

**GEM Terminal Ind. Co., Ltd.**

**Parent Company Only Financial Statements for the  
Years Ended December 31, 2014 and 2013 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
GEM Terminal Ind. Co., Ltd.

We have audited the accompanying parent company only balance sheets of GEM Terminal Ind. Co., Ltd. (the "Company") as of December 31, 2014, and 2013, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the parent company only financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent company only financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall parent company only financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 27, 2015

### Notice to Readers

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail. As stated in Note 4 to parent company only financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

**GEM TERMINAL IND. CO., LTD.**

**PARENT COMPANY ONLY BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2014		December 31, 2013		LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Note 6)	\$ 730,647	15	\$ 761,826	16	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ -	-	\$ 314	-
Financial assets at fair value through profit or loss - current (Notes 4 and 27)	-	-	12,292	-	Notes payable (Note 13)	11,258	-	15,797	1
Available-for-sale financial assets - current (Notes 4 and 8)	-	-	42,950	1	Accounts payable (Note 13)	10,353	-	10,533	-
Notes receivable (Notes 4, 5 and 9)	57,242	1	65,048	1	Accounts payable - related parties (Notes 13 and 23)	183,511	4	167,027	4
Accounts receivable, net (Notes 4, 5 and 9)	204,060	4	238,832	5	Other payables (Note 14)	65,405	2	56,049	1
Accounts receivable - related parties (Notes 4, 5 and 23)	1,889	-	2,217	-	Other payables - related parties (Note 23)	11,077	-	13,843	-
Tax refundable	1,583	-	1,481	-	Current tax liabilities (Notes 4 and 19)	942	-	3,867	-
Other receivables	3,639	-	508	-	Long-term borrowings - current portion (Note 15)	582,500	12	570,833	12
Other receivables - related parties (Note 23)	15,032	-	69,964	2	Other current liabilities	653	-	707	-
Current tax assets (Notes 4 and 19)	2,185	-	2,185	-	Total current liabilities	865,699	18	838,970	18
Inventories (Notes 4, 5 and 10)	80,702	2	61,169	1	<b>NONCURRENT LIABILITIES</b>				
Other financial assets - current (Note 4)	167	-	15,215	-	Long-term borrowings (Note 15)	852,115	17	984,566	20
Other current assets	21,369	1	21,657	1	Accrued pension liabilities (Notes 4, 5 and 16)	84,691	2	85,094	2
Total current assets	1,118,515	23	1,295,344	27	Deferred income tax liabilities (Notes 14 and 19)	8,284	-	7,926	-
<b>NONCURRENT ASSETS</b>					Total noncurrent liabilities	945,090	19	1,077,586	22
Investments accounted for using the equity method (Notes 4 and 11)	3,402,111	69	3,100,568	64	Total liabilities	1,810,789	37	1,916,556	40
Property, plant and equipment (Notes 4, 5, 12, 23 and 24)	353,112	7	389,415	8	<b>EQUITY (Note 17)</b>				
Deferred income tax assets (Notes 4, 5 and 19)	49,122	1	42,094	1	Capital stock	1,715,980	35	1,715,980	35
Prepayments for equipment (Note 24)	22,167	-	17,081	-	Capital surplus	270,187	5	270,187	6
Refundable deposits - noncurrent (Note 4)	1,640	-	170	-	Retained earnings				
Other noncurrent assets	2,264	-	1,297	-	Legal reserve	329,878	6	328,406	7
Total noncurrent assets	3,830,416	77	3,550,625	73	Unappropriated earnings	431,296	9	344,928	7
						761,174	15	673,334	14
					Others equity	390,801	8	269,912	5
					Total equity	3,138,142	63	2,929,413	60
<b>TOTAL</b>	<b>\$ 4,948,931</b>	<b>100</b>	<b>\$ 4,845,969</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 4,948,931</b>	<b>100</b>	<b>\$ 4,845,969</b>	<b>100</b>

The accompanying notes are an integral part of the parent company only financial statements.

## GEM TERMINAL IND. CO., LTD.

### PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4 and 23)	\$ 834,566	100	\$ 962,419	100
OPERATING COSTS (Notes 10, 18 and 23)	<u>743,432</u>	<u>89</u>	<u>831,449</u>	<u>86</u>
GROSS PROFIT	<u>91,134</u>	<u>11</u>	130,970	14
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 23)	(6,705)	(1)	(5,585)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 23)	<u>5,585</u>	<u>1</u>	<u>3,993</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>90,014</u>	<u>11</u>	<u>129,378</u>	<u>14</u>
OPERATING EXPENSES (Notes 18 and 23)				
Marketing	18,756	2	19,245	2
General and administrative	82,255	10	70,256	7
Research and development	<u>33,702</u>	<u>4</u>	<u>42,300</u>	<u>5</u>
Total operating expenses	<u>134,713</u>	<u>16</u>	<u>131,801</u>	<u>14</u>
LOSS FROM OPERATIONS	<u>(44,699)</u>	<u>(5)</u>	<u>(2,423)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 18 and 23)				
Other income	20,928	2	19,136	2
Other gains and losses	20,317	2	17,887	2
Finance costs	(27,709)	(3)	(27,094)	(3)
Share of profits of subsidiaries	<u>113,168</u>	<u>14</u>	<u>13,593</u>	<u>1</u>
Total non-operating income and expenses	<u>126,704</u>	<u>15</u>	<u>23,522</u>	<u>2</u>
INCOME BEFORE INCOME TAX	82,005	10	21,099	2
INCOME TAX BENEFIT (EXPENSE) (Notes 4, 5 and 19)	<u>5,835</u>	<u>1</u>	<u>(6,381)</u>	<u>-</u>
NET INCOME	<u>87,840</u>	<u>11</u>	<u>\$ 14,718</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17 and 19)				
Exchange differences on translating foreign operations	121,666	14	175,156	18

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## GEM TERMINAL IND. CO., LTD.

### PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2014		2013	
	Amount	%	Amount	%
Unrealized loss on available-for-sale financial assets	\$ (787)	-	\$ (2,003)	-
Income tax benefit relating to components of other comprehensive income	<u>10</u>	<u>-</u>	<u>459</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>120,889</u>	<u>14</u>	<u>173,612</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 208,729</u>	<u>25</u>	<u>\$ 188,330</u>	<u>20</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.51</u>		<u>\$ 0.09</u>	
Diluted	<u>\$ 0.51</u>		<u>\$ 0.09</u>	

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

**GEM TERMINAL IND. CO., LTD.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock		Capital Surplus- Share Issuance in Excess of Par Value	Legal Reserve	Retained Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity		Total Equity
	Shares (In Thousands)	Amount			Unappropriated Earnings	Total		Exchange Differences on Translating Foreign Operations	Total	
BALANCE, JANUARY 1, 2013	171,598	\$ 1,715,980	\$ 270,187	\$ 319,912	\$ 378,172	\$ 698,084	\$ 2,321	\$ 93,979	\$ 96,300	\$ 2,780,551
Appropriation of 2012 earnings (Note 17)										
Legal reserve	-	-	-	8,494	(8,494)	-	-	-	-	-
Cash dividends to stockholders	-	-	-	-	(39,468)	(39,468)	-	-	-	(39,468)
	-	-	-	8,494	(47,962)	(39,468)	-	-	-	(39,468)
Net income in 2013	-	-	-	-	14,718	14,718	-	-	-	14,718
Other comprehensive income (loss) in 2013, net of income tax	-	-	-	-	-	-	(1,544)	175,156	173,612	173,612
Total comprehensive income (loss) in 2013	-	-	-	-	14,718	14,718	(1,544)	175,156	173,612	188,330
BALANCE, DECEMBER 31, 2013	171,598	1,715,980	270,187	328,406	344,928	673,334	777	269,135	269,912	2,929,413
Appropriation of 2013 earnings (Note 17)										
Legal reserve	-	-	-	1,472	(1,472)	-	-	-	-	-
Net income in 2014	-	-	-	-	87,840	87,840	-	-	-	87,840
Other comprehensive income (loss) in 2014, net of income tax	-	-	-	-	-	-	(777)	121,666	120,889	120,889
Total comprehensive income (loss) in 2014	-	-	-	-	87,840	87,840	(777)	121,666	120,889	208,729
BALANCE, DECEMBER 31, 2014	171,598	\$ 1,715,980	\$ 270,187	\$ 329,878	\$ 431,296	\$ 761,174	\$ -	\$ 390,801	\$ 390,801	\$ 3,138,142

The accompanying notes are an integral part of the parent company only financial statements.

