

GEM Terminal Ind. Co., Ltd.

**Parent Company Only Financial Statements for the
Years Ended December 31, 2015 and 2014 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, 2015, December 31, 2014 and January 1, 2014 and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation 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, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

As discussed in Note 3 to the accompanying parent company only financial statements, starting from January 1, 2015, the Company applied 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 Financial Supervisory Commission of the Republic of China ("FSC"). Therefore, some items in the parent company only financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.

March 25, 2016

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, 2015 | | December 31, 2014 (Restated) | | January 1, 2014 (Restated) | | LIABILITIES AND EQUITY | December 31, 2015 | | December 31, 2014 (Restated) | | January 1, 2014 (Restated) | |
|--|-------------------|-----|---------------------------------|-----|-------------------------------|-----|--|-------------------|--------------|---------------------------------|--------------|-------------------------------|----|
| | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | | CURRENT LIABILITIES | | | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 528,581 | 11 | \$ 730,647 | 15 | \$ 761,826 | 16 | Financial liabilities at fair value through profit or loss - current | \$ - | - | \$ - | - | \$ 314 | - |
| Financial assets at fair value through profit or loss - current | - | - | - | - | 12,292 | - | Notes payable (Note 12) | 18,110 | 1 | 11,258 | - | 15,797 | - |
| Available-for-sale financial assets - current (Notes 4 and 7) | 12,612 | - | - | - | 42,950 | 1 | Accounts payable (Note 12) | 12,840 | - | 10,353 | - | 10,533 | - |
| Notes receivable (Notes 4, 5 and 8) | 50,468 | 1 | 57,242 | 1 | 65,048 | 1 | Accounts payable - related parties (Notes 12 and 22) | 157,906 | 3 | 183,511 | 4 | 167,027 | 4 |
| Accounts receivable, net (Notes 4, 5 and 8) | 198,615 | 4 | 204,060 | 4 | 238,832 | 5 | Other payables (Notes 13 and 18) | 79,819 | 2 | 65,405 | 1 | 56,049 | 1 |
| Accounts receivable - related parties (Notes 4, 5 and 22) | 5,762 | - | 1,889 | - | 2,217 | - | Other payables - related parties (Note 22) | 23,945 | 1 | 11,077 | - | 13,843 | - |
| Other receivables | 47 | - | 3,639 | - | 508 | - | Current tax liabilities (Notes 4 and 18) | - | - | 942 | - | 3,867 | - |
| Other receivables - related parties (Note 22) | 70,061 | 2 | 15,032 | - | 69,964 | 2 | Long-term borrowings - current portion (Note 14) | 303,425 | 6 | 582,500 | 12 | 570,833 | 12 |
| Current tax assets (Notes 4 and 18) | 2,239 | - | 2,185 | - | 2,185 | - | Other current liabilities (Note 4) | 834 | - | 653 | - | 707 | - |
| Inventories (Notes 4, 5 and 9) | 61,220 | 1 | 80,702 | 2 | 61,169 | 1 | Total current liabilities | 596,879 | 13 | 865,699 | 17 | 838,970 | 17 |
| Other financial assets - current (Note 4) | - | - | 167 | - | 15,215 | - | NONCURRENT LIABILITIES | | | | | | |
| Other current assets | 30,477 | 1 | 22,952 | 1 | 23,138 | 1 | Long-term borrowings (Note 14) | 1,158,750 | 24 | 852,115 | 17 | 984,566 | 20 |
| Total current assets | 960,082 | 20 | 1,118,515 | 23 | 1,295,344 | 27 | Deferred income tax liabilities (Notes 4 and 18) | 8,382 | - | 8,284 | - | 7,926 | - |
| NONCURRENT ASSETS | | | | | | | Net defined benefit liabilities (Notes 4, 5 and 15) | 45,627 | 1 | 75,331 | 2 | 81,789 | 2 |
| Investments accounted for using the equity method (Notes 4 and 10) | 3,419,396 | 71 | 3,402,111 | 69 | 3,100,568 | 64 | Total noncurrent liabilities | 1,212,759 | 25 | 935,730 | 19 | 1,074,281 | 22 |
| Property, plant and equipment (Notes 4, 5, 11, 22 and 23) | 332,617 | 7 | 353,112 | 7 | 389,415 | 8 | Total liabilities | 1,809,638 | 38 | 1,801,429 | 36 | 1,913,251 | 39 |
| Deferred income tax assets (Notes 4, 5 and 18) | 73,651 | 2 | 47,531 | 1 | 41,532 | 1 | EQUITY (Note 16) | | | | | | |
| Prepayments for equipment (Note 23) | 22,976 | - | 22,167 | - | 17,081 | - | Ordinary shares | 1,692,000 | 35 | 1,715,980 | 35 | 1,715,980 | 35 |
| Other financial assets - noncurrent (Note 4) | 1,640 | - | 1,640 | - | 170 | - | Capital surplus | 271,315 | 6 | 270,187 | 6 | 270,187 | 6 |
| Other noncurrent assets | 2,112 | - | 2,264 | - | 1,297 | - | Retained earnings | | | | | | |
| Total noncurrent assets | 3,852,392 | 80 | 3,828,825 | 77 | 3,550,063 | 73 | Legal reserve | 338,662 | 7 | 329,878 | 6 | 328,406 | 7 |
| TOTAL | | | | | | | Unappropriated earnings | 346,487 | 7 | 430,894 | 9 | 344,928 | 7 |
| | \$ 4,812,474 | 100 | \$ 4,947,340 | 100 | \$ 4,845,407 | 100 | Total retained earnings | 685,149 | 14 | 760,772 | 15 | 673,334 | 14 |
| | | | | | | | Other equity | 354,372 | 7 | 398,972 | 8 | 272,655 | 6 |
| | | | | | | | Total equity | 3,002,836 | 62 | 3,145,911 | 64 | 2,932,156 | 61 |
| | | | | | | | TOTAL | | | | | | |
| | | | | | | | \$ 4,812,474 | 100 | \$ 4,947,340 | 100 | \$ 4,845,407 | 100 | |

