# Kino Biotech Co., Ltd. and Subsidiaries

# Consolidated Financial Statements and Independent Auditor's Report

2015 and 2014

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# Independent Auditor's Report

To: Kino Biotech Co., Ltd.

We have audited the accompanying consolidated balance sheets of Kino Biotech Co., Ltd. as of December 31, 2015 and 2014, and the related consolidated statement of income, retained earnings, and cash flows for the January 1 to December 31, 2015 and 2014. The consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations 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 to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kino Biotech Co., Ltd. as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the for the January 1 to December 31, 2015 and 2014 are in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission.

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

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

March 23, 2016

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2015 and 2014

Unit: NTD Thousand

| Code | Assets | December 31, 2015 Amount | % | December 31, 2014 Amount | % |
|---|---|---|---|---|---|
| | Current assets | | | | |
| 1100 | Cash and cash equivalent (Note IV & VI) | $ 10,979 | 4 | $ 82,622 | 22 |
| 1170 | Accounts receivable – net (Note IV, V, & VII) | 127,721 | 40 | 123,778 | 33 |
| 1220 | Current income tax assets (Note IV & XVII) | 1,233 | - | - | - |
| 130X | Inventories (Note IV, V, & VIII) | 73,060 | 23 | 50,931 | 13 |
| 1470 | Other current assets | 20,562 | 6 | 30,999 | 8 |
| 11XX | Total current assets | 233,555 | 73 | 288,330 | 76 |
| | Noncurrent assets | | | | |
| 1600 | Property, plant, and equipment (Note IV, X, & XXII) | 68,849 | 21 | 78,153 | 21 |
| 1780 | Intangible assets (Note IV & XI) | 9,839 | 3 | - | - |
| 1840 | Deferred income tax assets (Note IV, V & XVII) | - | - | 1,601 | - |
| 1920 | Guarantee deposit and margin paid (Note XXI) | 6,652 | 2 | 6,716 | 2 |
| 1980 | Other financial assets – noncurrent (Note IV & XXII) | 2,489 | 1 | 2,940 | 1 |
| 15XX | Total noncurrent assets | 87,829 | 27 | 89,410 | 24 |
| 1XXX | Total assets | $ 321,384 | 100 | $ 377,740 | 100 |
| **Code** | **Liabilities & Shareholder's equity** | | | | |
| | Current liabilities | | | | |
| 2170 | Accounts payable | $ 37,821 | 12 | $ 24,020 | 6 |
| 2200 | Other payable (Note XIII) | 46,636 | 14 | 36,686 | 10 |
| 2230 | Current income tax liability (Note IV & XVII) | 163 | - | 1,912 | 1 |
| 2250 | Liability reserve – current (Note IV & XIV) | 3,722 | 1 | 4,326 | 1 |
| 2320 | Long-term liability due in one year (Note XII & XXII) | 2,954 | 1 | 3,298 | 1 |
| 21XX | Total current liability | 91,296 | 28 | 70,242 | 19 |
| | Noncurrent liability | | | | |
| 2540 | Long-term loan (Note XII & XXII) | 7,071 | 2 | 11,735 | 3 |
| 2570 | Deferred income tax liability (Note IV & XVII) | - | - | 789 | - |
| 2645 | Guarantee deposit and margin received (Note XXI) | 1,000 | 1 | 502 | - |
| 25XX | Total noncurrent liability | 8,071 | 3 | 13,026 | 3 |
| 2XXX | Total liabilities | 99,367 | 31 | 83,268 | 22 |
| | Equity attributable to the Company's shareholder (Note XV) | | | | |
| 3110 | Common stock capital | 195,260 | 61 | 202,130 | 54 |
| 3200 | Additional paid-in capital | 66,661 | 21 | 69,006 | 18 |
| | Retained earnings | | | | |
| 3320 | Special reserve | - | - | 3,393 | 1 |
| 3350 | Unappropriated retained earnings | ( 17,774 ) | ( 6 ) | 27,237 | 7 |
| 3300 | Total retained earnings | ( 17,774 ) | ( 6 ) | 30,630 | 8 |
| 3410 | Exchange difference from the translation of financial statements of foreign operations | ( 22,130 ) | ( 7 ) | 741 | - |
| 3500 | Treasury stocks | - | - | ( 8,035 ) | ( 2 ) |
| 3XXX | Total equity | 222,017 | 69 | 294,472 | 78 |
| | Total Liabilities and Shareholder's equity | $ 321,384 | 100 | $ 377,740 | 100 |

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock    Manager: Chong Ka Wee    Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Income Statement

