Stock Code：4103

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Consolidated Financial Statements
September 30, 2016 and 2015

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Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2016 and 2015

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2016 and December 31, and September 30, 2015
(expressed in thousands of New Taiwan Dollars)

	September 30, 2016		December 31, 2015		September 30, 2015	
Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current assets:						
Cash and cash equivalents (note 6(a))	$ 1,939,453	35	2,372,718	43	2,097,139	35
Financial assets at fair value though profit or loss－current (note 6(b))	566	-	932	-	452	-
Notes and accounts receivable, net (note 6(c))	1,476,659	27	1,495,866	28	1,669,646	28
Other receivables, net (note 6(c))	99,149	2	83,302	2	150,888	3
Inventories (note 6(d))	1,448,575	26	956,198	18	1,481,145	25
Other assets－current	38,857	1	27,651	-	40,488	1
	5,003,169	91	4,936,667	91	5,439,758	92
Non-current assets:						
Available-for-sale financial assets－non-current (note 6(b))	-	-	-	-	2,536	-
Financial assets measured at cost－non-current (note 6(b))	8,270	-	9,972	-	10,715	-
Investments under equity method (note 6(e))	3,226	-	3,359	-	3,557	-
Property, plant and equipment (note 6(f))	354,620	6	338,564	6	297,546	5
Intangible assets (note 6(g))	29,781	1	34,899	1	60,603	1
Deferred income tax assets	54,883	1	55,172	1	38,562	1
Other financial assets－non-current (note 8)	15,004	-	15,752	-	45,265	1
Other assets－non-current	28,966	1	29,259	1	32,085	-
	494,750	9	486,977	9	490,869	8
Total assets	$ 5,497,919	100	5,423,644	100	5,930,627	100

	September 30, 2016		December 31, 2015		September 30, 2015	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current liabilities:						
Short-term borrowings (note 6(i))	$ -	-	-	-	-	-
Financial liabilities at fair value through profit or loss －current (note 6(b))	5,448	-	18,521	-	13,970	-
Accounts payable	931,093	17	671,675	12	1,419,062	24
Other payables	701,985	13	695,545	13	670,623	11
Promotion fees payable	207,734	4	238,617	5	199,164	4
Other payables－related parties (note 7)	226	-	3	-	-	-
Current income tax liabilities	49,226	1	88,374	2	83,940	1
Other liabilities－current	26,878	-	26,193	-	59,442	1
	1,922,590	35	1,738,928	32	2,446,201	41
Non-current liabilities:						
Deferred income tax liabilities	175,499	3	189,510	3	155,680	3
Net defined benefit liability	43,854	1	45,054	1	42,175	1
Total liabilities	2,141,943	39	1,973,492	36	2,644,056	45
Equity attributable to owners of parent (note 6(l))						
Capital stock	1,099,970	20	1,099,970	20	1,099,970	18
Capital surplus	276,960	5	276,960	5	276,960	5
Retained earnings:						
Legal reserve	715,475	13	650,647	12	650,647	11
Unappropriated retained earnings (note 6(k))	1,283,314	23	1,373,916	26	1,197,748	20
	1,998,789	36	2,024,563	38	1,848,395	31
Other equity interest (note 6(m))	(20,027)	-	48,375	1	60,962	1
Equity attributable to owners of parent	3,355,692	61	3,449,868	64	3,286,287	55
Non-controlling interests	284	-	284	-	284	-
Total equity	3,355,976	61	3,450,152	64	3,266,571	55
Total liabilities and equity	$ 5,497,919	100	5,423,644	100	5,930,627	100

See accompanying notes to financial statements.

(With KPMG review report dated November 8, 2016)

Reviewed only, not audited in accordance with generally accepted auditing standards

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Three Months and Nine Months Ended September 30, 2016 and 2015
(expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Net operating revenues (note 6(p))	$ 1,967,550	100	2,096,091	100	$ 3,993,970	100	4,173,354	100
Operating costs (notes 6(d), (i), and (j), and 12(a))	1,243,366	63	1,403,164	67	2,463,611	62	2,667,560	64
Gross profit from operations	724,184	37	692,927	33	1,530,359	38	1,505,794	36
Operating expenses (notes 6(c), (i), and (j), and 12(a)):								
Selling expenses	229,528	12	238,136	11	552,599	14	563,911	14
Administrative expenses	126,360	6	122,543	6	318,561	8	311,180	7
Research and development expenses	35,537	2	39,931	2	102,446	2	107,556	3
Total operating expenses	391,425	20	400,610	19	973,606	24	982,647	24
Operating income	332,759	17	292,317	14	556,753	14	523,147	12
Non-operating income and expenses:								
Other income	2,872	-	3,861	-	12,307	-	14,112	-
Other gains and losses (note 6(l))	(19,920)	(1)	96,313	5	(24,498)	(1)	66,912	2
Finance costs	-	-	(1,347)	-	-	-	(1,743)	-
Shares of profit and losses of investees accounted for using equity method	(136)	-	(245)	-	(138)	-	664	-
Total non-operating income and expenses	(17,184)	(1)	98,582	5	(12,329)	(1)	79,945	2
Profit before income tax	315,575	16	390,899	19	544,424	13	603,092	14
Less: income tax expense (note 6(k))	64,234	3	83,344	4	130,210	3	132,951	3
Profit	251,341	13	307,555	15	414,214	10	470,141	11
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	(56,048)	(3)	107,992	5	(82,412)	(1)	48,608	1
Income tax relating to items that may be reclassified subsequently to profit or loss	9,528	-	(18,358)	1	14,010	-	(8,263)	-
Other comprehensive income, net of income tax	(46,520)	(3)	89,634	4	(68,402)	(1)	40,345	1
Comprehensive income	$ 204,821	10	397,189	19	$ 345,812	9	510,486	12
Profit attributable to:								
Owners of parent	$ 251,341	13	307,555	15	$ 414,214	10	470,141	11
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 251,341	13	307,555	15	$ 414,214	10	470,141	11
Comprehensive income attributable to:								
Owners of parent	$ 204,821	10	397,189	19	$ 345,812	9	510,486	12
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 204,821	10	397,189	19	$ 345,812	9	510,486	12
Earnings per share (expressed in dollars) (note 6(m))								
Basic earnings per share	$ 2.28		2.80		$ 3.77		4.27	
Diluted earnings per share	$ 2.28		2.79		$ 3.76		4.26	

See accompanying notes to financial statements.
(With KPMG review report dated November 8, 2016)

Reviewed only, not audited in accordance with generally accepted auditing standards

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

Nine Months Ended September 30, 2016 and 2015
(expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings				Other equity interest			
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange difference on translation of foreign financial statements	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2015	$ 1,099,970	276,960	588,679	24,192	1,205,371	1,818,242	20,617	3,215,789	284	3,216,073
Profit for the nine months ended September 30,2015	-	-	-	-	470,141	470,141	-	470,141	-	470,141
Other comprehensive income for the nine months ended September 30, 2015	-	-	-	-	-	-	40,345	40,345	-	40,345
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	470,141	470,141	40,345	510,486	-	510,486
Legal reserve	-	-	61,968	-	(61,968)	-	-		-	-
Special reserve	-	-	-	(24,192)	24,192	-	-		-	-
Cash dividend	-	-	-	-	(439,988)	(439,988)	-	(439,988)	-	(439,988)
Balance on September 30, 2015	$ 1,099,970	276,960	650,647	-	1,197,748	1,848,395	60,962	3,286,287	284	3,286,571
Balance on January 1, 2016	$ 1,099,970	276,960	650,647	-	1,373,916	2,024,563	48,375	3,449,868	284	3,450,152
Profit for the nine months ended September 30, 2016	-	-	-	-	414,214	414,214	-	414,214	-	414,214
Other comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	-	(68,402)	(68,402)	-	(68,402)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	414,214	414,214	(68,402)	345,812	-	345,812
Legal reserve	-	-	64,828	-	(64,828)	-	-		-	
Cash dividend	-	-	-	-	(439,988)	(439,988)	-	(439,988)	-	(439,988)
Balance on September 30, 2016	$ 1,099,970	276,960	715,475	-	1,283,314	1,998,789	(20,027)	3,355,692	284	3,355,976

