12,537)	(2)
	Non-operating income and expense (Note IV & XVI)				
7010	Other income	9,476	2	5,011	1
7020	Other gains and losses	35,337	6	(11,962)	(3)
7050	Financial cost	(1,821)	-	(1,108)	-
7000	Total Non-operating income and expense	42,992	8	(8,059)	(2)
7900	Net income (loss) before tax	15,590	3	(20,596)	(4)
7950	Income tax expense (Note IV & XVII)	2,311	1	1,455	-
8200	Net income (loss) in current period	13,279	2	(22,051)	(4)

(Continuing)

(Continuing)

Code		2016 Amount	2016 %	2015 Amount	2015 %
	Other comprehensive profit and loss				
	Not reclassified to profit and loss subsequently				
8341	Exchange differential generated from conversion into the presentation currency	($ 9,711)	(2)	($ 8,347)	(2)
	May be reclassified to profit and loss subsequently				
8361	Exchange difference from the translation of financial statements of foreign operations	(3,198)	-	(14,524)	(3)
8300	Other consolidated income of current period (net amount after tax)	(12,909)	(2)	(22,871)	(5)
8500	Total comprehensive profit and loss - current period	$ 370	-	($ 44,922)	(9)
	Net income (loss) attributable to:				
8610	The company's shareholders	$ 13,279	2	($ 22,051)	(5)
	Comprehensive profit and loss attributable to:				
8710	The company's shareholders	$ 370	-	($ 44,922)	(9)
	Earnings (losses) per share (Note XVIII)				
9710	Basic	$ 0.68		($ 1.13)	
9810	Diluted	$ 0.68			

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock Manager: Chong Ka Wee Chief Accountant: Carolyn Tan

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Statement of Retained Earnings

January 1 ~ December 31, 2016 and 2015

Unit: NTD Thousand

		Equity attributable to the Company's shareholders							
		Common stock capital			Retained earnings		Other equity		
Code		Shares (in Thousand shares)	Amount	Additional paid-in capital – stock premium	Special reserve	Unappropriated retained earnings	Exchange difference from the translation of financial statements of foreign operations	Treasury stocks	Total Shareholder's equity
A1	Balance – January 1, 2015	20,213	$202,130	$ 69,006	$ 3,393	$ 27,237	$ 741	($ 8,035)	$ 294,472
	2014 Earnings appropriation and distribution								
B17	Reversal of special reserve	-	-	-	(3,393)	3,393	-	-	-
B5	Cash dividend	-	-	-	-	(19,526)	-	-	(19,526)
L1	Repurchase of 336 shares of treasury stock	-	-	-	-	-	-	(8,007)	(8,007)
L3	Repurchase of 687 shares of treasury stock	(687)	(6,870)	(2,345)	-	(6,827)	-	16,042	-
D1	2015 Net loss	-	-	-	-	(22,051)	-	-	(22,051)
D3	2015 Other comprehensive profit and loss	-	-	-	-	-	(22,871)	-	(22,871)
Z1	Balance – December 31, 2015	19,526	195,260	66,661	-	(17,774)	(22,130)	-	222,017
C11	Capital surplus used to cover accumulated deficits	-	-	(17,774)	-	17,774	-	-	-
D1	2016 Net income	-	-	-	-	13,279	-	-	13,279
D3	2016 Other comprehensive profit and loss	-	- ä	-	-	-	(12,909)	-	(12,909)
Z1	Balance – December 31, 2016	19,526	$195,260	$ 48,887	$ -	$ 13,279	($ 35,039)	$ -	$ 222,387

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock Manager: Chong Ka Wee Chief Accountant: Carolyn Tan

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flow

January 1 ~ December 31, 2016 and 2015

Unit: NTD Thousand

Code		2016	2015
	Cash flow from operating activities		
A10000	Net income (loss) in this year	$ 15,590	($ 20,596)
A20000	Adjustments:		
A20100	Depreciation expense	7,679	7,296
A20200	Amortization expense	1,074	185
A20300	Bad debt expense appropriated (Reversal)	373	(139)
A20900	Interest expense	1,821	1,108
A21200	Interest income	(397)	(23)
A22500	Disposal income of property, plant, and equipment	(39,701)	-
A23700	Falling (Rising) price of inventory	747	(208)
A24100	Foreign exchange gains losses (gains) - net	(396)	2,458
A29900	(Reversal) Appropriated liability reserve	(1,447)	69
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	(11,927)	(20,065)
A31200	Inventory	(29,548)	(23,044)
A31240	Other current assets	10,223	4,480
A32150	Accounts payable	24,437	14,339
A32180	Others payable	30,202	14,177
A33000	Cash inflow (outflow) from operating activities	8,730	(19,963)
A33100	Interest received	397	23
A33500	Income tax paid	(4,131)	(3,579)
AAAA	Net cash inflow (outflow) from operating activities	4,996	(23,519)
	Cash flow from investing activities		
B02700	Purchase of property, plant, and equipment	(33,516)	(8,035)
B02800	Disposal of property, plant, and equipment	86,590	-
B03700	Increase of guarantee deposit and margin paid	(1,867)	(231)
B04500	Acquisition of intangible assets	(1,354)	(4,895)
B06500	Increase of other financial assets	(303)	-
BBBB	Net cash inflow (outflow) from investing activities	49,550	(13,161)
	Cash flow from financing activities		
C00100	Increase of short-term loan	14,774	-
C01700	Long-term loan repaid	(6,862)	(2,886)

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Code		2016	2015
C03000	Increase of guarantee deposit and margin received	$ 3,338	$ 577
C04500	Dividend paid to the Company's shareholders	-	(19,526)
C04900	Cost of treasury stock repurchase	-	(8,007)
C05600	Interest paid	(1,844)	(1,131)
CCCC	Net cash inflow (outflow) from financing activities	9,406	(30,973)
DDDD	Exchange rate effect on cash and cash equivalent	(4,762)	(3,990)
EEEE	Increase (decrease) of cash and cash equivalent	59,190	(71,643)
E00100	Cash and cash equivalent balance - beginning	10,979	82,622
E00200	Cash and cash equivalent balance - ending	$ 70,169	$ 10,979

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock Manager: Chong Ka Wee Chief Accountant: Carolyn Tan

Kino Biotech Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 1 ~ December 31, 2016 and 2015

(Unless otherwise provided, Unit: NTD Thousand)

I. Company background and business operation

Kino Biotech Co., Ltd. (hereinafter referred to as the “Company”) was incorporated at British Cayman Islands on August 9 2010 primarily for the reorganization for trading of securities registered at GreTai Stock Market of the ROC. The business operation of the Group is for the sales of beauty healthcare products. The Company’s stock shares have been traded at GreTai GTSM since December 2011.

The Company’s functional currency is in Singapore Dollar. Since the Company is traded over the counter in Taiwan, to improve the comparability and consistency of financial statements, the consolidated financial statements are prepared in New Taiwan Dollar.

II. Financial statements passing date and procedure

The Board of Directors approved the consolidated financial statements for publication on March 16, 2017.

III. Application of newly published and amended standards and interpretations

(I) Regulations Governing the Preparation of Financial Reports by Securities Issuers that has not yet entered into force and IFRS, IAS, IFRIC and SIC that are approved by the Financial Supervisory Commission and to be applicable in 2017

According to FSC Letter Chin-Kuan-Cheng-Shen-Zi No. 1050050021 and Letter Chin-Kuan-Cheng-Shen-Zi No. 1050026834, consolidated operations shall adopt the 2017 edition of IFRS, IAS, IFRIC and SIC (hereinafter collectively known as “IFRSs”) released by IASB and recognized by FSC from 2017 onwards and related amendment to the Criteria for the Compilation of Financial Statements by Securities Issuers.

The newly published / amended / revised standards and interpretations	IASB announcement effective date (Note 1)
“2010 – 2012 annual improvement”	July 7, 2014 (Note 2)
“2011 – 2013 annual improvement”	July 7, 2014
“2012 – 2014 annual improvement”	January 1, 2016 (Note 3)
IFRS 10, IFRS 12, and IAS 28 amendments “Investment entity: Application of the exceptions to the consolidated financial statements.”	January 1, 2016

(Continuing)

(Continuing)

The newly published / amended / revised standards and interpretations	IASB announcement effective date (Note 1)
IFRS 11 amendment "Acquisition of joint operation equity."	January 1, 2016
IFRS 14 "Restrictive deferred account"	January 1, 2016
IAS 1 amendment "Disclosure Initiative"	January 1, 2016
IAS 16 and IAS 38 amendments "An acceptable explanation of the depreciation and amortization method."	January 1, 2016
IAS 16 and IAS 41 amendment "Agriculture: Production Plant"	January 1, 2016
IAS 19 "Defined benefit plan: Employee contribution" amendment	July 7, 2014
Amendment to IAS 27, " Consolidated and Separate Financial Statements, the equity method adopted"	January 1, 2016
IAS 36 "Disclosure of non-financial assets recoverable amount" amendment	January 1, 2014
IAS 39 "The change in derivatives contract and the continuance of hedging accounting" amendment	January 1, 2014
IFRIC 21 "Taxation"	January 1, 2014

Note 1: Unless otherwise stated, the aforementioned newly published / amended / revised standards or interpretation is effective in the years after the respective date refers to above.