January 1 ~ December 31, 2015 and 2014

Unit: NTD Thousand, except for earnings per share in NTD

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| Code | | Amount | % | Amount | % |
| | Operating income | | | | |
| 4110 | Total sales income | $ 533,402 | 110 | $ 485,815 | 108 |
| 4170 | Sales return and discount | ( 50,267 ) | ( 10 ) | ( 37,028 ) | ( 8 ) |
| 4100 | Sales income – net (Note IV & V) | 483,135 | 100 | 448,787 | 100 |
| 4300 | Rent income (Note XXI) | - | - | 742 | - |
| 4000 | Total operating income | 483,135 | 100 | 449,529 | 100 |
| 5000 | Operating cost (Note IV & VIII) | 146,852 | 30 | 139,286 | 31 |
| 5900 | Gross profit | 336,283 | 70 | 310,243 | 69 |
| | Operating expense (Note XVI & XXI) | | | | |
| 6100 | Marketing expense | 237,411 | 49 | 177,917 | 39 |
| 6200 | Administrative expense | 111,409 | 23 | 111,084 | 25 |
| 6000 | Total operating expense | 348,820 | 72 | 289,001 | 64 |
| 6900 | Operating net income (loss) | ( 12,537 ) | ( 2 ) | 21,242 | 5 |
| | Non-operating income and expense (Note IV & XVI) | | | | |
| 7010 | Other income | 5,011 | 1 | 5,573 | 1 |
| 7020 | Other gains and losses | ( 11,962 ) | ( 3 ) | 598 | - |
| 7050 | Financial cost | ( 1,108 ) | - | ( 1,770 ) | - |
| 7000 | Total Non-operating income and expense | ( 8,059 ) | ( 2 ) | 4,401 | 1 |
| 7900 | Net income (loss) before tax | ( 20,596 ) | ( 4 ) | 25,643 | 6 |
| 7950 | Income tax expense (Note IV & XVII) | 1,455 | - | 2,870 | 1 |
| 8200 | Net income (loss) | ( 22,051 ) | ( 4 ) | 22,773 | 5 |

(Continuing)

(Continuing)

| Code | | 2015 Amount | 2015 % | 2014 Amount | 2014 % |
|---|---|---|---|---|---|
| | Other comprehensive profit and loss | | | | |
| | Not reclassified to profit and loss | | | | |
| 8341 | Exchange differential generated from conversion into the presentation currency | ( 8,347 ) | ( 2 ) | 4,995 | 1 |
| | May be reclassified to profit and loss subsequently | | | | |
| 8361 | Exchange difference from the translation of financial statements of foreign operations | ( 14,524 ) | ( 3 ) | ( 861 ) | - |
| 8300 | Other consolidated income of this term (net amount after tax) | ( 22,871 ) | ( 5 ) | 4,134 | 1 |
| 8500 | Total comprehensive profit and loss - current | ($ 44,922 ) | ( 9 ) | $ 26,907 | 6 |
| | Net income (loss) attributable to: | | | | |
| 8610 | The company's shareholders | ($ 22,051 ) | ( 5 ) | $ 22,773 | 5 |
| | Comprehensive profit and loss attributable to: | | | | |
| 8710 | The company's shareholders | ($ 44,922 ) | ( 9 ) | $ 26,907 | 6 |
| | Earnings (losses) per share (Note XVIII) | | | | |
| 9710 | Basic | ($ 1.13 ) | | $ 1.09 | |

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock Manager: Chong Ka Wee Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries
Consolidated Statement of Retained Earnings
January 1 ~ December 31, 2015 and 2014

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, 2014 | 21,800 | $ 218,000 | $ 74,424 | $ 2,625 | $ 38,798 | ($ 3,393) | $ - | $ 330,454 |
| | 2013 Earnings appropriation and distribution | | | | | | | | |
| B3 | Special reserve | - | - | - | 768 | (768) | - | - | - |
| B5 | Cash dividend | - | - | - | - | (11,118) | - | - | (11,118) |
| L1 | Repurchase of 1,938 shares of treasury stock | - | - | - | - | - | - | (51,771) | (51,771) |
| L3 | Repurchase of 1,587 shares of treasury stock | (1,587) | (15,870) | (5,418) | - | (22,448) | - | 43,736 | - |
| D1 | 2014 Net income | - | - | - | - | 22,773 | - | - | 22,773 |
| D3 | 2014 Other comprehensive profit and loss | - | - | - | - | - | 4,134 | - | 4,134 |
| Z1 | Balance – December 31, 2014 | 20,213 | 202,130 | 69,006 | 3,393 | 27,237 | 741 | (8,035) | 294,472 |
| | 2014 Earnings appropriation and distribution | | | | | | | | |
| B3 | 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 |

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock Manager: Chong Ka Wee Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flow

January 1 ~ December 31, 2015 and 2014

Unit: NTD Thousand

| Code | | 2015 | 2014 |
|---|---|---|---|
| | Cash flow from operating activities | | |
| A10000 | Net income (loss) | ($ 20,596) | $ 25,643 |
| A20000 | Adjustments: | | |
| A20100 | Depreciation expense | 7,296 | 7,104 |
| A20200 | Amortization expense | 185 | - |
| A20300 | Bad debt expense appropriated (Reversal) | ( 139) | 167 |
| A20900 | Interest expense | 1,108 | 1,770 |
| A21200 | Interest income | ( 23) | ( 478) |
| A23700 | Falling (Rising) price of inventory | ( 208) | 909 |
| A24100 | Foreign exchange loss - net | 2,458 | 364 |
| A29900 | Appropriated liability reserve | 69 | 287 |
| A30000 | Net changes in operating assets and liabilities | | |
| A31150 | Accounts receivable | ( 20,065) | ( 33,321) |
| A31200 | Inventory | ( 23,044) | ( 11,673) |
| A31240 | Other current assets | 4,480 | ( 9,664) |
| A32150 | Accounts payable | 14,339 | 23,489 |
| A32180 | Others payable | 14,177 | 13,084 |
| A33000 | Cash inflow (outflow) from operating activities | ( 19,963) | 17,681 |
| A33100 | Interest received | 23 | 478 |
| A33500 | Income tax paid | ( 3,579) | ( 239) |
| AAAA | Net cash inflow (outflow) from operating activities | ( 23,519) | 17,920 |
| | | | |
| | Cash flow from investing activities | | |
| B02700 | Purchase of property, plant, and equipment | ( 8,035) | ( 11,721) |
| B02800 | Disposal of property, plant, and equipment | - | 72 |
| B03700 | Increase of guarantee deposit and margin paid | ( 231) | ( 742) |
| B04500 | Acquisition of intangible assets | ( 4,895) | - |
| BBBB | Net cash outflow from investing activities | ( 13,161) | ( 12,391) |
| | | | |
| | Cash flow from financing activities | | |
| C01700 | Long-term loan repaid | ( 2,886) | ( 21,217) |
| C03100 | Increase (Decrease) of guarantee deposit and margin received | 577 | ( 24) |
| C04500 | Dividend paid to the Company’s shareholders | ( 19,526) | ( 11,118) |
| C04900 | Cost of treasury stock repurchase | ( 8,007) | ( 51,771) |