See accompanying notes to financial statements.
(With KPMG review report dated November 8, 2016)

Reviewed only, not audited in accordance with generally accepted auditing standards

MICROLIFE CORPORATION AND ITS SUBSIDIARES

Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2016 and 2015
(expressed in thousands of New Taiwan Dollars)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cash flows from operating activities:		
Profit before tax	$ 544,424	603,092
Adjustments		
Adjustment to reconcile profit:		
Depreciation	45,116	49,122
Amortization	9,999	7,460
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(12,707)	14,858
Interest expense	-	1,743
Interest revenue	(12,307)	(14,112)
Impairment loss on financial assets measured at cost-non-current	-	1,044
Shares of profit or loss of investees accounted for using equity method	138	(664)
Loss on disposal of property, plant and equipment	537	1,343
Loss on disposal of financial assets measured at cost-non-current	514	-
Total adjustment to reconcile profit	31,290	60,794
Changes in operating assets or liabilities:		
Changes in operating assets		
Increase (decrease) in notes and accounts receivable	19,297	(495)
Increase in other receivables	(19,155)	(30,530)
Increase in inventories	(492,377)	(671,486)
Increase in other assets－current	(9,869)	(3,022)
Decrease in other financial assets－non-current	-	24,962
Total changes in operating assets	(502,104)	(680,571)
Changes in operating liabilities		
Increase in accounts payable	259,418	719,147
Increase (decrease) in other payables and promotion fees payable	(24,443)	45,993
Increase (decrease) in other payables－related parties	223	(557)
Increase in other liabilities－current	685	24,403
Decrease in net defined benefit liability	(1,200)	(6,428)
Total changes in operating liabilities	234,683	782,558
Total changes in operating assets or liabilities	(267,421)	101,987
Total adjustments	(236,131)	162,781
Cash inflow generated from operating activities	308,293	765,873
Interest received	15,468	14,254
Interest paid	-	(1,743)
Income taxes paid	(169,315)	(149,196)
Net cash flows from operating activities	154,446	629,188
Cash flows from investing activities:		
Proceeds from disposal of financial assets measured at cost-non-current	1,188	-
Acquisition of property, plant and equipment	(75,281)	(30,241)
Proceeds from disposal of property, plant and equipment	1,975	1,006
Acquisition of intangible assets	(8,399)	(3,062)
Decrease in other financial assets－non-current	582	16,633
Decrease (increase) in other assets－non-current	1,386	(497)
Net cash flows used in investing activities	(78,549)	(16,161)
Cash flows from Financing activities:		
Cash dividends	(439,988)	(439,988)
Net cash flows used in Financing activities	(439,988)	(439,988)
Effect of exchange rate changes on cash and cash equivalents	(69,174)	39,590
Increase (decrease) in cash and cash equivalents	(433,265)	212,629
Cash and cash equivalents at beginning of period	2,372,718	1,884,510
Cash and cash equivalents at end of period	$ 1,939,453	2,097,139

See accompanying notes to financial statements.
(With KPMG review report dated November 8, 2016)

Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2016 and 2015

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Company history

Microlife Corporation (the "Company") was incorporated in November 1981 as a company limited by shares under the laws of the Republic of China (ROC). The consolidated financial statements comprise the Company and its subsidiaries (the "Group"). The major business activities of the Group are the manufacturing and sale of clinical medical thermometers, blood pressure monitors, and flexible heating products.

2. Approval date and procedures of the consolidated financial statements

The consolidated interim financial statements for the nine months ended September 30, 2016 and 2015, were authorized for issuance by the board of directors on November 08, 2016.

3. New standards, amendments and interpretations adopted

(a) A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the reporting date is as follows:

New standards, amendments and interpretations	Effective date per IASB
Amendments to IFRS 10 and IFRS12 and IAS 28 "Investments: The exceptions to the consolidated Statement apply"	January 1, 2016
Amendments to IFRS 11 "Accounting of joint operation equity "	January 1, 2016
IFRS 14 "Control deferred accounting"	January 1, 2016
Amendments to IAS1 "Disclosure initiative"	January 1, 2016
Amendments to IAS 16 and IAS38 "Acceptable depreciation and amortization methods "	January 1, 2016

(Continued)

New standards, amendments and interpretations	Effective date per IASB
Amendments to IAS 16 and IAS41 "Agriculture: Productive plants "	January 1, 2016
Amendment to IAS 19 "Defined benefit plans: Employee contribution"	July 1, 2014
Amendment to IAS 27 "The equity method of a separate financial statement"	January 1, 2016
Amendment to IAS 36 "Disclosure of recoverable amount of non-financial assets"	January 1, 2014
Amendment to IAS 39 " Derivatives of the contract replacement and the continuing application of hedge accounting "	January 1, 2014
Year improved to 2010-2012 and 2011-2013 cycle	July 1, 2014
Year improved to 2012-2014 International Financial Report	January 1, 2016
IFRS21 “Public courses”	January 1, 2014

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC
A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of reporting date is as follows:

New standards, amendments and interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

(Continued)

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: ・Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. ・Impairment: The expected credit loss model is used to evaluate impairment. ・Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is

(Continued)

		amended as follows: · For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. · A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
January 29, 2016	Amendments to IAS 7 "Disclosure Initiative"	· The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

4. Summary of significant accounting policies

(c) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34 “Interim Financial Reporting” endorsed by the FSC. The consolidated interim financial statements do not include all the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC) for full annual consolidated financial statements.

Except for the accounting policies mentioned below, the significant accounting policies applied in the consolidated interim financial statements are consistent with those in the consolidated financial statements for the year ended December 31, 2015. Please refer to note 4 to the consolidated

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financial statements for the year ended December 31, 2015, for the related information.

(d) Basis of consolidation

Except for those stated in note 3, the principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2015. Please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2015, for the related information.

(1) List of subsidiaries in the consolidated interim financial statements:

			Shareholding			
Name of investor	**Name of subsidiary**	**Principal activity**	**September 30,2016**	**December 31, 2015**	**September 30, 2015**	**Note**
The Company	Malacca International Corporation (Malacca)	Investments in securities; export and import trading	100.00	100.00	100.00	-
Malacca	Microlife Health Solutions Inc. (MHS)	Holding company	100.00	100.00	100.00	-
MHS	Biddeford Blankets Limited Liability Corporation (BBLLC)	Manufacturing and selling of electronic blankets	100.00	100.00	100.00	-
MHS	Microlife USA Inc. (ML USA)	Selling and marketing of clinical medical thermometers, blood pressure monitors, and flexible heating products	100.00	100.00	100.00	-
MHS	Microlife Medical Home Solutions Inc.(MiMHS)	Health management platform	100.00	100.00	100.00	-
The Company	Microlife European Holding AG (MLE Holding)	Holding company	100.00	100.00	100.00	-
MLE Holding	Microlife AG (ML AG)	Selling and marketing of clinical medical thermometers, blood pressure monitors, and flexible heating products	100.00	100.00	100.00	-
MLE Holding	Lifeware Rheintal AG (Lifeware AG)	Health service business integration	100.00	100.00	100.00	-
MLE Holding	Microlife Health Management Ltd. UK (ML UK)	Selling and marketing of clinical medical thermometers, blood pressure monitors, and flexible heating products	100.00	100.00	100.00	-
MLE Holding	Microlife France SA (ML France)	Selling and marketing of clinical medical thermometers, blood	100.00	100.00	100.00	-

(Continued)

