

TUNG HO STEEL ENTERPRISE CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015
(With Independent Auditors' Review Report Thereon)



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Independent Auditor's Review Report

To the Board of Directors
Tung Ho Steel Enterprise Corporation

We have reviewed the accompanying consolidated balance sheets of Tung Ho Steel Enterprise Corporation and its subsidiaries (the Consolidated Company) as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the three-month periods ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except for the matters described in the third and fourth paragraphs, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of the subsidiaries were consolidated based on their unreviewed financial statements. The total assets of the subsidiaries were NT\$10,630,101 thousand and NT\$8,128,198 thousand, constituting 29% and 22% of the consolidated total assets as of March 31, 2016 and 2015, respectively. The total liabilities of the aforementioned subsidiaries were NT\$4,601,896 thousand and NT\$3,947,681 thousand, constituting 35% and 28% of the consolidated total liabilities as of March 31, 2016 and 2015, respectively. The total comprehensive income (loss) of these subsidiaries amounted to (NT\$93,036) thousand and (NT\$90,661) thousand, constituting (29)% and (19)% of the total consolidated comprehensive income for the three-month periods ended March 31, 2016 and 2015, respectively.

The Consolidated Company's investments in the investee companies were NT\$1,222,811 thousand and NT\$1,566,979 thousand as of March 31, 2016 and 2015, respectively. The Consolidated Company's equity in net (loss) earnings of these investee companies were NT\$(28,635) thousand and NT\$17,141 thousand for three-month periods ended March 31, 2016 and 2015, and were based solely on the reports which are not reviewed by auditors.



Based on our reviews, except for the effects of any adjustments that might have been determined to be necessary had the interim consolidated financial statements of the investees referred to in the third and fourth paragraphs been reviewed, we are not aware of any material modifications that should be made to the interim consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standards No. 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (the Republic of China)
May 9, 2016

Notes to Readers

The accompanying interim consolidated financial statements are intended only to present the interim consolidated financial position, results of operations and cash flows in accordance with the International Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' review report and the accompanying interim consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between or any difference in the interpretation of the two versions, the Chinese version shall prevail.

Interim consolidated financial statements as of March 31, 2016 and 2015 are reviewed only, not audited in accordance with generally accepted auditing standards

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2016, DECEMBER 31, 2015, AND MARCH 31, 2015
(Expressed in thousands of New Taiwan Dollars)

	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	%	Amount	%	Amount	%
Assets						
Current Assets:						
Cash and cash equivalents (Note 6(1))	\$ 3,488,213	9	3,993,884	11	1,644,233	4
Financial assets at fair value through profit or loss—current (Note 6(2))	194,897	1	193,870	1	260,060	1
Notes receivable, net (Notes 6(6) and 7)	216,490	1	462,007	1	345,860	1
Accounts receivable, net (Notes 6(6) and 7)	3,317,574	9	3,481,976	10	3,749,783	10
Construction contracts receivable (Notes 6(7))	988,813	3	1,232,833	3	1,100,920	3
Other receivables (Notes 6(6) and 7)	123,510	-	96,627	-	91,028	-
Inventories, net (Note 6(8))	4,873,642	13	5,126,508	14	8,009,367	21
Prepayments	291,830	1	248,887	1	337,868	1
Other current assets (Note 8)	40,440	-	53,540	-	36,367	-
Total current assets	13,533,409	37	14,890,132	41	15,575,486	41
Noncurrent assets:						
Available-for-sale financial assets—noncurrent (Note 6(4))	976,855	3	699,986	2	983,483	3
Financial assets carried at cost—noncurrent (Note 6(5))	335,259	1	320,848	1	342,885	1
Investments accounted for using equity method (Note 6(10))	1,222,811	3	1,255,309	4	1,566,979	4
Property, plant, and equipment (Notes 6(12) and 8)	16,753,881	46	15,447,983	43	15,889,636	42
Investment property, net (Notes 6(12) and (13))	1,665,917	4	1,664,929	5	1,650,197	4
Intangible assets	217,361	1	-	-	-	-
Deferred tax assets	176,298	-	176,298	-	211,746	1
Natural resources	83,408	-	86,298	-	85,797	-
Prepayment for equipment (Note 8)	1,285,850	4	1,174,513	3	1,043,308	3
Refundable deposit (Note 8)	81,889	-	283,883	1	282,472	1
Other noncurrent assets (Note 8)	252,402	1	80,289	-	94,559	-
Total noncurrent assets	23,051,931	63	21,190,336	59	22,151,062	59
Total Assets	\$ 36,587,340	100	\$ 36,080,468	100	\$ 37,726,548	100

	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current Liabilities:						
Short-term borrowings (Note 6(14))	\$ 2,318,965	6	2,100,663	6	3,316,556	9
Short-term notes and bills payable (Note 6(15))	1,131,841	3	1,291,205	4	639,330	2
Financial liabilities at fair value through profit or loss—current (Notes 6(2) and (18))	68,997	-	84,395	-	47,748	-
Derivative financial liabilities used for hedging—current (Note 6(3))	-	-	-	-	19,970	-
Notes payable (Note 7)	76,876	-	110,934	-	106,882	-
Accounts payable (Note 7)	1,288,585	4	1,242,197	3	1,495,701	4
Construction contracts payables (Note 6(7))	509,771	2	496,494	1	349,963	1
Other payables (Notes 6(11) and 7)	1,523,223	4	1,463,321	4	1,470,609	4
Income tax payable	90,787	-	58,027	-	131,681	-
Advances receivable (Note 6(7))	491,327	1	207,473	1	196,556	1
Corporate bonds payable—current portion (Note 6(17))	2,433,607	7	2,425,934	7	2,420,147	6
Current portion of long-term loans payable (Note 6(16))	66,408	-	88,489	-	114,925	-
Other current liabilities	738	-	1,540	-	65,646	-
Total current liabilities	10,001,125	27	9,570,672	26	10,375,714	27
Noncurrent liabilities:						
Long-term loans payable—bank (Note 6(16) and 8)	2,200,000	6	2,459,080	7	2,765,645	7
Long-term provisions for warranties	1,117	-	1,117	-	-	-
Deferred tax liabilities	173,195	1	174,357	1	191,046	1
Accrued pension liabilities	780,578	2	781,773	2	735,252	2
Guarantee deposits (Note 7)	12,871	-	17,452	-	13,942	-
Total noncurrent liabilities	3,167,761	9	3,433,779	10	3,705,885	10
Total liabilities	13,168,886	36	13,004,451	36	14,081,599	37
Equity (Notes 6(20)(21)(26)):						
Common stock	9,982,215	27	9,982,215	29	9,982,215	26
Capital surplus	6,245,869	17	6,225,993	17	6,225,993	17
Retained earnings:						
Legal reserve	3,083,412	9	3,083,412	9	2,977,253	8
Special reserve	149,309	-	149,309	-	285,140	1
Unappropriated retained earnings	3,600,097	10	3,387,753	9	3,877,489	10
Total retained earnings	6,832,818	19	6,620,474	18	7,089,882	19
Other equity interest	281,933	-	163,239	-	241,959	-
Equity attributable to owners of the parent	23,342,835	64	22,991,941	64	23,540,049	63
Non-controlling interests	75,619	-	84,076	-	104,900	-
Total Equity	23,418,454	64	23,076,017	64	23,644,949	63
Total Liabilities and Equity	\$ 36,587,340	100	\$ 36,080,468	100	\$ 37,726,548	100

See accompanying notes to interim consolidated financial statements.

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

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	For the three-month periods ended March 31,			
	2016		2015	
	Amount	%	Amount	%
Operating revenue (Notes 6(23) and 7)	\$ 6,029,433	100	8,434,705	100
Operating cost (Notes 6(7)(8)(19) and 7)	<u>5,408,506</u>	<u>90</u>	<u>7,679,836</u>	<u>91</u>
Gross profit, net	<u>620,927</u>	<u>10</u>	<u>754,869</u>	<u>9</u>
Operating expenses				
Selling expenses (Notes 6(19)(24) and 7)	126,985	2	147,667	2
General and administrative expenses (Notes 6(11)(19)(24) and 7)	<u>225,600</u>	<u>4</u>	<u>211,627</u>	<u>2</u>
Total operating expenses	<u>352,585</u>	<u>6</u>	<u>359,294</u>	<u>4</u>
Operating income	<u>268,342</u>	<u>4</u>	<u>395,575</u>	<u>5</u>
Non-operating income and expenses:				
Other income (Notes 6(25) and 7)	18,295	-	17,482	-
Other gains and losses, net (Notes 6(9)(25) and 7)	8,998	-	50,495	1
Financial costs (Notes 6(25) and 7)	(27,072)	-	(27,479)	-
Share of (loss) profit of associates accounted for under equity method (Note 6(10))	<u>(28,635)</u>	<u>-</u>	<u>17,141</u>	<u>-</u>
Total non-operating income and expenses	<u>(28,414)</u>	<u>-</u>	<u>57,639</u>	<u>1</u>
Profit before income tax	239,928	4	453,214	6
Less: Income tax expense (Note 6(20))	<u>(33,257)</u>	<u>(1)</u>	<u>(54,769)</u>	<u>(1)</u>
Net income	<u>206,671</u>	<u>3</u>	<u>398,445</u>	<u>5</u>
Other comprehensive income(Notes 6(10)(26)):				
Items that may subsequently be reclassified to profit or loss				
Exchange difference on translation of foreign operations	(160,944)	(3)	(16,974)	-
Unrealized gains (losses) on valuation of available-for-sale financial assets	276,868	5	111,084	1
Loss on the effective portion of cash flow hedge	-	-	(14,272)	-
Share of other comprehensive income of associates accounted for under equity method	(34)	-	(953)	-
Less: Income tax relating to components of other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal of items that may subsequently be reclassified to profit or loss	<u>115,890</u>	<u>2</u>	<u>78,885</u>	<u>1</u>
Total other comprehensive income, net of income tax	<u>115,890</u>	<u>2</u>	<u>78,885</u>	<u>1</u>
Total comprehensive income for the period	\$ <u>322,561</u>	<u>5</u>	\$ <u>477,330</u>	<u>6</u>
Profit attributable to:				
Owners of the parent	\$ 212,344	3	402,171	5
Non-controlling interest	<u>(5,673)</u>	<u>-</u>	<u>(3,726)</u>	<u>-</u>
	\$ <u>206,671</u>	<u>3</u>	\$ <u>398,445</u>	<u>5</u>
Comprehensive income attributable to:				
Owners of the parent	\$ 331,018	5	481,401	6
Non-controlling interest	<u>(8,457)</u>	<u>-</u>	<u>(4,071)</u>	<u>-</u>
	\$ <u>322,561</u>	<u>5</u>	\$ <u>477,330</u>	<u>6</u>
Basic earnings per share (in dollars) (Note 6(22))	\$ <u>0.21</u>		\$ <u>0.40</u>	
Diluted earnings per share (in dollars) (Note 6(22))	\$ <u>0.17</u>		\$ <u>0.38</u>	

See accompanying notes to interim consolidated financial statements.

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

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

	Retained earnings										Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange difference on translation of foreign operations	Unrealized (losses) gains on valuation of available-for-sale financial assets	Gain (loss) on the effective portion of cash flow hedge	Equity attributable to owners of the parent		Non-controlling interests
Balance, January 1, 2015	\$ 9,982,215	6,225,993	2,977,253	285,140	3,425,318	6,687,711	173,123	(4,696)	(5,698)	23,138,429	108,971	23,167,619
Profit for the period	-	-	-	-	402,171	402,171	-	-	-	402,171	(3,726)	398,445
Other comprehensive income for the period	-	-	-	-	-	-	(16,629)	110,131	(14,272)	79,230	(345)	78,885
Total comprehensive income for the period	-	-	-	-	402,171	402,171	(16,629)	110,131	(14,272)	481,401	(4,071)	477,330
Balance, March 31, 2015	\$ 9,982,215	6,225,993	2,977,253	285,140	3,827,489	7,698,291	156,494	105,435	(19,970)	23,540,049	104,900	23,644,949
Balance, January 1, 2016	\$ 9,982,215	6,225,993	3,083,412	149,309	3,387,753	6,620,474	160,476	20,168	(17,385)	22,991,941	84,076	23,076,017
Profit for the period	-	-	-	-	212,344	212,344	-	-	-	212,344	(5,673)	206,671
Other comprehensive income for the period	-	-	-	-	-	-	(158,160)	276,834	-	118,674	(2,784)	115,890
Total comprehensive income for the period	-	-	-	-	212,344	212,344	(158,160)	276,834	-	331,018	(8,457)	322,561
Changes in equity of subsidiaries	-	19,876	-	-	-	-	-	-	-	19,876	-	19,876
Balance, March 31, 2016	\$ 9,982,215	6,245,869	3,083,412	149,309	3,600,097	6,832,818	2,316	297,002	(17,385)	23,342,855	75,619	23,418,454

See accompanying notes to interim consolidated financial statements.