(Continuing)

(Continuing)

| Code | | 2015 | 2014 |
|---|---|---|---|
| C05600 | Interest paid | ( 1,131 ) | ( 1,890 ) |
| CCCC | Net cash outflow from financing activities | ( 30,973 ) | ( 86,020 ) |
| DDDD | Exchange rate effect on cash and cash equivalent | ( 3,990 ) | 2,455 |
| EEEE | Decrease of cash and cash equivalent | ( 71,643 ) | ( 78,036 ) |
| E00100 | Cash and cash equivalent balance - beginning | 82,622 | 160,658 |
| E00200 | Cash and cash equivalent balance - ending | $ 10,979 | $ 82,622 |

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock　　Manager: Chong Ka Wee　　Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 1 ~ December 31, 2015 and 2014

(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 Securities 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 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 23, 2016.

III. Application of newly published and amended standards and interpretations

(I) The first application of the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRS, IAS, IFRIC and SIC approved by the Financial Supervisory Commission

The Company and entities controlled by the Company (hereinafter referred to as the Consolidated Company) are applicable to 2013 IFRS, IAS, IFRIC and SIC (hereinafter referred to as IFRSs) promulgated by IASB starting from 2015 and approved by the Financial Supervisory Commission (hereinafter referred to as FSC) and the revised provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers pursuant to the Letters of Jin-Guwan-Cheng-Sheng-Zi No.1030029342 and Jin-Guwan-Cheng-Sheng-Zi No.1030010325.

Aside from the descriptions below, the application of revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs will not cause significant changes to the accounting policy of the Consolidated Company:

1. IFRS 13 "Fair Value Measurement"

IFRS 13 provides guidelines for the measurements of fair value. The fair value is defined, the fair value structure is established, and the measurement of fair value is disclosed in accordance with the guidelines referred to above. Besides, the content of disclosure is wider in the standards. For example, before the application of IFRS 13, the standard only required that the financial instruments measured in fair value shall be disclosed in three levels of fair value; on the other hand, pursuant to IFRS 13, assets and liabilities that are applicable to these Regulations shall provide aforementioned disclosures.

The measurement requirement in IFRS 13 can be adopted since the year of 2015. Please refer to Note XX for related disclosure.

2. IAS 1 "Expression of other comprehensive profit and loss" amendment

According to the amended standards, other comprehensive profit and loss items shall be classified by their nature and grouped as (1) not reclassified to profit and loss and (2) may be reclassified to profit and loss subsequently. The related income tax should also be grouped on the same basis. The aforementioned grouping is not mandatory before the said amendment in effect.

The Consolidated Company was retrospective to the aforementioned revisions in 2015, and the items that are not reclassified to income include the exchange differential generated from conversion into the presentation currency. The titles of profits and loss accounts that may be subject to reclassification include the exchange difference between the financial statements of overseas operations. However, the application of the aforementioned revisions does not affect the net profit of the year, other comprehensive income after tax of the year, and the total amount of comprehensive income of the year.

(II) IFRSs is published by the IASB but not yet recognized by the FSC.

The Consolidated Company has not adopted the following IFRSs published by the IASB but not yet recognized by the FSC. FSC announced on March 10, 2016 the scope of approved IFRSs that is applicable in 2017, which are the IFRSs promulgated by IASB before January 1, 2016 and entering into effect on January 1, 2017 (excluding IFRS 9 "Financial Instruments" and IFRS 15 "Revenues from Contracts with Customers" that have not yet entered into effect or the effective date has not yet been confirmed). Besides, FSC also announced that IFRS 15 shall be applicable to domestic public companies starting from 2018. As the approved publication date of the consolidated financial report, FSC has not yet announced the effective date of other standards other than the aforementioned new/revised/amended standards and interpretations.

| 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 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 10, IFRS 12, and IAS 28 amendments "Investment entity: Application of the exceptions to the consolidated financial statements." | January 1, 2016 |
| IFRS 11 amendment "Acquisition of joint operation equity." | January 1, 2016 |
| IFRS 14 "Restrictive deferred account" | January 1, 2016 |
| IFRS 15 "Income from customer contracts" | January 1, 2018 |

| The newly published / amended / revised standards and interpretations | IASB announcement effective date (Note 1) |
|---|---|
| IFRS 16 "Leases" | January 1, 2019 |
| IAS 1 amendment "Disclosure Initiative" | January 1, 2016 |
| IAS 7 amendment "Disclosure Initiative" | January 1, 2017 |
| IAS 12 amendment "Recognition of unrealized loss as deferred income tax assets" | January 1, 2017 |
| 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 |
| 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 IFRS 5, 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.

In addition to the following instructions, the implementation of the aforementioned newly published / amended / revised standards or interpretations will not cause significant changes to the consolidated company's accounting policies:

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 investment of the consolidated operations in financial assets beyond debt instruments 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 measured with the costs after amortization and contractual assets generated from IFRS 15 “Revenues from Contracts with Customers” are recognized as allowance accounts for credit losses. 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 “Income from customer contracts”

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 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.