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

(With Deloitte & Touche auditors' report dated March 25, 2016)

GEM TERMINAL IND. CO., LTD.

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

| | 2015 | | 2014 (Restated) | |
|--|-----------------|------------|-----------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE, NET (Notes 4 and 22) | \$ 760,788 | 100 | \$ 834,566 | 100 |
| OPERATING COSTS (Notes 9, 17 and 22) | <u>697,896</u> | <u>92</u> | <u>743,580</u> | <u>89</u> |
| GROSS PROFIT | <u>62,892</u> | <u>8</u> | <u>90,986</u> | <u>11</u> |
| UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 22) | (12,869) | (1) | (6,705) | (1) |
| REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 22) | <u>6,705</u> | <u>1</u> | <u>5,585</u> | <u>1</u> |
| REALIZED GROSS PROFIT | <u>56,728</u> | <u>8</u> | <u>89,866</u> | <u>11</u> |
| OPERATING EXPENSES (Notes 17 and 22) | | | | |
| Marketing | 16,150 | 2 | 18,809 | 2 |
| General and administrative | 71,627 | 9 | 82,445 | 10 |
| Research and development | <u>42,100</u> | <u>6</u> | <u>33,796</u> | <u>4</u> |
| Total operating expenses | <u>129,877</u> | <u>17</u> | <u>135,050</u> | <u>16</u> |
| LOSS FROM OPERATIONS | <u>(73,149)</u> | <u>(9)</u> | <u>(45,184)</u> | <u>(5)</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 4, 17 and 22) | | | | |
| Other income | 25,087 | 3 | 20,928 | 2 |
| Other gains and losses | 7,099 | 1 | 20,317 | 2 |
| Finance costs | (26,203) | (3) | (27,709) | (3) |
| Share of profits of subsidiaries | <u>8,965</u> | <u>1</u> | <u>113,168</u> | <u>14</u> |
| Total non-operating income and expenses | <u>14,948</u> | <u>2</u> | <u>126,704</u> | <u>15</u> |
| INCOME (LOSS) BEFORE INCOME TAX | (58,201) | (7) | 81,520 | 10 |
| INCOME TAX BENEFIT (Notes 4, 5 and 18) | <u>16,898</u> | <u>2</u> | <u>5,918</u> | <u>1</u> |
| NET INCOME (LOSS) | <u>(41,303)</u> | <u>(5)</u> | <u>87,438</u> | <u>11</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 16 and 18) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurement of defined benefit plans | (905) | - | 6,540 | 1 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 154 | - | (1,112) | - |

(Continued)

GEM TERMINAL IND. CO., LTD.