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

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

	For the three-month periods ended March 31,	
	2016	2015
Cash flows from operating activities:		
Income before income tax	\$ 239,928	453,214
Adjustments:		
Depreciation	319,358	287,191
Amortization	8,532	6,964
Interest expense	27,072	27,479
Interest income	(7,306)	(6,571)
Share of profit of associates accounted for under equity method	28,635	(17,141)
(Gain) Loss on disposal of property, plant and equipment	(11,659)	202
Gain on disposal of noncurrent assets held for sale	-	(10,401)
Unrealized foreign currency exchange loss(gain)	16,613	(9,653)
Prepayment for equipment reclassified to expense	-	835
(Reversal) Loss on decline of inventory market price	(9,890)	6,050
Income and expenses not affecting cash flow	<u>371,355</u>	<u>284,955</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) Decrease in financial assets held for trading	(1,027)	75,430
Decrease in notes receivable	245,517	47,153
Decrease (Increase) in accounts receivable	247,781	(182,996)
Decrease (Increase) in construction contracts receivables	244,020	(81,826)
Increase in other receivables	(56,242)	(5,648)
Decrease in inventories	601,883	543,495
Increase in prepayments	(296)	(95,230)
Decrease in other current assets	<u>16,221</u>	<u>18,285</u>
Total changes in operating assets	<u>1,297,857</u>	<u>318,663</u>
Changes in operating liabilities:		
(Decrease) Increase in financial liabilities at fair value through profit or loss	(15,398)	7,748
Decrease in notes payable	(34,058)	(13,206)
Decrease in accounts payable	(541,461)	(229,793)
Increase in construction contracts payables	13,277	200,263
(Decrease) Increase in other payables	(322,175)	35
Increase (Decrease) in advance receipts	283,854	(135,155)
(Decrease) Increase in other current liabilities	(39,918)	64,388
(Decrease) Increase in accrued pension liabilities	<u>(1,195)</u>	<u>624</u>
Total changes in operating liabilities	<u>(657,074)</u>	<u>(105,096)</u>
Net changes in operating assets and liabilities	<u>640,783</u>	<u>213,567</u>
Total adjustments	<u>1,012,138</u>	<u>498,522</u>

See accompanying notes to interim consolidated financial statements.

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

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars)

	For the three-month periods ended March 31,	
	2016	2015
Cash inflows generated from operating activities	\$ 1,252,066	951,736
Interest received	8,471	3,870
Interest paid	(20,405)	(26,870)
Income taxes paid	(1,164)	(12,814)
Net cash provided by operating activities	<u>1,238,968</u>	<u>915,922</u>
Cash flows from investing activities		
Acquisition of financial assets carried at cost	(14,700)	-
Net cash outflow on acquisition of subsidiaries	(1,090,948)	-
Proceeds from disposal of noncurrent assets held for sale	-	31,041
Acquisition of property, plant and equipment	(74,586)	(78,305)
Proceeds from disposal of property, plant, and equipment	50,676	-
Decrease in refundable deposits	201,994	945
Decrease (Increase) in other receivables	2,955	(18,325)
Increase in computer software and unamortized expense	(965)	(270)
Acquisition of investment property	(745)	(260)
Decrease in other current assets and noncurrent assets — restricted deposit	1,966	19
Increase in prepayment for equipment	(119,893)	(70,760)
Net cash used in investing activities	<u>(1,044,246)</u>	<u>(135,915)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	3,827,367	3,944,039
Repayments of short-term borrowings	(3,632,103)	(4,643,734)
(Decrease) Increase in short-term notes and bills payable	(159,419)	175,000
Issuance of long-term loans payable	200,000	(500,000)
Repayments of long-term loans payable	(890,635)	(1,018,040)
Decrease in other payable	(100,000)	-
(Decrease) Increase in guarantee deposits	(4,581)	1,993
Changes in non-controlling interests	17,092	(345)
Net cash used in financing activities	<u>(742,279)</u>	<u>(1,041,087)</u>
Effect of exchange rate fluctuations on cash held	<u>41,886</u>	<u>(5,096)</u>
Net Decrease in cash and cash equivalents	(505,671)	(266,176)
Cash and cash equivalents, beginning of period	<u>3,993,884</u>	<u>1,910,409</u>
Cash and cash equivalents, end of period	<u>\$ 3,488,213</u>	<u>1,644,233</u>

See accompanying notes to interim consolidated financial statements.

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

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2016 AND 2015

(Expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. Organization and Principal Activities

Tung Ho Steel Enterprise Corporation (the “Company”) was incorporated in May, 1962, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 9, Sec. 1, Chang-an E. Rd., Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (the Consolidated Company) are primarily involved in manufacturing and selling steel bars, steel sections, and steel plates.

2. Approval Date and Procedures of the Consolidated Financial Statements

The interim consolidated financial statements as of and for the three-month periods ended March 31, 2016, were approved and authorized for issue by the board of directors on May 9, 2016.

3. Adoption of New Standards and Interpretations

The following summarizes new standards and amendments that may impact the Consolidated Company issued by the International Accounting Standards Board (IASB) but not yet endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”) until the reporting date:

<u>Newly Issued, Revised, or Amended Standards and Interpretations</u>	<u>Effective date Prescribed by IASB</u>
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”	To be determined by IASB
Amendments to IFRS 10, IFRS 12, and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendment to IFRS 14 “Regulatory Deferral Account”	January 1, 2016
Amendment to IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Lease”	January 1, 2019
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendment to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS16 and IAS 41 “Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendments to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

<u>Newly Issued, Revised, or Amended Standards and Interpretations</u>	<u>Effective date Prescribed by IASB</u>
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements Cycle 2010-2012 and 2011-2013	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IFRIC Interpretation 21 “Levies”	January 1, 2014

The Consolidated Company is in the process of evaluating the impact on its financial position and financial performance of the initial adoption of the aforementioned standards or interpretations. The results thereof will be disclosed when the Consolidated Company completes its evaluation.

4. Summary of Significant Accounting Policies

(a) Statement of compliance

The accompanying interim consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Guidelines) and IAS 34 “Interim Financial Reporting” endorsed by the FSC. These interim financial statements do not include all disclosures required for annual financial statements under the Guidelines and IFRSs, IASs, IFRIC Interpretations and SIC Interpretations as endorsed by the FSC (hereinafter referred to as IFRS as endorsed by the FSC).

Except as described below, the significant accounting policies adopted in the accompanying interim consolidated financial statements are the same as those adopted in the financial statements for the year ended December 31, 2015. Please refer to Note 4 of the financial statements for the year ended December 31, 2015 for related information.

(b) Basis of consolidation

1. Principles used in preparing the consolidated financial statements are the same as those used for the financial statements for the year ended December 31, 2015. Please refer to Note 4(3) of the financial statements for the year ended December 31, 2015, for complete disclosures of significant accounting policies.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. List of subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activity	March 31, 2016	December 31, 2015	March 31, 2015	
The Company	Tung Yuan International Corp.	Investment activities	100.00%	100.00%	100.00%	
The Company	Tung Kang Steel Structure Corp.	Manufacture H-beams and trading activities	97.35%	97.35%	97.35%	
The Company	Goldham Development Ltd.	Investment activities	100.00%	100.00%	100.00%	
The Company	Katec Creative Resources Corporation	Waste recycling	99.01%	85.63%	85.63%	Note 1
The Company	Tung Kang Wind Power Corp.	Generate electric power	100.00%	100.00%	100.00%	
The Company	Fa Da Enterprise Corp.	Recycling	100.00%	100.00%	100.00%	
The Company	Fuco International Ltd.	Investment activities	100.00%	-	-	Note 2
The Company	Fuco Steel Corporation Limited	Steel industry	10.00%	-	-	Note 2 & 3
Tung Yuan International Corp.	3 Oceans International Inc.	Investment activities	66.67%	66.67%	66.67%	
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Civil engineering	100.00%	100.00%	100.00%	
Goldham Development Ltd.	Fujian Tung Kang Steel Co., Ltd.	Manufacture H-beams and steel bars	100.00%	100.00%	100.00%	
Fuco International Ltd.	Fuco Steel Corporation Limited	Steel industry	90.00%	-	-	Note 2 & 3

Note 1: In March, 2016, the Company participated in the cash capital increase, increasing the shareholding percentage from 85.63% to 99.01%.

Note 2: This newly acquired subsidiary was incorporated into the consolidated company commencing January 4, 2016 (the base date of the acquisition).

Note 3: The Company's direct and indirect ownership amounted to 100%

3. All of the subsidiaries above were included in consolidation.

(c) Income taxes

The Consolidated Company evaluates and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense is best estimated by multiplying the pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized as current tax expense and deferred taxes in proportion with the estimated annual current tax expense and deferred tax expense.

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 rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(d) Employee benefits

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

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The interim consolidated financial statements are prepared in conformity with IAS 34 “Interim Financial Reporting” as endorsed by the FSC, under which, management 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 these interim consolidated financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those in Note 5 of the financial statements for the year ended December 31, 2015.

6. Description of Significant Accounts

Except as described below, the description of significant accounts in the accompanying interim financial statements is not materially different from those in the financial statements for the year ended December 31, 2015. Please refer to Note 6 of the financial statements for the year ended December 31, 2015, for more details.

(1) Cash and cash equivalents

	March 31, 2016	December 31, 2015	March 31, 2015
Cash on hand	\$ 5,797	1,731	1,748
Checking and demand deposits	1,520,115	1,124,951	671,917
Term deposits	1,086,353	1,598,722	160,313
Cash equivalents	<u>875,948</u>	<u>1,268,480</u>	<u>810,255</u>
Cash and cash equivalents on the statement of cash flows	<u>\$ 3,488,213</u>	<u>3,993,884</u>	<u>1,644,233</u>

As of March 31, 2016, December 31, 2015, and March 31, 2015, certain cash and cash equivalents were pledged as collateral to secure debts and civil ruling, and such term deposits were reclassified to refundable deposits and other current/noncurrent assets. Please refer to Note 8 for details.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Financial assets and liabilities at fair value through profit or loss

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Financial assets at fair value through profit or loss:			
Financial assets held for trading:			
Publicly listed stocks	\$ 194,897	183,789	192,426
Forward foreign exchange contracts	<u>-</u>	<u>10,081</u>	<u>67,634</u>
Subtotal	<u>194,897</u>	<u>193,870</u>	<u>260,060</u>
Financial assets designated as at fair value through profit or loss:			
Foreign bonds	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 194,897</u>	<u>193,870</u>	<u>260,060</u>
Financial liabilities at fair value through profit or loss:			
Financial liabilities held for trading:			
Forward foreign exchange contracts	\$ 14,389	-	248
Redemption options on convertible bonds	<u>54,608</u>	<u>84,395</u>	<u>47,500</u>
	<u>\$ 68,997</u>	<u>84,395</u>	<u>47,748</u>

The Consolidated Company uses derivative financial instruments to hedge certain foreign exchange and interest risk that the Consolidated Company is exposed to arising from its operating, financing, and investing activities. The Consolidated Company held the following derivative financial instruments, which did not meet the criteria for hedge accounting, and were thus presented as financial assets held for trading:

Foreign currency forward contracts :

		<u>March 31, 2016</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	
Foreign currency forward	USD <u>18,211</u>	Sell US\$/buy NT\$	2016.04.01~2016.06.28	
		<u>December 31, 2015</u>		
	<u>Nominal amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	
Foreign currency forward	USD <u>40,361</u>	Sell US\$/buy NT\$	2016.01.06~2016.04.15	
		<u>March 31, 2015</u>		
	<u>Nominal amount (in thousands)</u>	<u>Nominal amount (in thousands)</u>	<u>Maturity dates</u>	
Foreign currency forward	USD <u>133,699</u>	Sell US\$/buy NT\$	2015.03.31~2015.09.29	

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(3) Derivative financial liabilities for hedging

The derivative financial instruments designated as hedging instruments are as follows:

	March 31, 2015	December 31, 2015	March 31, 2015
Derivative financial liabilities used for hedging— current:			
Cash flow hedge— forward exchange contracts	\$ <u>-</u>	<u>-</u>	<u>19,970</u>

The Consolidated Company's strategy is to use forward exchange contracts to hedge its estimated foreign currency exposure in respect of forecasted purchases over the following twelve months. When actual purchases occur, the amount accumulated in equity is reclassified to profit or loss in the same period. The Company's hedging instrument, forward foreign exchange contracts, reached its maturity and was settled on April 30, 2015. The Consolidated Company did not designate other hedging instrument. However, the hedged item has not yet reached the status that is available for use. When the actual purchase occurs, the amount accumulated in gain (loss) on the effective portion of cash flow hedge under other equity interest will be reclassified to profit or loss in the same period. The unexpired forward exchange contracts held by the Consolidated Company were as follows:

		March 31, 2016		
	Nominal amount (in thousands)	Currency	Maturity dates	
Foreign currency forward	EUR <u>-</u>	-	-	
		December 31, 2015		
	Nominal amount (in thousands)	Currency	Maturity dates	
Foreign currency forward	EUR <u>-</u>	-	-	
		March 31, 2015		
	Nominal amount (in thousands)	Currency	Maturity dates	
Foreign currency forward	EUR <u>3,000</u>	Sell US\$/buy NT\$	2015.04.30	

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(4) Available-for-sale financial assets

The details of available-for sale financial assets were as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Stocks listed on emerging markets	\$ 790,601	513,865	589,114
Financial bonds	<u>186,254</u>	<u>186,121</u>	<u>394,369</u>
Total	<u>\$ 976,855</u>	<u>699,986</u>	<u>983,483</u>

(5) Financial assets carried at cost

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Unlisted domestic/foreign common stock	\$ <u>335,259</u>	<u>320,848</u>	<u>342,885</u>

(6) Notes and accounts receivable, overdue receivables, and other receivables

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Notes receivable from operating activities	\$ 215,832	462,196	344,064
Notes receivable from non-operating activities	860	13	1,998
Notes receivable from related parties	221	221	221
Less: allowance for impairment	<u>(423)</u>	<u>(423)</u>	<u>(423)</u>
Notes receivable, net	<u>\$ 216,490</u>	<u>462,007</u>	<u>345,860</u>
Accounts receivable	\$ 3,540,930	3,706,865	3,959,403
Accounts receivable from related parties	5,468	3,966	4,339
Less: allowance for impairment	<u>(228,824)</u>	<u>(228,855)</u>	<u>(213,959)</u>
Accounts receivable, net	<u>\$ 3,317,574</u>	<u>3,481,976</u>	<u>3,749,783</u>
Other receivables	\$ 116,445	43,396	31,183
Other receivables from related parties	50,287	54,012	60,697
Less: allowance for impairment	<u>(781)</u>	<u>(781)</u>	<u>-</u>
Other receivables, net	<u>\$ 165,951</u>	<u>96,627</u>	<u>91,028</u>
Overdue receivables	\$ 34,422	34,422	34,422
Less: allowance for impairment	<u>(34,422)</u>	<u>(34,422)</u>	<u>(34,422)</u>
Overdue receivables, net	<u>\$ -</u>	<u>-</u>	<u>-</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Company's aging analysis for notes receivable, accounts receivable, and other receivables that were past due but not impaired as follows :

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Past due 0~60 days	\$ -	-	-
Past due 61~90 days	-	-	-
Past due 91~120 days	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>

The changes in the allowance for impairment with respect to notes receivable, accounts receivable, other receivables, and overdue receivables during the years were as follows:

	<u>Individually</u> <u>assessed</u> <u>impairment</u>	<u>Collectively</u> <u>assessed</u> <u>impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ 242,498	21,983	264,481
Loss on foreign exchange	(31)	-	(31)
Balance at March 31, 2016	<u>\$ 242,467</u>	<u>21,983</u>	<u>264,450</u>
Balance at January 1, 2015	\$ 226,885	21,983	248,628
Loss on foreign exchange	(64)	-	(64)
Balance at March 31, 2015	<u>\$ 226,821</u>	<u>21,983</u>	<u>248,804</u>

(7) Construction contracts

1. Construction contract revenue of the Consolidated Company has been determined based on the stage-of-completion method (i.e. the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs). Any expected excess of total contract costs over total contract revenue for the contract is recognized as an expense immediately.

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Accumulated costs incurred	\$ 4,757,936	4,066,780	4,335,339
Add: Accumulated profit (losses) recognized arising from the construction	(91,702)	(43,580)	(96,141)
Accumulated costs and profit recognized	4,666,234	4,023,200	4,239,198
Less: Progress billings	(3,985,359)	(3,055,692)	(3,399,704)
Amount due from customers for contract work – presented as an asset	<u>\$ 839,223</u>	<u>1,080,437</u>	<u>948,261</u>
Amount due to customers for contract work – presented as a liability	<u>\$ 158,348</u>	<u>112,929</u>	<u>108,767</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Advance received	\$ <u>81,275</u>	<u>999</u>	<u>59,772</u>
Retention payable from construction contract	\$ <u>152,191</u>	<u>147,117</u>	<u>150,954</u>

2. The Consolidated Company is unable to estimate the costs of signed construction contract reliably; however, it is probable that all the expenses incurred are recoverable. Hence, all contract costs shall be recognized as expense in the period in which they are incurred, and the contract revenue is recognized only to the extent of costs incurred that are expected to be recoverable. At the completion date, if the total revenue exceeds the aggregate revenue recognized in previous years, the differences should be recognized immediately as contract revenue.

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Accumulated costs incurred	\$ 1,612,310	1,423,402	795,884
Less: Progress billings	<u>(1,814,143)</u>	<u>(1,654,571)</u>	<u>(884,421)</u>
Amount due from customers for contract work – presented as an asset	\$ <u>149,590</u>	<u>152,396</u>	<u>152,659</u>
Amount due to customers for contract work – presented as a liability	\$ <u>351,423</u>	<u>383,565</u>	<u>241,196</u>

3. Construction contracts cost were recognized as follows:

	<u>For the three-month periods</u> <u>ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Construction contracts cost	\$ <u>735,186</u>	<u>1,126,876</u>

(8) Inventories

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Finished goods (including consigned goods)	\$ 1,287,576	1,287,657	1,774,555
Work in process	1,088,172	952,903	1,738,314
Raw materials (including consigned goods and in transit)	1,524,416	1,893,443	3,477,851
Supplies (including consigned goods and in transit)	<u>973,478</u>	<u>992,505</u>	<u>1,018,647</u>
Inventories, net	\$ <u>4,873,642</u>	<u>5,126,508</u>	<u>8,009,367</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Cost of goods sold recognized by the Consolidated Company consisted of the following:

	For the three-month periods ended March 31,	
	2016	2015
Cost of goods sold	\$ 4,616,753	6,524,381
(Reversal) Loss on decline of inventory market price	(9,890)	6,050
Unallocated fixed overheads	38,169	44,408
Gain on the sale of waste material	(24,047)	(44,536)
	<u>\$ 4,620,985</u>	<u>6,530,303</u>

During the three-month period ended March 31, 2016, the net realizable value of inventory had increased due to fluctuations in the inventory market price, resulting in a reversal on the decline of inventory market price and decreasing the cost of goods sold. During the three-month period ended March 31, 2015, a loss on the decline of inventory market price occurred; such loss was recognized in cost of goods sold.

2. Service costs recognized for providing services by the Consolidated Company were as following:

	For the three-month periods ended March 31,	
	2016	2015
Service costs	\$ <u>52,335</u>	<u>22,657</u>

(9) Noncurrent assets held for sale

On January 6, 2014, the Board of a subsidiary approved of the plan to sell part of its land and signed the contract on January 9, 2014. Because the land is expected to be sold within one year from December 31, 2014, it was reclassified as a noncurrent asset held for sale accordingly. The subsidiary disposed of the asset in February, 2015, at \$31,460 thousand, which amounted to \$31,041 thousand with related tax expenses of \$419 thousand. The disposed asset had a carrying value of \$20,640 thousand. And the subsidiary recognized a disposal gain of \$10,401 thousand. As of March 31, 2015, the Consolidated Company had received the full amount of the price.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(10) Investments accounted for using equity method

1. The financial information in aggregate of the individually immaterial components of the investments accounted for using the equity method was as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Total carrying amount of equity of individually insignificant associates	\$ 1,222,811	1,255,309	1,566,979
	For the three-month periods ended March 31,		
	2016	2015	
Attributable to the parent:			
Net (loss) income from continuing operations	\$ (28,635)	17,141	
Other comprehensive income	(34)	(953)	
Total comprehensive income	\$ (28,669)	16,188	

2. Collateral

None of the investments accounted for using equity method were pledged for collateral.

(11) Acquisition of subsidiaries and non-controlling interest

1. Acquisition of subsidiaries

On the meeting of the Board on October 30, 2015, the Company decided to acquire 100% of the equity of Fuco International Ltd., as well as 100% (directly and indirectly) of the equity of Fuco Steel Corporation, a Vietnamese company which manufactures billets.

Taking control of Fuco Steel Corporation will enable the Consolidated Company to access the acquiree's customer base. The acquisition is expected to provide the Consolidated Company with an increased share of the market as well as a reduction of costs through economies of scale.

In the period from January 4 (the date of obtaining control) to March 31, 2016, Fuco International Ltd. and Fuco Steel Corporation contributed a revenue of \$532,018 thousand and a profit after tax of \$54,310 thousand to the Consolidated Company. If the acquisition had occurred on 1 January, 2016, the management estimates that the consolidated revenue would have been \$6,029,433 thousand, and the consolidated profit after tax would have been \$206,671 thousand. In determining these amounts, the management assumed that if the acquisition had occurred on January 1, 2016, the adjustment for provisional fair value would have been the same.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The major classes of consideration, acquired assets, and assumed liabilities were as follows:

(a) Fair value of the considerations transferred

The following summarizes the major classes of consideration transferred:

Cash	\$ <u>1,454,909</u>
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The above consideration amounted to US\$44,523 thousand, including US\$8,370 thousand of retention money recognized at \$269,444 thousand under other payables.

(b) Net assets acquired at the acquisition date

The fair values of identifiable acquired assets, and assumed liabilities at the date of acquisition are as follows:

Cash and cash equivalents	\$ 94,517
Account receivable	83,348
Other receivables	17,678
Inventories	339,128
Property, plant and equipment (Note 6(12))	1,728,430
Intangible assets—favorable lease contracts	244,497
Prepayments	204,520
Other current assets	5,085
Accrued expenses	(568,406)
Other payables	(19,443)
Short- and long-term borrowing	(635,329)
Other liabilities	(39,116)
	\$ <u>1,454,909</u>

The above assets and liabilities included the retention money recognized in other payables. Therefore, fluctuations in foreign exchange rates would impact the above fair value.

2. The cost of acquisition

Legal fees and on-site examination expenses, amounting to \$296 thousand and \$12,359 thousand for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, respectively, incurred as a result of the acquisition transaction were recognized as administrative expenses in the statement of comprehensive income.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(12) Property, plant and equipment

	Land	Buildings	Machinery equipment	Miscellaneous equipment	Other assets	Construction in progress	Total
Cost or deemed cost:							
Balance at January 1, 2016	\$ 2,739,876	7,058,457	22,411,222	307,644	453,322	407,990	33,378,511
Acquired from business combinations	-	497,713	1,112,004	93,198	-	25,515	1,728,430
Additions	-	1,744	39,957	7,426	272	36,063	85,462
Reclassification out (Note 1)	-	-	-	-	-	(6,174)	(6,174)
Reclassification in (Note 1)	-	5,782	6,872	538	-	-	13,147
Disposals	-	-	(178,395)	(1,935)	-	-	(180,330)
Effect of exchange rate and others	-	(46,483)	(103,776)	(8,769)	-	(2,343)	(161,371)
Balance at March 31, 2016	<u>\$ 2,739,876</u>	<u>7,517,213</u>	<u>23,287,839</u>	<u>398,102</u>	<u>453,594</u>	<u>461,051</u>	<u>34,857,675</u>
Balance at January 1, 2015	\$ 2,698,365	6,892,053	21,979,891	284,059	399,792	467,319	32,721,479
Additions	-	1,569	16,448	1,327	1,072	49,847	70,263
Reclassification out (Note 1)	-	-	-	-	-	(12,481)	(12,481)
Reclassification in (Note 1)	-	-	202,158	623	-	-	202,781
Disposals	-	-	(1,625)	(13)	-	-	(1,638)
Effect of exchange rate and others	-	(1,433)	(2,999)	(141)	-	-	(4,573)
Balance at March 31, 2015	<u>\$ 2,698,365</u>	<u>6,892,189</u>	<u>22,193,873</u>	<u>285,855</u>	<u>400,864</u>	<u>504,685</u>	<u>32,975,831</u>
Depreciation and impairment loss:							
Balance at January 1, 2016	\$ -	3,107,382	14,666,680	156,466	-	-	17,930,528
Depreciation for the period	-	47,850	260,277	9,369	-	-	317,496
Disposals	-	-	(140,336)	(977)	-	-	(141,313)
Effect of exchange rate and others	-	(509)	(2,171)	(237)	-	-	(2,917)
Balance at March 31, 2016	<u>\$ -</u>	<u>3,154,723</u>	<u>14,784,450</u>	<u>164,621</u>	<u>-</u>	<u>-</u>	<u>18,103,794</u>
Balance at January 1, 2015	\$ -	2,953,162	13,718,431	133,180	-	-	16,804,773
Depreciation for the period	-	43,536	234,699	7,094	-	-	285,239
Disposals	-	-	(1,425)	(11)	-	-	(1,436)
Effect of exchange rate and others	-	(340)	(2,064)	(67)	-	-	(2,471)
Balance at March 31, 2015	<u>\$ -</u>	<u>2,996,358</u>	<u>13,949,641</u>	<u>140,196</u>	<u>-</u>	<u>-</u>	<u>17,086,195</u>
Carrying amounts:							
Balance at January 1, 2016	\$ 2,739,876	3,951,075	7,744,542	151,178	453,322	407,990	15,447,983
Balance at March 31, 2016	<u>\$ 2,739,876</u>	<u>4,362,490</u>	<u>8,503,389</u>	<u>233,481</u>	<u>453,594</u>	<u>461,051</u>	<u>16,753,881</u>
Balance at January 1, 2015	\$ 2,698,365	3,938,891	8,261,460	150,879	399,792	467,319	15,916,706
Balance at March 31, 2015	<u>\$ 2,698,365</u>	<u>3,895,831</u>	<u>8,244,232</u>	<u>145,659</u>	<u>400,864</u>	<u>504,685</u>	<u>15,889,636</u>