2. 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 and 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 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 IX and Appendix VI 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, earnings, expense, and losses are translated in accordance with the average exchange rate at the time and with the resulted exchange differences booked in the "Other comprehensive profit and loss".

(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. 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.

1. 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.

A. Financial assets measured at fair value through profit or loss

Financial assets at fair value through income statement are the financial assets for disposal.

Financial assets at fair value through income statement are the assets assessed based on fair value and for measurement of profits or loss (including but not limiting to any dividend or interest from these financial assets) shall be recognized as profits or loss. Please refer to Note XX for the determination of fair value.

B. 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.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at the amortized cost in accordance with the effective interest method.

(2) De-recognition of financial liabilities

When financial liabilities are de-recognized, the difference between the book value and the considerations paid (including the transfer of any non-cash assets or assumed liabilities) is recognized in profit and 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) 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.

(XV) 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.

(XVI) 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 Act 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 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, loss credit, and investment credit.

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 tax shall be recognized as profit or loss. However, deferred income tax recognized in related to other profits or loss accounts in current period shall be recognized as other incomes.

## 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) Income tax

As of December 31 2015 and 2014, the book value of deferred income Tax assets amounted to NT$0 thousand and NT$1,601 thousand, respectively. The realization of deferred income tax assets mainly depends on whether there is sufficient profit in the future or taxable temporary differences. If the actual profit generated in the future is less than expected, may have significant deferred tax assets reversed; therefore, the reversed amount should be recognized in profit and loss upon incurrence.

### (III) 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.

### (IV) 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, 2015 | December 31, 2014 |
|---|---|---|
| Cash on hand and working capital | $ 1,791 | $ 1,673 |
| Check deposit | 8,420 | 64,267 |
| Demand deposit | 768 | 4,565 |
| Time deposit | - | 12,117 |
| | $ 10,979 | $ 82,622 |

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Bank deposit | 0.003%~0.0079% | 0.002%~0.61% |

VII. Accounts receivable

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Accounts receivable | $127,954 | $124,160 |
| Less: Allowance for bad debt | ( 233 ) | ( 382 ) |
| Net amount | $127,721 | $123,778 |

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, 2015 | December 31, 2014 |
|---|---|---|
| Not overdue | $ 78,085 | $101,598 |
| Below 60 days | 42,054 | 22,132 |
| 61 ~ 120 days | 6,303 | 215 |
| Over 121 days | 1,512 | 215 |
| Total | $127,954 | $124,160 |

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, 2015 | December 31, 2014 |
|---|---|---|
| Below 120 days | $ 48,357 | $ 22,180 |
| Over 121 days | 858 | - |
| | $ 49,215 | $ 22,180 |

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, 2014 | $ 212 |
| Add: Expenses of impairment/doubt accounts recognize in current period. | 167 |
| Foreign currency translation differences | 3 |
| Balance – December 31, 2014 | $ 382 |
| | |
| Balance – January 1, 2015 | $ 382 |
| Less: Current year reversal of impairment loss/bad debt expenses | ( 139 ) |
| Foreign currency translation differences | ( 10 ) |
| Balance – December 31, 2015 | $ 233 |

VIII. Inventory

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Finished goods | $ 38,309 | $ 23,542 |
| Raw material | 34,751 | 27,389 |
| | $ 73,060 | $ 50,931 |

The cost of goods sold related to inventory in 2015 and 2014 amounted to NT$146,852 thousand and NT$139,286 thousand, respectively.

The sales costs for 2015 and 2014 include $208 thousand of net realizable value recovery of falling inventory price and $909 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:

| Investing Company | Name of Subsidiary | Business operation | Shareholding ratio December 31, 2015 | Shareholding ratio December 31, 2014 | 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% | — |
| | TR Networks (M) Sdn. Bhd. (TRM) | Property management | 100% | 100% | — |
| | Kino Brands Pte. Ltd. (KB Brands) | Trademark and patent management | 100% | 100% | — |

### (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, 2014 | $ 11,021 | $ 47,171 | $ 1,107 | $ 5,652 | $ 21,313 | $ 5,581 | $ 1,389 | $ 93,234 |
| Addition | - | - | 48 | - | 10,309 | 694 | 933 | 11,984 |
| Disposition | - | - | - | - | (144) | - | - | (144) |
| Reclassified | (1,036) | - | - | - | - | 1,036 | - | - |
| Exchange difference – net | (43) | (207) | (8) | (12) | (48) | 26 | (4) | (296) |
| Balance – December 31, 2014 | $ 9,942 | $ 46,964 | $ 1,147 | $ 5,640 | $ 31,430 | $ 7,337 | $ 2,318 | $104,778 |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance – January 1, 2014 | $ - | $ 4,004 | $ 353 | $ 966 | $ 12,246 | $ 1,696 | $ 470 | $ 19,735 |
| Depreciation expense | - | 957 | 120 | 909 | 4,066 | 741 | 311 | 7,104 |
| Disposition | - | - | - | - | (72) | - | - | (72) |
| Reclassified | - | (377) | - | - | - | 377 | - | - |
| Exchange difference – net | - | (43) | (19) | (11) | (60) | 6 | (15) | (142) |
| Balance – December 31, 2014 | $ - | $ 4,541 | $ 454 | $ 1,864 | $ 16,180 | $ 2,820 | $ 766 | $ 26,625 |
| Net amount – December 31, 2014 | $ 9,942 | $ 42,423 | $ 693 | $ 3,776 | $ 15,250 | $ 4,517 | $ 1,552 | $ 78,153 |
| 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 |
| 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 |

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

| | |
|---|---|
| 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 |

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

| | |
|---|---|
| Trademark rights | 10 years |
| Computer software | 10 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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Long-term loans-Guaranteed loan | | |
| Loans for the purchase of land and buildings | $ 10,025 | $ 15,033 |
| Less: Amount due in one year | ( 2,954 ) | ( 3,298 ) |
| | $ 7,071 | $ 11,735 |

The loan for the purchase of land and plant facilities was M$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 MYR 2,000 thousand before May 2014. As of December 31 of 2015 and 2014, the actual interest rate was 7.60% and 7.35% respectively. The bank loan is with the collateral of the consolidated company's proprietary land and architecture.