Note 2: The grant date of the share-based payment transactions after July 1, 2014 is entitled to the IFRS 2 amendment. The acquisition date of the business merger after July 1, 2014 is entitled to IFRS 3 amendment. IFRS 13 amendment is effective immediately. The remaining amendments are effective in the years after July 1, 2014.

Note 3: Further to the adoption of the amended IFRS5, which is deferred to the fiscal years beyond January 1, 2016, all other amendments shall be applicable to the fiscal period starting from January 1, 2016.

Aside from the descriptions below, the application of revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2017 IFRSs will not cause significant changes to the accounting policy of the Consolidated Company:

<u>Amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

In addition to adding some accounting items and the provisions to the disclosure of the impairment of non-financial assets coping with the IFRSs to be applicable in 2017, the amendments also emphasize provisions on the recognition and measurement and add the disclosure of related party transaction and goodwill coping with the domestic implementation of IFRSs.

The amendments provide that unless it can be established that no control or significant influence exists, one is considered a related party where the board chairman or president of another company or institution is the same person as the board chairman or president of the issuer, or is the spouse or a relative within the second degree or closer of the board chairman or president of the issuer. In addition, the amendments also provide that the name and relationship of a related party conducting a significant transaction with a merged company. If the transaction amount or balance of any single related party reaches 10 percent or more of the issuer's total transaction amount or balance of that type of transaction, the name of each such related party shall be individually presented.

The amendments provide that if there is any significant difference between the actual operation conditions of the acquired company after the business combination and the expected benefits at the time of acquisition, it shall be disclosed in the notes.

When applying the amendments retrospectively in 2017, the disclosure of related party transactions and goodwill will be added.

(II) FRSs announced by IASB pending on the recognition of FSC

The Consolidated Company has not adopted the following IFRSs published by the IASB but not yet recognized by the FSC. As of the announcement date of the consolidated statements, the Financial Supervisory Commission has not yet announced that effective date for other standards except for that IFRS 9 and IFRS 15 is applicable in 2018.

The newly published / amended / revised standards and interpretations	IASB announcement effective date (Note 1)
"2014 – 2016 annual improvement"	Note 2
The amendment to IFRS 2 on "share-based payment-classification and measurement".	January 1, 2018
The amendment of IFRS 4 "the application of IFRS 9 'Financial Instruments' under IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9 "Financial instruments"	January 1, 2018
IFRS 9 and IFRS 7 "Mandatory effective date and transitional disclosure" amendment	January 1, 2018
IFRS 10 and IAS 28 amendment "Assets sales or contribution between the investor and the affiliated company or joint venture."	Not yet decided
IFRS 15 "Income from customer contracts"	January 1, 2018
Amendment to IFRS 15, "The interpretation of IFRS 15".	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
IAS 7 amendment "Disclosure Initiative"	January 1, 2017
IAS 12 amendment ""Recognition of unrealized loss as deferred income tax assets"	January 1, 2017
The amendment of IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Receipt or Payment of Advance Consideration"	January 1, 2018

Note 1: Unless otherwise stated, the aforementioned newly published / amended / revised standards or interpretation is effective in the years after the respective date refers to above.

Note 2: The amendments of IFRS 12 are retrospectively effective for annual periods beginning on or after January 1, 2017; the amendments of IAS 28 are retrospectively effective for annual periods beginning on or after January 1, 2018.

1. IFRS 9 “Financial instruments”

Recognition and measuring of the financial assets

In the aspect of the financial assets, all those, which previously belonged to IAS 39 recognition and measuring scope of the “financial instruments” and the subsequent measuring of the financial assets, were measured with the post-amortization cost or with the measuring of fair values. IFRS 9 has financial assets classified as follows:

The debt instruments in invested by the companies in the consolidated financial statements are classified and measured as follows if the contract cash flows are fully for the settlement of principal and the interests of the outstanding amount of principal:

(1) The holding of financial assets is for purpose of collecting the contract cash flow volume shall be measured amortized cost of the financial assets. This category of financial assets shall be recognized as profit or loss on the interest calculated under the effective interest rate with continued assessment of impairment. Any gains or loss from impairment shall also be recognized as profits or loss.

(2) The holding of financial assets is for purpose of collecting the contract cash flow volume and for selling the financial assets shall be measured at fair value through consolidated income statements. This category of financial assets shall be recognized as profit or loss on the interest calculated under the effective interest rate with continued assessment of impairment. Any gains or loss from impairment or exchange shall also be recognized as profits or loss. The change in fair value shall be recognized through consolidated income statement. For removal of the financial assets from book listing or reclassification, the change in fair value previously accumulated in the consolidated financial statement shall be reclassified as profits or loss.

The investment of the consolidated operations in financial assets beyond said conditions shall be accounted for at fair value the change of which shall be recognized as profit or loss. However, the Consolidated Company may choose at the time of original recognition to have the not-held-for-trade equity investment measured at the fair value through other comprehensive profit and loss. For this type of financial assets, dividend income is recognized in profit and loss; also, other related profit and loss is recognized in other comprehensive profit and loss without assessing impairments subsequently. The change in fair value accumulated in other comprehensive profit and loss will not be reclassified to profit and loss.

Impairment of financial assets

IFRS 9 adopts “Expected credit loss model” to recognize impairments of financial assets. Financial assets based on cost after amortization, financial assets at fair value through consolidated income state under compulsion, receivable rents, assets from contracts under IFRS 15, “Revenue from Contracts of Customers”, or commitment of financing and financial guarantee contracts shall be recognized as provision for credit loss. If the credit risk of the financial assets referred to above has not been significantly increased since the original recognition, the allowance for credit losses is measured in accordance with the expected credit losses within the next 12 months. If the credit risk of the financial assets referred to above has been significantly increased since the original recognition and the credit risk is significant, the allowance for credit losses is measured in accordance with the expected credit losses in the remaining duration period. For the accounts receivable, that do not include significant financial composition, the allowance for credit loss must be measured in accordance with the expected credit loss in the duration period.

In addition, for the financial assets with credit impairment incurred at the original recognition, the Consolidated Company should have calculated the effective interest rate after the credit adjustment with the expected credit losses incurred at the original recognition included for consideration. In addition, the subsequent allowance for credit losses is measured in accordance with the subsequently accumulated changes in expected credit loss.

2. IFRS 15 “Revenue from Contracts with Customers” and amendments

IFRS 15 specifies the recognition principle of income generated from the customer contracts; also, the guidelines will replace IAS 18 “Income,” IAS 11 “Construction Contracts,” and related interpretations.

The Consolidated Company after adopting IFRS 15 has income recognized according to the following steps:

(1) Identify customer contracts;

(2) Identify performance obligations in the contract;

(3) Determine the transaction price;

(4) Amortization of the transaction price to the contractual obligations of the contracts; and

(5) Recognize as income when contractual obligation is fulfilled.

When IFRS 15 and relating amendments becoming effective, the merger company may choose to be retrospectively applicable to the comparison period or to recognize the accumulated effects of the first-time application on the first-time application date.

3. IFRS 16 “Leases”

IFRS 16 governs the accounting of leasing and will replace IAS 17, “Leasing” and related interpretations.

When applying IFRS 16, if the Consolidated Company is the lessee, except for the rentals of a small amount or the short-term rentals that may adopt an operation rental disposition that is similar to IAS 17, other rentals shall be recognized as use right assets and rental liabilities in the consolidated balance sheet. The consolidated balance sheet shall respectively present depreciation expenses of the use right assets and interest expenses of rental liabilities generated from the adoption of effective interest rates. In the consolidated cash flow statement, the principle amount of repaying rental liabilities, interest payments are presented as financing activities.

No anticipated significant influence from the accounting where the company contained in the consolidated financial statement is the lessor.

When IFRS 16 is in effect, the Consolidated Company may choose to apply retroactively to the period of comparison or have the cumulative effect applicable for the first-time recognized in the first-time adoption day.

In addition to the impact referred to above, the Consolidated Company continued to assess the impact of the other standards and interpretation on the financial position and financial performance up to the date the consolidated financial statements approved and published; also, the relevant influences would be disclosed upon the completion of assessment.

IV. Summary of Significant Accounting Policies

(I) Declaration of compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and published by the FSC.

(II) Basis of preparation of the consolidated financial statements

Except for the financial instruments measured at fair value, the consolidated financial statements have been prepared based on historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

(III) Guidelines for the classification of assets and liabilities as current and noncurrent items

Current assets including:

1. Available-for-trade assets;
2. Assets expected to be realized within 12 months after the balance sheet date, and
3. Cash and cash equivalents (but excluding cash and cash equivalent with limitations from exchanging or repaying liabilities after 12 months of the day on the balance sheet).

Current liabilities including:

1. Available-for-trade liabilities;
2. Liabilities expected to be liquidated within 12 months after the balance sheet date, and
3. Liabilities that cannot be deferred for liquidation for at least 12 months after the balance sheet date.

Items other than the aforementioned current assets or liabilities are classified as noncurrent assets or noncurrent liabilities.