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

			Shareholding			
Name of investor	**Name of subsidiary**	**Principal activity**	**September 30,2016**	**December 31, 2015**	**September 30, 2015**	**Note**
		pressure monitors, and flexible heating products				
MLE Holding	UAB Microlife Vilnius (MLB)	Selling and marketing of clinical medical thermometers, blood pressure monitors, and flexible heating products	100.00	100.00	100.00	-
MLE Holding	Microlife Watch BP AG	Selling and marketing of clinical medical thermometers, blood pressure monitors, and flexible heating products	99.00	99.00	99.00	-
MLE Holding	Microlife Watch BP Solutions BV	Selling and marketing of clinical medical thermometers, blood pressure monitors, and flexible heating products	100.00	100.00	100.00	-
Microlife Watch BP AG	Microlife Watch BP GmbH	Selling and marketing of clinical medical thermometers, blood pressure monitors, and flexible heating products	-	-	100.00	Note
The Company	Procare Investments Pte. Ltd. (Procare)	Holding company	100.00	100.00	100.00	-
Procare	ONBO Electronic (Shenzhen) Co., Ltd. (Onbo)	Manufacturing and selling of medical thermometers and blood pressure monitors	100.00	100.00	100.00	-
Procare	Cathay Electronic (Shenzhen) Co., Ltd. (Cathay)	Manufacturing, Selling and marketing of medical thermometers and blood pressure monitors	100.00	100.00	100.00	-
Cathay	Echeal International Trading (Shanghai) Co., Ltd. (Shin)	Selling and marketing of medical thermometers and blood pressure monitors	100.00	100.00	100.00	-
Procare	Ongain Electronic (Shenzhen)	Manufacturing and	100.00	100.00	100.00	-

(Continued)

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

			Shareholding			
Name of investor	Name of subsidiary	Principal activity	September 30,2016	December 31, 2015	September 30, 2015	Note
	Co., Ltd. (Ongain)	selling of electronic blankets				
Procare	Ongoyuan Plastic (Shenzhen) Co. Ltd. (Ongoyuan)	Plastic injection	100.00	100.00	100.00	-
The Company	Microlife Manufacturing Holdings Pte. Ltd. (MMH)	Holding company	100.00	100.00	-	-
MMH	Onwei Electronic (Anhui) Co., Ltd. (Onwei)	Manufacturing and selling of electronic blankets	100.00	100.00	-	-
The Company	Cathay Holdings Corporation (Cathay Holdings)	Holding company	100.00	100.00	100.00	-
Cathay Holdings	Microlife American Trading Corporation (MATC)	Sales and marketing of clinical medical thermometers, blood pressure monitors, and electronic blankets	100.00	100.00	100.00	-
The Company	Wholecare Biomedical Corporation (Wcare)	Manufacturing, selling and marketing of medical thermometers and blood pressure monitors	100.00	100.00	100.00	-

Note: Microlife Watch BP GmbH was liquidated in 2015 and was excluded from the consolidated financial statements from the date that control ceased.

(Continued)

(2) Subsidiaries excluded from the consolidated interim financial statements:

			Shareholding			
Name of investor	**Name of subsidiary**	**Principal activity**	**September 30, 2016**	**December 31, 2015**	**September 30, 2015**	**Note**
The Company and MLE Holding	Microlife Intellectual Property AG (MIP)	Intellectual property management	100.00	100.00	100.00	Note 1
Cathay Holdings	Microlife Service AG (ML Service)	Research and development of medical instruments	100.00	100.00	100.00	Note 2

Note 1: The total assets of MIP at September 30, 2016, were 0.04% of the consolidated assets, and there were no operating revenues for the nine months ended September 30, 2016. Thus, MIP was not included in the consolidated interim financial statements.

Note 2: The total assets of ML Service at September 30, 2016, were 0.02% of the consolidated assets, and there were no operating revenues for the nine months ended September 30, 2016. Thus, ML Service was not included in the interim consolidated financial statements.

(e) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standard 34 “Interim Reporting”.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period. Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rate that has been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(f) Employee benefits

The pension cost in the consolidated interim financial statements was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(Continued)

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated interim financial statements in conformity with IAS 34 "Interim Financial Reporting" endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of the consolidated interim financial statements, the significant accounting assumptions and judgments and major sources of estimation uncertainty are consistent with note 5 to the consolidated financial statements for the year ended December 31, 2015.

6. Explanation of significant accounts

Except for the following disclosures, there is no significant difference from those in the consolidated financial statements for the year ended December 31, 2015. For more information, please refer to note 6 to the consolidated financial statements for the year ended December 31, 2015.

(a) Cash and cash equivalents

	September 30, 2016	December 31, 2015	September 30, 2015
Cash, checking accounts, and demand deposits	$ 1,517,766	1,878,047	1,867,604
Time deposits	421,687	494,671	229,535
Cash and cash equivalents in statement of cash flows	$ 1,939,453	2,372,718	2,097,139

(b) Financial instruments

As of September 30, 2016, and December 31 and September 30, 2015, the financial instruments were as follows:

1. Available-for-sale financial assets－non-current:

	September 30, 2016	December 31, 2015	September 30, 2015
Biotechnology Development Fund L.P. (Biotechnology)	$ -	-	1,102
Inverness Medical Innovations, Inc.	-	-	1,412
Cyber-Care Inc.	-	-	22
	$ -	-	2,536

(Continued)

2. Financial assets measured at cost－non-current:

	September 30, 2016	December 31, 2015	September 30, 2015
Taiwan Incubator SME Development Co. (Incubator)	$ 8,270	8,270	8,270
Yang Ling Biotechnology Co. Ltd.	-	1,702	2,085
Tang An Medical Ltd.	-	-	360
	$ 8,270	9,972	10,715

None of the financial assets held by the Group were pledged or collateralized as of September 30, 2016, and December 31 and September 30, 2015.

3. Derivative financial instruments not qualified for hedge accounting

The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. As of September 30, 2016, and December 31 and September 30, 2015, derivative financial instruments not qualified for hedge accounting were as follows:

	September 30, 2016			December 31, 2015			September 30, 2015		
	Contract amount (in thousands)	Currency	Maturity dates	Contract amount (in thousands)	Currency	Maturity dates	Contract amount (in thousands)	Currency	Maturity dates
Forward exchange sold	USD 15,000	USD to RMB	2016.11.7~2017.3.27	USD 13,000	USD to RMB	2016.1.4~2016.9.9	USD 17,500	USD to RMB	2015.10.8~2016.5.31
Forward exchange sold	EUR 3,000	EUR to RMB	2016.10.28~2017.1.13	EUR 4,000	EUR to RMB	2016.1.14~2016.5.10	EUR 4,500	EUR to RMB	2015.10.22~2016.2.16

As of September 30, 2016, and December 31 and September 30, 2015, the derivative financial instruments reported in the financial statements were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Financial assets at fair value through profit or loss－current	$ 566	932	452
Financial liabilities at fair value through profit or loss－current	5,448	18,521	13,970

(Continued)

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Notes and accounts receivable and other receivables

	September 30, 2016	December 31, 2015	September 30, 2015
Notes receivable	$ 87	15,689	3,147
Accounts receivable	1,551,214	1,560,512	1,733,137
Other receivables	99,149	83,302	150,888
Other financial assets－non-current－doubtful accounts	26,067	26,067	26,067
Less: allowance for impairment (including doubtful accounts)	(55,120)	(50,108)	(50,957)
allowance for sales returns and allowances	(45,679)	(56,294)	(41,748)
	$ 1,575,718	1,579,168	1,820,534

The aging analysis of notes and accounts and other receivables which were past due but not impaired was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Overdue 1 to 60 days	$ 113,984	274,160	109,647
Overdue 61 to 90 days	2,004	29,600	17,625
Overdue 91 to 120 days	5,388	1,988	16,120
Overdue above 120 days	18,119	4,897	5,549
	$ 139,495	310,645	148,941

The movement in the allowance for notes and accounts receivable and other receivables was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 27,698	22,410	50,108
Impairment loss recognized	-	6,140	6,140
Foreign exchange adjustments	-	(1,128)	(1,128)
Balance at September 30, 2016	$ 27,698	27,422	55,120

(Continued)

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$ 26,067	15,989	42,056
Impairment loss recognized	-	7,761	7,761
write-off amount	-	(3)	(3)
Foreign exchange adjustments	-	1,143	1,143
Balance at September 30,, 2015	$ 26,067	24,890	50,957

Details of allowance for impairment were as follows:

	September 30, 2016	September 30, 2015
Accounts receivable	$ 29,053	24,890
Other financial assets－non-current－doubtful accounts	26,067	26,067
	$ 55,120	50,957

As of September 30, 2016 and 2015, the allowance recognized for individually assessed impairment arising from a customer's bankruptcy in the previous year amounted to $26,067 thousand. The rest of the allowance for impaired receivables was assessed based on the default payment history of transaction parties and their current financial positions. Except for the impaired receivables, the Group believes that the past-due receivables are collectible based on the historical payment patterns and the financial position of the Group's customers.