Please refer to Note XXI and Note XXII for the guarantees and collateral provided by the consolidated company's management as of December 31, 2015.

XIII. Others payable

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Salary and bonus payable | $ 9,071 | $ 13,193 |
| Advertising expenses payable | 8,490 | 2,271 |
| Marketing expense payable | 7,885 | 8,246 |
| Labor expense payable | 5,327 | 2,867 |
| Vacation benefit payable | 1,954 | 1,506 |
| Interest payable | 70 | 96 |
| Others | 13,839 | 8,507 |
| | $ 46,636 | $ 36,686 |

XIV. Liabilities reserve

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Sales return and discount | $ 3,722 | $ 4,326 |

| | Sales return and discount |
|---|---|
| Balance – January 1, 2014 | $ 4,074 |
| Addition | 287 |
| Exchange difference – net | ( 35 ) |
| Balance – December 31, 2014 | $ 4,326 |
| | |
| Balance – January 1, 2015 | $ 4,326 |
| Addition | 69 |
| Exchange difference – net | ( 673 ) |
| Balance – December 31, 2015 | $ 3,722 |

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, 2015 | December 31, 2014 |
|---|---|---|
| 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 | 20,213 |
| Outstanding capital | $195,260 | $202,130 |

### (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).

The Company had a shareholders' meeting held on June 22, 2015 and June 11, 2014 with the 2014 and 2013 distribution of earnings resolved as follows:

| | Earnings distribution | | Dividend per share (NTD) | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| (Reversal) Allowance for special reserves | ($ 3,393) | $ 768 | | |
| Cash dividend | 19,526 | 11,118 | $ 1.00 | $ 0.53 |

The Company proposed to subsidize the loss of 2015 in the board meeting on March 23, 2016. The resolution was to subsidize the loss with $ 17,774,000 in additional paid-in capital.

(IV) Treasury stocks

| Cause | Number of shares-beginning of year | Increase in the year | Decrease | Number of shares-end of year |
|---|---|---|---|---|
| 2015 | | | | |
| Repurchase for cancellation (1,000 shares) | 351 | 336 | 687 | - |
| 2014 | | | | |
| Repurchase for cancellation (1,000 shares) | - | 1,938 | 1,587 | 351 |

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 26 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 thousand 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.

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

| | 2015 | 2014 |
|---|---|---|
| Government grant income | $ 4,456 | $ 3,086 |
| Interest income – bank deposit | 23 | 478 |
| Others | 532 | 2,009 |
| | $ 5,011 | $ 5,573 |

(II) Other gains and losses

| | 2015 | 2014 |
|---|---|---|
| Foreign exchange gains (losses) - net | ($ 11,129) | $ 1,573 |
| Held-for-trade financial assets gains (losses) (1) | - | ( 449) |
| Others | ( 833) | ( 526) |
| | ($ 11,962) | $ 598 |

(1) The net profit or loss of financial assets for disposals in 2014 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

| | 2015 | 2014 |
|---|---|---|
| Bank loan interest | $ 1,108 | $ 1,770 |

(IV) Depreciation and Amortization

| | 2015 | 2014 |
|---|---|---|
| Property, plant, and equipment | $ 7,296 | $ 7,104 |
| Intangible assets | 185 | - |
| Total | $ 7,481 | $ 7,104 |
| Depreciation expense summarized by function | | |
| Operating expense | $ 7,296 | $ 7,104 |
| Amortization expense summarized by function | | |
| Operating expense | $ 185 | $ - |

(V) Employee welfare expense

| | 2015 | 2014 |
|---|---|---|
| Short-term employee benefits | $105,868 | $ 96,879 |
| Retirement benefits | 9,121 | 6,530 |
| Total | $114,989 | $103,409 |
| | | |
| Summarized by function | | |
| Operating expense | $114,989 | $103,409 |

XVII. Income tax

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

| | 2015 | 2014 |
|---|---|---|
| Current income tax | | |
| Incurred during the year | $ 647 | $ 3,755 |
| Prior year adjustment | 69 | - |
| Deferred income tax | | |
| Incurred during the year | 739 | ( 885 ) |
| Income tax expense recognized in profit and loss | $ 1,455 | $ 2,870 |

Accounting income and income tax expense are adjusted as follows:

| | 2015 | 2014 |
|---|---|---|
| Net income (loss) before tax | ($ 20,596) | $ 25,643 |
| Income tax profit of the net income before tax calculated at the statutory tax rate | ($ 3,902) | ($ 2,703) |
| Expenses and losses without tax exemption privilege | 1,108 | 1,220 |
| Unrecognized temporary difference and deduction for loss | 4,895 | 9,472 |
| Deductibles of income tax | ( 715) | ( 5,119) |
| Income tax expense of prior years adjusted in this year | 69 | - |
| Income tax expense recognized in profit and loss | $ 1,455 | $ 2,870 |

The consolidated company is entitled to the individual tax rate of 25% and 17% in accordance with the Income Tax Act of Malaysia and Singapore, respectively.