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

| | 2015 | | 2014 (Restated) | |
|---|--------------------|-------------|-------------------|-----------|
| | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | \$ 135,009 | 18 | \$ 210,156 | 25 |
| Unrealized loss on available-for-sale financial assets | (278) | - | (787) | - |
| Share of the other comprehensive income of subsidiaries accounted for using the equity method | (187,504) | (25) | (88,490) | (11) |
| Income tax relating to items that may be reclassified subsequently to profit or loss | <u>8,924</u> | <u>1</u> | <u>10</u> | <u>-</u> |
| Other comprehensive income (loss) for the year, net of income tax | <u>(44,600)</u> | <u>(6)</u> | <u>126,317</u> | <u>15</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | <u>\$ (85,903)</u> | <u>(11)</u> | <u>\$ 213,755</u> | <u>26</u> |
| EARNINGS (NET LOSS) PER SHARE (Note 19) | | | | |
| Basic | <u>\$ (0.24)</u> | | <u>\$ 0.51</u> | <u>-</u> |
| Diluted | <u>\$ (0.24)</u> | | <u>\$ 0.51</u> | <u>-</u> |

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

(With Deloitte & Touche auditors' report dated March 25, 2016)

(Concluded)

GEM TERMINAL IND. CO., LTD.

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

| | Ordinary Shares | | Capital Surplus | Legal Reserve | Retained Earnings | | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Other Equity | | | Treasury shares | Total Equity |
|---|-----------------------|--------------|-----------------|---------------|-------------------------|------------|---|--|--|------------|-----------------|--------------|
| | Shares (In Thousands) | Amount | | | Unappropriated Earnings | Total | | Exchange Differences on Translating Foreign Operations | Remeasurement of Defined Benefit Plans | Total | | |
| | | | | | | | | | | | | |
| BALANCE, JANUARY 1, 2014 | 171,598 | \$ 1,715,980 | \$ 270,187 | \$ 328,406 | \$ 344,928 | \$ 673,334 | \$ 777 | \$ 269,135 | \$ - | \$ 269,912 | \$ - | \$ 2,929,413 |
| Effect of retrospective application and retrospective restatement | - | - | - | - | - | - | - | - | 2,743 | 2,743 | - | 2,743 |
| BALANCE, JANUARY 1, 2014 AS RESTATED | 171,598 | 1,715,980 | 270,187 | 328,406 | 344,928 | 673,334 | 777 | 269,135 | 2,743 | 272,655 | - | 2,932,156 |
| Appropriation of 2013 earnings (Note 16) | | | | | | | | | | | | |
| Legal reserve | - | - | - | 1,472 | (1,472) | - | - | - | - | - | - | - |
| Net income in 2014 | - | - | - | - | 87,438 | 87,438 | - | - | - | - | - | 87,438 |
| Other comprehensive income (loss) in 2014, net of income tax | - | - | - | - | - | - | (777) | 121,666 | 5,428 | 126,317 | - | 126,317 |
| Total comprehensive income (loss) in 2014 | - | - | - | - | 87,438 | 87,438 | (777) | 121,666 | 5,428 | 126,317 | - | 213,755 |
| BALANCE, DECEMBER 31, 2014 | 171,598 | 1,715,980 | 270,187 | 329,878 | 430,894 | 760,772 | - | 390,801 | 8,171 | 398,972 | - | 3,145,911 |
| Appropriation of 2014 earnings (Note 16) | | | | | | | | | | | | |
| Legal reserve | - | - | - | 8,784 | (8,784) | - | - | - | - | - | - | - |
| Cash dividends to stockholders | - | - | - | - | (34,320) | (34,320) | - | - | - | - | - | (34,320) |
| Net loss in 2015 | - | - | - | - | (41,303) | (41,303) | - | - | - | - | - | (41,303) |
| Other comprehensive loss in 2015, net of income tax | - | - | - | - | - | - | (278) | (43,571) | (751) | (44,600) | - | (44,600) |
| Total comprehensive loss in 2015 | - | - | - | - | (41,303) | (41,303) | (278) | (43,571) | (751) | (44,600) | - | (85,903) |
| Buy-back of ordinary shares (Note 16) | - | - | - | - | - | - | - | - | - | - | (22,852) | (22,852) |
| Cancellation of treasury shares (Note 16) | (2,398) | (23,980) | 1,128 | - | - | - | - | - | - | - | 22,852 | - |
| BALANCE, DECEMBER 31, 2015 | 169,200 | \$ 1,692,000 | \$ 271,315 | \$ 338,662 | \$ 346,487 | \$ 685,149 | \$ (278) | \$ 347,230 | \$ 7,420 | \$ 354,372 | \$ - | \$ 3,002,836 |

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

(With Deloitte & Touche auditors' report dated March 25, 2016)

GEM TERMINAL IND. CO., LTD.