(IV) Principles of consolidation

The consolidated financial report includes the financial statements of the Company and the business entities (subsidiaries) controlled by the Company. Subsidiaries' financial statements have been adjusted to have the accounting policies in consistent with the consolidated company's accounting policies. The transactions, account balances, income and earnings, and expense and loss between business entities have been written off while preparing the consolidated financial statements.

When the changes of interest of the subsidiaries' ownership by the Consolidated Company do not lead to the loss of control, it is disposed of as interest transactions. The book value of the Consolidated Company and non-controlling interest has been adjusted to reflect the changes of the relative interest of subsidiaries. The differential between the adjustment amount of non-controlling interest and the fair value of consideration received is directly recognized as interest and belongs to the owner of the Company.

Please refer to Note 10 and Appendix 6 for the details, shareholding ratio, and business items.

(V) Foreign currency

For the transactions conducted in a currency other than the business entity's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the individual financial statements.

The monetary items in foreign currency are translated in accordance with the closing exchange rate on each balance sheet date. The exchange difference resulted from the settlement of monetary items or translation of monetary items is recognized as profit and loss upon occurrence.

The non-monetary items in foreign currency measured at fair value are translated in accordance with the exchange rate on the date the fair value is determined; also, the exchange difference is booked as profit and loss. However, for the change in fair value recognized as other comprehensive profit and loss, the exchange difference resulted should be booked in the "Other comprehensive profit and loss".

The non-monetary items in foreign currency measured at historical cost are translated in accordance with the exchange rate on the transaction date and will not be retranslated.

The assets and liabilities of the company's and foreign institutions (including subsidiaries that locate in the operating country or use the currency different from the Company) should be translated into New Taiwan Dollar in accordance with the exchange rate on each balance sheet date when preparing the consolidated financial statements. Income and expense items are converted based on the current average exchange rate, and the exchange difference generated is recognized in other comprehensive income. The exchange differences of functional currency exchanging into presentation currency will not be reclassified in income afterwards.

(VI) Inventory

Inventory is mostly raw material and finished goods. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. The net cash value is the estimated selling price net of the cost needed to have the remaining work completed and the estimated cost needed to complete the sale under normal circumstance. Inventory cost is calculated in accordance with the moving average method.

(VII) Property, plant, and equipment

Property, plant, and equipment are valued at the cost and then measured subsequently at the cost net of accumulated depreciation and accumulated impairment loss.

Property, plant, and equipment are depreciated in accordance with the straight-line method in the expected useful lives. Depreciation of each major part is appropriated separately. If the lease period is shorter than the useful life, depreciation is appropriated over the period of the lease. The Consolidated Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

When real estate, plants and equipment are de-recognized, the differential between the net disposal amount and the book value of such assets shall be recognized as income.

(VIII) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Generated internally- research and development expenses

The research expenses are recognized as expenses when occurrence.

The merger company will start to recognize the intangible assets of the development phase of internal program when meeting all of the following terms:

(1) The feasibility of the technology to complete the intangible assets is accomplished that allows the intangible assets to be used or sold;

(2) Intend to complete the intangible assets and to use or sell such intangible assets;

(3) Capable of using or selling such intangible assets;

(4) Such intangible assets may produce possible future economic benefits;

(5) Have sufficient technology, finance, and other resources to complete such development and use or sell such intangible assets; and

(6) The expense that belongs to the development phase of such intangible assets and can be reliably measured.

The costs of intangible assets produced internally is recognized as the total expenses occurred starting from the date meeting all of the terms prescribed above for the first time. The follow up measurement is consistent with the intangible assets acquired alone.

3. De-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(IX) Tangible and intangible assets impairment

The consolidated operations shall consider any sign implicating possible impairment of tangible and intangible assets on each balance sheet date. Where any sign of impairment was found existent, the Merging Company estimated the recoverable amount of such assets. If the recoverable amount of the asset cannot be assessed, the consolidated company is to assess the recoverable amount of the cash-generating unit of the assets.

The recoverable amount is the fair value net of the cost of goods sold and the value in use whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is less than its book value, reduce the book value of the asset or cash-generating unit to its recoverable amount. The impairment loss is recognized in profit or loss.

When the impairment loss is reversed subsequently, increase the book value of the asset or cash-generating unit to the recoverable amount after amendment, but the increased book value may not exceed the book value (net of amortization or depreciation) of the asset or cash-generating unit without recognizing impairment loss in previous years. The reversed impairment loss is recognized in profit or loss.

(X) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the consolidated company becomes a party to the financial instrument contract.

When the financial assets and financial liabilities are initially recognized, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost that is directly attributable to the acquisition or issuance of the financial assets or financial liabilities measured at fair value through profit or loss is immediately recognized in profit or loss.

Financial assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting.

1. Classification of measurement

   The financial assets possessed by the Consolidated Company are loans and receivables. Loans and receivables (including accounts receivable, cash and cash equivalents, and other financial assets) are measured in accordance with the effective interest method at amortized cost net of impairment loss, but the insignificant interest of short-term accounts receivable is not subject to this requirement.

   Cash equivalents include the time deposit acquired with high liquidity, readily convertible to known amounts of cash, and with very little risk of changes in value within 3 months from the date of acquisition that is used to meet short-term cash commitments.

2. Impairment of financial assets

   In addition to having financial assets measured at fair value through profit or loss, the consolidated company assesses at each balance sheet date whether there is objective evidence of impairment occurred to other financial assets. When there is objective evidence of the loss occurred to the estimated future cash flow of financial assets due to one or more events occurred after the initial recognition, the financial assets are with impairment.

   If the financial assets based on cost after amortization are account receivables and particular asset indicates no impairment supported by objective evidence shall be subject to assessment of impairment collectively. The objective evidence of the collective impairment occurred to accounts receivable may include the consolidated company's experience of collection, the increase of the overall delay in payment for over 90-day average credit period, as well as the observable changes in national or regional economic conditions relevant to the receivables arrearage.

   The impairment loss amount of the financial assets booked at the amortized cost is the difference between the book value of the financial assets and the present value of the estimated future cash flow discounted at the financial asset's initial effective interest rate.

   If the impairment loss amount of the financial assets recognized at the amortized cost is reduced in the subsequent periods and it is determined objectively that the impairment reduction is related to the events occurred after recognizing impairment, the previously recognized impairment loss is directly or by adjusting the allowance account reversed and recognized in profit or loss. However, the reversal should not cause the book value of the financial asset exceeding the amortized cost on the reversal date before recognizing impairment.

   The impairment loss of all financial assets is deducted directly from the book value of the financial assets; however, the book value of accounts receivable is reduced by adjusting the allowance account. When accounts receivable is determined to be uncollectible, it is to be written off against the allowance account. The recovery of an amount that was previously written off is credited to the allowance account. Except for writing off the uncollectible accounts receivable against the allowance account, the change in the book value of the allowance account is recognized in profit or loss.

3. De-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights of the financial assets cash flows is invalid, or the financial assets have been transferred and almost all the risks and returns related to the financial assets have been transferred to other enterprises.

Upon the de-recognition of a financial asset in its entirety, the difference between the book value and the considerations received plus any accumulated profit or loss recognized in the “other comprehensive profit and loss” is recognized in profit or loss.

(XI) Liabilities reserve

The liabilities reserve amount recognized is the best estimate of the expenditure needed for settling the obligations on the balance sheet date with the risks and uncertainties of obligations considered. Provision for liabilities shall be assessed on the discount rate of estimated cash flow prepared for the settlement of debt obligations.

(XII) Income recognition

Income is measured in accordance with the fair value of the considerations received or receivable and net of the customer’s sales return, discount, and other similar discount. Sales return is appropriated according to the prior experience and the future sales return amount reasonably estimated in accordance with the relevant factors.

1. Sales of goods

The sale of goods is recognized as income at the time when the following conditions are fully fulfilled:

(1) The consolidated company has the significant risks and returns of the instruments transferred to the buyer.

(2) The consolidated company does not involve in the management of the instruments sold nor maintain effective control.

(3) The amount of income can be measured reliably.

(4) The transaction-related economic benefits is likely to flow to the consolidated company; and

(5) The transaction-related cost incurred or to be incurred can be measured reliably.

2. Interest income

The interest income generated from financial assets is recognized when the economic benefit is likely to flow to the consolidated company and the amount of income can be reliably measured. Interest income is recognized on an accrual basis in accordance with the time lapped, the outstanding principal amount, and the applicable effective interest rate.

(XIII) Lease

Rental revenues/payments of business rental are recognized as revenues/expenses on a linear basis during the rental period. The contingent rent of rental agreements is recognized as revenue/expenses in the current term of occurrence.

(XIV) Borrowing costs

All other borrowing costs are recognized as income when occurring in the current term.

(XV) Government grant

A government subsidy can only be recognized when it is firmly believed that the Consolidated Company will comply with the terms added to the government subsidy and will receive such subsidy.

If the government subsidy is used for compensating expenses or losses that have already occurred or for the purpose of immediate financial support to the Consolidated Company without any related cost in the future, it will be recognized as income during the receivable period.

(XVI) Employee benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are valued by the non-discounted amount of expected payment exchanging for employee services.