## GEM TERMINAL IND. CO., LTD.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 82,005	\$ 21,099
Adjustments for:		
Depreciation expense	34,347	38,209
Amortization expense	1,130	2,357
Allowance for doubtful accounts	707	1,356
Valuation loss (gain) on financial instruments at fair value through profit or loss, net	(1,073)	2,521
Share of profit of subsidiaries	(113,168)	(13,593)
Finance costs	27,709	27,094
Interest income	(4,329)	(4,540)
Dividend income	(618)	(1,637)
Loss on disposal of property, plant and equipment, net	464	876
Gain on sale of investments, net	(2,207)	(14,423)
Unrealized gain on transactions with subsidiaries	6,705	5,585
Realized gain on transactions with subsidiaries	(5,585)	(3,993)
Other non-cash items	25,868	34,694
Changes in operating assets and liabilities		
Financial assets held for trading	5,289	109,504
Notes receivable	7,806	(10,369)
Accounts receivable	34,065	(26,407)
Accounts receivable - related parties	328	6,246
Other receivables and tax refundable	(3,204)	427
Other receivables - related parties	555	(555)
Inventories	(19,533)	(12,675)
Other current assets	288	(3,501)
Financial liabilities held for trading	(4,808)	(5,592)
Notes payable	(4,539)	(5,615)
Accounts payable	(180)	(6,162)
Accounts payable - related parties	16,484	31,634
Other payables	8,120	6,454
Other payables - related parties	(2,766)	13,843
Other current liabilities	(15)	(57)
Accrued pension liabilities	(403)	(364)
Cash generated from operations	89,442	192,416
Interest received	4,300	4,535
Income tax paid	(3,750)	(3,107)
Net cash generated from operating activities	<u>89,992</u>	<u>193,844</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit and loss	-	(8,763)
Proceeds from disposal of financial assets designated as at fair value through profit and loss	12,570	756
Acquisition of available-for-sale financial assets	(134,434)	(646,415)
Proceeds from disposal of available-for-sale financial assets	178,869	643,990

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## GEM TERMINAL IND. CO., LTD.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2014	2013
Acquisition of investments accounted for using the equity method	\$ (91,410)	\$ (240,961)
Acquisition of property, plant and equipment	(9,039)	(40,319)
Proceeds from disposal of property, plant and equipment	4,560	19,402
Increase in refundable deposits	(1,470)	(15,164)
Decrease in other financial assets - current	15,048	-
Decrease (increase) in other receivables - related parties	54,377	(69,409)
Increase in other noncurrent assets	(2,097)	(1,152)
Dividend received	<u>618</u>	<u>1,637</u>
Net cash generated from (used in) investing activities	<u>27,592</u>	<u>(356,398)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	450,000	760,000
Repayment of long-term borrowings	(570,833)	(631,667)
Cash dividend	-	(39,468)
Interest paid	<u>(27,930)</u>	<u>(27,384)</u>
Net cash generated from (used in) financing activities	<u>(148,763)</u>	<u>61,481</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,179)	(101,073)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>761,826</u>	<u>862,899</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 730,647</u>	<u>\$ 761,826</u>

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

# GEM TERMINAL IND. CO., LTD.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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### 1. GENERAL INFORMATION

GEM Terminal Ind. Co., Ltd. (the “Company”) was incorporated in July 1993 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells the following products:

- Series terminals, plug inserts, housing and electronic connectors for AC and DC power cords
- Electric and motor parts terminal
- Electric and communication terminal
- Optical communication passive devices
- Lead frames

The Company’s shares have been listed on the Taiwan Stock Exchange since September 2001.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved by the board of directors and authorized for issue on March 27, 2015.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERNATIONS

- a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

<b>New, Amended and Revised Standards and Interpretations (New IFRSs)</b>	<b>Effective Date Announced by IASB (Note)</b>
Improvements to IFRSs (2009) - amendment to IAS 39 Amendment to IAS 39 “Embedded Derivatives”	January 1, 2009 and January 1, 2010, as appropriate Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010) Annual Improvements to IFRSs 2009-2011 Cycle	July 1, 2010 and January 1, 2011, as appropriate January 1, 2013

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<b>New, Amended and Revised Standards and Interpretations (New IFRSs)</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 11 “Joint Arrangements”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRS 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company’s accounting policies:

1) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

2) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

3) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Company will apply the above amendments in presenting, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of associates and joint ventures accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

4) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. The Company has not determined how to present the remeasurements of defined benefit plans in the consolidated statements of changes in equity. Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to deferred tax assets, accrued pension liabilities and retained earnings; the carrying amounts of inventories are not adjusted. In addition, in preparing the parent company only financial statements for the year ended December 31, 2015, the Company would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The anticipated impact of the initial application of the revised IAS 19 is detailed as follows:

	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>Impact on assets, liabilities and equity</u>			
<u>December 31, 2014</u>			
Deferred tax assets	<u>\$ 49,122</u>	<u>\$ (1,591)</u>	<u>\$ 47,531</u>
Accrued pension liabilities	<u>\$ 84,691</u>	<u>\$ (9,360)</u>	<u>\$ 75,331</u>
Retained earnings	<u>\$ 761,174</u>	<u>\$ 7,769</u>	<u>\$ 768,943</u>

(Continued)

	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>January 1, 2014</u>			
Deferred tax assets	\$ 42,094	\$ (562)	\$ 41,532
Accrued pension liabilities	\$ 85,094	\$ (3,305)	\$ 81,789
Retained earnings	\$ 673,334	\$ 2,743	\$ 676,077
<u>Impact on total comprehensive income for the year ended December 31, 2014</u>			
Operating cost	\$ 743,432	\$ 148	\$ 743,580
Operating expense	\$ 134,713	\$ 337	\$ 135,050
Income tax expense	\$ (5,835)	\$ 1,029	\$ (4,806)
Net income for the period	\$ 87,840	\$ (1,514)	\$ 86,326
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan	\$ -	\$ 6,540	\$ 6,540
Income tax relating to items that will not be reclassified	\$ 10	\$ (1,112)	\$ (1,102)
Other comprehensive income in 2014, net of income tax	\$ 120,889	\$ 5,428	\$ 126,317
Total comprehensive income in 2014	\$ 208,729	\$ 3,914	\$ 212,643
			(Concluded)

5) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

6) Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

7) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are

not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 is not expected to have material effect on the parent company only balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

In sum, the anticipated impact on applications of the 2013 version of IFRSs and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers is considered immaterial to the Company.

b. New IFRSs in issue but not yet endorsed by FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the parent company only financial statements were authorized for issue, the FSC has not announced their effective dates.