(Note 1) : Reclassification to expense, reclassification from advance payments for equipment, and completed construction contracts transferred out

Because some of the Consolidated Company's property, plant, and equipment and investment properties are agricultural lands, transfer registration could not be undertaken using the Consolidated Company's own title; therefore, the Consolidated Company was registered as a trust registrant temporarily and signed a real estate trust registration contract, which stipulated the rights and obligations of both parties to preserve the ownership of the land. The Consolidated Company is applying successively for registration of change in the category of land from relevant authorities. The amount of the above-mentioned land was as follows:

Accounts	March 31, 2016	December 31, 2015	March 31, 2015
Property, plant, and equipment	\$ 453,594	453,222	400,864
Investment property	336,959	336,926	336,926
	<u>\$ 790,553</u>	<u>790,281</u>	<u>737,790</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(13) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2016	\$ <u>1,574,033</u>	<u>90,896</u>	<u>1,664,929</u>
Balance at March 31, 2016	\$ <u>1,576,883</u>	<u>89,034</u>	<u>1,665,917</u>
Balance at January 1, 2015	\$ <u>1,553,455</u>	<u>98,345</u>	<u>1,651,800</u>
Balance at March 31, 2015	\$ <u>1,553,715</u>	<u>96,482</u>	<u>1,650,197</u>

1. There were no significant additions, disposals, or impairment during the three-month periods ended March 31, 2016 and 2015. Please refer to Note 12 for depreciation expense for the periods. For other relevant information, please refer to Note 6(13) of the consolidated financial statement for the year ended December 31, 2015.
2. There were no significant differences between the fair value of the Consolidated Company's investment property and the disclosed information in Note 6(13) of the consolidated financial statements for the year ended December 31, 2015.
3. Investment properties include the investment in Kuo-Kong Section, Houlong town, Miaoli County, and several construction sites and factories leased to others; the leased objects mentioned above are the factory in Chienchen District of Kaohsiung, the factory in Bade City of Taoyuan, the building in Taichung, and the office in Taipei.
4. The investment in Kuo-Kong Section, Houlong Town, and Miaoli County is in a general industrial zone. The Consolidated Company has planned a wind power generation project and has established wind generator sets currently to improve the efficiency of the use of the land. The Company has successively invested costs into the land in an effort to make the industrial zone available for use. As of March 31, 2016, and December 31 2015, and March 31, 2015, the book value for each individual investment mentioned above amounted to \$927,878 thousand, \$927,587 thousand, and \$907,387 thousand, respectively.
5. Please refer to Note 6(12) for relevant information on investment properties acquired under the ownership of others.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(14) Short-term borrowings

(a) The details of short-term borrowings were as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Letters of credits	\$ 462,740	388,283	1,835,687
Unsecured bank loans	<u>1,856,225</u>	<u>1,712,380</u>	<u>1,480,869</u>
	<u>\$ 2,318,965</u>	<u>2,100,663</u>	<u>3,316,556</u>
Unused short-term lines of credit (including short-term notes and bills payable)	<u>\$ 18,398,393</u>	<u>18,314,269</u>	<u>12,735,397</u>
Interest rate range	<u>0.32%~2.43%</u>	<u>0.05%~2.51%</u>	<u>0.47%~2.26%</u>

(b) Issuance and repayment of short-term borrowings

	<u>Total</u>
Balance as of January 1, 2016	\$ 2,100,663
Issuance during the three-month period ended March 31, 2016 (Maturity date: December 2016)	3,842,055
Repayment during the three-month period ended March 31, 2016	(3,567,889)
Effects of exchange rate	<u>(55,864)</u>
Balance as of March 31, 2016	<u>\$ 2,318,965</u>
Interest rate range of the issuance	<u>0.32%~2.50%</u>
	<u>Total</u>
Balance as of January 1, 2015	\$ 4,027,187
Issuance during the three-month period ended March 31, 2015 (Maturity date: December 2015)	3,944,039
Repayment during the three-month period ended March 31, 2015	<u>(4,654,670)</u>
Balance as of March 31, 2015	<u>\$ 3,316,556</u>
Interest rate range of the issuance	<u>0.41%~2.26%</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(15) Short-term notes and bills payable

(a) The details of short-term notes and bills payable were as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Commercial paper payable	\$ 1,133,215	1,292,634	640,000
Less: unamortized discount on bills payable	<u>(1,374)</u>	<u>(1,429)</u>	<u>(670)</u>
	<u>\$ 1,131,841</u>	<u>1,291,205</u>	<u>639,330</u>
Interest rate range	<u>0.05%~1.90%</u>	<u>0.03%~2.14%</u>	<u>1.04%~2.14%</u>

(b) Issuance and repayment of short-term notes and bills payable (excluding discounts)

	<u>Total</u>
Balance as of January 1, 2016	\$ 1,292,634
Issuance during the three-month period ended March 31, 2016 (Maturity date: September 2016)	1,878,871
Repayment during the three-month period ended March 31, 2016	(2,037,776)
Effects of exchange rate	<u>(514)</u>
Balance as of March 31, 2016	<u>\$ 1,133,215</u>
Interest rate range of the issuance	<u>0.05%~2.24%</u>
	<u>Total</u>
Balance as of January 1, 2015	\$ 465,000
Issuance during the three-month period ended March 31, 2015 (Maturity date: June 2015)	2,102,000
Repayment during the three-month period ended March 31, 2015	<u>(1,927,000)</u>
Balance as of March 31, 2015	<u>\$ 640,000</u>
Interest rate range of the issuance	<u>1.04%~2.14%</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(16) Long-term loans

(a) The details of long-term loans payable were as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Unsecured bank loans	\$ 2,200,000	2,200,000	2,450,000
Secured bank loans	66,408	347,569	430,570
Less: current portion	<u>(66,408)</u>	<u>(88,489)</u>	<u>(114,925)</u>
Total	<u>\$ 2,200,000</u>	<u>2,459,080</u>	<u>2,765,645</u>
Unused long-term of credit	<u>\$ 2,850,000</u>	<u>2,850,000</u>	<u>2,400,000</u>
Interest rate range	<u>0.90%~1.96%</u>	<u>0.93%~2.10%</u>	<u>1.02%~2.10%</u>

(b) Issuance and repayment of long-term loans

	<u>Total</u>
Balance as of January 1, 2016	\$ 2,547,569
Issuance during the three-month period ended March 31, 2016 (Maturity date: March 2017)	609,474
Repayment during the three-month period ended March 31, 2016	(875,600)
Effects of exchange rate	<u>(15,035)</u>
Balance as of March 31, 2016	<u>\$ 2,266,408</u>
Interest rate range of the issuance	<u>0.90%~3.00%</u>

	<u>Total</u>
Balance as of January 1, 2015	\$ 3,398,610
Issuance during the three-month period ended March 31, 2015	500,000
Repayment during the three-month period ended March 31, 2015	<u>(1,018,040)</u>
Balance as of March 31, 2015	<u>\$ 2,880,570</u>
Interest rate range of the issuance	<u>1.17%</u>

(c) Collaterals for bank loans

Please refer to Note 8 for assets pledged by the Consolidated Company for its bank loans.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(17) Bonds payable

1. Bonds payable as of March 31, 2016, December 31, 2015, and March 31, 2015, were as follows:

	<u>March 31,</u> <u>2016</u>	<u>December</u> <u>31, 2015</u>	<u>March 31,</u> <u>2015</u>
Originally issued amount of unsecured domestic convertible bonds	\$ 2,500,000	2,500,000	2,500,000
Accumulated redeemed and executed convertible bonds	(17,800)	(17,800)	-
Adjustments	10,467	40,254	(397,345)
Capital surplus – stock options	(109,972)	(109,972)	(110,761)
Call option, put options, and conversion rights	(54,608)	(84,395)	(47,500)
Accumulated interest expenses	105,520	97,847	475,753
Less: expected to be redeemed within one year	(2,433,607)	(2,425,934)	(2,420,147)
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>

There was no significant addition of issuance, repurchase, or repayment of any of the Consolidated Company's bonds for the three-month periods ended March 31, 2016 and 2015. For relevant information about major terms of issuance and information on accumulating repurchase and conversion of bonds, please see Note 6(17) of the consolidated financial statement for the year ended December 31, 2015.

(18) Operating lease

There was no significant addition of operating lease for the three-month periods ended March 31, 2016 and 2015. For relevant information, please refer to Note 6(18) of the consolidated financial statement for the year ended December 31, 2015.

(19) Employee benefits

1. Defined benefit plan

Subsequent to December 31, 2015, there was no apparent evidence of any material market volatility, material curtailment, reimbursement and settlement, or other material one-time events. Therefore, pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report for the years ended December 31, 2015 and 2014.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The pension costs of the defined benefit plans recognized in profit or loss were as follows:

	For the three-month periods ended March 31,	
	2016	2015
Operating cost	\$ 7,724	8,065
Selling expenses	330	336
General and administrative expenses	<u>1,530</u>	<u>1,502</u>
	<u>\$ 9,584</u>	<u>9,903</u>

2. Defined contribution plan

The pension costs that were contributed to Bureau of Labor Insurance were as follows:

	For the three-month periods ended March 31,	
	2016	2015
Operating cost	\$ 8,108	7,359
Selling expenses expenses	493	426
General and administrative expenses	<u>2,121</u>	<u>2,058</u>
	<u>\$ 10,722</u>	<u>9,843</u>

(20) Income Tax

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

1. The details of income tax expense were as follows:

	For the three-month periods ended March 31,	
	2016	2015
Income tax expense for the period		
Incurred in the current period	\$ 34,419	67,265
Deferred tax income		
The origination and reversal of temporary differences	<u>(1,162)</u>	<u>(12,496)</u>
Income tax expense from continuing operations	<u>\$ 33,257</u>	<u>54,769</u>

2. The Company's income tax returns through 2013 have been examined by the R.O.C. tax authority.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Information related to the unappropriated earnings and tax deduction ratio was summarized below:

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Unappropriated earnings of 1997 and before	\$ 171,109	171,109	171,109
Unappropriated earnings of 1998 and after	<u>3,428,988</u>	<u>3,216,644</u>	<u>3,656,380</u>
	<u>\$ 3,600,097</u>	<u>3,387,753</u>	<u>3,827,489</u>
Balance of deductible tax account	<u>\$ 496,220</u>	<u>496,220</u>	<u>585,883</u>

The amounts of unappropriated earnings, including those listed in the comparative information, are in accordance with the Guidelines and the IFRSs endorsed by the FSC.

	<u>2015</u> <u>(Expected)</u>	<u>2014</u> <u>(Actual)</u>
4. Tax deduction ratio for earnings distribution to R.O.C. residents	<u>15.43%</u>	<u>18.12%</u>

The aforementioned information of credit tax imputations was prepared in accordance with Ruling No.10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013.

(21) Stockholders' equity

1. Stock capital

As of March 31, 2016, December 31, 2015, and March 31, 2015, the Company's registered total authorized capital amounted to \$12,000,000 thousand, with a par value per share of \$10 (dollars), and total issued common stock amounted to 998,221 thousand shares, respectively. All issued shares were paid up upon issuance.

On September 22, 1994, the Company issued 6,000 thousand Global Depository Receipts (GDRs), in the Multilateral Trading Facility (MTF) market of the Luxembourg Stock Exchange (LSE).