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

| | 2015 | 2014 (Restated) |
|--|---------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) before income tax | \$ (58,201) | \$ 81,520 |
| Adjustments for: | | |
| Depreciation expense | 32,330 | 34,347 |
| Amortization expense | 1,179 | 1,130 |
| Allowance (reversal of allowance) for doubtful accounts | (1,787) | 707 |
| Valuation gain on financial instruments at fair value through profit or loss, net | - | (1,073) |
| Share of profit of subsidiaries | (8,965) | (113,168) |
| Finance costs | 26,203 | 27,709 |
| Interest income | (4,354) | (4,329) |
| Dividend income | (262) | (618) |
| Loss on disposal of property, plant and equipment, net | 35 | 464 |
| Loss (gain) on sale of investments, net | 3,028 | (2,207) |
| Write-down of inventories | 2,711 | - |
| Unrealized gain on transactions with subsidiaries | 12,869 | 6,705 |
| Realized gain on transactions with subsidiaries | (6,705) | (5,585) |
| Other non-cash items | 31 | 25,868 |
| Changes in operating assets and liabilities | | |
| Financial assets held for trading | - | 5,289 |
| Notes receivable | 6,774 | 7,806 |
| Accounts receivable | 7,232 | 34,065 |
| Accounts receivable - related parties | (3,873) | 328 |
| Other receivables | 3,541 | (3,102) |
| Other receivables - related parties | 22,858 | 555 |
| Inventories | 16,771 | (19,533) |
| Other current assets | (6,149) | 186 |
| Financial liabilities held for trading | - | (4,808) |
| Notes payable | 6,852 | (4,539) |
| Accounts payable | 2,487 | (180) |
| Accounts payable - related parties | (25,605) | 16,484 |
| Other payables | (19,075) | 8,120 |
| Other payables - related parties | 12,868 | (2,766) |
| Other current liabilities | 152 | (15) |
| Net defined benefit liabilities | (27) | 82 |
| Cash generated from operations | 22,918 | 89,442 |
| Interest received | 4,405 | 4,300 |
| Income tax paid | (1,042) | (3,750) |
| Net cash generated from operating activities | <u>26,281</u> | <u>89,992</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of financial assets designated as at fair value through profit and loss | - | 12,570 |
| Acquisition of available-for-sale financial assets | (88,072) | (134,434) |
| Proceeds from disposal of available-for-sale financial assets | 72,184 | 178,869 |
| Acquisition of investments accounted for using the equity method | (64,800) | (91,410) |

(Continued)

GEM TERMINAL IND. CO., LTD.

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

| | 2015 | 2014 (Restated) |
|--|-------------------|-------------------|
| Acquisition of property, plant and equipment | \$ (28,145) | \$ (8,113) |
| Proceeds from disposal of property, plant and equipment | 3,563 | 4,560 |
| Decrease in other financial assets | 167 | 15,048 |
| Decrease (increase) in other receivables - related parties | (65,660) | 54,377 |
| Increase in other financial assets | - | (1,470) |
| Increase in other noncurrent assets | (1,027) | (2,097) |
| Dividend received | <u>262</u> | <u>618</u> |
| Net cash generated from (used in) investing activities | <u>(171,528)</u> | <u>28,518</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term borrowings | 610,000 | 450,000 |
| Repayment of long-term borrowings | (582,500) | (570,833) |
| Cash dividend | (34,320) | - |
| Payments for buy-back of ordinary shares | (22,852) | - |
| Interest paid | <u>(27,147)</u> | <u>(28,856)</u> |
| Net cash used in financing activities | <u>(56,819)</u> | <u>(149,689)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (202,066) | (31,179) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>730,647</u> | <u>761,826</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 528,581</u> | <u>\$ 730,647</u> |

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

(With Deloitte & Touche auditors' report dated March 25, 2016)

(Concluded)

GEM TERMINAL IND. CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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 25, 2016.

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

- a. Initial application of 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 Financial Supervisory Commission (FSC)

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

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

- 1) 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, 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. Refer to Note 21 for related disclosures.

2) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments 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 retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and share of the other comprehensive income of subsidiaries accounted for using the equity method. However, the application of the above amendments will not have any impact on the net loss for the year, other comprehensive loss for the year (net of income tax), and total comprehensive loss for the year.

3) 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 eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans 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. Remeasurement of the defined benefit plans is presented separately as other 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, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets and other equity; the carrying amounts of inventories are not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Company elects not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact in the prior year is set out below:

| | As Originally Stated | Adjustments Arising from Initial Application | Restated |
|---|---------------------------------|---|-----------------|
| <u>Impact on assets, liabilities and equity</u> | | | |
| <u>December 31, 2014</u> | | | |
| Deferred tax assets | \$ 49,122 | \$ (1,591) | \$ 47,531 |

(Continued)

| | As Originally Stated | Adjustments Arising from Initial Application | Restated |
|--|-------------------------|---|--------------|
| Accrued pension liabilities | \$ 84,691 | \$ (84,691) | \$ - |
| Net defined benefit liabilities | \$ - | \$ 75,331 | \$ 75,331 |
| Retained earnings | \$ 761,174 | \$ (402) | \$ 760,772 |
| Other equity | \$ 390,801 | \$ 8,171 | \$ 398,972 |
| Equity | \$ 3,138,142 | \$ 7,769 | \$ 3,145,911 |
| <u>January 1, 2014</u> | | | |
| Deferred tax assets | \$ 42,094 | \$ (562) | \$ 41,532 |
| Accrued pension liabilities | \$ 85,094 | \$ (85,094) | \$ - |
| Net defined benefit liabilities | \$ - | \$ 81,789 | \$ 81,789 |
| Other equity | \$ 269,912 | \$ 2,743 | \$ 272,655 |
| Equity | \$ 2,929,413 | \$ 2,743 | \$ 2,932,156 |
| <u>Impact on total comprehensive income for the year ended December 31, 2014</u> | | | |
| Operating costs | \$ 743,432 | \$ 148 | \$ 743,580 |
| Operating expenses | \$ 134,713 | \$ 337 | \$ 135,050 |
| Income tax | \$ (5,835) | \$ (83) | \$ (5,918) |
| Total effect on net profit for the year | \$ 87,840 | \$ (402) | \$ 87,438 |
| 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 | \$ - | \$ (1,112) | \$ (1,112) |
| Total effect on other comprehensive income for the year, net of income tax | \$ 120,889 | \$ 5,428 | \$ 126,317 |
| Total effect on total comprehensive income for the year | \$ 208,729 | \$ 5,026 | \$ 213,755 |
| <u>Impact on earnings per share for the year ended December 31, 2014</u> | | | |
| Basic | \$ 0.51 | \$ - | \$ 0.51 |
| Diluted | \$ 0.51 | \$ - | \$ 0.51 |

(Concluded)

4) 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 initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 has material effect on the parent company only balance sheet as of January 1, 2014. In preparing the parent company only financial statements for the year ended December 31, 2015, the Company would present the parent company only 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.

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

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the parent company only financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

| New, Amended and Revised Standards and Interpretations (the “New IFRSs”) | Effective Date Announced by IASB (Note 1) |
|--|--|
| 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 3) |
| 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” | To be determined by IASB |
| Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception” | January 1, 2016 |
| Amendment to IFRS 11 “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, 2018 |
| IFRS 16 “Leases” | January 1, 2019 |
| Amendment to IAS 1 “Disclosure Initiative” | January 1, 2016 |
| Amendment to IAS 7 “Disclosure Initiative” | January 1, 2017 |
| Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses” | January 1, 2017 |
| 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 |

(Continued)

| New, Amended and Revised Standards and Interpretations (the “New IFRSs”) | Effective Date Announced by IASB (Note 1) |
|---|--|
| 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 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: 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 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) 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.

4) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

5) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the parent company only statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

6) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of

other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are 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
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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 profit or loss of subsidiaries, share of other comprehensive income 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 Company'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 purpose of presenting parent company only financial statements, the functional currencies of the Company foreign operations (including subsidiaries, in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences 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 in subsidiaries

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, other comprehensive income of the subsidiary, and attributable 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. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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 parent company only 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 assets

At the end of each reporting year, the Company reviews the carrying amounts of its tangible 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.

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 deducting depreciation 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.

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 incorporates 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) 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 year.

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 the Company 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 the Company 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.