<b>New, Amended and Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017

(Continued)

<b>New, Amended and Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: 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
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New, Amended and Revised Standards and Interpretations (the “New IFRSs”) effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New, Amended and Revised Standards and Interpretations (the “New IFRSs”) has not had any material impact on the Company’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows :

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

#### The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

#### 2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

#### 3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end

of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Company.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

#### 4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 “Investment Property” were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of the Company of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

#### 5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following

limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

#### 6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

#### 7) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) "held for sale" and non-current assets "held for distribution to owners" does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for "held for distribution to owners" and do not meet the criteria for "held for sale" should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

As of the date the parent company only financial statements were authorized for issue, the Company are in the process of estimating the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

a. Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

When preparing the parent company only financial statements, the Company used equity method to account for its investment in subsidiaries. In order for the amount of net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profits of subsidiaries in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories consist of merchandise, raw materials, supplies, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjust to approximate weighted-average cost on the balance sheet date.

f. Investments accounted for using equity method

Investments in subsidiaries are accounted for by the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company discontinues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the subsidiary. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying

amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company right to receive the dividends is established.

iii Loans and receivables

Loans and receivables (including cash and cash equivalent, notes receivable, accounts receivable (including those from related parties), other receivables (including those from related parties), other financial assets - current and refundable deposits - noncurrent) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

Subsequent measurement

Except financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair

value is determined in the manner described in Note 22.

#### Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### 4) Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to fluctuations in material prices risks, including futures contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

#### j. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

#### k. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

##### 1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Specifically, sales of goods are recognized when goods are delivered and title has passed.

## 2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### 1. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company is lessee, the operating lease payments are recognized as an expense on a straight-line basis over the lease term.

### m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### n. Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefit is determined using the Project Unit Credit Method. Actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the parent company only balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost and actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Information for accounts receivable and allowance for doubtful accounts was described in Note 9.

### b. Useful lives of property, plant and equipment

As described in Note 4 g. "Summary of Significant Accounting Policies", the Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

The useful lives of property, plant and equipment are determined on the basis of the expected usage of the assets, the expected physical wear and tear, technical or commercial obsolescence, and legal or similar limits on the use of the asset, which may result in significant adjustments.

As of December 31, 2014 and 2013, the carrying amount of property, plant and equipment were \$353,112 thousand and \$389,415 thousand, respectively.

### c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

As of December 31, 2014 and 2013, the carrying amounts of inventory were \$80,702 thousand and \$61,169 thousand, respectively.

### d. Realizability of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realizability of deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of December 31, 2014 and 2013, the deferred tax assets were \$49,122 thousand and \$42,094 thousand, respectively.

e. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average rate of future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

As of December 31, 2014 and 2013, the accrued pension liabilities were \$84,691 thousand and \$85,094 thousand, respectively.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Cash on hand	\$ 395	\$ 356
Checking accounts and demand deposits	335,462	531,750
Cash equivalents		
Time deposits with original maturities less than 3 months	<u>394,790</u>	<u>229,720</u>
	<u>\$ 730,647</u>	<u>\$ 761,826</u>

The market interest rates of cash equivalents at the end of the reporting period ranged as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Time deposits (%)	0.86-1.00	0.94-1.00

**7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT**

	<b>December 31, 2013</b>
Financial assets held for trading	\$ 272
Financial assets designated as at FVTPL	<u>12,020</u>
	<u>\$ 12,292</u>
Financial liabilities held for trading	<u>\$ 314</u>

a. Financial instruments classified as held for trading were as follows:

The Company used copper futures contracts and nickel futures contracts to manage exposures to adverse copper price and nickel price fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows of the hedge items. These contracts did not meet the criteria for hedge accounting.

As of December 31, 2014, there was no outstanding futures contracts. Outstanding futures contracts as of December 31, 2013 were as follows:

	<b>Futures Month</b>	<b>Lots</b>	<b>Contract Amount (In Thousands)</b>
Copper futures contracts			
Refined copper	March, 2014	8	USD 669
Nickel futures contracts			
Nickel	March, 2014	4	USD 344

b. Financial instruments designated as at FVTPL was callable preferred stock with interest.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<b>December 31, 2013</b>
Domestic investments	
Quoted stocks	\$ 30,140
Mutual funds	951
Foreign investments	
Quoted stocks	8,791
Mutual funds	<u>3,068</u>
	<u>\$ 42,950</u>

## 9. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<b>2014</b>	<b>2013</b>
Notes receivable	<hr/>	
Notes receivable - operating	<u>\$ 57,242</u>	<u>\$ 65,048</u>
Accounts receivable	<hr/>	
Accounts receivable	\$ 207,905	\$ 241,970
Less: Allowance for doubtful accounts	<u>3,845</u>	<u>3,138</u>
	<u>\$ 204,060</u>	<u>\$ 238,832</u>

a. Accounts receivable

The average credit period of sales of goods was 30-120 days. The Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for doubtful accounts of 100% against all receivables over 360 days because historical experience had been that receivables that are past due beyond 360 days were not recoverable. Allowance for doubtful accounts is recognized against trade receivables between 0 days and 360 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

There were no accounts receivable that were past due and not impaired at the end of the reporting period.

Aging analysis of accounts receivable was as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Neither past due nor impaired	\$ 184,252	\$ 225,957
Past due 1-30 days	1,181	2,521
Past due 31-90 days	22,472	12,285
Past due over 90 days	<u>-</u>	<u>1,027</u>
	<u>\$ 207,905</u>	<u>\$ 241,970</u>

The above aging schedule was based on the past due date.

Movements of the allowance for doubtful accounts on accounts receivable were as follow:

	<b>Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 3,138	\$ 1,782
Allowance for doubtful accounts	<u>707</u>	<u>1,356</u>
Balance, end of year	<u>\$ 3,845</u>	<u>\$ 3,138</u>

b. Credit risk of notes and accounts receivable

The Company receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Credit risk concentration occurs when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

As of December 31, 2014 and 2013, the balances of the notes and accounts receivable from customers with carrying amounts that were 10% or more of the account totals were as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Group A	<u>\$ 95,375</u>	<u>\$ 143,353</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Merchandise	\$ 42,012	\$ 22,072
Finished goods	12,690	6,025
Supplies	11,316	8,799
Raw materials	9,709	19,631
Work in process	<u>4,975</u>	<u>4,642</u>
	<u>\$ 80,702</u>	<u>\$ 61,169</u>

The cost of inventories recognized as costs of goods sold were \$743,432 thousand in 2014 and \$831,449 thousand in 2013, respectively, which included the following items:

	<u>Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Unallocated fixed manufacturing cost	\$ 15,127	\$ 21,837
Others	<u>250</u>	<u>(1,094)</u>
	<u>\$ 15,377</u>	<u>\$ 20,743</u>

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>			
	<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>% of Owner - ship</u>	<u>Amount</u>	<u>% of Owner - ship</u>
<u>Investments in subsidiaries</u>				
Unlisted companies				
Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	\$ 3,127,573	100	\$ 2,913,507	100
Genius Terminal Co., Ltd. (Genius)	69,338	100	72,326	100
GEM Terminal (Cayman) Co., Ltd. (GEM (Cayman))	<u>205,200</u>	100	<u>114,735</u>	100
	<u>\$ 3,402,111</u>		<u>\$ 3,100,568</u>	

The Company increased its investment in GEM (Cayman) for a total of \$91,410 thousand (US\$3,000 thousand) and \$88,703 thousand (US\$3,010 thousand) in 2014 and 2013, respectively.