None of the notes and accounts receivable and other receivables held by the Group were pledged as collateral as of September 30, 2016, and December 31, 2015 and September 30, 2015.

(d) Inventories

	September 30,2016	December 31, 2015	September 30, 2015
Raw materials	$ 95,957	123,284	154,533
Work in progress	114,369	189,929	235,203
Finished goods	1,238,249	642,985	1,091,409
	$ 1,448,575	956,198	1,481,145

(Continued)

For the three months and the nine months ended September 30, 2016 and 2015, cost of inventories recognized as cost of sales amounted to $1,243,923 thousand, $1,408,813 thousand, $2,439,300 thousand and $2,669,224 thousand, respectively. The cost of inventories for the write-downs (reversal) of inventories recognized as cost of sales was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Write-downs (reversal) of inventories	$ (557)	$ (5,649)	24,311	(1,664)

None of the inventories held by the Group were pledged as collateral as of September 30, 2016, and December 31 and September 30, 2015.

(e) Investments accounted for using equity method

The Group's investments accounted for using the equity method consisted of the following:

	September 30, 2016	**December 31, 2015**	**September 30, 2015**
Subsidiaries	$ 3,226	3,359	3,557

None of the investments accounted for using the equity method held by the Group was pledged as collateral as of September 30, 2016, and December 31 and September 30, 2015.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2016 and 2015, were as follows:

	Land	**Buildings and construction**	**Molding equipment**	**Machinery and other equipment**	**Construction in progress and equipment under installation**	**Total**
Cost or deemed cost:						
Balance at January 1, 2016	$ 87,346	326,786	68,987	252,272	33,958	769,349
Additions	-	8,327	5,739	19,146	42,069	75,281
Reclassification	-	75,238	-	(570)	(75,632)	(964)
Other	-	-	(545)	-	-	(545)
Disposals	-	(108,083)	(3,972)	(10,430)	-	(122,485)
Effect of movements in exchange rates	-	(11,481)	(2,018)	(9,975)	(395)	(23,869)
Balance at September 30, 2016	$ 87,346	290,787	68,191	250,443	-	696,767
Balance at January 1, 2015	$ 87,346	294,316	95,562	250,948	-	728,172
Additions	-	9,256	8,075	12,910	-	30,241
Reclassification	-	-	468	(468)	-	-
Other	-	-	(5)	(171)	-	(176)
Disposals	-	(3,128)	(32,302)	(11,258)	-	(46,688)
Effect of movements in exchange rates	-	10,026	1,718	6,280	-	18,024
Balance at September 30, 2015	$ 87,346	310,470	73,516	258,241	-	729,573

(Continued)

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	Land	Buildings and construction	Molding equipment	Machinery and other equipment	Construction in progress and equipment under installation	Total
Depreciation:						
Balance at January 1, 2016	$ -	229,450	48,363	152,972	-	430,785
Depreciation	-	15,687	9,056	20,373	-	45,116
Reclassification	-	980	(987)	(513)	-	(520)
Disposals	-	(108,083)	(3,972)	(7,918)	-	(119,973)
Effect of movements in exchange rates	-	(6,426)	(1,257)	(5,578)	-	(13,261)
Balance at September 30, 2016	$ -	131,608	51,203	159,336	-	342,147
Balance at January 1, 2015	$ -	204,265	67,207	143,971	-	415,443
Depreciation	-	15,229	14,562	19,331	-	49,122
Reclassification	-	1,006	(1,006)	-	-	-
Disposals	-	(2,815)	(32,268)	(9,256)	-	(44,339)
Effect of movements in exchange rates	-	8,160	899	2,742	-	11,801
Balance at September 30, 2015	$ -	225,845	49,394	156,788	-	432,027
Carrying value:						
Balance at January 1, 2016	$ 87,346	97,336	20,624	99,300	33,958	338,564
Balance at September 30, 2016	$ 87,346	159,179	16,988	91,107	-	354,620
Balance at January 1, 2015	$ 87,346	90,051	28,355	106,977	-	312,729
Balance at September 30, 2015	$ 87,346	84,625	24,122	101,453	-	297,546

None of the property, plant and equipment of the Group was pledged as collateral as of September 30, 2016, and December 31 and September 30, 2015.

(g) Intangible assets

	Goodwill	Patents and others	Total
Carrying value:			
Balance at January 1, 2016	$ 21,353	13,546	34,899
Balance at September 30, 2016	$ 18,441	11,340	29,781
Balance at January 1, 2015	$ 19,148	41,961	61,109
Balance at September 30, 2015	$ 14,597	46,006	60,603

For the nine months ended September 30, 2016 and 2015, there were no significant additions, disposals, or recognition and reversal of impairment losses. For the amortization for the nine months ended September 30, 2016 and 2015, please refer to note 12(a). For other related information, please refer to note 6(g) to the consolidated financial statements for the year ended December 31, 2015.

None of the intangible assets was pledged as collateral as of September 30, 2016, and December 31 and September 30, 2015.

(Continued)

(h) Short-term borrowings

The short-term borrowings are summarized as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured bank loans	$ -	-	-
Unused credit lines	$ 1,547,654	1,566,686	1,568,766
Range of interest rates	-	-	-

(i) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Less than one year	$ 62,658	48,071	40,431
Between one and five years	34,466	35,112	11,445
	$ 97,124	83,183	51,876

The Group leases a number of office, warehouse and factory facilities under operating leases.

For the three months and the nine months ended September 30, 2016 and 2015, the operating lease expenses were $35,207 thousand, $28,132 thousand, $79,474 thousand and $66,478 thousand, respectively.

The warehouse and factory leases were entered into as combined leases of land and buildings. The rent paid to the landlord is increased to market rent at regular intervals, and the Group does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord. The Group determined that the land and building elements of the warehouse and factory leases are operating leases.

(j) Employee benefits

Except for the Company and ML AG applying defined benefit plans, the subsidiaries apply defined contribution plans and contribute to the schemes in accordance with local government regulations. The contributions to defined contribution plans are charged to pension expense.

1. Defined benefit plans

Management believes that there was no significant volatility of the market or any significant reimbursement, settlement, or other one-time event since the prior fiscal year. As a result, the pension cost in the consolidated interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2015 and 2014.

Expense recognized in profit or loss of the Group was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Operating expenses	$ 1,653	1,606	5,478	4,706

2. Defined contribution plans

The Group’s pension costs under the defined contribution pension plans for the three months and the nine months ended September 30, 2016 and 2015 were as follows, and the Group made defined benefit plan contributions to the institution designated by local government.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Cost of sales	$ 13,962	12,492	34,842	32,237
Operating expenses	6,133	6,534	17,046	15,603
	$ 20,095	19,026	51,888	47,840

(k) Income tax

1. Income tax expense

The components of income tax expense were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Current income tax expense	$ 64,234	83,344	130,210	132,951

(Continued)

The amount of income tax recognized in other comprehensive income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	$ (9,528)	$ 18,358	(14,010)	8,263

2. Except for 2011, the Company's income tax returns have been examined and approved by the ROC tax authorities through 2013.