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.

j. Provisions

Provisions are measured at the best estimate of discounted cash flows 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.

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. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliably estimate of future returns and based on past 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.

l. Leasing

When the Company is lessee, the operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as an expense in the year in which they are incurred.

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. All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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 disclosed in Note 8.

b. 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, 2015 and 2014, the carrying amounts of inventory were \$61,220 thousand and \$80,702 thousand, respectively.

c. Useful lives and impairment 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.

The impairment of equipment in relation to the production was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

As of December 31, 2015 and 2014, the carrying amount of property, plant and equipment were \$332,617 thousand and \$353,112 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, 2015 and 2014, the deferred tax assets were \$73,651 thousand and \$47,531 thousand, respectively.

e. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. 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, 2015 and 2014, the net defined benefit liabilities were \$45,627 thousand and \$75,331 thousand.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|--------------------|-------------------|
| | 2015 | 2014 |
| Cash on hand | \$ 440 | \$ 395 |
| Checking accounts and demand deposits | 245,361 | 335,462 |
| Cash equivalents | | |
| Time deposits with original maturities less than 3 months | <u>282,780</u> | <u>394,790</u> |
| | <u>\$ 528,581</u> | <u>\$ 730,647</u> |

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

| | December 31 | |
|-------------------|--------------------|-------------|
| | 2015 | 2014 |
| Time deposits (%) | 0.77-0.90 | 0.86-1.00 |

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

| | |
|------------------------|------------------------------|
| | December 31, 2015 |
| Domestic listed shares | <u>\$ 12,612</u> |

8. NOTES AND ACCOUNTS RECEIVABLE, NET

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------------|
| | 2015 | 2014 |
| <u>Notes receivable</u> | | |
| Notes receivable - operating | <u>\$ 50,468</u> | <u>\$ 57,242</u> |
| <u>Accounts receivable</u> | | |
| Accounts receivable | \$ 200,673 | \$ 207,905 |
| Less: Allowance for doubtful accounts | <u>2,058</u> | <u>3,845</u> |
| | <u>\$ 198,615</u> | <u>\$ 204,060</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 year. 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 year. Inspection on customers' credit was taken regularly and aging analysis was performed based on the past due date.

Aging analysis of accounts receivable was as follows:

| | <u>December 31</u> | |
|---------------------|--------------------|-------------------|
| | 2015 | 2014 |
| Not past due | \$ 189,429 | \$ 184,252 |
| Past due 1-60 days | 10,268 | 16,624 |
| Past due 61-90 days | <u>976</u> | <u>7,029</u> |
| | <u>\$ 200,673</u> | <u>\$ 207,905</u> |

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

| | Collectively Assessed for Impairment | |
|---|---|-----------------|
| | Year Ended December 31 | |
| | 2015 | 2014 |
| Balance, beginning of year | \$ 3,845 | \$ 3,138 |
| Allowance (reversal of allowance) for doubtful accounts | <u>(1,787)</u> | <u>707</u> |
| Balance, end of year | <u>\$ 2,058</u> | <u>\$ 3,845</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, 2015 and 2014, 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:

| | December 31 | |
|---------|--------------------|------------------|
| | 2015 | 2014 |
| Group A | <u>\$ 109,633</u> | <u>\$ 95,375</u> |

9. INVENTORIES

| | December 31 | |
|-----------------|--------------------|------------------|
| | 2015 | 2014 |
| Merchandise | \$ 31,483 | \$ 42,012 |
| Supplies | 10,915 | 11,316 |
| Raw materials | 8,388 | 9,709 |
| Finished goods | 6,367 | 12,690 |
| Work in process | <u>4,067</u> | <u>4,975</u> |
| | <u>\$ 61,220</u> | <u>\$ 80,702</u> |

The cost of inventories recognized as costs of goods sold were \$697,896 thousand in 2015 and \$743,580 thousand in 2014, respectively, which included inventory write-downs of \$2,711 thousand as of December 31, 2015.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | | | |
|--|---------------------|-------------------------|---------------------|-------------------------|
| | 2015 | | 2014 | |
| | Amount | % of Owner - ship | Amount | % of Owner - ship |
| <u>Investments in subsidiaries</u> | | | | |
| Unlisted companies | | | | |
| Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman)) | \$ 3,089,371 | 100 | \$ 3,127,573 | 100 |
| GEM Terminal (Cayman) Co., Ltd. (GEM (Cayman)) | 267,105 | 100 | 205,200 | 100 |
| Genius Terminal Co., Ltd. (Genius) | <u>62,920</u> | 100 | <u>69,338</u> | 100 |
| | <u>\$ 3,419,396</u> | | <u>\$ 3,402,111</u> | |

The Company increased its investment in GEM (Cayman) for a total of \$64,800 thousand (US\$1,988 thousand) and \$91,410 thousand (US\$3,000 thousand) in 2015 and 2014, respectively.