The Company increased its investment in Global (Cayman) for a total of \$0 thousand in 2014 and \$152,258 thousand (US\$5,100 thousand) in 2013, respectively.

The Company's share of profit or loss and other comprehensive income of subsidiaries for the years ended December 31, 2014 and 2013 were based on the subsidiaries' audited financial statements.

## 12. PROPERTY, PLANT, AND EQUIPMENT

In the second quarter of 2011 and the fourth quarter of 2013, the Company purchased land for \$6,271 thousand and \$1,637 thousand, respectively. On this land, a resort will be constructed for the employees. However, a part of the land is agricultural land that cannot be transferred to the Company because of statutory limitations; thus, the Company registered the property rights in the name of an individual temporarily, in December 2014, its registration is transferred to chairman's name. The land is mortgaged to the Company and the agreement stipulated unconditional conveyance of the land to the Company.

For long-term development and to complete the factory layout, in the first quarter of 2013, the Company purchased land for the price of \$7,193 thousand from its related party - Su, Tun Li (immediate relative of the Company's chairman), and the price had been paid off in February 2013.

a. Movements of cost and accumulated depreciation were as follows:

For the year ended December 31, 2014

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2014	\$ 146,218	\$ 170,749	\$ 267,387	\$ 11,317	\$ 4,643	\$ 84	\$ 7,775	\$ 43,145	\$ 651,318
Additions	-	1,000	17,090	-	-	-	688	(13,319)	5,459
Disposal	-	(2,110)	(33,671)	-	-	-	(110)	-	(35,891)
Balance at December 31, 2014	<u>\$ 146,218</u>	<u>\$ 169,639</u>	<u>\$ 250,806</u>	<u>\$ 11,317</u>	<u>\$ 4,643</u>	<u>\$ 84</u>	<u>\$ 8,353</u>	<u>\$ 29,826</u>	<u>\$ 620,886</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2014	\$ -	\$ (116,500)	\$ (131,637)	\$ (10,074)	\$ (1,343)	\$ (48)	\$ (2,301)	\$ -	\$ (261,903)
Disposal	-	1,910	26,475	-	-	-	91	-	28,476
Depreciation expenses	-	(8,024)	(24,721)	(299)	(465)	(14)	(824)	-	(34,347)
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ (122,614)</u>	<u>\$ (129,883)</u>	<u>\$ (10,373)</u>	<u>\$ (1,808)</u>	<u>\$ (62)</u>	<u>\$ (3,034)</u>	<u>\$ -</u>	<u>\$ (267,774)</u>
Carrying amounts at December 31, 2014	<u>\$ 146,218</u>	<u>\$ 47,025</u>	<u>\$ 120,923</u>	<u>\$ 944</u>	<u>\$ 2,835</u>	<u>\$ 22</u>	<u>\$ 5,319</u>	<u>\$ 29,826</u>	<u>\$ 353,112</u>

For the year ended December 31, 2013

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2013	\$ 137,388	\$ 169,664	\$ 294,920	\$ 11,317	\$ 4,643	\$ 84	\$ 8,098	\$ 21,995	\$ 648,109
Additions	8,830	1,085	8,066	-	-	-	7,139	21,150	46,270
Disposal	-	-	(35,599)	-	-	-	(7,462)	-	(43,061)
Balance at December 31, 2013	<u>\$ 146,218</u>	<u>\$ 170,749</u>	<u>\$ 267,387</u>	<u>\$ 11,317</u>	<u>\$ 4,643</u>	<u>\$ 84</u>	<u>\$ 7,775</u>	<u>\$ 43,145</u>	<u>\$ 651,318</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2013	\$ -	\$ (108,371)	\$ (134,684)	\$ (9,456)	\$ (879)	\$ (33)	\$ (1,708)	\$ -	\$ (255,131)
Disposal	-	-	30,858	-	-	-	579	-	31,437
Depreciation expenses	-	(8,129)	(27,811)	(618)	(464)	(15)	(1,172)	-	(38,209)
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ (116,500)</u>	<u>\$ (131,637)</u>	<u>\$ (10,074)</u>	<u>\$ (1,343)</u>	<u>\$ (48)</u>	<u>\$ (2,301)</u>	<u>\$ -</u>	<u>\$ (261,903)</u>
Carrying amounts at December 31, 2013	<u>\$ 146,218</u>	<u>\$ 54,249</u>	<u>\$ 135,750</u>	<u>\$ 1,243</u>	<u>\$ 3,300</u>	<u>\$ 36</u>	<u>\$ 5,474</u>	<u>\$ 43,145</u>	<u>\$ 389,415</u>

b. Estimated useful lives

Depreciation is provided on a straight-line basis over estimated useful lives as follows:

**Buildings**

Factory	10 years
Main building	5-10 years
The major component part of the factory	19-20 years
The major component part of the office	50-55 years
Machinery and equipment	3-15 years
Transportation equipment	3-10 years
Office equipment	5-10 years
Leasehold improvements	5.75 years
Miscellaneous equipment	5-15 years

### 13. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Company's notes payable and accounts payable (including those to related parties) were from operating activities and were not secured by collaterals.

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms, therefore, no interest was charged on the outstanding accounts payables.

### 14. OTHER PAYABLES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Current		
Payable for buying on subsidiaries' behalf	\$ 17,869	\$ 20,316
Salaries or bonus	13,263	5,338
Payable for purchase of equipment	8,439	6,933
Payable for bonus to employees and remuneration to directors and supervisors	5,680	1,380
Payable for annual leave	2,738	2,791
Payable for professional service fees	2,364	2,104
Others	<u>15,052</u>	<u>17,187</u>
	<u>\$ 65,405</u>	<u>\$ 56,049</u>

Other payables - others were payables for interests, labor and health insurance, rent, pension payable, and payable for purchase of parts.

### 15. LONG-TERM BORROWINGS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Unsecured borrowings	<u>\$ 1,235,000</u>	<u>\$ 1,355,833</u>
Commercial paper payable	200,000	200,000
Less: Unamortized discount	<u>385</u>	<u>434</u>
	<u>199,615</u>	<u>199,566</u>
	1,434,615	1,555,399
Less: Current portion	<u>582,500</u>	<u>570,833</u>
	<u>\$ 852,115</u>	<u>\$ 984,566</u>

#### a. Unsecured borrowings

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Borrowings	\$ 1,235,000	\$ 1,355,833
Less: Current portion	<u>582,500</u>	<u>570,833</u>
Long-term borrowings	<u>\$ 652,500</u>	<u>\$ 785,000</u>
Interest rate P.A. (%)	1.66-2.20	1.66-2.20

b. Long-term commercial paper payable

The Company committed to International Bills Finance Corporation to use from February 2013 to February 2016, the full amount of the credit lines granted by the bank; otherwise, the Company will be charged commitment fees at 1.20%, of the credit amounts. The financial ratio of the Company as of December 31, 2014 and 2013 were in compliance with the requirements stated in the loan agreements with the bank.

Under the loan agreements with China Development Industrial Bank, Taishin Bank, Bangkok bank, Industrial Bank of Taiwan, CTBC Bank and Taipei Fubon Bank, the Company should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2014 and 2013, the Company was in compliance with the above mentioned financial ratio requirements stated in the loan agreements with the banks.