2. Retirement benefits

The pension of the Defined Contribution Pension Plan is recognized as expense throughout the service years of the employees.

(XVII) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The unappropriated earnings calculated in accordance with the Income Tax Law are with additional 10% income tax levied and recognized as expense in the year of the resolution reached in the shareholders’ meeting.

The adjustment to the income tax payable of prior years is recognized in the current income tax.

2. Deferred income tax

Deferred income tax is recognized in accordance with the temporary differences arising from the book value of the assets and liabilities in the consolidated financial statements and the tax base for calculating taxable income. Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred income tax assets are recognized when there is likely having taxable income to be used to write-off income tax generated from the temporary difference.

The book value of deferred income tax asset is to be reexamined on each balance sheet date and the book value for those may no longer have sufficient taxable income to have part or all assets recovered should be reduced. The originally un-recognized deferred income tax assets should be reexamined on each balance sheet date and the book value for those may generate taxable income in the future to have part or all assets recovered should be increased.

Deferred income tax assets and liabilities are measured in accordance with the current tax rate when the expected liability liquidated or the asset realized. The tax rate is based on the legislated or substantive legislated tax rate and tax law on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current and deferred income tax of the year

Current and deferred income taxes are recognized in profit or loss, except the current and deferred income taxes related to the items recognized in the other comprehensive profit and loss or directly included in equity are separately recognized in the other comprehensive profit and loss or directly included in equity.

V. Material accounting judgment, estimates, and main source of assumption uncertainties

The consolidated company at the time of adopting accounting policies, for the information hard to obtain from other sources, should have the relevant judgments, estimates, and assumptions made by the management in accordance with the historical experience and other essential factors. Actual results may differ from the estimates.

The management will continue to review and estimate the basic assumptions. If the correction of estimation affects only the current period, it is recognized upon amendment. If the correction of accounting estimates affects both current and future periods, it is recognized in current and future periods.

(I) Income recognition

Principally speaking, the incomes from product sales shall be recognized at the time profit is made. Provision for sales return and discount is based on historical experience and known reasons for setting the proportion in the estimation of possible return and discount, and as a debit item under the sale of this product in the year of sale. The management shall review at regular intervals to ensure reasonable estimation.

(II) The estimated impairment of accounts receivable

When there is objective evidence to indicate the occurrence of impairment, the consolidated company shall consider the estimated future cash flow. The amount of impairment loss is measured in accordance with the difference between the book value of the asset and the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset.

If the actual future cash flow is less than expected, a material impairment loss may arise.

(III) Impairment of inventory

The net realizable value of inventories is measured in accordance with the estimated selling price in the normal course of business net of the estimated cost needed to complete the project and the estimated cost needed to complete the sale. These estimates are assessed in accordance with the current market conditions and historical sales of similar products. Changes in market conditions could materially affect the estimate results.

VI. Cash and cash equivalent

	December 31, 2016	December 31, 2015
Cash on hand and working capital	$ 1,449	$ 1,791
Check deposit	32,922	8,420
Demand deposit	35,798	768
	$ 70,169	$ 10,979

The market interest rate interval of bank deposit on the balance sheet date is as follows:

	December 31, 2016	December 31, 2015
Bank deposit	0.013%~0.10%	0.003%~0.0079%

VII. Accounts receivable- net

	December 31, 2016	December 31, 2015
Accounts receivable	$132,269	$127,954
Less: Allowance for bad debt	-	(233)
	$132,269	$127,721

The consolidated company gives an average of 90-day credit period to the sales of instruments; also, accounts receivable is without interest bearing. When determining the recoverability of accounts receivable, the consolidated company shall consider any changes in the credit quality of accounts receivable from the initial credit date to the balance sheet date. The historical experience shows that the accounts receivable overdue for more than 365 days cannot be recovered; therefore, the consolidated company shall appropriated 100% allowance for bad debt for any accounts receivable overdue for more than 365 days. For accounts receivable overdue for 121 days ~ 365 days, the allowance for bad debt is estimated by referring to the counterparty's defaults record in the past and analyzing the counterparty's current financial situation.

For an accounts receivable overdue on the balance sheet date that is without the allowance for bad debt appropriated, if the credit quality is without a significant change and the consolidated company's management believes that the amount can still be recovered, the consolidated company does not have any collateral held or any credit enhancement protection acquired for the said accounts receivable.

The age analysis of accounts receivables is as follows:

	December 31, 2016	December 31, 2015
Not overdue	$ 61,699	$ 78,085
Below 60 days	51,133	42,054
61 ~ 120 days	19,437	6,303
Over 121 days	-	1,512
Total	$132,269	$127,954

The aforementioned aging analysis is based on the number of days overdue.

The aging analysis of the accounts receivable overdue but without impairment is as follows:

	December 31, 2016	December 31, 2015
Below 120 days	$ 70,570	$ 48,357
Over 121 days	-	858
	$ 70,570	$ 49,215

The aforementioned aging analysis is based on the number of days overdue.

Changes in the allowance for bad debt of the accounts receivable are as follows:

	Impairment under group assessment
Balance – January 1, 2015	$ 382
Current year reversal of impairment loss/bad debt expenses	(139)
Foreign currency translation differences	(10)
Balance – December 31, 2015	$ 233
Balance – January 1, 2016	$ 233
Expenses of impairment/doubt accounts recognize in current period.	373
The actual write off of the year	(607)
Foreign currency translation differences	1
Balance – December 31, 2016	$ -

VIII. Inventory

	December 31, 2016	December 31, 2015
Finished goods	$ 56,394	$ 38,309
Raw materials and materials	39,765	34,751
	$ 96,159	$ 73,060

The cost of goods sold related to inventory in 2016 and 2015 amounted to NT$186,790 thousand and NT$146,852 thousand, respectively.

The sales costs for 2016 and 2015 include $747 thousand of net realizable value recovery of falling inventory price and $208 thousand of falling inventory price loss. The recovery of net realizable value recovery of the inventory is caused by the release of new products that reverses the falling inventory price loss.

IX. Subsidiary

(I) Subsidiaries included in the consolidated financial statements

The main business body of the consolidated financial statements prepared is as follows:

			Shareholding ratio		
Investing Company Name	Name of Subsidiary	Business operation	December 31, 2016	December 31, 2015	Remark
The Company	Kino Biotech Pte. Ltd. (KBS)	Sales of beauty healthcare products	100%	100%	—
	TRN Marketing (M) Sdn. Bhd. (TRM)	Sales of beauty healthcare products	100%	100%	—
	Kino Life Science Limited (KLS)	Group purchasing center	100%	100%	—
	Kino Biothech (M) Sdn. Bhd. (KBM)	Sales of beauty healthcare products	100%	100%	Note
	Kino Brands Pte. Ltd. (KB Brands)	Trademark and patent management	100%	100%	—

Note: The original name was TR Networks (M) Sdn. Bhd. (TRN). It was officially renamed on February 5, 2016.

(II) The subsidiaries not included in the consolidated financial statements: None.

X. Property, plant, and equipment

	Proprietary land	Architecture	Machinery equipment	Transportation equipment	Office equipment	Lease betterment	Other equipment	Total
Cost								
Balance – January 1, 2015	$ 9,942	$ 46,964	$ 1,147	$ 5,640	$ 31,430	$ 7,337	$ 2,318	$104,778
Addition	-	-	208	-	2,216	970	4,641	8,035
Disposition	-	-	-	-	(531)	-	-	(531)
Exchange difference – net	(1,522)	(7,143)	(169)	(546)	(2,970)	(794)	(423)	(13,567)
Balance – December 31, 2015	$ 8,420	$ 39,821	$ 1,186	$ 5,094	$ 30,145	$ 7,513	$ 6,536	$ 98,715

(Continuing)

(Continuing)

	Proprietary land	Architecture	Machinery equipment	Transportation equipment	Office equipment	Lease betterment	Other equipment	Total
Accumulated depreciation and impairment								
Balance – January 1, 2015	$ -	$ 4,541	$ 454	$ 1,864	$ 16,180	$ 2,820	$ 766	$ 26,625
Depreciation expense	-	854	115	808	3,925	738	856	7,296
Disposition	-	-	-	-	(531)	-	-	(531)
Exchange difference – net	-	(743)	(81)	(276)	(1,989)	(325)	(110)	(3,524)
Balance – December 31, 2015	$ -	$ 4,652	$ 488	$ 2,396	$ 17,585	$ 3,233	$ 1,512	$ 29,866
Net amount – December 31, 2015	$ 8,420	$ 35,169	$ 698	$ 2,698	$ 12,560	$ 4,280	$ 5,024	$ 68,849
Cost								
Balance – January 1, 2016	$ 8,420	$ 39,821	$ 1,186	$ 5,094	$ 30,145	$ 7,513	$ 6,536	$ 98,715
Addition	-	-	4,341	4,761	19,466	4,155	793	33,516
Disposition	(8,799)	(41,573)	(70)	(1,120)	(1,711)	(4,061)	(23)	(57,357)
Reclassified					(9,803)			(9,803)
Exchange difference – net	379	1,752	(353)	(532)	(1,564)	(385)	(396)	(1,099)
Balance – December 31, 2016	$ -	$ -	$ 5,104	$ 8,203	$ 36,533	$ 7,222	$ 6,910	$ 63,972
Accumulated depreciation and impairment								
Balance – January 1, 2016	$ -	$ 4,652	$ 488	$ 2,396	$ 17,585	$ 3,233	$ 1,512	$ 29,866
Depreciation expense	-	213	163	980	4,295	700	1,328	7,679
Disposition	-	(5,063)	-	(1,074)	(1,167)	(2,124)	-	(9,428)
Reclassified					(163)			(163)
Exchange difference – net	-	198	(49)	(118)	(1,091)	(48)	(165)	(1,273)
Balance – December 31, 2016	$ -	$ -	$ 602	$ 2,184	$ 19,459	$ 1,761	$ 2,675	$ 26,681
Net amount – December 31, 2016	$ -	$ -	$ 4,502	$ 6,019	$ 17,074	$ 5,461	$ 4,235	$ 37,291

The Board of Directors of the merger company resolved to dispose the property of subsidiary KBM on January 14, 2016, and the merger company signed the sales contract for the disposition of land and buildings, which was for private use in April of 2016. The disposition procedure was completed on August 29, 2016. The total contract amount was NT$86,590 thousand (RM$11,000 thousand), and the property disposition benefit was 42,321 thousand (RM$5,336 thousand).