3. Information related to the imputation credit account is summarized below:

	September 30, 2016	**December 31, 2015**	**September 30, 2015**
Unappropriated earnings of 1998 and after	$ 1,283,314	1,373,916	1,197,748
Balance of imputation credit account (ICA)	$ 160,829	165,783	132,774

	2015 (Actual)	**2014(Actual)**
Creditable ratio for earnings distribution to ROC residents	18.50%	18.25%

The above information about the ICA was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the R.O.C. on October 17, 2013.

(l) Capital and other equity

Except for the following disclosures, there were no significant changes in capital and other equity for the nine-month periods ended September 30, 2016 and 2015. For the related information, please refer to note 6(m) to the consolidated financial statements for the year ended December 31, 2015.

(Continued)

1. Capital surplus

The balances of capital surplus were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Surplus arising from bond conversion	$ 276,960	276,960	276,960

According to the ROC Company Act amended in January 2012, realized capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. Realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", a capital increase by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

2. Retained earnings

According to the Company's articles of incorporation, 10% of annual net profit after tax is to be set aside as legal reserve after offsetting prior years' deficits, if any. Also, a special reserve could be retained when necessary. Annual net profit after tax, after offsetting prior years' deficit and deducting legal reserve and special reserve, plus the beginning undistributed earnings was accounted for as accumulated distributable earnings. Due to the growth stage of the Company's operations and in consideration of its future operating demands, capital expenditure, and long-term financial structure, the distribution of earnings is proposed by the board of directors and approved by the stockholders at their annual meeting. The dividends to shareholders cannot be lower than 20% of accumulated distributable earnings. The Company should set aside the following items accordingly:

(i) Legal reserve

According to the amendment of the ROC Company Act announced in January 2012, the Company must retain 10% of its after-tax annual profit as legal reserve until such retention equals the amount of total capital. When the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(ii) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified

(Continued)

should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(iii) Earnings distribution

On June 29, 2016, the Shareholders' meeting resolved to appropriate the 2015 earnings. On June 30, 2015, the shareholders' meeting resolved to distribute the 2014 earnings. The relevant dividend distributions to the shareholders were as follows:

	2015		**2014**	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Cash	$ 4.00	439,988	4.00	439,988

3. Other equity (net of tax)

	Exchange differences on translation of foreign operations
Balance at January 1, 2016	$ 48,375
Group	(68,402)
Balance at September 30, 2016	**$ (20,027)**
Balance at January 1, 2015	$ 20,617
Group	40,345
Balance at September 30, 2015	**$ 60,962**

(m) Earnings per share

1. Basic earnings per share

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2016	**2015**	**2016**	**2015**
Profit attributable to ordinary shareholders	**$ 251,341**	**307,555**	**414,214**	**470,141**
Weighted-average number of ordinary shares outstanding	109,997	109,997	109,997	109,997
Basic earnings per share	**$ 2.28**	**2.80**	**3.77**	**4.27**

(Continued)

2. Diluted earnings per share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Profit attributable to ordinary shareholders (diluted)	$ 251,341	307,555	414,214	470,141
Weighted-average number of ordinary shares outstanding	109,997	109,997	109,997	109,997
Effect of employee bonus	121	104	162	220
Weighted-average number of ordinary shares outstanding (diluted)	110,118	110,101	110,159	110,217
Diluted earnings per share	$ 2.28	2.79	3.76	4.26

(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's articles of Incorporation, the Company should contribute no less than 1.5% of the profit as employee compensation and less than 1.5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

The Company estimated the employee compensation amounting to $3,000 thousand, $9,000 thousand, respectively, and the directors' and supervisors' remuneration amounting to $1,988 thousand and $5,063 thousand, respectively, for the three months and the nine months ended September 30, 2016. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amount of the employee compensation and directors' and supervisors' remuneration multiplied by the distribution ratio under the Company's articles of incorporation, and expensed under operating expenses for each period. The differences between the actual amounts approved in the shareholders' meeting and the estimated amounts in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

The Company estimated the employee compensation amounting to $2,750 thousand, $8,250 thousand, respectively, and the directors' and supervisors' remuneration amounting to $1,688 thousand and $3,200 thousand, respectively, for the three months and the nine months ended September 30, 2015. These amounts were calculated by using the Company's net profit after income tax for the period and multiplied by the distribution ratio of compensation to employees and remuneration to directors' and supervisors' under the Company's articles of Incorporation, and the estimated are recognized as operation expenses for each period.

(Continued)

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For the year ended December 31, 2015, the employee remunerations and directors' and supervisors' remunerations amounted to $12,500 thousand and $6,720 thousand, respectively. There was no difference between the actual emoluments to the directors' and supervisors' and the recognized amount in 2016 and 2015. The related information can be accessed through the Market Observation Post System web site.

(o) Revenue

The details of revenue for the three months and the nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Sale of goods	$ 1,967,550	2,096,091	3,933,970	4,173,354

(p) Other gains and losses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Foreign exchange gains (losses), net	$ (27,312)	120,124	(52,606)	77,831
Net gains (losses) on financial assets and liabilities measured at fair value	1,908	(22,898)	12,707	(14,858)
Others	1,484	(913)	15,401	3,939
	$ (19,920)	$ 96,313	(24,498)	66,912

(q) Financial instruments

Except for those mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and exchange rate risk arising from financial instruments. For the related information, please refer to note 6(r) to the consolidated financial statements for year ended in December 31, 2015.

1. Credit risk

The major customers of the Group are retailers. The Company periodically evaluates the possibility of collecting accounts receivable and recognizes an allowance for doubtful receivables. Bad debt expense has always been under management's expectation.

(Continued)

2. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
September 30, 2016							
Non-derivative financial liabilities							
Accounts payable and other payables	$ 1,841,038	(1,841,038)	(1,841,038)	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts:							
Outflow	5,448	(579,018)	(579,018)	-	-	-	-
Inflow	(566)	574,136	574,136	-	-	-	-
	$ 1,845,920	(1,845,920)	(1,845,920)	-	-	-	-
December 31, 2015							
Non-derivative financial liabilities							
Accounts payable and other payables	$ 1,605,840	(1,605,840)	(1,605,840)	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts:							
Outflow	17,589	(576,928)	(476,002)	(100,926)	-	-	-
Inflow	-	559,339	460,749	98,590	-	-	-
	$ 1,623,429	(1,623,429)	(1,621,093)	(2,336)	-	-	-
September 30, 2015							
Non-derivative financial liabilities							
Accounts payable and other payables	$ 2,288,849	(2,288,849)	(2,288,849)	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts:							
Outflow	13,518	(737,417)	(671,514)	(65,903)	-	-	-
Inflow		723,898	659,592	64,306	-	-	-
	$ 1,188,264	(2,302,368)	(2,300,771)	(1,597)	-	-	-

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

3. Exchange rate risk

The Group's significant exposure to foreign currency risk was as follows:

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	September 30, 2016			December 31, 2015			September 30, 2015		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	74,797	31.36	2,345,473	78,887	32.82	2,589,223	75,759	32.98	2,498,682
CNY	91,300	4.70	429,110	121,964	5.00	616,525	189,028	5.19	981,904
EUR	7,373	35.08	258,623	4,364	35.86	156,480	5,094	37.04	188,670
Financial liabilities									
Monetary items									
USD	43,132	31.36	1,415,247	34,176	32.82	1,121,710	54,508	32.98	1,797,773
CNY	181,120	4.70	851,266	139,787	5.06	706,622	274,692	5.19	1,426,889
EUR	317	35.08	11,135	489	35.86	17,545	689	37.04	25,535

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables. A strengthening (weakening) of 1% of the NTD against the USD, EUR, and CNY as of September 30, 2016 and 2015, would have increased (decreased) the net profit after tax by $6,271 thousand and $3,478 thousand, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and the nine months ended September 30, 2016 and 2015, foreign exchange gain (loss) (included realized and unrealized) amounted to $(27,312) thousand, $120,124 thousand, $(52,606) thousand and $77,831 thousand, respectively.

4. Fair value

(i) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that have no quoted prices in an active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required.