(in shares)	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Total issued shares	<u>68,610,809</u>	<u>68,610,809</u>	<u>68,610,809</u>
Number of shares outstanding	<u>7,778,128</u>	<u>7,778,128</u>	<u>7,349,118</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. Capital surplus

The balances of additional paid-in capital were as follows:

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Issuance of capital	\$ 2,289,734	2,289,734	2,289,734
Conversion of bonds	3,761,336	3,761,336	3,761,336
Treasury stock transactions	59,036	59,036	59,036
Changes in equity of associates accounted for using equity method	20,236	360	360
Stock options	109,972	109,972	110,761
Others	5,555	5,555	4,766
	<u>\$ 6,245,869</u>	<u>6,225,993</u>	<u>6,225,993</u>

In accordance with the R.O.C. Company Act amended in January 2012, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

Based on the Company's articles of incorporation, the Company's annual earnings after providing for income tax, covering accumulated deficits, and setting aside 10% as a legal reserve, are to be appropriated and distributed as follows:

- ① 3% as remuneration to directors and supervisors
- ② 3% as bonus to employees

The appropriation of the remainder, along with previously undistributed earnings, is to be proposed by the board of directors, and resolved at the shareholders' meeting.

The business life cycle of the Company is at a stable and mature stage. Therefore, the dividend plan is that the percentages of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

According to the Company Act which was amended in May 2015, employee bonuses, and directors' and supervisors' remuneration are no longer subject to earnings distribution, and the Company's revised articles were approved by the board of directors on November 13, 2015, which are yet to be resolved at the shareholders' meeting. The revision was that the Company's annual earnings after providing for income tax are to be appropriated and distributed as follow:

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

- ① 10% of the annual net income after offsetting prior years' deficits is to be set aside as a legal reserve.
- ② The remaining balance, if any, is to be appropriated as special reserve or retained as unappropriated earnings for business purposes if necessary.
- ③ The remainder, after retaining a certain portion for business considerations is to be distributed as common stockholders' dividends. The appropriation of the Company's net income may be distributed by way of cash dividend and/or stock dividend. The business life cycle of the Company is at a stable and mature stage, therefore, the dividend plan, which is the percentage of cash dividends and stock dividends shall not be less than 80% and more than 20%, respectively, of the total distribution.

(a) Legal reserve

In accordance with the Company Act amended in January 2012, 10 percent of net income after tax should be set aside as legal reserve, until the legal reserve is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

(b) Special reserve

By choosing to apply exemptions granted under IFRSs 1 "First-time Adoption of IFRSs" during the Company's first-time adoption of the IFRSs as approved by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to regulations, retained earnings would be increased by \$333,057 thousand, by recognizing the fair value on the adoption date as deemed cost. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs amounted to \$149,309 thousand. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately.

The carrying amount of special earnings reserve amounted to \$149,309 thousand as of March 31, 2016, December 31, 2015, and March 31, 2015.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

For the three-month period ended March 31, 2015, the employee benefits and directors' and supervisors' remuneration, estimated based on the Company Act before the amendment in May, 2015, amounted to \$10,859 thousand and \$10,859 thousand, respectively. The aforementioned amounts were calculated based on the Company's net profit of the period and the earnings allocation method as stated under the Company's articles of association and recognized as operating cost or expense for the period. If there are any changes in the amount in the following year after the financial statements are approved, such difference is recognized as profit or loss in the following year.

Based on the Company's articles and its earnings before income tax for the year ended December 31, 2014, the estimated expenses of earnings distribution recognized under operating costs or operating expenses were as follows:

	2014
Employee bonus	\$ 32,738
Directors' and supervisors' remuneration	<u>32,738</u>
Total	<u><u>\$ 65,476</u></u>

The appropriations of earnings of 2015 were approved at the board of directors' meeting on March 28, 2016. The appropriations of earnings of 2014 were approved in the stockholders' meeting on June 25, 2015. The amounts of appropriation of dividends per share were as follows:

	2015	2014
Distribution per share (dollars):		
Cash dividends	\$ <u><u>1.10</u></u>	<u><u>1.30</u></u>

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The abovementioned distribution approved by the shareholders' meeting is consistent with that approved by the board of directors. Additionally, the amounts distributed as employee bonuses and directors' and supervisors' remuneration were the same as the estimates disclosed on the financial statements. Relative information can be found through the Market Observation Post System website.

4. Other equity interest (net of taxes)

	Foreign exchange differences arising from foreign operation	Unrealized gain (loss) of available-for- sale financial assets	Cash flow hedge	Total
Balance at 1 January, 2016	\$ 160,476	20,168	(17,385)	160,468
Foreign exchange differences (net of taxes)				
The Consolidated Company	(158,160)	-	-	(158,160)
Effective portion of cash flow hedge (net of taxes)				
The Consolidated Company	-	-	-	-
Unrealized gains and losses from available-for-sale investment:				
The Consolidated Company	-	276,868	-	276,868
Associates	-	(34)	-	(34)
Balance at 31 March, 2016	<u>\$ 2,316</u>	<u>297,002</u>	<u>(17,358)</u>	<u>281,933</u>
Balance at 1 January, 2015	\$ 173,123	(4,696)	(5,698)	162,729
Foreign exchange differences (net of taxes)				
The Consolidated Company	(16,629)	-	-	(16,629)
Effective portion of cash flow hedge (net of taxes)				
The Consolidated Company	-	-	(14,272)	(14,272)
Unrealized gains and losses from available-for-sale investment:				
The Consolidated Company	-	111,084	-	111,084
Associates	-	(953)	-	(953)
Balance at 31 March, 2015	<u>\$ 156,494</u>	<u>105,435</u>	<u>(19,970)</u>	<u>241,959</u>

(22) Earnings per share

	For the three-month periods ended March 31,	
	<u>2016</u>	<u>2015</u>
Basic earnings per share (dollars)	\$ <u>0.21</u>	<u>0.40</u>
Profit attributable to common shareholders of the Company (basic)	\$ <u>212,344</u>	<u>402,171</u>
Weighted-average number of common shares (basic) (in thousands)	<u>998,221</u>	<u>998,221</u>
Diluted earnings per share (dollars)	<u>0.17</u>	<u>0.38</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	For the three-month periods ended March 31,	
	2016	2015
Profit attributable to the Company	\$ 212,344	402,171
Effect of potentially dilutive common shares:		
Convertible bonds	(22,114)	15,228
Profit attributable to common shareholders of the Company (diluted)	\$ 190,230	417,399
Weighted-average number of common shares (dilutive) (in thousands)	998,221	998,221
Effect of potentially dilutive common shares:		
Effect of employee stock bonus	2,384	1,946
Effect of conversion of convertible bonds	98,500	93,528
Weighted-average number of common shares (dilutive) (in thousands) (after adjustments of the effect of potentially dilutive common shares)	1,099,105	1,093,695

(23) Operating revenue

The details of revenue were as follows:

	For the three-month periods ended March 31,	
	2016	2015
Sale of goods	\$ 5,104,315	7,306,118
Service revenues	19,229	21,881
Construction contract revenue	905,889	1,106,706
	\$ 6,029,433	8,434,705

(24) Remuneration employees, directors and supervisors

According to the Company's articles approved by the board of directors and yet to be resolved at the stockholders' meeting, not less than 2.5% and not more than 2% of the profit, if any, should be appropriated as employee bonuses, and remuneration to directors and supervisors, respectively. However, the accumulated deficits should be covered first. Persons eligible for such employee bonuses include employees of subsidiaries who meet certain criteria.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. Other gains and losses

The details of other gains and losses were as follows:

	For the three-month periods ended March 31,	
	2016	2015
Foreign exchange (loss) gain	\$ (18,158)	28,693
Net gain on disposal of property, plant, and equipment and noncurrent assets held for sale	11,659	10,199
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	33,368	(18,139)
Others	<u>(17,871)</u>	<u>29,742</u>
	<u>\$ 8,998</u>	<u>50,495</u>

3. Financial costs

The details of financial cost were as follows:

	For the three-month periods ended March 31	
	2016	2015
Interest expense		
Bank borrowings	\$ 23,718	23,512
Amortized interest of domestic corporate bond	7,673	7,728
Less: capitalized interest	<u>(4,319)</u>	<u>(3,761)</u>
	<u>\$ 27,072</u>	<u>27,479</u>

(26) Reclassification of the components of other comprehensive income

The details of reclassification of the composites of comprehensive income were as follows:

	For the three-month periods ended March 31	
	2016	2015
Available-for-sale financial assets		
Net change in fair value in the current period	\$ <u>276,868</u>	<u>111,084</u>
Net change in fair value recognized in other comprehensive income	<u>\$ 276,868</u>	<u>111,084</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(27) Financial instruments

Except for the following, there were no significant changes in the fair value of the Consolidated Company's financial instruments and the exposure to credit risks, liquidity risks, and market risks. Please refer to Note 6(28) of the consolidated financial statement for the year ended December 31, 2015.

1. Credit risk.

Credit risk, which is mainly generated from operating activities, is the risk that counterparties default. The Consolidated Company only deals with counterparties that are reputable. Therefore, it is not expected to generate any material credit risk. Moreover, the Consolidated Company has numerous clients and does not make any concentrative transactions with any single client. Therefore, there is no concentration of credit risk for account receivables.

The Consolidated Company does not expect the timing of the predicted cash flow to become significantly earlier or changes in amount of the cash flows.

2. Exchange rate risk

(a) Exposure to exchange rate risk

The Consolidated Company's financial assets and liabilities exposed to exchange rate risk were as follows:

	March 31, 2016			December 31, 2015			March 31, 2015		
	Foreign Currency	Exchange rate (dollars)	TWD	Foreign Currency	Exchange rate (dollars)	TWD	Foreign Currency	Exchange rate (dollars)	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 38,033	32.19	1,224,282	40,685	32.83	334,129	6,841	31.30	214,123
EUR	2,661	36.51	97,153	3,004	35.88	77	2	33.65	67
JPY	167	0.2863	48	167	0.2727	46	167	0.2604	43
CNY	12,156	4.972	60,440	14,040	4.995	70,130	23,824	5.044	120,168
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	53,480	32.19	1,721,521	18,332	32.83	601,840	61,928	31.30	1,938,346
EUR	910	36.51	33,224	967	35.88	34,696	1,445	33.65	48,624
JPY	37,586	0.2863	10,761	40,751	0.2727	11,113	269,728	0.2604	70,237

Because there are a variety of functional currencies, the Consolidated Company disclosed a summary of its information on exchange gain or loss. The realized and unrealized exchange (loss) gain amounted to \$(18,182) thousand and \$28,693 thousand for the three-month period ended March 31, 2016 and 2015, respectively.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(b) Sensitivity analysis

The Consolidated Company's exposure to exchange rate risk mainly arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, loans and borrowings, which were denominated in different foreign currencies. The overall effects on net income before tax for the three-month periods ended March 31, 2016 and 2015, assuming the TWD depreciated by 1% against the USD, EUR, JPY, and CNY as of March 31, 2016 and 2015, were as follows:

	<u>Effect of appreciation on net income after tax</u>	<u>Effect of depreciation on net income after tax</u>
March 31, 2016		
USD (appreciation/depreciation of 1%)	\$ (4,315)	4,315
JPY (appreciation/depreciation of 1%)	(93)	93
EUR (appreciation/depreciation of 1%)	554	(554)
CNY (appreciation/depreciation of 1%)	524	(524)
	<u>\$ (3,330)</u>	<u>3,330</u>
March 31, 2015		
USD (appreciation/depreciation of 1%)	\$ (14,916)	14,916
JPY (appreciation/depreciation of 1%)	(420)	420
EUR (appreciation/depreciation of 1%)	(608)	608
CNY (appreciation/depreciation of 1%)	1,039	(1,039)
	<u>\$ (14,905)</u>	<u>14,905</u>

(c) Interest rate analysis

The Consolidated Company's financial assets and liabilities exposed to interest rate risk are described in liquidity analysis within this Note.

The following sensitivity analysis is based on the risk exposure to interest rates of the derivative and non- derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the liabilities bearing variable interest rates are outstanding for the whole year. A 1% increase or decrease in interest rate is assessed by management to be a reasonably possible change in interest rate.