The depreciation of the property, plant, and equipment is appropriated in accordance with a straight-line method over the following years of useful life:

Architecture	50 years
Machinery equipment	10 years
Transportation equipment	5 years
Office equipment	5~10 years
Lease betterment	Estimated useful life or lease period whichever is shorter
Other equipment	5~10 years

Please refer to Note XXII for the company’s property, plant, and equipment mortgaged as collateral.

XI. Intangible assets

	Trademark rights	Computer software	Others	Total
Cost				
Balance – January 1, 2015	$ -	$ -	$ -	$ -
Addition	1,893	1,224	1,778	4,895
Prepayment transferred in	2,771	-	2,286	5,057
Exchange difference – net	35	9	29	73
Balance – December 31, 2015	$ 4,699	$ 1,233	$ 4,093	$ 10,025
Accumulated amortized and impairment				
Balance – January 1, 2015	$ -	$ -	$ -	$ -
Amortization expense	-	185	-	185
Exchange difference – net	-	1	-	1
Balance – December 31, 2015	$ -	$ 186	$ -	$ 186
Net amount – December 31, 2015	$ 4,699	$ 1,047	$ 4,093	$ 9,839
Cost				
Balance – January 1, 2016	$ 4,699	$ 1,233	$ 4,093	$ 10,025
Addition	1,354	-	-	1,354
Reclassification adjustment	-	9,803	-	9,803
Exchange difference – net	(258)	(492)	(170)	(920)
Balance – December 31, 2016	$ 5,795	$ 10,544	$ 3,923	$ 20,262
Accumulated amortized and impairment				
Balance – January 1, 2016	$ -	$ 186	$ -	$ 186
Amortization expense	-	257	817	1,074
Reclassification adjustment	-	163	-	163
Exchange difference – net	-	(26)	(37)	(63)
Balance – December 31, 2016	$ -	$ 580	$ 780	$ 1,360
Net amount – December 31, 2016	$ 5,795	$ 9,964	$ 3,143	$ 18,902

The amortization expense is calculated by the service life of the following on a linear basis:

Trademark rights	10 years
Computer software	5~10 years
Other intangible assets	5 years

The Consolidated Company has applied for trademark rights in 53 countries and acquired trademark rights in some countries. These trademarks may be used in the countries that approved the registration, and the service life is 10 years.

XII. Loans

(I) Short-term loans

	December 31, 2016	December 31, 2015
Unsecured loans		
Trust receipt loans	$ 28,866	$ 15,398

The interest rates for the trust receipt loans were both 5.5% on December 31, 2016 and December 31, 2015.

(II) Long-term loans

	December 31, 2016	December 31, 2015
Guaranteed loan		
Loans for the purchase of land and buildings	$ -	$ 10,025
Less: Amount due in one year	-	(2,954)
	$ -	$ 7,071
Unsecured loans		
Credit loan	$ 2,831	$ -
Less: Amount due in one year	(580)	-
Long-term loans	$ 2,251	$ -

The loan for the purchase of land and plant facilities was RM$4,640 thousand with a basic loan interest rate minus 2% in the first year since 2010, a basic loan interest rate in the second year, a basic loan plus 0.75% in the third year and not less than 4%. A total of 180 installments are to be paid on a monthly basis since February 2010 and ended on February 28, 2025. For the vitalization of financial structures and reduce the cost of capital, the consolidated operations retired the loan of RM 2,000 thousand before maturity at May 2014. The actual interest rates for long-term loans were both 7.6% on December 31, 2016 and December 31, 2015.

The subsidiary KBM signed the sales contract for the disposition of land and buildings in April of 2016 and completed the disposition procedure by the end of August as well as repaid the mortgage borrowings for selling the land and buildings.

Please refer to Note XXI and Note XXII for the guarantees and collateral provided by the consolidated company's management as of December 31, 2016.

XIII. Others payable

	December 31, 2016	December 31, 2015
Salary and bonus payable	$ 10,253	$ 9,071
Advertising expenses payable	13,954	8,490
Marketing expense payable	5,461	7,885
Labor expense payable	4,971	5,327
Vacation benefit payable	1,293	1,954
Interest payable	-	70
Others	37,090	13,839
	$ 73,022	$ 46,636

XIV. Liabilities reserve

	December 31, 2016	December 31, 2015
Sales return and discount	$ 2,184	$ 3,722

	Sales return and discount
Balance – January 1, 2015	$ 4,326
Addition	69
Exchange difference – net	(673)
Balance – December 31, 2015	$ 3,722
Balance – January 1, 2016	$ 3,722
Reversal in current period	(1,447)
Exchange difference – net	(91)
Balance – December 31, 2016	$ 2,184

Liabilities reserves for sales return and discount is credited to operating income in the year of the product sold in accordance with the estimated product return and discount based on the historical experience, management's judgment, and other known causes.

XV. Equity

(I) Common stock capital

	December 31, 2016	December 31, 2015
Authorized stock shares (in thousand shares)	40,000	40,000
Authorized capital	$400,000	$400,000
Number of shares issued and monies received (in thousand shares)	19,526	19,526
Outstanding capital	$195,260	$195,260

(II) Additional paid-in capital

Unless otherwise provided by law and regulations, according to the Company's Articles of Incorporation, the additional paid-in capital, capital redemption reserve, and earnings reserve from stock premium can be capitalized.

(III) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, annual net earnings, if any, in addition to paying tax, making up accumulated losses over the years, and appropriating special reserve according to law and regulations, the Board of Directors may have earnings reserve appropriated due to business needs. For the remaining amount, if any, dividends and bonuses are to be distributed to shareholders in accordance with the resolutions reached in the shareholders' meeting. The dividend amount should not be less than 20% of the balance, of which, the proportion of cash dividends shall be not be less than 10%.

The Company has special reserve appropriated and reversed in accordance with the FSC.Cert.Far.Tzi No. 1010012865 Letter, FSC.Cert.Far.Tzi No. 1010047490 Letter, and "Appropriation of Special Reserve Q&A after the Adoption of International Financial Reporting Standards (IFRSs). An amount equivalent to the debit to shareholder's equity reversed subsequently can be used for earnings distribution.

The Company held a regular shareholders' meeting on June 22, 2015, and the passed the resolution on the earnings distribution of 2014 as follows:

	Earnings distribution	Dividend per share (NTD)
	2014	2014
Reversal of special reserve	($ 3,393)	
Cash dividend	19,526	$ 1.00

The Company proposed to subsidize the loss of 2015 in the shareholders' meeting on March 22, 2016. The resolution was to subsidize the loss with $ 17,774 thousand in additional paid-in capital.

(IV) Treasury stocks

Cause	Number of shares-beginning of year	Increase in the year	Decrease in the year	Number of shares-end of year
2015				
Repurchase for cancellation (1,000 shares)	351	336	687	-

For the protection of the credit standing of the company and the rights of the shareholders, the Board of the Company resolved on April 23 2014, July 1 2014, November 10 2014 and January 1 2015 to repurchase treasury shares from the centralized market in the periods of April 24 to June 23, 2014, July 1 to August 31, 2014, November 10 2014 to January 9 2015, and January 26 2015 to March 25 2015 respectively. The planned quantity of treasury shares for repurchase was 2,180 thousand shares, 990 thousand shares, 2,021 thousand and 1,612 shares. As of December 31 2015, the Company repurchased 3,274 thousand shares of treasury stock amounting to NT$59,778 thousand with 1,587 thousand shares and 687 thousand shares cancelled on September 14, 2014 and March 31, 2015, respectively.

The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right.