## 16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law (LSL). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Discount rates (%)	1.25	1.25
Expected return on plan assets (%)	1.25	1.25
Expected rates of salary increase (%)	1.20	1.20

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Current service cost	\$ 763	\$ 1,053
Interest cost	1,445	1,342

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Expected return on plan assets	\$ (294)	\$ (361)
	<u>\$ 1,914</u>	<u>\$ 2,034</u>
An analysis by function		
Operating cost	\$ 585	\$ 587
Marketing expenses	206	215
General and administration expenses	752	829
Research and development expenses	<u>371</u>	<u>403</u>
	<u>\$ 1,914</u>	<u>\$ 2,034</u>
		(Concluded)

The amounts included in the parent company only balance sheets arising from the Company's obligation in respect of its defined benefit plan were as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Present value of funded defined benefit obligation	\$ 94,076	\$ 115,575
Fair value of plan assets	<u>(19,631)</u>	<u>(23,524)</u>
Deficit	74,445	92,051
Net actuarial gains (losses) not recognized	<u>10,246</u>	<u>(6,957)</u>
Accrued pension cost	<u>\$ 84,691</u>	<u>\$ 85,094</u>

Movements in the present value of the defined benefit obligations were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 115,575	\$ 107,369
Current service cost	763	1,053
Interest cost	1,445	1,342
Actuarial losses (gains)	(16,910)	13,934
Benefits paid	<u>(6,797)</u>	<u>(8,123)</u>
Balance, end of year	<u>\$ 94,076</u>	<u>\$ 115,575</u>

Movements in the fair value of the plan assets were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 23,524	\$ 28,891
Expected return on plan assets	294	361
Actuarial gains (losses)	293	(3)
Contributions from the employer	2,317	2,398
Benefits paid	<u>(6,797)</u>	<u>(8,123)</u>
Balance, end of year	<u>\$ 19,631</u>	<u>\$ 23,524</u>

For the years ended December 31, 2014 and 2013, the actual return on plan assets were \$587 thousand and \$358 thousand, respectively.

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Labor Pension Fund Supervisory Committee:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Cash equivalents	19	23
Equity instruments	53	45
Debt instruments	<u>28</u>	<u>32</u>
	<u>100</u>	<u>100</u>

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of defined benefit obligation	<u>\$ 94,076</u>	<u>\$ 115,575</u>	<u>\$ 107,369</u>	<u>\$ 111,484</u>
Fair value of plan assets	<u>\$ 19,631</u>	<u>\$ 23,524</u>	<u>\$ 28,891</u>	<u>\$ 26,095</u>
Deficit	<u>\$ 74,445</u>	<u>\$ 92,051</u>	<u>\$ 78,478</u>	<u>\$ 85,389</u>
Experience adjustments on plan liabilities	<u>\$ (16,910)</u>	<u>\$ 13,934</u>	<u>\$ (7,101)</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 293</u>	<u>\$ (3)</u>	<u>\$ (121)</u>	<u>\$ -</u>

The Company expects to make contributions of \$2,096 thousand and \$2,830 thousand to the defined benefit plans during the annual period beginning after December 31, 2014 and 2013.

## 17. EQUITY

### a. Capital Stock

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>
Shares authorized	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>
Number of shares issued and fully paid (in thousands)	<u>171,598</u>	<u>171,598</u>
Shares issued	<u>\$ 1,715,980</u>	<u>\$ 1,715,980</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital Surplus

The capital surplus arising from shares issued in excess of par (additional paid-in capital from issuance of common shares) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Appropriation of Earnings and Dividend Policy

Under the Company's Articles of Incorporation, the Company should make appropriations from its net income (less any deficit) in the following order:

- 1) 10% as legal reserve, until its balance equals the Company's paid-in capital;
- 2) Special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- 3) The balance of remaining balance should be allocated or retained by board of directors in accordance with the Company's operation. Dividends, bonus to employees, and remuneration to directors and supervisors (bonus to employees should be at least 3%; all of these appropriations should be submitted to the stockholders' meeting for approval).
- 4) If bonus to employees is in the form of stock, affiliates' employees who meet certain requirements may also receive the stock bonus. The stock bonus distribution plan should be approved in a board of directors' meeting.

The Company's dividend policy is in line with the Company's operating scale and research and development needs as well as the status of the economy and industry in order to maintain sound management and promote stockholders' long-term interests. Thus, the Company adopted Residual dividend policy as its Shareholder dividends' policy. Company's profits may be distributed in the form of cash and/or stock. However, distribution of profits should preferably be in the form of cash dividend. Cash dividends should be at least 10% of total dividends. But if a cash dividend is less than NT\$0.2, the Company may choose to appropriate stock dividends instead.

For 2014, the bonuses to employees were estimated at \$3,580 thousand and the remuneration to directors and supervisors were \$2,100 thousand. The stated bonus to employees and remuneration to directors were based on the amount of the payment in the past, calculated by net income (bonus to employees and remuneration to directors have been deducted) deducting 10% legal reserve. The bonus to employees and remuneration to directors and supervisors were 4.50% and 2.66% for the year ended December 31, 2014, respectively. In consideration of the Company's future operation expansion demand, no bonus to employees and remuneration to directors and supervisors were accrued for 2013. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings of 2013 and 2012 had been approved in the stockholders' meetings on June 19, 2014 and June 14, 2013, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2013</b>	<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2013</b>	<b>For Fiscal Year 2012</b>
Legal reserve	\$ 1,472	\$ 8,494		
Cash dividends	<u>-</u>	<u>39,468</u>	\$ -	\$ 0.23
	<u>\$ 1,472</u>	<u>\$ 47,962</u>		
			<b>For the Year Ended December 31</b>	
			<b>2013</b>	<b>2012</b>
Employee bonus			\$ -	\$ 4,000
Remuneration to directors and supervisors			-	2,100

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the years ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

The approved bonus to employees and the remuneration to directors and supervisors were distributed in cash and were not different from amounts recognized in the financial statements for 2013 and 2012.

The appropriations of earnings for 2014 had been proposed by the Company's board of directors on March 27, 2015. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 8,784	\$ -
Cash dividends	34,320	0.2

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution of the stockholders' meeting to be held on June 15, 2015.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves appropriated following first-time adoption of IFRSs

The Company had a decrease in retained earnings that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

e. Other Equity Items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 269,135	\$ 93,979
Exchange differences arising on translating the foreign operations	<u>121,666</u>	<u>175,156</u>
Balance, end of year	<u>\$ 390,801</u>	<u>\$ 269,135</u>

2) Unrealized gain (loss) from available-for-sale financial assets

	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 777	\$ 2,321
Unrealized gain arising on revaluation of available-for-sale financial assets	4	787
Income tax relating to unrealized gain arising on revaluation of available-for-sale financial assets	-	(10)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(791)	(2,790)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	<u>10</u>	<u>469</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 777</u>

**18. INCOME BEFORE INCOME TAX**

Income before income tax was as follows:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Interest income	\$ 4,329	\$ 4,540
Dividend income	618	1,637
Others	<u>15,981</u>	<u>12,959</u>
	<u>\$ 20,928</u>	<u>\$ 19,136</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Gain on disposal of investments, net	\$ 2,207	\$ 14,423
Foreign exchange gains, net	17,501	6,863
Loss on disposal of property, plant and equipment, net	(464)	(876)
Valuation gain (loss) on financial instruments at fair value through profit or loss, net	1,073	(2,521)
Others	<u>-</u>	<u>(2)</u>
	<u>\$ 20,317</u>	<u>\$ 17,887</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Interest expense of borrowings	\$ 28,635	\$ 27,875
Less: Amounts included in the cost of qualifying assets	<u>926</u>	<u>781</u>
	<u>\$ 27,709</u>	<u>\$ 27,094</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 926	\$ 781
Capitalization rate (%)	1.58-2.18	1.55-2.07

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Property, plant and equipment	\$ 34,347	\$ 38,209
Other assets	<u>1,130</u>	<u>2,357</u>
	<u>\$ 35,477</u>	<u>\$ 40,566</u>

Other assets were long-term prepayments for computer software and telephone extension usage fee, etc.