If the interest rate increases by 1%, the Company's net income will decrease by \$45,854 thousand and \$61,971 thousand for the three-month periods ended March 31, 2016 and 2015 respectively, assuming all other variable factors remain constant.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(d) Sensitivity analysis – equity price risk

The impact of hypothetical changes in prices of equity securities on other comprehensive income on the reporting date was as follows:

Security price on reporting date	For the three-month periods ended March 31,	
	2016	2015
	Other comprehensive income (after tax)	Other comprehensive income (after tax)
Increase 1%	\$ <u>7,906</u>	<u>5,891</u>
Decrease 1%	\$ <u>(7,906)</u>	<u>(5,891)</u>

3. Information on fair value

(1) Types and fair value of financial instruments

The Consolidated Company's financial assets and liabilities are listed as follows: (including (1) the information on the levels in fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value with a carrying value approximating its fair value; and (2) those equity investments in which the fair value cannot be reliably measured and without any quoted price in the open market)

	Carrying value	March 31, 2016			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets held for trading—publicly listed stocks	\$ <u>194,897</u>	<u>194,897</u>	<u>-</u>	<u>-</u>	<u>194,897</u>
Financial assets carried at cost					
Unlisted domestic/foreign common shares	<u>335,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available-for-sale financial assets					
Stocks listed on emerging market	\$ <u>790,601</u>	<u>790,601</u>	<u>-</u>	<u>-</u>	<u>790,601</u>
Financial bonds	<u>186,254</u>	<u>100,717</u>	<u>104,778</u>	<u>-</u>	<u>205,495</u>
Subtotal	<u>976,855</u>	<u>891,318</u>	<u>104,778</u>	<u>-</u>	<u>996,096</u>
Loans and receivables					
Cash and cash equivalents	\$ <u>3,488,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Notes and accounts receivable	<u>3,534,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other receivables	<u>123,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other refundable deposits and pledged deposits	<u>106,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>7,252,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>8,759,457</u>	<u>1,086,715</u>	<u>104,778</u>	<u>-</u>	<u>1,190,993</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	March 31, 2016				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Redemption options on convertible bonds	\$ 54,608	-	54,608	-	54,608
Financial liabilities held for trading — forward foreign exchange contracts	14,389	-	14,389	-	14,389
Subtotal	68,997	-	68,997	-	68,997
Financial liabilities measured at amortized cost					
Short-term borrowings	2,318,965	-	-	-	-
Long-term loans (including current portion)	2,266,408	-	-	-	-
Bonds payable (including current portion)	2,433,607	-	2,453,750	-	2,431,750
Short-term notes and bills payable	1,131,841	-	-	-	-
Notes and accounts payable	1,365,461	-	-	-	-
Other payables	1,523,223	-	-	-	-
Guarantee deposits	12,871	-	-	-	-
Subtotal	11,052,376	-	2,453,750	-	2,431,750
Total	\$ 11,121,373	-	2,522,747	-	2,522,747
	December 31, 2015				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets — forward foreign exchange contracts	\$ 10,081	-	10,081	-	10,081
Non-derivative financial asset held for trading — publicly listed stocks	183,789	183,789	-	-	183,789
Subtotal	193,870	183,789	10,081	-	193,870
Financial assets carried at cost					
Unlisted domestic/foreign stocks	320,848	-	-	-	-
Available-for-sale financial assets					
Stocks listed on emerging markets	\$ 513,865	513,865	-	-	513,865
Financial bonds	186,121	101,075	104,287	-	205,362
Subtotal	699,986	614,940	104,287	-	719,227
Loans and receivables					
Cash and cash equivalents	\$ 3,993,884	-	-	-	-
Notes and accounts receivable	3,943,983	-	-	-	-
Other receivables	96,627	-	-	-	-
Refundable deposits and pledged deposits	310,619	-	-	-	-
Subtotal	8,345,113	-	-	-	-
Total	\$ 9,559,817	798,729	114,368	-	913,097

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2015				
	Carrying value	Fair value			
		Level 2	Level 2	Level 2	Level 2
Financial liabilities at fair value through profit or loss					
Redemption options on convertible bonds	\$ 84,395	-	84,395	-	84,395
Financial liabilities measured at amortized cost					
Short-term borrowings	2,100,663	-	-	-	-
Bonds payable (including current portion)	2,547,569	-	-	-	-
Long-term loans (including current portion)	2,425,934	-	2,447,449	-	2,447,449
Short-term bills payable	1,291,205	-	-	-	-
Notes and accounts payable	1,353,131	-	-	-	-
Other payables	1,463,321	-	-	-	-
Guarantee deposits	17,452	-	-	-	-
Subtotal	11,199,275	-	2,447,449	-	2,447,449
Total	\$ 11,283,670	-	2,531,844	-	2,531,844
	March 31, 2015				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial instrument—forward foreign exchange contracts	\$ 67,634	-	67,634	-	67,634
Financial assets held for trading—publicly listed stocks	192,426	192,426	-	-	192,426
Subtotal	260,060	192,426	67,634	-	260,060
Financial assets carried at cost					
Unlisted domestic/foreign common shares	342,885	-	-	-	-
Available-for-sale financial assets					
Stocks listed on emerging market	\$ 589,114	589,114	-	-	589,114
Financial bonds	394,369	305,175	180,435	-	413,610
Subtotal	983,483	894,289	180,435	-	1,002,724
Loans and receivables					
Cash and cash equivalents	1,644,233	-	-	-	-
Notes and accounts receivable	4,095,643	-	-	-	-
Other receivables	91,028	-	-	-	-
Other refundable deposits and pledged deposits	287,040	-	-	-	-
Subtotal	6,117,944	-	-	-	-
Total	\$ 7,704,372	1,086,715	176,069	-	1,262,784
Financial liabilities at fair value through profit or loss					
Redemption options on convertible bonds	\$ 47,500	-	47,500	-	47,500
Financial liabilities held for trading—forward foreign exchange contracts	248	-	248	-	248
Subtotal	47,748	-	47,748	-	47,748

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	March 31, 2015				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Derivative financial liabilities used for hedging					
Forward foreign exchange contracts	\$ 19,970	-	19,970	-	19,970
Financial liabilities measured at amortized cost					
Short-term borrowings	3,316,556	-	-	-	-
Long-term loans (including current portion)	2,880,570	-	-	-	-
Bonds payable (including current portion)	2,420,147	-	2,431,500	-	2,431,500
Short-term notes and bills payable	639,330	-	-	-	-
Notes and accounts payable	1,602,584	-	-	-	-
Other payables	1,470,609	-	-	-	-
Guarantee deposits	12,871	-	-	-	-
Subtotal	<u>12,343,738</u>	<u>-</u>	<u>2,431,500</u>	<u>-</u>	<u>2,431,500</u>
Total	<u>\$ 12,411,456</u>	<u>-</u>	<u>2,499,218</u>	<u>-</u>	<u>2,499,218</u>

(2) Technique for fair value evaluation of financial instruments not measured at fair value

The Consolidated Company's assumption and technique used to evaluate its financial instruments not measured at fair value are as follows:

A. Financial assets held to maturity

If a quoted price is available on an active market, the market price should be used as the fair value; if there is no market price available for reference, the evaluation method should be used to estimate the fair value or the quoted price given by the counterparties of which the Company has business transaction with.

B. Debt investments with no active market and financial liabilities measured at amortized cost

If the information on the quoted price of the market the deals and market manipulation is available, the latest price of the transaction and quotation information should be used as the basis for evaluating its fair value. If no market information is available for reference, the evaluation method should be adopted. Estimates and assumptions of the evaluation method should be used to assess the fair value of the discounted cash flows.

(3) Technique for fair value evaluation of financial instruments measured at fair value

A. Non-derivative financial instrument

If a quoted price is available on an active market, the market price should be used as the fair value; the market price published by the primary stock exchanges and the security exchange center of the central government qualify as the basis of fair value evaluation for listed equity instruments and debt instruments with an active market.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

If an open quoted price can be timely and frequently obtained from exchanges, brokers, underwriters, industry associations, pricing service institutions, or authorities, and if such price can represent the actual and frequent transaction price on the fair market, then a quoted price is considered as the active market price. If the above conditions are not met, then the market is deemed as inactive. Generally, a great difference and an increasing gap between the buying and selling price, as well as having a small transaction volume are indicators of an inactive market.

Fair value of the Consolidated Company's financial instruments that have an active market is displayed by category and attributed as follows:

Listed stocks are financial assets and liabilities with standard transaction terms and conditions, and are traded on an active market. The fair value of such items is determined in reference to the quoted market price.

Except for the above-mentioned financial instruments with an active market price, the fair value of other financial instruments is measured using the valuation techniques. The fair value obtained through valuation techniques can be used as a reference to the current fair value, discounted cash flow, or other valuation techniques for other financial instruments with substantially similar properties and conditions. Fair value calculated using the valuation models and the available market information on the balance sheet date are also accepted by the market.

B. Derivative financial instruments

Such items are valued using the valuation models which are widely accepted by the market. Foreign forward exchange contracts normally are valued using the current forward exchange rates. Interest rate structured financial instruments are valued using the option pricing models or other valuation methods.

There were no transfers among the fair value hierarchy levels for the three-month periods ended March 31, 2016 and 2015.

(28) Financial risk management

The policies and the objectives of the financial risk management are consistent with those disclosed in Note 6(29) of the consolidated financial statement for the year ended December 31, 2015.

(29) Capital management

The objectives, policies, and procedures are the same as those stated in the consolidated financial statement for the year ended December 31, 2015. There was no material change on quantitative data of the capital management. For relevant information, please refer to Note 6(30) of the consolidated statement for the year ended December 31, 2015.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(30) The investing and financing activities of noncash transactions

Cash flow of noncash investing and financing transactions for the three-month periods ended March 31, 2016 and 2015, were as follows:

	For the three-month periods ended March 31,	
	2016	2015
Reclassification of prepayment of land and supplies to property, plant, and equipment	\$ <u>7,365</u>	<u>190,291</u>
Changes in unrealized gain (loss) on financial instruments	\$ <u>276,868</u>	<u>111,084</u>
Changes in unrealized gain or loss on financial instruments accounted for using equity method	\$ <u>(34)</u>	<u>(953)</u>
Increase in cumulative translation adjustment	\$ <u>(158,160)</u>	<u>(16,629)</u>
Increase in property, plant, and equipment	\$ 85,462	70,263
Add: other payables—construction and equipment, January 1	25,139	15,297
Less: other payables—construction and equipment, March 31	<u>(36,015)</u>	<u>(7,255)</u>
Cash paid	\$ <u>74,586</u>	<u>78,305</u>

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company and its subsidiaries.

(2) Significant related-party transactions

(a) Sales to related parties

Significant sales to related parties and the balance of accounts receivable were as follows:

	Operating revenue		Accounts Receivable		
	For the three-month periods ended March 31,		March 31, 2016	December 31, 2015	March 31, 2015
	2016	2015			
Associates	\$ <u>7,837</u>	<u>4,954</u>	<u>5,468</u>	<u>3,966</u>	<u>4,339</u>

The selling price and payment terms for sales to subsidiaries depend on the operations and capital needs of each subsidiary. Other trading terms with related parties are not significantly different from those with third-party customers.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(b) Purchase from related parties

	Purchases		Accounts payable		
	For the three-month periods ended March 31,		March 31,	December 31,	March 31,
	2016	2015	2016	2015	2015
Associates	\$ <u>6,065</u>	<u>-</u>	<u>3,464</u>	<u>94</u>	<u>-</u>

The purchase price and payment terms for sales from related parties are not significantly different from those with third-party customers.

(c) Borrowings from related parties

	Other payables		
	March 31, 2016	December 31, 2015	March 31, 2015
Other related parties	\$ <u>-</u>	<u>100,000</u>	<u>100,000</u>

Interest expense and other interest payable by financing from the related parties were as follows:

	Interest expense	
	For the three-month periods ended March 31,	
	2016	2015
Other related parties	\$ <u>451</u>	<u>481</u>

	Interest payable (recognized as other payables)		
	March 31, 2016	December 31, 2015	March 31, 2015
Other related parties	\$ <u>-</u>	<u>170</u>	<u>166</u>
Interest rate	<u>-</u>	<u>1.70%</u>	<u>1.95%</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(d) Financing to related parties

Financing transactions with related parties were as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Associates	\$ <u>49,573</u> (USD 1,540)	<u>52,528</u> (USD 1,600)	<u>59,470</u> (USD 1,900)

The Consolidated Company's financing to its related parties is without security collaterals. Such loans, after evaluation, do not require provisions for bad debt.

Interest income and other interest receivable incurred by the above financing were as follows:

	<u>Interest income</u> <u>For the three-month periods</u> <u>ended March 31,</u>		
	<u>2016</u>	<u>2015</u>	
Other related parties	\$ <u>343</u>	<u>522</u>	

	<u>Interest receivable</u> <u>(recognized as other payables)</u>		
	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Other related parties	\$ <u>334</u>	<u>1,347</u>	<u>852</u>
Interest rate	<u>3.00%-3.50%</u>	<u>3.00%-3.50%</u>	<u>3.50%</u>

(e) Disposal of property, plant, and equipment

In February 2015, a subsidiary sold its noncurrent asset held for sale to an associate at \$31,041 thousand. The carrying value of the disposed asset was \$20,640 thousand. And the subsidiary recognized a disposal gain of \$10,401 thousand. Please refer to Note 6(9) for related information.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(f) Endorsement / Guarantee provided

The details regarding balances of financing endorsement were as follows:

Expressed in thousands of USD

		March 31, 2016		
	<u>Highest balance for current period</u>	<u>Ending amount (Note)</u>	<u>Actual amount provided</u>	
Associates	USD \$6,432	USD 6,432	USD 6,211	
		December 31, 2015		
	<u>Highest balance for current period</u>	<u>Ending amount (Note)</u>	<u>Actual amount provided</u>	
Associates	USD \$7,340	USD 6,432	USD 5,893	
		March 31, 2015		
	<u>Highest balance for current period</u>	<u>Ending amount (Note)</u>	<u>Actual amount provided</u>	
Associates	USD \$7,340	USD 7,266	USD 5,989	

Note: The credit limit is agreed by the board of directors.