(II) Current income tax asset and liability

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Current income tax assets | | |
| Prepaid income tax | $ 1,233 | $ - |
| Current income tax liabilities | | |
| Income tax payable | $ 163 | $ 1,912 |

(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 | $ - |

2014

| Deferred income tax assets | Balance - beginning | Recognized in profit and loss | Exchange difference | Balance - ending |
|---|---|---|---|---|
| Temporary difference | | | | |
| Liabilities reserve | $ 471 | $ 621 | ($ 16) | $ 1,076 |
| Inventory valuation and obsolescence loss | - | 144 | ( 1) | 143 |
| Unrealized exchange loss | 542 | ( 167) | 7 | 382 |
| Investment tax credit | 447 | ( 454) | 7 | - |
| | $ 1,460 | $ 144 | ($ 3) | $ 1,601 |

| Deferred income tax liabilities | Balance - beginning | Recognized in profit and loss | Exchange difference | Balance - ending |
|---|---|---|---|---|
| Temporary difference | | | | |
| Property, plant, and equipment | $ 1,507 | ($ 741) | $ 23 | $ 789 |

XVIII. Earnings (losses) per share

| | Net income (loss) attributable to the Company's shareholders (Numerator) | The weighted average quantity of common shares (denominator) (1,000 shares) | Earnings (losses) per share (NT dollar) |
|---|---|---|---|
| 2015 | | | |
| Basic earnings per share | ($ 22,051) | 19,555 | ($ 1.13) |
| 2014 | | | |
| Basic earnings per share | $ 22,773 | 20,886 | $ 1.09 |

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 overall strategy has not been changed since the year of 2010.

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 Consolidated Company believes that financial assets that are not measured with fair value and the book value of the financial liabilities are close to their fair value. Thus, this is the reasonable basis that the book value of the consolidated balance sheet is the estimated fair value.

(II) Type of financial instrument

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Financial assets | | |
| Loans and accounts receivable (Note 1) | $147,841 | $216,056 |
| Financial liabilities | | |
| Measured at amortized cost (Note 2) | 95,482 | 76,241 |

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 covers account payables, other payables, long-term liability due in one year, long-term loans and refundable deposits are financial liabilities assessed based on cost after amortization.

(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 by TRM (the functional currency is MYR).

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 XXIV 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.

Sensitivity analysis

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 yearend 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 | |
|---|---|---|
| | 2015 | 2014 |
| The impact of MYR | ( 723 ) (i) | ( 153 ) (i) |
| The impact of USD | 168 (ii) | 222 (ii) |

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

(ii) It mainly originates from the consolidated company's outstanding cash and payables without cash flow hedging that is denominated in U.S. Dollar on the balance sheet date.

The consolidated company's exchange rate sensitivity is increased this year mainly due to the increase of accounts receivable balance denominated in USD.

(2) Interest rate risk

The consolidated company's interest rate risk is mainly from loans with fixed and floating interest rate.

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, 2015 | December 31, 2014 |
|---|---|---|
| With fair value interest rate risk | | |
| -Financial assets | $ 2,489 | $ 15,057 |
| With cash flow interest rate risk | | |
| -Financial assets | 768 | 4,565 |
| -Financial liabilities | 10,025 | 15,033 |

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 market interest rate was increased / decreased by 100 points, with all other variables held constant, the consolidated company's 2015 and 2014 net income before tax would be decreased / increased by NT$93 thousand and NT$105 thousand, respectively, mainly due to the consolidated company's floating rate loan exposure.

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 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, 2015 and 2014, total accounts receivable ratio from the said customers were 82% and 91%, 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, 2015 and 2014, the outstanding bank loan quota of the consolidated company was NT$92,482 thousand and NT$111,972 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, 2015 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-3 years | 3-5 years | Over 5 years | Total |
| Non-derivative financial liabilities | | | | | |
| Accounts payable | $ 37,821 | $ - | $ - | $ - | $ 37,821 |
| 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 |

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1-3 years | 3-5 years | Over 5 years | Total |
| Non-derivative financial liabilities | | | | | |
| Accounts payable | $ 24,020 | $ - | $ - | $ - | $ 24,020 |
| Others payable | 36,686 | - | - | - | 36,686 |
| Long-term bank loans | 4,278 | 8,556 | 4,422 | - | 17,256 |
| Guarantee deposit and margin received | 143 | 359 | - | - | 502 |
| | $ 65,127 | $ 8,915 | $ 4,422 | $ - | $ 78,464 |

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 | 2015 | 2014 |
|---|---|---|---|
| Rent income | Other related party – same Chairman | $ - | $ 742 |
| Operating expense – rent expense | Other related party – same Chairman | $ 1,940 | $ 2,009 |

| Items in book | Type of related party | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Guarantee deposit and margin paid | Other related party – same Chairman | $ 326 | $ 335 |
| Guarantee deposit and margin received | Other related party – same Chairman | $ - | $ 359 |

(II) Guarantees

As of December 31, 2015 and 2014, the Company's affiliated companies and the management jointly provided the consolidated company with long-term and short-term loan guarantee as follows:

| Type of related party | December 31, 2015 | December 31, 2014 |
|---|---|---|
| The management | $ 35,565 | $ 41,921 |
| Other related party – same Chairman | $ 33,960 | $ 40,056 |

(III) Remuneration to the management

The total remuneration to directors and the management in 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Short-term employee benefits | $ 24,337 | $ 24,087 |

XXII. Mortgaged or pledged assets

The following assets provided as collateral for bank loans:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Land and building – net | $ 43,589 | $ 52,365 |
| Certificates of deposit (booked in the "other financial assets – noncurrent) | 2,489 | 2,940 |
| | $ 46,078 | $ 55,305 |

XXIII. Significant subsequent events

The board meeting of the Company approved the real estate disposition of the subsidiary TRN on January 14, 2016. However, the original buyer cancelled the purchase. In accordance with the resolution of the board, the disposition will continue until it is expired or a new buyer appears.