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Analysis of depreciation by function		
Operating costs	\$ 13,998	\$ 16,260
Operating expenses	<u>20,349</u>	<u>21,949</u>
	<u>\$ 34,347</u>	<u>\$ 38,209</u>
Analysis of amortization by function		
Operating cost	\$ -	\$ -
Marketing expenses	-	2,357
General and Administration expenses	670	-
Research and development expenses	<u>460</u>	<u>-</u>
	<u>\$ 1,130</u>	<u>\$ 2,357</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Short-term employee benefits		
Salary	\$ 94,822	\$ 86,039
Labor and health insurance	8,862	8,946

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Other	\$ 4,773	\$ 5,463
	<u>108,457</u>	<u>100,448</u>
Post-employment benefits (Note 16)		
Defined contribution plans	3,252	3,490
Defined benefit plans	<u>1,914</u>	<u>2,034</u>
	<u>5,166</u>	<u>5,524</u>
	<u>\$ 113,623</u>	<u>\$ 105,972</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 31,236	\$ 28,218
Operating expenses	<u>82,387</u>	<u>77,754</u>
	<u>\$ 113,623</u>	<u>\$ 105,972</u>

(Concluded)

f. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Foreign exchange gains	\$ 36,091	\$ 28,175
Foreign exchange losses	<u>(18,590)</u>	<u>(21,312)</u>
	<u>\$ 17,501</u>	<u>\$ 6,863</u>

## 19. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expense (income) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Current tax		
In respect of the current year	\$ 4	\$ 117
Income tax on unappropriated earnings	1,325	3,698
Adjustments for prior years	(504)	1,585
Investment tax credits	<u>-</u>	<u>(313)</u>
	<u>825</u>	<u>5,087</u>
Deferred tax		
In respect of the current year	(3,509)	(2,649)
Adjustments for prior years	(1,313)	-
Loss carryforwards	<u>(1,838)</u>	<u>3,943</u>
	<u>(6,600)</u>	<u>1,294</u>
Income tax expense (income) recognized in profit or loss	<u>\$ (5,835)</u>	<u>\$ 6,381</u>

A reconciliation of accounting profit and income tax expense (income) effective tax rate and the applicable tax rate was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Income before income tax	<u>\$ 82,005</u>	<u>\$ 21,099</u>
Income tax expense at statutory rate	\$ 13,941	\$ 3,570
Tax effect of adjustment items		
Tax-exempt income	-	(165)
Non-taxable revenues and gains	(494)	(1,105)
Temporary differences	(12,514)	-
Investment tax credits used	-	(313)
Additional income tax on unappropriated earnings	1,325	3,698
Additional income tax under the Alternative Minimum Tax Act	<u>-</u>	<u>57</u>
In respect of the current year	2,258	5,742
Temporary differences	(6,280)	(1,006)
Withholding tax on overseas dividends and interest income	4	60
In respect of the prior years	<u>(1,817)</u>	<u>1,585</u>
Income tax expense (income)	<u>\$ (5,835)</u>	<u>\$ 6,381</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income (loss)

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Deferred tax		
Income tax recognized in other comprehensive income (loss)	<u>\$ 10</u>	<u>\$ 459</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Current tax assets		
Tax refundable receivable	<u>\$ 2,185</u>	<u>\$ 2,185</u>
Current tax liabilities		
Income tax payable	<u>\$ 942</u>	<u>\$ 3,867</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

<b>Deferred Tax Assets</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
Temporary differences			
Defined benefit obligation	\$ 14,466	\$ (68)	\$ 14,398
Unrealized deferred revenue	21,669	4,030	25,699
Foreign investment loss	2,465	1,476	3,941
FVTPL financial assets	569	(569)	-
Others	<u>1,762</u>	<u>321</u>	<u>2,083</u>
	40,931	5,190	46,121
Loss carryforwards	<u>1,163</u>	<u>1,838</u>	<u>3,001</u>
	<u>\$ 42,094</u>	<u>\$ 7,028</u>	<u>\$ 49,122</u>

<b>Deferred Tax liabilities</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
Temporary differences				
Land value increment tax	\$ 7,398	\$ -	\$ -	\$ 7,398
Available - for - sale financial assets	10	-	(10)	-
Others	<u>518</u>	<u>368</u>	<u>-</u>	<u>886</u>
	<u>\$ 7,926</u>	<u>\$ 368</u>	<u>\$ (10)</u>	<u>\$ 8,284</u>

For the year ended December 31, 2013

<b>Deferred Tax Assets</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
Temporary differences			
Unrealized deferred revenue	\$ 15,796	\$ 5,873	\$ 21,669
Defined benefit obligation	14,528	(62)	14,466
Foreign investment loss	4,413	(1,948)	2,465
FVTPL financial assets	1,326	(757)	569
Others	<u>1,976</u>	<u>(214)</u>	<u>1,762</u>
	38,039	2,892	40,931
Loss carryforwards	<u>5,106</u>	<u>(3,943)</u>	<u>1,163</u>
	<u>\$ 43,145</u>	<u>\$ (1,051)</u>	<u>\$ 42,094</u>

<b>Deferred Tax liabilities</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
Temporary differences				
Land value increment tax	\$ 7,398	\$ -	\$ -	\$ 7,398
Available - for - sale financial assets	469	-	(459)	10
Others	<u>275</u>	<u>243</u>	<u>-</u>	<u>518</u>
	<u>\$ 8,142</u>	<u>\$ 243</u>	<u>\$ (459)</u>	<u>\$ 7,926</u>

e. Information about unused loss carryforwards and tax - exemption

Loss carryforwards as of December 31, 2014 comprised of:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 6,383	2022
<u>11,271</u>	2024
<u>\$ 17,654</u>	

As of December 31, 2014, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
2009.09.03 Industrial Development Bureau Ministry of Economic Affairs No. "0980554040"	2011.01.01-2015.12.31

f. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2014 and 2013, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$109,459 thousand and \$99,283 thousand, respectively.

g. Integrated income tax

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998	\$ 6,684	\$ 6,684
Unappropriated earnings generated on and after January 1, 1998	<u>424,612</u>	<u>338,244</u>
	<u>\$ 431,296</u>	<u>\$ 344,928</u>
Imputation credits accounts	<u>\$ 27,198</u>	<u>\$ 23,550</u>

The creditable ratios for the distribution of earnings of 2014 and 2013 were 6.09% (estimate) and 7.96% (actual), respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

h. Income tax assessments

The tax returns of the Company through 2011 have been assessed by the tax authorities.

## 20. EARNINGS PER SHARE (EPS)

The net profit and weighted average number of ordinary shares outstanding in the computation of basic and diluted EPS were as follows:

### Net profit for the year ended

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Net profit used in the computation of basic / diluted earnings per share	\$ <u>87,840</u>	\$ <u>14,718</u>

### Weighted average number of ordinary shares outstanding (in thousand shares)

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Weighted average number of ordinary shares in computation of basic EPS	171,598	171,598
Effect of diluted potential ordinary shares		
Bonus to employee	<u>292</u>	<u>161</u>
Weighted average number of ordinary shares used in the computation of diluted EPS	<u>171,890</u>	<u>171,759</u>

If the Company is allowed to settle bonus to employees by cash and/or shares, the Company presumes that the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 21. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt and equity of the Company. The Company is not subject to any externally imposed capital requirements, except to maintain certain financial ratios specified under loan agreements. (Refer to Note 15)

Key management personnel of the Company review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders or the levels of debt and current assets.