	September 30, 2016				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 566	-	566	-	566
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	5,448	-	5,448	-	5,448

(Continued)

	December 31, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 932	-	932	-	932
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	18,521	-	18,521	-	18,521

	September 30, 2015				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 452	-	452	-	452
Available-for-sale financial assets					
Stocks in listed companies	1,434	2,916	-	-	2,916
Unquoted equity instruments	1,102	-	-	1,102	1,102
Subtotal	2,536	2,916	-	1,102	4,018
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	13,970	-	13,970	-	13,970

(ii) Valuation techniques for financial instruments not measured at fair value

A. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the bid-ask spreads are very wide, or only small volumes are traded. Determining whether a market is active involves judgment.

Except for the aforementioned financial instruments, the fair value of financial instruments is determined by using valuation techniques or the quoted price from a counterparty. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation techniques including a model using observable market data at the consolidated balance sheet date.

B. Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. Fair value of a forward exchange contract is usually determined by the forward currency exchange rate.

There were no transfers in either direction of fair value hierarchy for the nine months ended September 30, 2016 and 2015.

(r) Financial risk management

There were no significant changes in the Group's financial risk management and policies from those disclosed in note 6(s) to the consolidated financial statements for the year ended December 31, 2015.

(s) Capital management

Management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2015. Please refer to note 6(t) to the consolidated financial statements for the year ended December 31, 2015, for further details.

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

		September 30, 2016	December 31, 2015	September 30, 2015
Total liabilities	$	2,141,943	1,973,492	2,644,056
Less: cash and cash equivalents		(1,939,453)	(2,372,718)	(2,097,139)
Net debt	**$**	**202,490**	**(399,226)**	**546,917**
Total equity	**$**	**3,355,976**	**3,450,152**	**3,286,571**
Debt-to-equity ratio		**6.03%**	**- %**	**16,.64%**

7. Related-party transactions

(a) Significant transactions with related parties

Related-party payables

Account	Relationship		September 30, 2016	December 31, 2015	September 30, 2015
Other payables	Subsidiaries	**$**	**226**	**3**	**-**

(b) Key management personnel compensation

Key management personnel compensation comprised:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Short-term employee benefits	$ 12,159	12,744	46,537	40,297

8. Pledged assets

The carrying value of the Group pledged assets were as follows:

Pledged assets	Object	September 30,2016	December 31, 2015	September 30,2015
Other financial assets－non-current－time deposit	Purchase guarantee	$ 6,457	6,709	6,742
Other financial assets－non-current－time deposit	Customs guarantee	8,547	9,043	38,523
		$ 15,004	15,752	45,265

9. Significant commitments and contingencies

(a) The Group issued promissory notes to the banks to apply for facilities for borrowings, the purchase of material, customs guarantee, and forward contracts. The promissory notes issued were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Promissory notes issued	$ 1,641,670	1,641,670	1,641,670

(b) The Group entered into licensing agreements for the development of new business (blood pressure monitor for atrial fibrillation). The Group was obligated to pay a royalty in due course upon the development and commercialization of the product.

(c) On October 1, 2015, Exergen Corporation filed a lawsuit against the Company for infringing their patent in the United States District Court for the District of Massachusetts. The Company has engaged attorneys to process the lawsuit, and the Company does not expect a material impact on the Company’s business operations.

10. Significant casualty loss: None.

11. Significant subsequent events: None.

12. Others

(a) The Group's personnel, depreciation, and amortization expenses, categorized by function, were as follows:

	Three Months Ended September 30					
	2016			2015		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	242,686	105,142	347,828	230,130	129,314	359,444
Labor and health insurance	4,349	20,814	25,163	5,435	13,052	18,487
Pension	13,962	7,786	21,748	12,492	8,140	20,632
Others	9,135	6,774	15,909	7,898	3,859	11,757
Depreciation	8,158	6,914	15,072	7,530	7,619	15,149
Amortization	113	3,282	3,395	(1,878)	4,416	2,538

	Nine Months Ended September 30					
	2016			2015		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	514,555	348,943	863,498	541,094	343,230	884,324
Labor and health insurance	11,468	37,813	49,281	13,285	35,994	49,279
Pension	34,842	22,524	57,366	32,237	20,309	52,546
Others	18,966	17,895	36,861	15,078	18,592	33,670
Depreciation	22,224	22,892	45,116	22,038	27,084	49,122
Amortization	335	9,664	9,999	191	7,269	7,460

(b) The Group's electronic blanket segment is subject to seasonal fluctuations as a result of weather conditions. The sales of electronic blankets are concentrated in the second half of the year. Therefore, this segment typically has higher revenues and net profit in the second half of the year.

(c) Pursuant to a resolution of stockholders at the annual meeting on June 24, 2011, the Company decided to spin off its professional medical business to Wcare, a newly established subsidiary of the Company. The original spin-off date was to be September 1, 2011, and the spin-off value was $95,000 thousand. Pursuant to a resolution of stockholders at the annual meeting on June 20, 2013, the spin-off was postponed for two years due to changes in the current status of the Group, and it was proposed that the Board of Directors further discuss the matter based on future operations.

(Continued)

Due to changes in the environment and adjustments to operating strategy, the Company decided to terminate the above-mentioned spin-off pursuant to a resolution of stockholders at the annual meeting on June 30, 2015.

13. Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended September 30, 2016:

(1) Financing provided to other parties:

(In thousands of new Taiwan dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature for Financing (Note1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Onbo	Cathay	Other receivables-related party	Y	29,820	28,200	28,200	3%	2	-	Business turnover	-	N		352,736	352,736

Note: The total amount for landing to a company for funding for a short-term period shall not exceed 40% of the net worth of ONBO (Shenzhen). The total amount lendable for each entity shall not exceed 40% of the net worth of ONBO (Shenzhen). In addition, when there is a lending for funding needs by the subsidiaries of the Company to the other subsidiaries, which are not located in Taiwan, directly or indirectly wholly owned by the Company, the total amount lendable to any subsidiaries borrower shell be no more than 40% of the lender's net worth and the lender's capital amount.

Note 1: Nature of financing: type 2 for short-term financing purpose

(2) Guarantees and endorsements provided to other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	Malacca	1, 2	3,355,692	1,103,448	752,592	-	-	22.43%	3,355,692	Y	-	-
0	The Company	Ongoyuan	2	3,355,692	6,843	6,457	6,457	6,457	0.19%	3,355,692	Y	-	Y
0	The Company	Onwei	1, 2	3,355,692	17,323	16,450	16,450	-	0.49%	3,355,692	Y	-	Y
0	The Company	BBLLC	2	3,355,692	42,503	36,096	-	-	1.08%	3,355,692	Y	-	-

Note: The aggregate endorsement / guarantee amount provided to the subsidiaries directly owned over 50% by the Company and individual guarantee parties shall not exceed the most recent net worth of the Company.

Note 1: Relationship between endorsement / guarantee provider and the guarantee party is as follows:

1. The Company has transactions with the counterparty.
2. The Company holds more than 50% of ordinary shares of the subsidiary.
3. The Company and its subsidiaries hold more than 50% of the ordinary shares of the investee.
4. The parent company holds more than 50% of the company's outstanding ordinary shares directly or indirectly through a subsidiary.
5. Companies in same type of business and providing mutual endorsements / guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
6. Shareholders making endorsements / guarantees for their mutually invested company in proportion to their shareholding percentage.

(Continued)

(3) Securities held as of September 30, 2016 (excluding investment in subsidiaries, associates and joint ventures):

Name of company	Category and name of security	Relationship with company	Account name	Ending balance				Note
				Shares	Carrying value	Percentage of ownership %	Fair value	
The Company	Stock－Taiwan Incubator SME Development Co.	-	Financial assets measured at cost－non-current	1,212,640	8,270	1.72%	-	-
The Company	Stock－Biotechnology Development Fund L.P.	-	Available-for-sale financial assets－non-current	-	-	1.77%	-	-
Cathay Holdings	Stock－Inverness Medical Innovations, Inc.	-	Available-for-sale financial assets－non-current	1,653	-	0.002%	-	-
Cathay Holdings	Stock－Cyber Care Inc.	-	Available-for-sale financial assets－non-current	14,078	-	0.012%	-	-
Cathay Holdings	Stock－Tang An Medical Ltd.	-	Financial assets measured at cost－non-current	100,000	-	1.81%	-	-

(4) Securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the Company's capital stock: None.