XXIV. Information 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. Information of foreign currency assets and liabilities with significant influence is as follows:

Unit: Foreign currency / Functional currency in thousand

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

| | December 31, 2014 | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | Book Value |
| Foreign currency assets | | | |
| Monetary item | | | |
| MYR | 2,110 | 0.378086 (MYR : Singapore dollar) | 19,072 |
| USD | 42 | 1.3243 (USD : Singapore dollar) | 1,338 |
| NT$ | 1,839 | 0.041841 (NT$ : Singapore dollar) | 1,839 |
| Foreign currency liabilities | | | |
| Monetary item | | | |
| Singapore dollar | 2,672 | 2.6449 (Singapore dollar : MYR) | 63,861 |
| MYR | 421 | 0.378086 (MYR : Singapore dollar) | 3,800 |
| USD | 742 | 1.3243 (USD : Singapore dollar) | 23,494 |

The Consolidated Company mainly bears the exchange rate risk of Singapore Dollars 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:

| | January 1 ~ December 31, 2015 | | January 1 ~ December 31, 2014 | |
|---|---|---|---|---|
| Functional currency | Functional currency exchanges for presentation currency | Net exchange income | Functional currency exchanges for presentation currency | Net exchange income |
| SGD | 23.09 (SGD: NT$) | ( $ 11,361 ) | 23.92 (SGD: NT$) | $ 2,791 |
| MRY | 8.13 (MRY: NT$) | 232 | 9.26 (MRY: NT$) | ( 1,218 ) |
| | | ( $ 11,129 ) | | $ 1,573 |

XXV. 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 yearend (excluding investments in subsidiaries, affiliated companies, and joint venture equity): 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: None.
7. The purchase or sale with the related party for an amount exceeding NT$100 million or 20% of paid-in capital: Attachment 3.
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, yearend 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.

XXVI. 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 patch 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:

| | 2015 | |
|---|---|---|
| | Department income | Department profit and loss |
| Power drinks department | $440,719 | ($ 11,454) |
| Healthcare patch 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) |

| | 2014 | |
|---|---|---|
| | Department income | Department profit and loss |
| Power drinks department | $413,625 | $ 19,519 |
| Healthcare patch department | 23,705 | 1,124 |
| Others | 12,199 | 599 |
| Total income from continuing operations | $449,529 | 21,242 |
| Other income | | 5,573 |
| Other gains and losses | | 598 |
| Financial cost | | ( 1,770) |
| Net income before tax | | $ 25,643 |

(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 2015 | Depreciation and Amortization 2014 |
|---|---|---|
| Power drinks department | $ 6,889 | $ 6,554 |
| Healthcare patch department | 469 | 375 |
| Others | 123 | 175 |
| | $ 7,481 | $ 7,104 |

(IV) Major products and services income

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

| | 2015 | 2014 |
|---|---|---|
| Power drinks department | $440,719 | $413,625 |
| Healthcare patch department | 34,081 | 23,705 |
| Others | 8,335 | 12,199 |
| | $483,135 | $449,529 |

(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 | |
|---|---|---|---|---|
| | 2015 | 2014 | December 31, 2015 | December 31, 2014 |
| Malaysia | $ 222,408 | $ 282,628 | $ 58,132 | $ 67,326 |
| Singapore | 223,105 | 126,823 | 26,195 | 16,730 |
| Others | 37,622 | 40,078 | 3,502 | 3,753 |
| | $ 483,135 | $ 449,529 | $ 87,829 | $ 87,809 |

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:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| Customer | NTD | Percentage of net operating income (%) | NTD | Percentage of net operating income (%) |
| Customer A | $ 160,360 | 33 | $ 121,777 | 27 |
| Customer B | 93,630 | 20 | 95,941 | 21 |
| Customer C | 69,316 | 14 | 77,772 | 17 |
| Customer D | 38,006 | 8 | 78,860 | 18 |

Kino Biotech Co., Ltd. and Subsidiaries

The Loaning of Funds

January 1 ~ December 31, 2015

Attachment 1

Unit: Unless otherwise stated, NT$ Thousand

| 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 | | |
| 2 | KLS | TRM | Other receivable | Yes | $ 75,900 | $ 75,900 | $ 75,900 | - | Has the necessity of short-term financing | $ - | Loan repayment | $ - | — | — | $ 88,807 | $ 88,807 |
| 2 | KLS | TRN | Other receivable | Yes | 38,017 | 20,399 | 16,874 | - | Has the necessity of short-term financing | - | Loan repayment | - | — | — | 88,807 | 88,807 |
| 2 | KLS | KB Brands | Other receivable | Yes | 2,399 | 2,399 | 2,399 | - | Has the necessity of short-term financing | - | Working capital | - | — | — | 88,807 | 88,807 |
| 2 | KLS | KBS | Accounts receivable | Yes | 7,551 | 7,551 | 7,551 | - | Business transaction | 104,321 | — | - | — | — | 88,807 | 88,807 |

Note 1: The upper limit for financing a particular target shall be the total amount of the company and the target in the period of 12 months prior to the financing and up to 40% of the net worth of the Company ($222,017×40%=$88,807). However, financing companies of which the Company have direct or indirect voting rights at 100% and are foreign companies shall not exceed 100% of the net worth of the Company.