XVI. Net income from continuing operations

(I) Other income

	2016	2015
Government grant income	$ 6,722	$ 4,456
Interest income – bank deposit	397	23
Others	2,357	532
	$ 9,476	$ 5,011

(II) Other gains and losses

	2016	2015
Disposal income of property, plant, and equipment	$ 39,701	$ -
Foreign exchange losses - net	(2,357)	(11,129)
Held-for-trade financial assets losses (1)	(1,050)	-
Others	(957)	(833)
	$ 35,337	($ 11,962)

(1) The net profit or loss of financial assets for disposals in 2016 was derived from forwards contracts. The undertaking of forwards trade by the consolidated operations aims at hedging off the risk of assets and liabilities denominated in foreign currencies under exchange rate fluctuation. The forwards contracts held by the consolidated operations did not meet the conditions for hedge. As such, hedge accounting is not applicable.

(III) Financial cost

	2016	2015
Bank loan interest	$ 1,821	$ 1,108

(IV) Depreciation and Amortization

	2016	2015
Property, plant, and equipment	$ 7,516	$ 7,296
Intangible assets	1,237	185
Total	$ 8,753	$ 7,481

(Continuing)

(Continuing)

	2016	2015
Depreciation expense summarized by function		
Operating expense	$ 7,516	$ 7,296
Amortization expense summarized by function		
Operating expense	$ 1,237	$ 185

(V) Employee welfare expense

	2016	2015
Short-term employee benefits	$122,045	$105,868
Retirement benefits	9,569	9,121
Total	$131,614	$114,989
Summarized by function		
Operating expense	$131,614	$114,989

XVII. Income tax from continuing operations

(I) The main composition items recognized as income tax expenses in income

	2016	2015
Current income tax		
Incurred during the year	$ 2,124	$ 647
Prior year adjustment	187	69
Deferred income tax		
Incurred during the year	-	739
Income tax expense recognized in profit and loss	$ 2,311	$ 1,455

Accounting income and income tax expense are adjusted as follows:

	2016	2015
Net income (loss) before tax	$ 15,590	($ 20,596)
Earnings before taxation is based on the legal tax rate on income tax (profit) expense	$ 5,695	($ 3,902)
Expenses and losses without tax exemption privilege	3,128	1,108
Unrecognized temporary difference	(7,049)	4,895
Deductibles of income tax	(1,284)	(715)
Income tax expense of prior years adjusted in this year	187	69
Others	1,634	-
Income tax expense recognized in profit and loss	$ 2,311	$ 1,455

The consolidated company is entitled to the individual tax rate of 24% and 17% in accordance with the Income Tax Law of Malaysia and Singapore, respectively.

(II) Current income tax asset and liability

	December 31, 2016	December 31, 2015
Current income tax assets		
Prepaid income tax	$ 2,719	$ 1,233
Current income tax liabilities		
Income tax payable	$ -	$ 163

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2015

	Balance - beginning	Recognized in profit and loss	Exchange difference	Balance - ending
Deferred income tax assets				
Temporary difference				
Liabilities reserve	$ 1,076	($ 970)	($ 106)	$ -
Inventory valuation and obsolescence loss	143	(139)	(4)	-
Unrealized exchange loss	382	(346)	(36)	-
	$ 1,601	($ 1,455)	($ 146)	$ -
Deferred income tax liabilities				
Temporary difference				
Property, plant, and equipment	$ 789	$ 716	$ 73	$ -

XVIII. Earnings (losses) per share

The deficit and weighted average shares for the calculation of earnings (deficits) per share are as follows:

Net loss of the year

	2016	2015
Net income (loss) attributable to the Company's shareholders	$ 13,279	($ 22,051)
Net profits (losses) for the calculation of diluted earnings (deficit) per share	$ 13,279	($ 22,051)

Share		Unit: 1,000 shares
	2016	2015
Weighted average shares for the calculation of basic earnings (deficits) per share	19,526	19,555
Weighted average shares for the calculation of diluted earnings (deficits) per share	19,526	

XIX. Capital risk management

The consolidated company manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation.

The consolidated company's capital structure consists of the net debt (i.e. loans net of cash and cash equivalents) and equity (i.e. stock capital, additional paid-in capital, retained earnings, and other equity items) of the consolidated company.

The consolidated company is not required to comply with other external capital requirements.

XX. Financial instruments

(I) Information on fair value – financial instruments not in fair value.

The management of the merger company believes that the book value of financial assets and liabilities that are not measured with fair value approaches to their fair value or their fair value cannot be measured reliably.

(II) Type of financial instrument

	December 31, 2016	December 31, 2015
Financial assets		
Loans and accounts receivable (Note 1)	$214,229	$147,841
Financial liabilities		
Measured at amortized cost (Note 2)	154,671	95,482

Note 1: The balance includes financial assets measured at amortized cost, including cash and cash equivalents, other financial assets – noncurrent, accounts receivable, and guarantee deposit and margin paid.

Note 2: The balance includes financial liabilities measured at amortized cost, including short-term loans, notes and accounts payable, other payables, long-term liability due in one year, long-term loans, and guarantee deposit and margin received.

(III) Financial risk management purpose and policies

The consolidated company's major financial instruments include accounts receivable, accounts payable, and loans. The consolidated company's financial risk management objectives are managing operating activities related market risk (including exchange rate risk and interest rate risk), credit risk, and liquidity risk. To reduce the relevant financial risk, the consolidated company is committed to identify, assess, and hedge market uncertainty in order to reduce the potential adverse effects of market changes on the consolidated company's financial performance.

The consolidated company has hedged exposure through derivative financial instruments to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies passed by the consolidated company's board of directors, which is the investment written principle for exchange rate risk, interest rate risk, credit risk, the application of derivative financial instruments and non-derivative financial instruments, and residual current fund. Internal auditors continuously review the compliance of the policies and the exposure limits. The consolidated company did not carry out financial instruments trade (including derivative financial instruments) for speculative purposes.

1. Market risk

The major financial risk faced by the consolidated company resulted from the operating activities include foreign exchange rate risk [see (1) below] and interest rate risk [see (2) below]. The consolidated company conducts forward exchange contracts to hedge the exchange rate risk of the operating transactions conducted in foreign currency.

There is no change in the consolidated company's related financial instruments market risk exposure and the way the consolidated company manages and assesses the exposure.

(1) Exchange rate risk

A number of the consolidated company's subsidiaries are engaged in sales and purchase transactions denominated in foreign currencies, thus the consolidated company is forced to face exchange rate exposure. The consolidated company's exchange rate exposure management is within the permitted scope of the policies and with the use of forward foreign exchange contract to manage risk.

The consolidated company has managed to have the hedging effect maximized through derivative instruments and the contractual clauses of the hedged item.

Please refer to Note XXIII for the book value (including the written-off monetary items not denominated in functional currency in the consolidated financial statements) of the monetary assets and liabilities that are not denominated in functional currency on the balance sheet date of the consolidated company.

<u>Sensitivity analysis</u>

The consolidated company's operation is mainly affected by the change in the exchange rate of Malaysian currency, and U.S. dollars.

The consolidated company's sensitivity analysis when the exchange rate of Singapore dollar (functional currency) to all relevant foreign currencies increased or decreased by 1% is illustrated in the table below. The sensitivity analysis includes only the outstanding foreign currency monetary items; also, the translation at year-end is adjusted with the change in exchange rate by 1%. The amount in the table below indicates the increase or decrease of net income before tax when the exchange rate of Singapore Dollar to each respective foreign currency increased by 1%; also, the impact on net income before tax is reversed for the same amount when the exchange rate of Singapore Dollar to each respective foreign currency decreased by 1%.

	Profit and Loss	
	2016	2015
The impact of M$	($ 457) (i)	($ 723) (i)
The impact of USD	324 (ii)	168 (ii)

(i) It mainly originates from the consolidated company's outstanding cash, receivables and payables without cash flow hedging that is denominated in M$ on the balance sheet date.

(ii) It mainly originates from the consolidated company's outstanding receivables and payables without cash flow hedging that is denominated in U.S. Dollar on the balance sheet date. The merger company does not significant changes in exchange rate sensitivity in this term.

(2) Interest rate risk

The book value of the consolidated company's financial assets and financial liabilities with interest rate exposure on the balance sheet date is as follows:

	December 31, 2016	December 31, 2015
With fair value interest rate risk		
- Financial assets	$ 2,630	$ 2,489
- Financial liabilities	31,697	15,398
With cash flow interest rate risk		
- Financial assets	35,798	768
- Financial liabilities	-	10,025

Sensitivity analysis

For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period.

If the market interest rate increases by 100 basis points while holding other variables consistent, the net profits of the merger company of 2016 and 2015 net income before tax would be decreased / increased by NT$ 358 thousand decreased / increased NT$ 93 thousand respectively.

2. Credit risk

Credit risk refers to the counterparty’s default on contractual obligations resulting in financial loss to the Group. As of the balance sheet date, the consolidated company’s maximum credit risk exposure due to the financial loss resulted from the counterparty’s failure in performing obligations is mainly derived from the book value of the financial assets recognized on the consolidated balance sheet.

The consolidated company adopts the policy of dealing only with creditworthy trading objects and obtaining sufficient guarantees, when necessary, in order to mitigate the risk of financial loss arising from arrearages. The consolidated company continues to monitor credit exposures and to control credit exposures by reviewing the counterparty’s credit limits annually.