(5) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the Company's capital stock: None.

(6) Disposal of individual real estate exceeding the lower of NT$300 million or 20% of the Company's capital stock: None.

(7) Related-party transactions for purchase and sale with amount exceeding NT$100 million or 20% of the Company's capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	MATC	Fellow subsidiary	Sales	(1,933,617)	55%	Note 1	Note 2	Note 2	1,087,961	75%	
The Company	ML AG	Fellow subsidiary	Sales	(238,989)	7%	60-90 days	6~14% Lower than third-party coutomers	No significant difference	63,597	4%	
The Company	Malacca	Parent / Subsidiary	Purchases	2,953,683	93%	Net 45 days	Note 3	Note 3	(1,201,651)	94%	
The Company	Onwei	Fellow subsidiary	Purchases	217,428	7%	Net 45 days	Note 3	Note 3	(79,714)	6%	
MATC	MLU	Fellow subsidiary	Sales	(723,468)	37%	60~90 days	4~19% Lower than third-party coutomers	No significant difference	445,135	41%	
MATC	BBLLC	Fellow subsidiary	Sales	(830,861)	43%	30~180 days	Note 2	Note 2	541,003	50%	
Malacca	Ongain	Fellow subsidiary	Purchases	1,046,894	35%	Net 45 days	Note 4	Note 4	(144,791)	12%	
Malacca	Onbo	Fellow subsidiary	Purchases	1,868,132	62%	Net 45 days	Note 4	Note 4	(1,062,015)	86%	
Onbo	Ongoyuan	Fellow subsidiary	Purchases	117,261	10%	60~90 days	Note 5	Note 5	26,826	2%	Prepayment for purchase

Note 1: Regarding the electronic blankets the Company sells to MATC, the payment term is 30~180 days due to the seasonal effect on electronic blankets. The payment term for other products is 60~90 days or adjusted based on the capital demands of the counter-party.

Note 2: The Company sells the electronic blankets and medical instruments to the Americas through MATC. Thus, the sales price and transaction terms are not comparable to those of third-party customers.

Note 3: The products the Company purchases from Malacca and Onwei are different from third-party vendors, and the purchase price and transaction terms are not comparable to those of third-party vendors.

Note 4: The products Malacca purchases from Onbo and Ongain are different from third-party vendors, and the purchase price and transaction term are not comparable to those of third-party vendors.

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MICROLIFE CORPORATION AND ITS SUBSIDIARIES

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Note 5: The products Onbo purchases from Ongoyuan are different from third-party vendors, and the purchase price and transaction term are not comparable to those of third-party vendors.
Note 6: The above transactions between parent and subsidiary are eliminated when preparing the consolidated interim financial statements.

(8) Receivables from related parties with amount exceeded NT$100 million or 20% of the Company's capital stock:

Name of company	Related party	Nature of relationship	Ending balance	Turnover days	Overdue		Amount received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	MATC	Fellow subsidiary	1,087,961	2.40	424,375	Under collection	313,580	-
MATC	MLU	Fellow subsidiary	445,135	2.49	188,267	Under collection	114,104	-
MATC	BBLLC	Fellow subsidiary	541,003	2.01	314,454	Under collection	163,285	
Onbo	Malacca	Fellow subsidiary	1,062,015	2.47	634,369	Under collection	192,059	-
Malacca	The Company	Parent / Subsidiary	1,201,651	3.92	217,682	Under collection	330,492	-
Ongain	Malacca	Fellow subsidiary	144,791	19.28	-	Under collection	144,791	

Note 1: The amount was received as of November 8, 2016.
Note 2: The above transactions between parent and subsidiary are eliminated when preparing the consolidated interim financial statements.

(9) Trading in derivative financial instruments: Please refer to note 6(b)(3).

(10) Business relationships and significant inter-company transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Transactions details			
				Account	Amount	Trading terms	Percentage of consolidated total revenue or total assets
0	The Company	ML AG	1	Sales	238,989	60～90 days	6.00%
0	The Company	ML AG	1	Accounts receivable－related party	63,597	60～90 days	1.00%
0	The Company	Malacca	1	Purchases	2,953,683	Net 45 days	69.00%
0	The Company	Malacca	1	Accounts payable－related party	1,201,651	Net 45 days	22.00%
0	The Company	MATC	1	Sales	1,933,617	Note 1	45.00%
0	The Company	MATC	1	Accounts receivable－related party	1,087,961	Note 1	20.00%
0	The Company	Onwei	1	Purchases	217,428	Net 45 days	5.00%
0	The Company	Onwei	1	Accounts payable－related party	79,714	Net 45 days	1.00%
0	The Company	MLB	1	Sales	42,597	75 days	1.00%
0	The Company	Lifeware AG	1	Sales	23,344	75 days	1.00%
1	Malacca	Onbo	1	Purchases	1,868,132	Net 45 days	44.00%
1	Malacca	Onbo	1	Accounts payable－related party	1,062,015	Net 45 days	19.00%
1	Malacca	Ongain	1	Accounts payable－related party	144,791	Net 45 days	3.00%
1	Malacca	Ongain	1	Purchases	1,046,894	Net 45 days	24.00%
1	Malacca	Onwei	1	Sales	60,773	Net 45 days	1.00%
2	ML USA	BBLLC	1	Other receivables－related party	50,810	Depend on capital demands	1.00%
2	ML USA	MATC	1	Purchase	723,468	Note 1	17.00%

(Continued)

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No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Transactions details			
				Account	Amount	Trading terms	Percentage of consolidated total revenue or total assets
2	ML USA	MATC	1	Accounts payable－related party	445,147	Note 1	8.00%
3	BBLLC	MATC	1	Purchases	830,861	Note 1	19.00%
3	BBLLC	MATC	1	Accounts payable－related party	541,003	Note 1	10.00%
3	BBLLC	MHS	1	Other receivables－related party	58,438	Depend on capital demands	1.00%
4	Onbo	Cathay	1	Accounts receivable－related party	75,224	60～90 days	1.00%
4	Onbo	Cathay	1	Other receivables－related party	31,136	Depend on capital demands	1.00%

Note 1: The Company sells the electronic blankets and medical instruments to the Americas through MATC. Thus, the sales price and transaction terms are not comparable to those of third-party customers.
Note 2: The above transactions between parent and subsidiary are eliminated when preparing the consolidated interim financial statements.

(b) Information on investees (excluding information on investees in Mainland China)

The following is the information on investees for the three months ended September 30, 2016:

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of September 30, 2016			Net income (losses) of investee	Share of profit (losses) of investee	Note
				September 30, 2016	December 31, 2015	Shares	Percentage of ownership %	Carrying value			
The Company	MLE Holding	Switzerland	Holding company	244,774	244,774	809,585	100.00%	181,229	(5,677)	(5,677)	2
MLE Holding	ML AG	Switzerland	Sales and marketing of medical instrument	103,582 (EUR 2,953 thousand)	105,889 (EUR 2,953 thousand)	507,880	100.00%	143,602	(5,534)	(5,534)	
MLE Holding	ML UK	UK	Selling and marketing of medical instruments	21,116 (EUR 602 thousand)	21,587 (EUR 602 thousand)	453,999	100.00%	(1,927)	(4,446)	(4,446)	
MLE Holding	Lifeware AG	Switzerland	Health service business integration	11,505 (EUR 328 thousand)	11,761 (EUR 328 thousand)	50,000	100.00%	20,302	331	331	
MLE Holding	MIP	Switzerland	Intellectual property management	35 (EUR 1 thousand)	36 (EUR 1 thousand)	1	5.00%	24	(95)	-	
MLE Holding	ML France	France	Selling and marketing of medical instruments	28,658 (EUR 817 thousand)	29,296 (EUR 817 thousand)	1,702	100.00%	23,769	2,338	2,338	
MLE Holding	MLB	Lithuania	Selling and marketing of medical instruments	1,754 (EUR 50 thousand)	1,793 (EUR 50 thousand)	172,500	100.00%	46,779	1,874	1,874	
MLE Holding	ML NLD	Netherlands	Selling and marketing of medical instruments	1,754 (EUR 50 thousand)	1,793 (EUR 50 thousand)	50,000	100.00%	3,123	590	590	
MLE Holding	Microlife Watch BP AG	Switzerland	Selling and marketing of medical instruments	31,499 (EUR 898 thousand)	32,200 (EUR 898 thousand)	132,660	99.00%	943	(25)	(25)	
The Company	Procare	Singapore	Investments in securities; export and import trading	171,852	171,852	12,068,425	100.00%	1,061,700	23,363	23,003	2
The Company	MMH	Singapore	Investments in securities; export and import trading	194,639	194,639	6,000,000	100.00%	180,873	(9,159)	(9,159)	2
The Company	Malacca	British Virgin Islands	Investments in securities; export and import trading	453,015	453,015	7,562,522	100.00%	379,532	(315)	(4,247)	2
Malacca	MHS	USA	Holding company	1,513,964 (USD 48,280 thousand)	1,584,696 (USD 48,280 thousand)	6,023	100.00%	370,138	(16,403)	(16,403)	
MHS	BBLLC	USA	Selling and marketing of electronic blankets	741,334 (USD 23,641 thousand)	775,945 (USD 23,641 thousand)	590,000	100.00%	233,584	(18,069)	(18,069)	

(Continued)

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Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of September 30, 2016			Net income (losses) of investee	Share of profit (losses) of investee	Note
				September 30, 2016	December 31, 2015	Shares	Percentage of ownership %	Carrying value			
MHS	ML USA	USA	Selling and marketing of medical instruments	450,301 (USD 14,360 thousand)	471,324 (USD 14,360 thousand)	71,800	100.00%	218,386	2,475	2,475	
MHS	MiMHS	USA	Health management platform	103,481 (USD 3,300 thousand)	108,313 (USD 3,300 thousand)	13,975,000	100.00%	36,796	1,151	1,151	
The Company	Cathay Holdings	Cayman Islands	Holding company	71,895	71,895	1,971,704	100.00%	15,749	(863)	(863)	2
Cathay Holdings	ML Service	Switzerland	Research and development of clinical medical thermometers and blood pressure monitors	6,056	6,056	2,200	100.00%	1,161	(43)	(43)	
Cathay Holdings	MATC	Cayman Islands	Selling and marketing of clinical medical thermometers and blood pressure monitors	41,742	41,742	1,350,000	100.00%	12,618	(592)	(592)	
The Company and MLE Holding	MIP	Switzerland	Intellectual property management	398	398	19	95.00%	2,041	(95)	(95)	1
The Company	Wcare	Taiwan	Manufacturing, selling and marketing of medical instruments	5,000	5,000	500,000	100.00%	6,792	338	338	1

Note 1: Investee controlled by the Company but immaterial to the Group.
Note 2: Investee controlled by the Company but significant to the Group.
Note 3: The above transactions between parent and subsidiary are eliminated when preparing the consolidated interim financial statements.

(c) Information on investment in Mainland China

(1) The names of investees in Mainland China, their main business and products, and related information

Name of investee	Main business and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2016	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Carrying value	Accumulated remittance of earnings in 2016
					Outflow	Inflow						
ONBO	Manufacturing and selling of clinical medical thermometers and blood pressure monitors	352,736 (HKD 87,028 thousand) (Note 1)	(Note 3)	113,722 (USD 3,846 thousand)	-	86,970 (USD2,928 thousand)	26,752 (USD918 thousand)	32,389	100.00%	32,389	1,056,880	86,970 (USD2,928 thousand)
Cathay	Manufacturing, selling and marketing of clinical medical thermometers and blood pressure monitors	6,999 (USD 200 thousand)	(Note 3)	6,999 (USD 200 thousand)	-	-	6,999 (USD 200 thousand)	(26,472)	100.00%	(26,472)	(29,033)	-
Ongain	Manufacturing and selling of electronic blankets	67,743 (USD 2,000 thousand) (Note)	(Note 3)	33,871 (USD 1,000 thousand)	-	-	33,871 (USD 1,000 thousand)	26,366	100.00%	19,475	74,357	-
Ongoyuan	Plastic injection	28,659 (USD 1,000 thousand)	(Note 3)	28,659 (USD 1,000 thousand)	-	-	28,659 (USD 1,000 thousand)	(1,023)	100.00%	(1,023)	21,184	-
Shin	Selling and marketing of clinical medical thermometers and blood pressure monitors	11,555 (CNY 3,536 thousand)	(Note 4)	(Note 2)	-	-	(Note 2)	(13,634)	100.00%	(13,634)	(3,019)	-
Onwei	Manufacturing and selling of electronic blankets	175,957 (USD 5,400 thousand)	(Note 3)	91,694 (USD 2,800 thousand)	84,263 (USD 2,600 thousand)	-	175,957 (USD 5,400 thousand)	(13,461)	100.00%	(6,936)	15,164	-

(Continued)

Note: The paid-in capital of Ongain arose from the issuance of ordinary shares by transferring the cash dividends ONBO paid to Procare amounting to USD 1,000 thousand.

Note1: HKD 57,000 thousand of the total paid-in capital arose from the issuance of ordinary shares by transferring retained earnings of ONBO. The capital increase was authorized by and registered with the government authorities.

Note 2: The investment of RMB 3,536 thousand was made directly by Cathay.

Note 3: Indirect investment in Mainland China through a holding company established in another country.

Note 4: Direct investment in Mainland China.

(2) Limitation on investment in Mainland China

Accumulated investment in Mainland China as of September 30, 2016 (Note1)(Note2)	**Investment amount authorized by Investment Commission, MOEA (Note1)(Note2)**	**Upper limit on investment**
272,238 (USD 8,518 thousand)	502,746 (USD 8,518 thousand HKD 57,000 thousand)	2,013,415

Note1: Accumulated investment in Mainland China amounts denominated in foreign currencies are translated into New Taiwan Dollars using the historical exchange rates at the financial report date.

Note2: ONBO Electronic (Shenzhen) Co., Ltd. Remitted its surplus in December 2014 to its investment company Procare and remitted it back to the Company through Procare in December 2015 through capital reduction and capital repayment. The investment Commission, MOEA, NO.10500061950 to be filed on April 20, 2016, the repatriation of shares and used to offset the amount of the company’s mainland investment.

(3) Significant transactions

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of the consolidated financial statements, are disclosed in “Information on significant transactions”.

14. Segment information

The Group’s operating segment information and reconciliation are as follows:

Three Months Ended September 30, 2016		**Medical instruments**	**Electronic blankets**	**Adjustments and elimination**	**Total**
Revenue					
Revenue from external customers	$	999,082	968,468	-	1,967,550
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

(Continued)

MICROLIFE CORPORATION AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

Three Months Ended September 30, 2015		Medical instruments	Electronic blankets	Adjustments and elimination	Total
Revenue					
Revenue from external customers	$	1,131,128	964,963	-	2,096,091
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

Note 1: The Group did not disclose the amount of segment income or loss and total assets due to the fact that the related information was not provided to the chief operating decision maker.

Nine Months Ended September 30, 2016		Medical instruments	Electronic blankets	Adjustments and elimination	Total
Revenue					
Revenue from external customers	$	2,943,546	1,050,424	-	3,993,970
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

Nine Months Ended September 30, 2015		Medical instruments	Electronic blankets	Adjustments and elimination	Total
Revenue					
Revenue from external customers	$	3,102,335	1,071,019	-	4,173,354
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

Note 1: The Group did not disclose the amount of segment income or loss and total assets due to the fact that the related information was not provided to the chief operating decision maker.

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