Note 2: The loaning of funds of the Company and its subsidiaries may not exceed 40% of the Company’s net worth, cumulatively or individually, ($222,017 x 40% = $88,807).

Kino Biotech Co., Ltd. and Subsidiaries

Endorsement and Guarantee

January 1 ~ December 31, 2015

Attachment 2

Unit: Foreign currency in Thousand / NT$ Thousand

| 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 | TRM | Subsidiary | Note 1 | $ 15,971 | $ 15,971 | $ - | $ - | 7% | $ 111,009 | Y | — | — | |
| | | | | | ( RM$ 1,700 ) | ( RM$ 1,700 ) | - | | | | | | | |
| 0 | The Company | KLS | Subsidiary | Note 1 | 52,602 | 52,602 | - | - | 24% | 111,009 | Y | — | — | |
| | | | | | ( SG$ 2,200 ) | ( SG$ 2,200 ) | - | | | | | | | |
| 0 | The Company | TRN | Subsidiary | Note 1 | 35,554 | 35,554 | - | - | 16% | 111,009 | Y | — | — | |
| | | | | | ( RM$ 4,640 ) | ( RM$ 4,640 ) | - | | | | | | | |

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 ($222,017*50%=$111,009) 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 ($222,017*50%=$111,009).

Kino Biotech Co., Ltd. and Subsidiaries

The purchase or sale with the related party for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 ~ December 31, 2015

Attachment 3

Unit: Unless otherwise stated, NT$ Thousand

| Purchasing (selling) company | Counterparty | Relationship | Transaction | | | | Trade term differs from general trade term and the reasons | | Notes and accounts receivable (payable) | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchas (Sale) | Amount | Percentage of total purchase (sale) | Credit term | Unit price | Credit term | Balance | Percentage of total notes and accounts receivable (payable) | |
| TRM | KLS | Same parent company | Purchase | $ 85,687 | 74% | Note 1 | Note 2 | Note 1 | ($ 61,104) | ( 97.34%) | |
| KBS | KLS | Same parent company | Purchase | 104,321 | 81% | Note 1 | Note 2 | Note 1 | ( 124,278) | ( 93.47%) | |
| KLS | TRM | Same parent company | (Sale) | ( 85,687) | 34% | Note 1 | Note 2 | Note 1 | 61,104 | 33.61% | |
| KLS | KBS | Same parent company | (Sale) | ( 104,321) | 42% | Note 1 | Note 2 | Note 1 | 124,278 | 68.36% | |

Note 1: Trading condition is longer than the average customer’s. Payment is made according to the Company’s financial status.

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

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, 2015

Attachment 4

Unit: Unless otherwise stated, NT$ Thousand

| 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 | $ 137,004 (Note 1) | 0.89 | $ - | Note 3 | $ 11,351 | $ - |
| KLS | KBS | Same parent company | 124,278 (Note 2) | 0.95 | - | Note 3 | 558 | - |

Note 1: Accounts receivables on the book $61,104,000 and other receivables $75,900,000

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, 2015

Attachment 5

Unit: Unless otherwise stated, NT$ Thousand

| 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 | 3 | Dividend receivables | $ 4,419 | Note 3 | 1% |
| 2 | KLS | KBS | 3 | Sales income | 104,321 | Note 2 | 22% |
| | | KBS | 3 | Accounts receivable | 124,278 | Note 3 | 39% |
| | | TRM | 3 | Sales income | 85,687 | Note 2 | 18% |
| | | TRM | 3 | Accounts receivable | 61,104 | Note 3 | 19% |
| | | TRM | 3 | Other receivable | 75,900 | Note 3 | 24% |
| | | TRN | 3 | Other receivable | 16,874 | Note 3 | 5% |
| | | KB Brands | 3 | Other receivable | 2,399 | Note 3 | 1% |
| | | KB Brands | 3 | Operating expense | 1,247 | General trading condition | - |
| 3 | KBS | TRM | 3 | Sales income | 5,588 | Note 2 | 1% |
| | | TRM | 3 | Purchase | 31,564 | Note 2 | 7% |
| | | TRM | 3 | Others payable | 8,513 | Note 3 | 3% |
| | | KB Brands | 3 | Operating expense | 3,948 | General trading condition | 1% |
| 4 | TRM | TRN | 3 | Guarantee deposit and margin paid | 1,093 | General trading condition | - |
| | | TRN | 3 | Operating expense | 4,064 | General trading condition | 1% |

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, 2015

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 yearend | Last yearend | Share | Ratio | Book Value | | | |
| The Company | KBS | Singapore | Sales of beauty healthcare products | SG$ 278 | SG$ 278 | 400 | 100% | ($ 31,378) | ($ 18,495) | ($ 18,495) | Note 1 |
| | TRM | Malaysia | Sales of beauty healthcare products | RM 1,616 | RM 1,616 | 500 | 100% | 17,050 | ( 4,664) | ( 4,664) | Note 1 |
| | KLS | British Virgin Islands (Business location: Singapore) | Group purchasing center | SG 4,092 | SG 4,092 | 306 | 100% | 231,042 | 3,971 | 13,900 | Note 1 |
| | TRN | Malaysia | Property management | RM 1,867 | RM 1,867 | 1,750 | 100% | 15,910 | 785 | 785 | Note 1 |
| | KB Brands | Singapore | Trademark and patent management | SG 100 | SG 100 | 100 | 100% | ( 1,861) | ( 600) | ( 600) | Note 1 |

Note 1: The investment gain (loss) is calculated in accordance with the profit and loss of the same period of time in the audited financial statements.