To mitigate credit risk, the consolidated company’s management is responsible for determining the line of credit, credit approval, and other monitoring procedures to ensure taking appropriate actions for the recovery of overdue receivables. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the consolidated company’s management believes that the consolidated company’s credit risk is significantly reduced.

In addition, the counterparty of the current fund is a bank that receives high credit rating from international credit rating agencies; therefore, the credit risk is insignificant.

The objects of receivables include many customers who locate in different geographical regions. The consolidated company continues to assess the financial condition of the customers of accounts receivable.

The credit risk of the consolidated company is mainly centralized on the top-four customers of the consolidated company. As of December 31, 2016 and 2015, total accounts receivable ratio from the said customers were 67% and 82%, respectively.

3. Liquidity risk

The consolidated company has supported the Group’s business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The consolidated company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is an important source of liquidity to the consolidated company. As of December 31, 2016 and 2015, the outstanding short-term bank loan quota of the consolidated company was NT$15,714 thousand and NT$31,122 thousand, respectively.

The non-derivative financial liabilities outstanding contract analysis of the consolidated company's agreed repayment period is illustrated in the table below. It is prepared in accordance with the earliest date the consolidated company may be requested to repay the loan and the financial liabilities undiscounted cash flow, including interest and principal cash flow.

	December 31, 2016				
	Less than 1 year	1-3 years	3-5 years	Over 5 years	Total
Non-derivative financial liabilities					
Short-term loans	$ 28,866	$ -	$ -	$ -	$ 28,866
Accounts payable	44,714	-	-	-	44,714
Others payable	73,022	-	-	-	73,022
Long-term bank loans	580	1,160	1,115	-	2,855
Guarantee deposit and margin received	5,238	-	-	-	5,238
	$ 152,420	$ 1,160	$ 1,115	$ -	$ 154,695

	December 31, 2015				
	Less than 1 year	1-3 years	3-5 years	Over 5 years	Total
Non-derivative financial liabilities					
Short-term loans	$ 15,398	$ -	$ -	$ -	$ 15,398
Accounts payable	22,423	-	-	-	22,423
Others payable	46,636	-	-	-	46,636
Long-term bank loans	3,629	7,257	488	-	11,374
Guarantee deposit and margin received	1,000	-	-	-	1,000
	$ 89,086	$ 7,257	$ 488	$ -	$ 96,831

The aforementioned non-derivative financial liabilities amount with floating rate may be changed due to the floating rate different from the estimated interest rate and exchange rate on the balance sheet date.

XXI. Transactions with Related Parties

The transactions, account balances, income and earnings, and expense and loss between the Company and the subsidiaries (the related party of the Company) are written-off on consolidation; therefore, they are not disclosed in this note. The transactions conducted between the consolidated company and other related parties are as follows.

(I) Business transactions

Items in book	Type of related party	2016	2015
Operating expense – rent expense	Other related party – same Chairman	$ 1,961	$ 1,940

Items in book	Type of related party	December 31, 2016	December 31, 2015
Guarantee deposit and margin paid	Other related party – same Chairman	$ 312	$ 326

(II) Guarantees

As of December 31, 2016 and 2015, the Company's affiliated companies and the management jointly provided the consolidated company with long-term and long-term loan guarantee as follows:

Type of related party	December 31, 2016	December 31, 2015
The management	$ -	$ 35,565
Other related party-essential related party	$ 31,875	$ 33,960

(III) Remuneration to the management

The total remuneration to directors and the management in 2016 and 2015 are as follows:

	2016	2015
Short-term employee benefits	$ 26,794	$ 24,337

XXII. Mortgaged or pledged assets

The following assets of the merger company are provided as the collateral for loans from banks and for acquiring transaction volume of financial products from banks:

	December 31, 2016	December 31, 2015
Land and building – net (booked in the property, plant, and equipment)	$ -	$ 43,589
Certificates of deposit (booked in the "other financial assets – noncurrent)	2,630	2,489
	$ 2,630	$ 46,078

XXIII. In formation of foreign currency assets and liabilities with significant influence

The following information is presented in foreign currency other than the functional currency of each entity of the Consolidated Company. The disclosed exchange rate refers to the exchange rate that such foreign currency converting into the functional currency. Foreign currency assets and liabilities with significant influence as follows:

Unit: Foreign currency / Functional currency in thousand

	December 31, 2016		
	Foreign currency	Exchange rate	Book Value
Foreign currency assets			
Monetary item			
Singapore dollar	$ 426	3.1006 (Singapore dollar : RM$)	$ 9,496
RM$	6,821	0.322518 (RM$: Singapore dollar)	49,038

(Continuing)

(Continuing)

	December 31, 2016		
	Foreign currency	Exchange rate	Book Value
USD	$ 59	1.4468 (USD : Singapore dollar)	$ 1,895
Foreign currency liabilities			
Monetary item			
RM$	469	0.322518 (RM$: Singapore dollar)	3,366
USD	1,063	1.4468 (USD : Singapore dollar)	34,282

	December 31, 2015		
	Foreign currency	Exchange rate	Book Value
Foreign currency assets			
Monetary item			
Singapore dollar	$ 366	3.0356 (Singapore dollar : M$)	$ 8,513
RM$	9,722	0.329424 (RM$: Singapore dollar)	74,502
USD	82	1.4112 (USD : Singapore dollar)	2,698
Foreign currency liabilities			
Monetary item			
RM$	287	0.329424 (RM$: Singapore dollar)	2,210
USD	593	1.4112 (USD : Singapore dollar)	19,469
NT$	1,306	0.042992 (NT$: Singapore dollar)	1,306

The Consolidated Company mainly bears the exchange rate risk of USD and Malaysian Ringgit. The following information is presented in the functional currency of each entity possessing foreign currency. The disclosed exchange rate refers to the exchange rate of such functional currency converting into the presentation currency. Foreign currency exchange income (realized and unrealized) with significant influence is as follows:

	2016		2015	
Functional currency	Functional currency exchanges for presentation currency	Net exchange income	Functional currency exchanges for presentation currency	Net exchange income
Singapore dollar	23.34 (Singapore dollar: NT$)	($ 2,204)	23.09 (Singapore dollar: NT$)	($ 11,361)
RM$	7.78 (RM$: NT$)	(153)	8.13 (RM$: NT$)	232
		($ 2,357)		($ 11,129)

XXIV. Supplementary disclosures

(I) Material transactions and (II) transfer investment information:

1. The Loaning of funds: Attachment 1.
2. Endorsement and Guarantee: Attachment 2.
3. Marketable securities held at year-end (excluding investments in subsidiaries, affiliated companies, and joint venture): None.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: None.
5. The acquisition of real estate for an amount exceeding NT$300 million or 20% of paid-in capital: None.
6. The disposal of real estate for an amount exceeding NT$300 million or 20% of paid-in capital: Attachment 3.
7. The purchase or sale with the related party for an amount exceeding NT$100 million or 20% of paid-in capital: None.
8. The receivables from the related parties for an amount exceeding NT$100 million or 20% of paid-in capital: Attachment 4.
9. Engaged in derivative transactions: Note XVI.
10. Others: The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts: Attachment 5.
11. Invested company information: Attachment 6.

(III) Investment in Mainland China

1. Name of the Investee Company in China, main business, paid-in capital, investment, capital inflow and outflow, shareholding ratio, profit and loss and investment profit and loss recognized, year-end investment book value, investment profit and loss received, and investment limit in Mainland China: None.
2. The significant transactions conducted with the investee company in China directly or indirectly, and the price, payment terms, and unrealized profit and loss: None.

XXV. Segment Information

The information provided to the major operating decision-maker for allocating resources and assessing segment performance is focusing on the type of product or service delivered or offered. The consolidated company’s reportable segments are power drinks department and healthcare products department.

(I) Department income and operating result

The income and operating result of the consolidated company's continuing operation is analyzed by the reportable department as follows:

	2016	
	Department income	Department profit and loss
Power drinks department	$490,443	($ 24,648)
Healthcare products department	32,699	(1,634)
Others	21,800	(1,120)
Total income from continuing operations	$544,942	(27,402)
Other income		9,476
Other gains and losses		35,337
Financial cost		(1,821)
Net income before tax		$ 15,590

	2015	
	Department income	Department profit and loss
Power drinks department	$ 440,719	($ 11,454)
Healthcare products department	34,081	(877)
Others	8,335	(206)
Total income from continuing operations	$ 483,135	(12,537)
Other income		5,011
Other gains and losses		(11,962)
Financial cost		(1,108)
Net loss before tax		($ 20,596)

(II) Total department assets and liabilities

The consolidated assets and liabilities are not available to the use of the decision-makers, and the amount of assessment is not being disclosed.

(III) Other department information

	Depreciation and Amortization	
	2016	2015
Power drinks department	$ 7,866	$ 6,889
Healthcare patch department	513	469
Others	374	123
	$ 8,753	$ 7,481

(IV) Major products and services income

The product and labor income from continuing operation of the consolidated company is analyzed as follows:

	2016	2015
Power drinks department	$490,443	$440,719
Healthcare patch department	32,699	34,081
Others	21,800	8,335
	$544,942	$483,135

(V) Regional information

The consolidated company operates primarily in two areas - Malaysia and Singapore.