The Company's share of profit or loss and other comprehensive income of subsidiaries for the years ended December 31, 2015 and 2014 were based on the subsidiaries' audited financial statements.

See Table 4 and 5 for the information on investees and investments in mainland China.

11. PROPERTY, PLANT, AND EQUIPMENT

The Company purchased land about \$7,908 thousand for the purpose of a resort 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.

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

For the year ended December 31, 2015

| | Land | Buildings | Machinery and Equipment | Others | Construction in Progress and Equipment to be Inspected | Total |
|------------------------------|-------------------|-------------------|-------------------------------|------------------|--|-------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2015 | \$ 146,218 | \$ 169,639 | \$ 250,806 | \$ 24,397 | \$ 29,826 | \$ 620,886 |
| Additions | - | 442 | 4,122 | 731 | 25,952 | 31,247 |
| Disposal | - | (3,674) | (29,810) | (332) | - | (33,816) |
| Reclassification | - | 166 | 4,677 | 1,212 | (19,658) | (13,603) |
| Balance at December 31, 2015 | <u>\$ 146,218</u> | <u>\$ 166,573</u> | <u>\$ 229,795</u> | <u>\$ 26,008</u> | <u>\$ 36,120</u> | <u>\$ 604,714</u> |

(Continued)

| | Land | Buildings | Machinery and Equipment | Others | Construction in Progress and Equipment to be Inspected | Total |
|---------------------------------------|-------------------|---------------------|-------------------------|--------------------|--|---------------------|
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2015 | \$ - | \$ (122,614) | \$ (129,883) | \$ (15,277) | \$ - | \$ (267,774) |
| Depreciation expenses | - | (7,620) | (23,077) | (1,633) | - | (32,330) |
| Disposal | - | 3,267 | 24,463 | 277 | - | 28,007 |
| Balance at December 31, 2015 | <u>\$ -</u> | <u>\$ (126,967)</u> | <u>\$ (128,497)</u> | <u>\$ (16,633)</u> | <u>\$ -</u> | <u>\$ (272,097)</u> |
| Carrying amounts at December 31, 2015 | <u>\$ 146,218</u> | <u>\$ 39,606</u> | <u>\$ 101,298</u> | <u>\$ 9,375</u> | <u>\$ 36,120</u> | <u>\$ 332,617</u> |

(Concluded)

For the year ended December 31, 2014

| | Land | Buildings | Machinery and Equipment | Others | Construction in Progress and Equipment to be Inspected | Total |
|---------------------------------------|-------------------|---------------------|-------------------------|--------------------|--|---------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2014 | \$ 146,218 | \$ 170,749 | \$ 267,387 | \$ 23,819 | \$ 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>\$ 24,397</u> | <u>\$ 29,826</u> | <u>\$ 620,886</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2014 | \$ - | \$ (116,500) | \$ (131,637) | \$ (13,766) | \$ - | \$ (261,903) |
| Depreciation expenses | - | (8,024) | (24,721) | (1,602) | - | (34,347) |
| Disposal | - | 1,910 | 26,475 | 91 | - | 28,476 |
| Balance at December 31, 2014 | <u>\$ -</u> | <u>\$ (122,614)</u> | <u>\$ (129,883)</u> | <u>\$ (15,277)</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>\$ 9,120</u> | <u>\$ 29,826</u> | <u>\$ 353,112</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 | 5-15 years |
| Others | 3-15 years |

For the Year Ended December 31

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS

| | 2015 | 2014 |
|--|------------------|-----------------|
| Acquisition of in property, plant and equipment | \$ 31,247 | \$ 5,459 |
| Capitalized interest | (1,118) | (926) |
| Increase in prepayments for equipment | 809 | 5,086 |
| Increase in payable for purchased equipment | <u>(2,793)</u> | <u>(1,506)</u> |
| Cash paid for acquisition of property, plant and equipment | <u>\$ 28,145</u> | <u>\$ 8,113</u> |

12. 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.