(g) Others

	<u>Rental income</u>		<u>Other revenue</u>		<u>Other expenses</u>	
	<u>For the three-month periods ended March 31,</u>		<u>For the three-month periods ended March 31,</u>		<u>For the three-month periods ended March 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Associates	\$ 815	915	-	103	10,405	9,997
Other related parties	<u>23</u>	<u>23</u>	<u>210</u>	<u>210</u>	<u>-</u>	<u>12</u>
	<u>\$ 838</u>	<u>938</u>	<u>210</u>	<u>313</u>	<u>10,405</u>	<u>10,009</u>

	<u>Notes receivable</u>		<u>Notes payable</u>			
	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Associates	\$ -	-	-	2,984	3,478	-
Other related parties	<u>221</u>	<u>221</u>	<u>221</u>	<u>-</u>	<u>635</u>	<u>1,181</u>
	<u>\$ 221</u>	<u>221</u>	<u>221</u>	<u>2,984</u>	<u>4,113</u>	<u>1,181</u>

	<u>Other receivables</u>			<u>Other payables</u>		
	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Associates	\$ <u>380</u>	<u>137</u>	<u>375</u>	<u>5,462</u>	<u>8,635</u>	<u>3,706</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

	Deposits received		
	March 31, 2015	December 31, 2015	March 31, 2015
Associates	\$ <u>304</u>	<u>304</u>	<u>304</u>

(3) Compensation of key management personnel

Compensation of key management personnel consists of :

	For the three-month periods ended March 31,	
	2016	2015
Short-term employee benefits	\$ 12,089	28,385
Post-employment benefits	384	471
	\$ <u>12,473</u>	<u>28,856</u>

In the three-month periods ended March 31, 2016 and 2015, the Consolidated Company offered cars that cost \$14,744 thousand and 9,381 thousand, respectively, for the key management personnel of the entity.

8. Pledged assets

The details of the Consolidated Company's pledged assets were as follows:

Pledged assets	Pledged to secure	March 31, 2016	December 31, 2015	March 31, 2015
Other current and noncurrent assets	Guarantee for bank loans and performance	\$ 24,770	26,736	4,568
Refundable deposits	Performance guarantee and civil ruling	2,900	202,900	213,000
Land use right (listed as other noncurrent assets)	Guarantee for bank loans	8,148	8,262	8,491
Property, plant, and equipment	Guarantee for bank loans	803,621	816,094	853,246
Prepayment for equipment	Guarantee for bank loans	523,796	523,796	523,796
		\$ <u>1,363,235</u>	<u>1,577,788</u>	<u>1,603,101</u>

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Significant Commitments and Contingencies

(1) The contingencies of the company were as follows:

1. The above-mentioned guarantees were mainly for securing loans. These guarantees gave rise to potential off-balance-sheet credit risk, which represents the risk of loss incurred by the default of counterparties or by the devaluation of collateral provided by the counterparties. The Company did not ask counterparties for collateral as secure guarantees. The amounts of the Consolidated Company's guarantees were as following:

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Guarantees securities amounts	\$ <u>207,047</u>	<u>211,163</u>	<u>227,414</u>

2. Guaranteed notes issued by the Consolidated Company were as follows:

<u>Nature</u>	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Bank credit limit	\$ 6,312,223	4,535,962	4,366,961
Leases	400	200	400
Guaranteed payment for purchases of raw materials	<u>53,750</u>	<u>53,560</u>	<u>51,460</u>
	<u>\$ 6,366,373</u>	<u>4,589,722</u>	<u>4,418,821</u>

3. Outstanding letters of credit for the importation of raw materials :

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Unused outstanding letters of credit	\$ <u>1,670,770</u>	<u>1,101,321</u>	<u>2,393,597</u>

(2) Contingencies

Because Hosing Tai Co., Ltd. buried a large quantity of cinders in the government-owned land without permission, therefore, the Northern Region Water Resources Office (NRWRO), Water Resources Agency, under the Ministry of Economic Affairs, filed a lawsuit to the Taoyuan District Court against the Company, claiming liable responsibility of the Company for a compensation of \$211,764 thousand for the damage. On October 26, 2015, the Supreme Court finalized the lawsuit. The Company held no further contingencies.

10. Significant Disaster Loss: None

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Event:

On May 9, 2016, the board of directors of the Company resolved to participate in the cash capital increase of its subsidiary, Tung Kang Steel Structure Corp., with a maximum amount of \$700,000 thousand for 70,000 thousand shares.

12. Others

The Consolidated Company's personnel, depreciation, and amortization expenses, categorized by function, were as follows:

	For the three-month periods ended March 31,					
	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salaries	282,298	125,624	407,922	271,679	116,296	387,975
Labor and health insurance	26,563	10,116	36,679	25,355	9,268	34,623
Pension	15,832	4,474	20,306	15,424	4,322	19,746
Others	11,332	1,531	12,863	7,115	12,743	19,858
Depreciation	298,454	20,904	319,358	256,143	31,048	287,191
Amortization	6,979	1,553	8,532	3,691	3,273	6,964

13. Other Disclosures**(1) Information on material transaction items**

The followings are the information on significant transactions required by the Guidelines for the Consolidated Company:

1. Fund financing to other parties:

Expressed in thousands of TWD/USD

No.	Name of Lenders	Name of Borrowers	Account name	Related parties	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	Purposes of fund financing for the borrowers (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Name		
1	Tung Yuan International Corp.(Note 1)	Duc Hoa International Joint Stock Company	Other receivables-related parties	Yes	\$62,449 (USD1,940)	\$49,573 (USD1,540)	\$49,573 (USD1,540)	3%~3.5%	2	-	Operating capital	-	-	-	\$103,748 (USD3,223)	\$207,497 (USD6,446)

Note 1: Financing to an individual party should not exceed 10% of the net equity on its latest financial statements. The maximum amount allowed for financing should not exceed 20% of the net equity on its latest financial statements.

Note 2: Reasons for short-term financing were as follows:

- (1) Those with business please fill in 1.
- (2) Those necessary for short-term fund financing please fill in 2.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2. Guarantees and endorsements for other parties:

Expressed in thousands of TWD/USD

No.	Endorsement guarantee provider	Counterparty of guarantee and endorsement		Limitation amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of March 31, 2015	Amount of actual usage	Endorsement and guarantee secured by assets	Ratio of accumulated amounts of guarantees and endorsements to net worth on the latest financial statements	Endorsements/guarantees to the third parties on behalf of the Companies in Mainland China	Maximum amounts for guarantees and endorsements (Note 3)	Parent Company endorses/guarantees to third parties on behalf of subsidiary	Subsidiary endorses/guarantees to third parties on behalf of Parent Company
		Name	Relationship with the Company (Note 1)										
0	The Company (Note 2, 3)	Fujian Tung Kang Steel Co., Ltd	b	\$ 4,668,567	\$ 515,040 (USD16,000)	\$ 515,040 (USD16,000)	\$ 193,765 (USD6,019)	-	2.21%	\$ 9,337,134	Y	N	Y
0	The Company (Note 2, 3)	Tung Yuan International Corp.	b	4,668,567	38,049 (USD1,182)	38,049 (USD1,182)	30,923 (USD961)	-	0.16%	9,337,134	Y	N	N
0	The Company (Note 2, 3)	Fuco Steel Corp	b	4,668,567	1,867,020 (USD58,000)	1,867,020 (USD58,000)	798,151 (USD24,795)	-	8.00%	9,337,134	Y	N	N
1	Tung Yuan International Corp. (Note 4, 5)	Fujian Sino-Japan Metal Corp.	f	518,806 (USD16,117)	168,998 (USD5,250)	168,998 (USD5,250)	168,998 (USD5,250)	-	16.29%	1,037,580 (USD32,233)	N	N	Y
1	Tung Yuan International Corp. (Note 4, 5)	Duc Hoa International Joint Stock Company	f	518,806 (USD16,117)	38,049 (USD1,182)	38,049 (USD1,182)	30,923 (USD961)	-	3.67%	1,037,580 (USD32,233)	N	N	N

Note 1: There are six kinds of conditions in which the Company may have guarantees or endorsements for the receiving parties.

- The Company has business with the receiving parties.
- The Company holds directly more than 50% of the common stock of the subsidiaries.
- In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
- In aggregate, the Company holds directly or indirectly through its subsidiaries more than 50% of the investee.
- The Company is required to make guarantees or endorsements for the construction project based on the construction contract.
- The stockholders of the Company make guarantees or endorsements for the investee in proportion to their stockholding percentage.

Note 2: Not exceeding 20% of the net equity on the latest financial statements.

Note 3: Not exceeding 40% of the net equity on the latest financial statements.

Note 4: Not exceeding 50% of the net equity on the latest financial statements.

Note 5: The total amount of guarantees and endorsements should not exceed the Company's net worth on its latest financial statements. The limitation amount for the current period is USD 32,233 thousand. Guarantees and endorsements for an individual company should not exceed 50% of the company's net worth on its latest financial statements. Moreover, according to the Company's policy, the total amount of guarantees and endorsements made by the Consolidated Company should not exceed 45% of the Company's latest financial statement (limit of the current period: 10,504,276 thousand); the total amount of guarantees and endorsements on an individual company should not exceed 20% of the Company's net worth of its latest financial statements (limit of the current period: 4,668,567 thousand.)

3. Information regarding securities held on the balance sheet date (excluding subsidiaries, associates and joint ventures):

Expressed in thousands of TWD

Security holder	Category and name of security	Relationship between issuer of security and the company which holds securities	Account name	March 31, 2016				Notes
				Number of shares	Carrying value	Shareholding percentage	Market value or net asset value	
The Company	Stock – Zenitron Corporation	-	Financial assets at fair value through profit or loss – current	3,825,000	\$ 69,806	1.79 %	\$ 69,806	None
"	Stock – Adlink	-	"	1,713,577	125,091	0.79 %	125,091	"
"	Foreign Bond – KBC	-	Financial assets at fair value through profit or loss – noncurrent	-	-	-	-	Note 4
"	Stock – Shiao Kang Warehousing Corp.	One of its directors	Financial assets carried at cost-noncurrent	2,384,060	22,439	19.87 %	-	None
"	Stock – Hexawave Photonic System, Inc.	"	"	11,687,916	80,201	16.35 %	-	"
"	Stock – Overseas Investment & Development Corp.	-	"	1,000,000	8,491	1.11 %	-	"
"	Stock – Power World Fund, Inc.	One of its directors	"	1,016,909	5,140	5.68 %	-	"

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Security holder	Category and name of security	Relationship between issuer of security and the company which holds securities	Account name	March 31, 2016				Notes
				Number of shares	Carrying value	Shareholding percentage	Market value or net asset value	
The Company	Stock— Universal Venture Fund, Inc.	One of its directors	Financial assets carried at cost-noncurrent	854,895	5,835	4.76 %	-	None
"	Stock— Tung Jiang Investment Corp.	"	"	-	36,650	9.03 %	-	"
"	Stock— AIR ASIA Company Limited	-	"	1,621,441	18,030	1.19 %	-	"
"	Stock— Universal Venture Capital Investment Corp.	-	"	2,800,000	26,258	2.33 %	-	"
"	Stock— Chien Shing Harbour Service Co., Ltd	One of its directors	"	1,892,160	18,922	4.17 %	-	"
"	Katec Creative Resources Corporation-preferred stock	Subsidiary of the Company	"	8,559,800	96,860	11.65 %	-	"
"	Financial bonds— Ta Chang Bank	-	Available-for-sale financial assets—noncurrent	577,031	5,770	65.18 %	-	Note 5
"	Financial bonds— Cathay United Bank	-	"	-	85,537	-	104,778	Note 1
"	Stock— Taiwan High Speed Rail Corporation	One of its directors	"	-	100,717	-	100,717	Note 2
Tung Yuan International Corp.	Stock— Apex Venture Capital Co., Ltd.	-	Financial assets carried at cost—noncurrent	49,505,376	790,601	0.88 %	790,601	None 3
"	Chinese Products Promotion Center	-	"	2,500	252	0.66 %	-	None
"	Pech Alliance Corp.	-	"	1,791,562	12,056	5.69 %	-	"
"	Gapura Incorporated	-	"	591,663	2,255	11.11 %	-	"
Tung Kang Engineering & Construction Corp.	Toko Sanitaryware Trading Development Corp.	-	"	150,000	1,871	15.00 %	-	"

Note 1: Net market value of the equity is calculated using theoretic models in reference to interests published by financial institutions.

Note 2: Net market value is calculated using the bond market price on the latest closing date.

Note 3: Net market value is calculated using the price on the emerging market on the latest closing date.

Note 4: Foreign bonds have been valued to fair market value until the book value is 0.

Note 5: Intercompany transactions of the above have already been eliminated during the preparation of the consolidated financial statements.