The consolidated company's income from external customers of the continuing operation is classified by operating location and noncurrent asset is classified by the location of assets as follows:

	Income from external customers		Noncurrent assets	
	2016	2015	December 31, 2016	December 31, 2015
Malaysia	$ 237,316	$ 222,408	$ 21,978	$ 58,132
Singapore	284,097	223,105	45,873	26,195
Others	23,529	37,622	133	3,502
	$ 544,942	$ 483,135	$ 67,984	$ 87,829

Noncurrent asset does not include deferred income tax assets.

(VI) Information about major customers

Income generated from a single customer for more than 10% of the consolidated company's total income is as follows:

	2016		2015	
Customer	NTD	Percentage of net operating income (%)	NTD	Percentage of net operating income (%)
Customer A	$ 101,856	19	$ 93,630	20
Customer B	84,141	15	160,360	33
Customer C	82,694	15	NA (Note 1)	-
Customer D	62,878	11	NA (Note 1)	-
Customer E	NA (Note 1)	-	69,316	14

Note 1: The revenue amount does not reach 10% of the total revenue of the merger company.

Kino Biotech Co., Ltd. and Subsidiaries

The Loaning of Funds

January 1 ~ December 31, 2016

Attachment 1

No.	Creditor	Borrower	Accounting account	Whether a related party or not	Maximum balance	Ending balance	Disbursed amount	Interest rate interval	Loan nature	Transaction amount	Reason for short-term loan	Allowance for bad debt	Collateral		Loan limit to individual (Note 1)	Total loan limit (Note 2)
													Name	Value		
1	KLS	TRM	Other receivable	Yes	$75,900	$75,900	$75,900	-	Short-term financing	$ -	Loan repayment	$ -	—	—	$ 124,200	$ 88,955
1	KLS	KBM	Other receivable	Yes	16,874	-	-	-	Short-term financing	-	Loan repayment	-	—	—	124,200	88,955
1	KLS	TRM	Accounts receivable	Yes	13,741	11,961	11,961	-	Business transaction	76,102	—	-	—	—	79,683	88,955
1	KLS	KBS	Accounts receivable	Yes	4,171	-	-	-	Business transaction	117,163	—	-	—	—	88,955	88,955
1	KLS	KB Brands	Other receivable	Yes	2,399	2,399	2,399	-	Short-term financing	-	Working capital	-	—	—	124,200	88,955

Note 1: Loans to individual targets shall not exceed the total amount of business transactions within 12 months before the loans and shall not exceed 40% of the net value of the Company ($222,387*40%=$88,955). However, the loans between foreign companies, which the Company directly or indirectly holds 100% of voting shares, shall not exceed 100% of the net value of the corporation receiving the loans.

Note 2: The loaning of funds of the Company and its subsidiaries may not exceed 40% of the Company’s net worth, ($222,387 * 40% = $88,955).

Kino Biotech Co., Ltd. and Subsidiaries

Endorsement and Guarantee

January 1 ~ December 31, 2016

Attachment 2

No.	Name of endorser and guarantor	Endorsee and guaranteed		Endorsement and guarantee for single enterprise	Maximum balance of endorsement and guarantee	Ending balance of endorsement and guarantee	Disbursed amount	Endorsement and guarantee with collateral of property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement	Maximum endorsement and guarantee limit (Note 2)	Endorsement and guarantee made by parent company for subsidiaries	Endorsement and guarantee made by subsidiaries for parent company	Endorsement and guarantee made in China	Remark
		Company	Relationship											
0	The Company	KBM	Subsidiary	Note 1	$ 38,318 (RM$ 4,640)	$ - -	$ - -	$ -	-	$111,194	Y	—	—	
0	The Company	KLS	Subsidiary	Note 1	66,870 (SG$ 3,000)	66,870 (SG$3,000)	- -	-	30%	111,194	Y	—	—	
0	The Company	TRM	Subsidiary	Note 1	15,971 (RM$ 1,700)	15,971 (RM$1,700)	- -	-	8%	111,194	Y	—	—	

Note 1: The amount of endorsement and guarantee to a single corporation by the Company and the Company and subsidiaries as a whole shall not exceed 50% of the net value of the Company ($222,387*50%=$111,194) and is limited to the net value of the company endorsed and guaranteed. However, the endorsement and guarantee amount does not apply to a subsidiary that the Company directly or indirectly owns 100% of the shares with voting rights or among subsidiaries where the Company directly or indirectly owns 100% of the shares with voting rights. In addition, when the Company and its subsidiary engaging in endorsement and guarantee transaction due to business relationships, the total amount granted to a single object shall not exceed the total amount of business transaction completed in the 12-month prior to the endorsement and guarantee granted.

Note 2: The total amount of endorsements and guarantees to an outsider by the Company and the Company and subsidiaries as a whole shall not exceed 50% of the net value of the Company ($222,387*50%=$111,194).

Kino Biotech Co., Ltd. and Subsidiaries

The disposal of real estate for an amount exceeding NT$300 million or 20% of paid-in capital

January 1 ~ December 31, 2016

Attachment 3

The company disposing the property	Asset title	Date of event	Original acquisition date	Book Value	Trade value	Payment collection situation	Capital gain/loss from disposition	Counterparty	Relationship	Disposition purpose	Reference for price determination	Other stipulations of the transaction
KBM	Land and building	2016.4.6	-	$ 45,390	$86,590 (RM$ 11,000)	$86,590 (RM$ 11,000)	$ 42,321	Buan Hoa Leong Manufacturing Sdn Bhd	-	The operation is planned to be expanded due to the increase in business demand	Valuation report and bargain	-

Kino Biotech Co., Ltd. and Subsidiaries

The receivables from the related parties for an amount exceeding NT$100 million or 20% of paid-in capital

December 31, 2016

Attachment 4

Accounts receivable company	Counterparty	Relationship	Receivable balance from related party	Turnover	Receivable from related party overdue		Receivable from related party collected afterwards	Allowance for bad debt
					Amount	Handling process		
KLS	TRM	Same parent company	$ 120,502 (Note 1)	1.51	$ -	Note 3	$ 13,686	$ -
KLS	KBS	Same parent company	123,799 (Note 2)	0.99	-	Note 3	17,832	-

Note 1: Accounts receivables on the book NT$44,602 thousand and other receivables NT$75,900 thousand.

Note 2: Accounts receivables on the book

Note 3: Trading condition is longer than the average customer’s. Payment is made according to the Company’s financial status.

Kino Biotech Co., Ltd. and Subsidiaries

The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts

January 1 ~ December 31, 2016

Attachment 5

No.	Name of Trader	Counterparty	Relationship with trader (Note 1)	Transaction			
				Account	NTD	Trading condition	Percentage of consolidated total operating income or total assets
1	The Company	KLS	1	Dividend receivables	$ 6,018	Note 3	2%
2	KLS	KBS	3	Sales income	122,675	Note 2	23%
		KBS	3	Accounts receivable	123,799	Note 3	33%
		TRM	3	Sales income	79,683	Note 2	15%
		TRM	3	Accounts receivable	44,602	Note 3	12%
		TRM	3	Other receivable	75,900	Note 3	20%
		KB Brands	3	Other receivable	2,399	Note 3	1%
		KB Brands	3	Labor expense	5,041	General trading condition	1%
3	TRM	KBS	3	Sales income	23,737	Note 2	4%
		KBS	3	Accounts receivable	6,754	Note 3	2%
		KLS	3	Operating expense	23	General trading condition	-
		KBM	3	Sales income	15,451	Note 2	3%
		KBM	3	Accounts receivable	1,895	Note 2	-

Note 1: 1. Parent company vs. subsidiaries

2. Subsidiaries vs. parent company

3. Subsidiary vs. subsidiary

Note 2: It is determined with the consideration of sales profit.

Note 3: Trading condition is longer than the average customer’s. Payment is made according to the Company’s financial status.

Kino Biotech Co., Ltd. and Subsidiaries

Invested company information

January 1 ~ December 31, 2016

Attachment 6

Unit: Shares in Thousand / Foreign currency in Thousand / NT$ Thousand

Investing Company	Name of invested company	Location	Main business operation	Initial investment amount		Ending shareholding			Invested company's profit and loss	Investment profit and loss recognized	Remark
				Current year-end	Last year-end	Share	Ratio	Book Value			
The Company	KBS	Singapore	Sales of beauty healthcare products	SG$ 2,578	SG$ 278	2,700	100%	$ 3,589	($18,439)	($18,439)	Note
	TRM	Malaysia	Sales of beauty healthcare products	RM 1,616	RM1,616	500	100%	11,100	(5,298)	(5,298)	Note
	KLS	British Virgin Islands (Business location: Singapore)	Group purchasing center	SG 4,092	SG 4,092	306	100%	97,697	(49,364)	(54,849)	Note
	KBM	Malaysia	Sales of beauty healthcare products	RM 1,867	RM1,867	1,750	100%	51,646	39,725	39,725	Note
	KB Brands	Singapore	Trademark and patent management	SG 300	SG 100	300	100%	3,410	770	770	Note

Note: The investment gain (loss) is calculated in accordance with the profit and loss of the current period of time in the audited financial statements.