## 22. FINANCIAL INSTRUMENTS

### a. Fair values of financial instruments

#### 1) Fair value of financial instruments not carried at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the parent company only financial statements approximate their fair values.

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014: None.

December 31, 2013

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated as at FVTPL				
Callable preferred stock with interest	<u>\$ 12,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,020</u>
Financial assets held for trading				
Nickel futures contracts	<u>\$ 272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272</u>
Financial liabilities held for trading				
Copper futures contracts	<u>\$ 314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314</u>
Available-for-sale financial assets				
Domestic quoted stocks	\$ 30,140	\$ -	\$ -	\$ 30,140
Overseas quoted stocks	8,791	-	-	8,791
Domestic mutual funds	951	-	-	951
Overseas mutual funds	<u>3,068</u>	<u>-</u>	<u>-</u>	<u>3,068</u>
	<u>\$ 42,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,950</u>

There were no transfers between Level 1 and Level 2 in 2014 and 2013.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives. The fair values of forward exchange contracts were calculated using quoted prices and yields quoted rate during the derivation of the curve with the contractual maturity. The estimates and assumptions used

by the Company were consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Financial assets</b>		
<hr/>		
Fair value through profit or loss		
Designated as at FVTPL	\$ -	\$ 12,020
Held for trading	-	272
Loans and receivables (Note 1)	1,014,316	1,153,780
Available-for-sale financial assets	-	42,950
<hr/>		
<b>Financial liabilities</b>		
<hr/>		
Fair value through profit or loss		
Held for trading	-	314
Measured at amortized cost (Note 2)	1,716,219	1,818,648

Note 1: The balances included in loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including those from related parties), other financial assets-current, other receivables (including those from related parties) and refundable deposits-noncurrent.

Note 2: The balances included in financial liabilities measured at amortized cost, which comprise notes payable, accounts payable (including those to related parties), other payables (including those to related parties), and long-term borrowings (including current portion).

c. Financial risk management objectives and policies

The Company's Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Company Treasury function reports monthly to the Company's risk management committee.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Company was exposed to foreign currency risk due to its foreign currency denominated assets and liabilities. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The Company was mainly exposed to the risk from the fluctuation of USD and HKD.

The following table details the sensitivity to a 1% increase and decrease in the functional currency rate against the relevant foreign currencies of the Company's outstanding foreign currency denominated monetary items at the end of the reporting period. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity associated with the functional currency.

	<u>USD impact</u>		<u>HKD impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Profit or loss	\$ 3,021	\$ 3,180	\$ (1,304)	\$ (1,146)

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2014</b>	<b>2013</b>
Fair value interest rate risk		
Financial assets	\$ 394,790	\$ 229,720
Financial liabilities	1,174,615	1,345,399
Cash flow interest rate risk		
Financial assets	335,260	531,549
Financial liabilities	260,000	210,000

Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the

Company's pre-tax profit for the year ended December 31, 2014 and 2013 would have been higher/lower by \$753 thousand and \$3,215 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the counterparties' failure to discharge an obligation and because of financial guarantees provided by the Company is the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Credit risk concentration occurs when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Accounts receivable from customers with carrying amounts that were 10% or more of the account total are disclosed in Note 9.

## 3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's funding and liquidity management requirements.

### Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details contractual maturity of the Company's remaining non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment date.

The maturity dates for non-derivative financial liabilities based on the agreed repayment dates were as follows:

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<hr/> December 31, 2014 <hr/>					
Fixed interest rate liabilities	1.66-2.02	\$ 45,953	\$ 128,123	\$ 305,576	\$ 720,892
Variable interest rate liabilities	1.90-2.20	15,687	25,754	82,635	141,474
Non-interest bearing		85,336	109,056	61,997	-
<hr/> December 31, 2013 <hr/>					
Fixed interest rate liabilities	1.66-2.09	46,814	199,468	294,922	837,378
Variable interest rate liabilities	2.00-2.20	583	25,671	27,746	162,876
Non-interest bearing		78,882	98,555	42,055	-

Taking into account the Company's financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid in one year after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

### 23. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its related parties were as follows:

a. Sales of goods

Items	Related Parties Categories	For the Year Ended December 31	
		2014	2013
Sales	Subsidiaries	\$ <u>67,693</u>	\$ <u>118,258</u>

Unrealized gains on the transactions with the subsidiaries were \$6,705 thousand in 2014 and \$5,585 thousand in 2013.

The goods sold to related parties listed above were mainly raw materials and semi-finished goods. The terms for the sales to related parties were not comparable with those for third parties. The payment collection term period was about 4 months.

b. Purchases of goods

Related Parties Categories	For the Year Ended December 31	
	2014	2013
Subsidiaries	\$ <u>609,064</u>	\$ <u>650,620</u>

The goods purchased were mainly finished goods and merchandise, which were different from those sold to the related parties by the Company. The terms of the purchases from related parties were not comparable with those for third parties. The payment period was about 4 months or earlier depending on the related parties' working capital.

c. Receivables from related parties

Related Parties Categories	December 31	
	2014	2013
Subsidiaries	\$ <u>1,889</u>	\$ <u>2,217</u>

No expense was recognized for the years ended December 31, 2014 and 2013 for allowance for impaired receivables with respect to the amounts owed by related parties.

d. Payables to related parties

<b>Related Parties Categories</b>	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Subsidiaries	<u>\$ 183,511</u>	<u>\$ 167,027</u>

The outstanding trade payables from related parties are unsecured.

e. Other payable to related parties

<b>Related Parties Categories</b>	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Subsidiaries	<u>\$ 11,077</u>	<u>\$ 13,843</u>

The other payable to subsidiaries was due to agency receipt of trade receivable.

f. Property, plant and equipment acquired

In addition to those disclosed in Note 12, property, plant and equipment acquired from subsidiaries were as follows:

<b>Related Parties Categories</b>	<b>Price</b>	
	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Subsidiaries	<u>\$ 2,947</u>	<u>\$ 16,205</u>

There was no similar machinery sold to third parties. The collection term was about 4 months.

g. Property, plant and equipment disposed

1) Property, plant and equipment

	<b>For the Year Ended December 31</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Price</b>	<b>Gain on Disposal</b>	<b>Price</b>	<b>Gain on Disposal</b>
Subsidiaries	<u>\$ 4,560</u>	<u>\$ 760</u>	<u>\$ 217,370</u>	<u>\$ 47,003</u>

As of December 31, 2014 and 2013, the accumulated unrealized gains on the intercompany property transactions by selling to and purchasing on behalf of subsidiaries amounted to \$143,974 thousand and \$120,394 thousand, respectively, which were recorded as reduction of investment accounted for using the equity method. The unrealized gains on disposal of assets are amortized by the straight-line method over 10 years and recognized under gain on disposal of property, plant and equipment and other income.

2) Patents and franchise

As of December 31, 2014 and 2013, the Company had sold franchise to subsidiaries, and the related accumulated realized gains amounted to \$718 thousand and \$696 thousand. As of December 31, 2013, the Company had sold patents and franchise to subsidiaries, and the related accumulated unrealized gains amounted to \$928 thousand, which was recorded as reduction of investment accounted for using the equity method.

The payment term was about 4 months. Since there was no similar transition with third parties, the terms of the purchase from related parties were not comparable with those for third parties.