4. Information regarding securities where the accumulated purchase or sale amounts for the period exceeding \$300 million or 20% of the paid-in capital:

Company name	Category and name of security	Financial statement account	Relationship	Beginning balance		Purchases(None)		Sales				March 31, 2016		
				Number of shares	Amount	Number of shares	Amount	Shares	Price	Carrying value	gain(loss) on disposal	Shares	Amount	
The Company	-	Investments accounted for using the equity method	Non-related	-	-	-	1,454,909	-	-	-	-	-	-	1,454,909

Note : The Company's direct and indirect ownerships amounted to 100%

5. Information on the acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None.

6. Information on the disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None.

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Information regarding related-party purchase and sale transactions which exceed \$100 million or 20% of the paid-in capital:

Expressed in thousands of TWD

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Notes/Accounts (payable) receivable		Note
			Purchase /Sale	Amount	% to total purchase/sale	Credit period	Unit price	Payment terms	Ending balance	% to total	
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	Sale	\$184,092	3.63%	Receivable within 60 days	-	-	\$193,297	10.33%	
The Company	Fuco Steel Corp.	Subsidiary of the Company	Sale	348,117	6.86%	Receivable within 60 days	-	-	\$241,664	12.76%	

Note: Intercompany transactions of the above have already been eliminated during the preparation of the consolidated financial statements.

8. Information regarding receivables from related parties which exceed \$100 million or 20% of the paid-in capital:

Expressed in thousands of TWD

Company name	Related party	Relationship	Ending balance	Turnover day	Overdue		Amounts received in subsequent periods	Allowance for bad debts
					Amount	Action taken		
The Company	Tung Kang Steel Structure Corp.	Subsidiary of the Company	\$193,297 (Accounts receivable—related parties)	3.05	-	-	-	-
			307 (Other receivables—related parties)	-	-	-	-	-
The Company	Fuco Steel Corp.	Subsidiary of the Company	\$241,664 (Accounts receivable—related parties)	10.43	-	-	-	-

Note: Intercompany transactions of the above have already been eliminated during the preparation of the consolidated financial statements.

9. For information regarding trading in financial derivative instruments, please refer to Note 6(2).

10. Intercompany relationships and significant intercompany transactions were listed as follows:

Expressed in thousands of TWD

No.	Company name	Counter party	Relationship	Intercompany transactions			Percentage of consolidated total gross Operating revenue or total assets
				Financial Statement Item	Amount	Terms	
0	The Company	Tung Kang Steel Structure Corp. and its subsidiaries	a	Operating revenue	\$187,865	General conditions	3.12%
0	The Company	Tung Kang Steel Structure Corp. and its subsidiaries	a	Accounts receivable	197,258	OA60	0.54%
0	The Company	Fuco Steel Corp	a	Operating revenue	348,117	General conditions	5.77%
0	The Company	Fuco Steel Corp	a	Accounts receivable	241,664	OA60	0.66%
I	Tung Kang Steel Structure Corp. and its subsidiaries	The Company	b	Operating revenue	15,781	General conditions	0.26%

Note 1: Numbers are filled in as follows:

- a. 0 represents the parent company.
- b. Subsidiaries are numbered from 1.

Note 2: Transactions are categorized as follows:

- a. The holding company to subsidiary.
- b. Subsidiary to holding company.
- c. Subsidiary to subsidiary.

For significant intercompany transactions, only information regarding funding and finances, sales, and accounts receivables were disclosed; the opposing items of the transactions were not disclosed.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(2) Information on investments for three-month period ended March 31, 2016 was as follows: (excluding those in Mainland China)

Expressed in thousands of TWD

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of March 31, 2016			Net income of investee	Investment income (loss) recognized by the investor company	Notes
				March 31, 2016	December 31, 2015	Shares	%	Carrying value			
The Company	Tung Yuan International Corp.	British Virgin Islands	Investment activities	\$800,984	\$800,984	82	100.00%	\$1,007,011	\$(42,789)	\$(42,789)	Subsidiary (Note 3)
"	Tung Kang Steel Structure Corp.	Taiwan	Manufacture H-beams and trading activities	1,091,120	1,091,120	119,755,462	97.35%	1,527,275	(58,923)	(56,210)	Subsidiary (Note 3)
"	Katec R & D Corp.	Taiwan	Metal inspection	35,353	35,353	4,267,875	46.19%	45,195	2,668	2,037	Investee accounted for using equity method
"	Goldham Development Ltd.	British Virgin Islands	Investment activities	482,850	482,850	15,000,000	100.00%	461,529	(4,165)	(2,842)	Subsidiary (Note 3)
"	Taiwan Steel Union Co., Ltd.	Taiwan	Waste disposal	119,437	119,437	25,208,009	25.22%	391,586	47,094	11,877	Investee accounted for using equity method
"	Katec Creative Resources Corporation	Taiwan	Regulated recyclable waste	1,211,442	311,442	95,724,402	99.01%	919,544	(37,212)	(33,227)	Subsidiary (Note 3)
"	Right Investment Corp.	Taiwan	Investment activities	189,827	189,827	499,800	49.00%	13,439	(51)	(25)	Investee accounted for using equity method
"	Tung Kang Wind Power Corp.	Taiwan	Generate electric power	155,000	155,000	15,500,000	100.00%	80,480	(4,370)	(4,370)	Subsidiary (Note 3)
"	Fa Da Enterprise Corp.	Taiwan	Recycling	100,000	100,000	10,000,000	100.00%	99,857	113	113	Subsidiary (Note 3)
"	Fuco International Ltd.	British Virgin Islands	Investment activities	1,311,579	-	67,500	100.00%	1,226,139	48,877	48,877	Subsidiary (Note 3)
"	Fuco Steel Corp.	Vietnam	Steel produce	143,330	-	-	10.00%	135,761	54,330	5,511	Subsidiary (Note 3)
Tung Yuan International Corp.	3 Oceans International Inc.	Brunei Darussalam	Domestic and overseas business investment	59,230	59,230	1,840,000	66.67%	56,097	(1,470)	(958)	Subsidiary (Note 3)
"	Duc Hoa International Join Stock Company	Vietnam	Quicklime Factory	70,818	70,818	-	49.25%	43,264	1,268	624	Investee accounted for using equity method
Tung Kang Steel Structure Corp.	Tung Kang Engineering & Construction Corp.	Taiwan	Civil engineering	359,340	359,340	25,000,000	100.00%	234,215	(3,457)	(3,457)	Subsidiary (Note 3)
Fuco International Ltd.	Fuco Steel Corp.	Vietnam	Steel produce	1,311,579	-	-	90.00%	1,221,995	54,330	48,897	Subsidiary (Note 3)

1 USD=32.19 TWD · 1 CNY=4.972 TWD

Note 1: Tung Yuan International Corp.'s initial investment in 3 Oceans International Inc. was 1,840 thousand US dollars.

Note 2: Tung Yuan International Corp.'s initial investment in Duc Hoa International Join Stock Company was 2,200 thousand US dollars.

Note 3: The transactions were written off in subsidiary in the consolidated financial statements.

(3) Information regarding investments in Mainland China:

(a) Information on investment in Mainland China

Expressed in thousands of USD/TWD

Name of the PRC investee company	primary business scope	Amount of paid-in capital	Method of investment	Investment transferred from Taiwan, beginning of period	Current remittance/recoverable investment		Investment transferred from Taiwan, end of period	Equity in the earnings (losses)	Direct and indirect shareholding ratio by the company	Recognized gain or loss from investment for the current period (Note 2)	Carrying value of investment, end of period (Note 1)	Remitted gain on investment, end of period
					Remittance	Remittance						
Fujian Sino-Japan Metal Corp.	Tin-coated plate	\$1,673,880 (USD 52,000)	Indirect investment	\$591,234 (USD18,367)	-	-	\$591,234 (USD 18,367)	\$(123,286)	35.00%	\$(43,150)	\$729,327	-
Fujian Tung Kang Steel Co., Ltd.	Manufacture H-beams and steel bars	482,850 (USD15,000)	Indirect investment	429,093 (USD13,330)	-	-	429,093 (USD 13,330)	(4,165)	100.00%	(2,842)	461,529	-

Note 1: On March 31, 2016, 1 USD=32.19 TWD, 1 CNY=4.972 TWD.

Note 2: For the three-month period ended March 31, 2016, 1 USD = 31.143 TWD, 1 CNY = 5.050TWD.

(Continued)

TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(b) Quota for investment in Mainland China

Accumulative remittance from Taiwan to Mainland China, end of the period	Amount of investment approved by Investment Commission, Ministry of Economic Affairs	Limit on the amount of investment in Mainland China(Note)
1,084,706 (USD 33,697)	1,084,706 (USD 33,697)	14,005,701

Note: 60% of net equity

(a) For information on significant transaction among investees in Mainland China:

For direct or indirect significant transactions between the Company and its investees in Mainland China, please refer to the illustrations in “Related information on Significant Transactions.”

14. Operating Segments

There are four reportable segments in the Consolidated Company, namely, Kaohsiung, Taoyuan, Miaoli, and Steel Structure. The Kaohsiung Department manufactures steel bars for construction and civil engineering, and H beams for steel-structured buildings and basic civil engineering, universal plates, and tapered and parallel flange channel; the Miaoli Department manufactures H beams, universal plates, and tapered and parallel flange channel for steel-structured buildings and basic civil engineering; the Taoyuan only produces steels for building structures and steel bars for construction and civil engineering. The Steel Structure department exclusively assembles H beams and others.

The reportable segments are the Consolidated Company’s strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Consolidated Company.

The operating segment accounting policies are similar to the ones described in Note 4 “Significant Accounting Policies.” The Consolidated Company treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The operations segments of the Consolidated Company for the three-month periods ended March 31, 2016 and 2015, were as follows:

	For the three-month periods ended March 31, 2016						Total
	Kaohsiung	Taoyuan	Miaoli	Steel Structure	Others	Adjustments and Eliminations	
Revenue:							
Net revenue from external customers	\$ 759,211	1,885,777	1,634,501	896,476	938,990	(85,522)	6,029,433
Inter-consolidated entities’ revenue	1,088	3,797	183,004	27,878	761	(216,528)	-
Total revenues	\$ 760,299	1,889,574	1,817,505	924,354	939,751	(302,050)	6,029,433
Reportable segment profit or loss	\$ (50,329)	117,673	260,989	(62,157)	(32,521)	6,273	239,928

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TUNG HO STEEL ENTERPRISE CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2015							
	<u>Kaohsiung</u>	<u>Taoyuan</u>	<u>Miaoli</u>	<u>Steel Structure</u>	<u>Others</u>	<u>Adjustments and Eliminations</u>	<u>Total</u>
Revenues:							
Net revenue from external customers	\$ 1,245,944	3,200,891	2,319,602	1,081,653	586,615	-	8,434,705
Inter-consolidated entities' revenue	<u>21,517</u>	<u>10,332</u>	<u>434,868</u>	<u>43,150</u>	<u>1,949</u>	<u>(511,816)</u>	-
Total revenues	\$ <u>1,267,461</u>	<u>3,211,223</u>	<u>2,754,470</u>	<u>1,124,803</u>	<u>588,564</u>	<u>(511,816)</u>	<u>8,434,705</u>
Reportable segment profit or loss	\$ <u>(95,329)</u>	<u>237,087</u>	<u>337,537</u>	<u>(63,605)</u>	<u>9,318</u>	<u>28,206</u>	<u>453,214</u>
Assets of reportable segment							
March 31, 2016	\$ <u>2,036,730</u>	<u>10,304,324</u>	<u>5,883,311</u>	<u>5,387,179</u>	<u>20,604,943</u>	<u>(7,629,147)</u>	<u>36,587,340</u>
December 31, 2015	\$ <u>2,204,537</u>	<u>10,482,578</u>	<u>6,290,403</u>	<u>5,856,271</u>	<u>3,092,169</u>	<u>8,154,510</u>	<u>36,080,468</u>
March 31, 2015	\$ <u>2,725,499</u>	<u>11,012,441</u>	<u>7,528,005</u>	<u>5,241,409</u>	<u>3,328,391</u>	<u>7,890,803</u>	<u>37,726,548</u>
Liabilities of reportable segment							
March 31, 2016	\$ <u>469,118</u>	<u>839,891</u>	<u>761,817</u>	<u>3,280,387</u>	<u>9,691,762</u>	<u>(1,874,089)</u>	<u>13,168,886</u>
December 31, 2015	\$ <u>485,723</u>	<u>850,648</u>	<u>870,886</u>	<u>3,584,370</u>	<u>1,510,440</u>	<u>5,702,384</u>	<u>13,004,451</u>
March 31, 2015	\$ <u>493,156</u>	<u>978,739</u>	<u>837,894</u>	<u>2,962,808</u>	<u>1,450,363</u>	<u>7,358,639</u>	<u>14,081,599</u>