3) Other receivable - related parties (excluding loans to related parties)

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Subsidiaries	<u>\$ 15,032</u>	<u>\$ 39,639</u>

h. Loans to related parties (only December, 2013)

<b>Related Parties Categories</b>	<b>December 31, 2013</b>
Subsidiaries	<u>\$ 29,770</u> (US\$ 1,000 thousand)

As of December 31, 2013, the loans (which was unsecured) to subsidiaries with annual interest rate at 2.8% (classified under other receivables – those from related parties), which approximated market interest rate. Interest receivable and interest income for foregoing loans were 555 thousand.

i. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel for the reporting period were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Short-term benefits (including salary and bonuses)	\$ 6,244	\$ 5,382
Post-employment benefits	<u>260</u>	<u>316</u>
	<u>\$ 6,504</u>	<u>\$ 5,698</u>

The remuneration of directors and other key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

j. Property lease

The Company leased its Taipei office, factories and storehouse from Su, Tun-Jen and Su, Tun-Li. The rentals for the years ended December 31, 2014 and 2013 were both \$1,970 thousand, respectively, and recorded as operating expenses and manufacturing cost on the basis of the size of the areas actually used.

The rental terms were determined by negotiation. The rental rates were similar to the local market rate and the payment terms were at arm's length.

k. Guarantees

Su, Chung-Hong and Su, Tun-Li jointly provided the guarantee for the Company's borrowings.

## 24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 15 to the consolidated financial statements, as of December 31, 2014 were as follows:

- a. The amounts of contracts for the Company purchases of properties and materials were \$59,097 thousand, of which \$39,123 thousand had not been paid.
- b. Under unused letters of credit for purchasing equipment and materials amounted to 4,199 thousand.

## 25. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets, financial liabilities and derivative contracts denominated in foreign currencies were as follows (in thousands of foreign currency, except exchange rate):

	Foreign Currencies	Exchange Rate	Carrying Amount
<hr/> December 31, 2014 <hr/>			
Financial assets			
Monetary items			
USD	\$ 9,679	31.630	\$ 306,135
HKD	14,747	4.080	60,170
Financial liabilities			
Monetary items			
USD	129	31.630	4,081
HKD	46,697	4.080	190,522
<hr/> December 31, 2013 <hr/>			
Financial assets			
Monetary items			
USD	10,725	29.770	319,292
HKD	15,423	3.841	59,239
Nonmonetary items			
USD	472	29.770	14,037
HKD	2,633	3.841	10,114
Financial liabilities			
Monetary items			
USD	44	29.770	1,318
HKD	45,262	3.841	173,853
Nonmonetary items			
USD	11	29.770	314

## 26. ADDITIONAL DISCLOSURES

### a. Information about significant transactions and investees:

- 1) Financing provided: Table 1 (attached).
- 2) Endorsement/guarantee provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): None.
- 4) Marketable securities acquired and disposed at cost or price at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached).
- 9) Trading in derivative instruments: Note 7.
- 10) Information on investees: Table 4 (attached).

### b. Information on investments in Mainland China

information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China areas: Table 5 (attached).

Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Note 23.
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Note 23.
- 3) The amount of property transactions and the amount of the resultant gains or losses: Note 23.
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- 5) The highest balance, the end of period balance, the interest rates range, and total current period interest with respect to financing of funds: Table 1 (attached).
- 6) Other transactions that have a material effect on the profit or loss for the period or on the financial

position, such as the rendering or receiving of services: Note 23.

## **27. SEGMENT INFORMATION**

Disclosure of segment information is not required for parent company only financial statements, but the Company has disclosed the segment information in the consolidated financial statements.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2014

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

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
													Item	Value		
0	GEM Terminal Ind. Co., Ltd. (the "Company")	Vibo	Other receivables - related parties	Yes	\$ 151,500 (US\$ 5,000 thousand)	\$ 63,260 (US\$ 2,000 thousand)	\$ -	2.80	Short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ -	\$ 627,628 (Note 1)	\$ 1,255,257 (Note 1)

Note 1: Under the Company's and the subsidiaries' "Operational Procedures for Loaning Funds to Others," if short-term financing is needed, total amounts of these financings should not exceed 40 percent of the Company's and the subsidiaries' stockholders' equity, and individual financing should not exceed 20 percent of the Company's stockholders' equity.

Note 2: The conversion rates on December 31, 2014 were US\$1.00: NT\$31.63.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Genius (HK)	the Company	Subsidiary	Sales	\$ 530,017 (HK\$135,654 thousand) (Note 1)	39	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	\$ 179,427 (HK\$43,977 thousand) (Note 2)	46	
the Company	Genius (HK)	Parent	Purchases	(530,017) (HK\$(135,654) thousand) (Note 1)	(76)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(179,427) (HK\$(43,977) thousand) (Note 2)	(87)	

Note 1: The average conversion rate for 2014 were HK\$1.0000: NT\$3.909.

Note 2: The conversion rates on December 31, 2014 were HK\$1.0000: NT\$4.08.

**GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2014**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
Genius (HK)	the Company	Subsidiary	\$ 179,427 ( HK\$ 43,977 thousand )	3.08	\$ -	-	\$ 123,858	\$ -

Note: The conversion rate on December 31, 2014 were HK\$1.0000:NT\$4.08.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2014

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance As of December 31, 2014			Net Income (Loss) of the Investee	Share of Profit(Loss)	Earnings Appropriation		Note
				December 31, 2014 (Foreign Currencies in Thousands)	December 31, 2013 (Foreign Currencies in Thousands)	Shares/Units	Percentage of Ownership	Carrying Amount			Stock	Cash	
the Company	Global (Cayman)	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208 (US\$ 40,137)	\$ 1,295,208 (US\$ 40,137)	40,137,184	100	\$ 3,127,573	\$ 123,468	\$ 125,443	\$ -	\$ -	
	Genius Terminal	British Virgin Islands	International investment and trading, etc.	23,282 (US\$ 750)	23,282 (US\$ 750)	750,000	100	69,338	(8,224)	(8,224)	-	-	
	GEM Terminal (Cayman)	Grand Cayman, Cayman Islands	International investment	210,367 (US\$ 7,010)	118,957 (US\$ 4,010)	7,010,000	100	205,200	(4,051)	(4,051)	-	-	
								<u>\$ 3,402,111</u>	<u>\$ 111,193</u>	<u>\$ 113,168</u>			

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2014 (Notes 1)	Accumulated Repatriation of Investment Income as of December 31, 2014
					Outward	Inward						
GEM (Dongguan)	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	\$ 862,163 (RMB 169,467)	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	\$ 452,130 (US\$ 14,159 thousand)	\$ -	\$ -	\$ 452,130 (US\$ 14,159 thousand)	\$ 95,691	100	\$ 85,399 (US\$ 2,824 thousand)	\$ 1,126,839 (US\$ 35,626 thousand)	\$ -
GEM (Suzhou)	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.	1,275,329 (RMB 250,679)	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	741,320 (US\$ 23,000 thousand)	-	-	741,320 (US\$ 23,000 thousand)	46,592	100	45,876 (US\$ 1,517 thousand)	2,132,803 (US\$ 67,430 thousand)	-
							\$ 1,193,450 (US\$ 37,159 thousand)					

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
\$1,193,450 (US\$37,159 thousand)	\$1,793,421 (US\$56,700 thousand)	\$1,882,885

Note 1: Amount was recognized based on the audited financial statement.

Note 2 Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the maximum amount that can be invested in companies located in mainland China is 60% of the Company's net value.