13. OTHER PAYABLES

| | <u>December 31</u> | |
|--|--------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| Payable for pension | \$ 31,369 | \$ 798 |
| Payable for purchase on subsidiaries' behalf | 13,497 | 17,869 |
| Payable for purchase of equipment | 11,232 | 8,439 |
| Salaries or bonus | 4,883 | 13,263 |
| Payable for annual leave | 2,763 | 2,738 |
| Payable for professional service fees | 2,459 | 2,364 |
| Payable for bonus to employees and remuneration to directors and supervisors | - | 5,680 |
| Others | <u>13,616</u> | <u>14,254</u> |
| | <u>\$ 79,819</u> | <u>\$ 65,405</u> |

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

14. LONG-TERM BORROWINGS

| | <u>December 31</u> | |
|----------------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Unsecured borrowings | <u>\$ 1,262,500</u> | <u>\$ 1,235,000</u> |
| Commercial paper payable | 200,000 | 200,000 |
| Less: Unamortized discount | <u>325</u> | <u>385</u> |
| | <u>199,675</u> | <u>199,615</u> |
| | 1,462,175 | 1,434,615 |
| Less: Current portion | <u>303,425</u> | <u>582,500</u> |
| | <u>\$ 1,158,750</u> | <u>\$ 852,115</u> |

Under the loan agreements with partial bank, the Company should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2015 and 2014, the Company was in compliance with the above mentioned financial ratio requirements stated in the loan agreements with the banks.

The Company had sufficient long term credit facility obtained before December 31, 2015 to refinance a portion of the loans on a long-term basis. Therefore, \$450,000 thousand was not classified as current portion of long-term borrowings as of December 31, 2015.

a. Unsecured borrowings

| | <u>December 31</u> | |
|------------------------|--------------------|-------------------|
| | 2015 | 2014 |
| Borrowings | \$ 1,262,500 | \$ 1,235,000 |
| Less: Current portion | <u>303,425</u> | <u>582,500</u> |
| Long-term borrowings | <u>\$ 959,075</u> | <u>\$ 652,500</u> |
| Interest rate P.A. (%) | 1.76-2.10 | 1.66-2.20 |

b. Long-term commercial paper payable

The commercial paper was issued by International Bill Finance Corporation, its credit lines was granted by TC bank as of December 31, 2015 and 2014, the annual interest rate were both at 1.20%, it will be repaid a lump sum in February, 2016.

15. 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. Based on the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute 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. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | 2015 | 2014 |
| Present value of defined benefit obligation | \$ 93,117 | \$ 94,962 |
| Fair value of plan assets | <u>(16,908)</u> | <u>(19,631)</u> |
| Deficit | 76,209 | 75,331 |
| Classified under other payables | <u>(30,582)</u> | <u>-</u> |
| Net defined benefit liability | <u>\$ 45,627</u> | <u>\$ 75,331</u> |

Movements in net defined benefit liability were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|---|--|--|--|
| Balance at January 1, 2014 | <u>\$ 105,313</u> | <u>\$ (23,524)</u> | <u>\$ 81,789</u> |
| Service cost | | | |
| Current service cost | 1,388 | - | 1,388 |
| Net interest expense (income) | <u>1,318</u> | <u>(307)</u> | <u>1,011</u> |
| Recognized in profit or loss | <u>2,706</u> | <u>(307)</u> | <u>2,399</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (280) | (280) |
| Actuarial gain - experience adjustments | <u>(6,260)</u> | <u>-</u> | <u>(6,260)</u> |
| Recognized in other comprehensive income | <u>(6,260)</u> | <u>(280)</u> | <u>(6,540)</u> |
| Contributions from the employer | <u>-</u> | <u>(2,317)</u> | <u>(2,317)</u> |
| Benefits paid | <u>(6,797)</u> | <u>6,797</u> | <u>-</u> |
| Balance at December 31, 2014 | <u>94,962</u> | <u>(19,631)</u> | <u>75,331</u> |
| Service cost | | | |
| Current service cost | 1,251 | - | 1,251 |
| Net interest expense (income) | <u>1,187</u> | <u>(257)</u> | <u>930</u> |
| Recognized in profit or loss | <u>2,438</u> | <u>(257)</u> | <u>2,181</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (263) | (263) |
| Actuarial gain - experience adjustments | <u>1,168</u> | <u>-</u> | <u>1,168</u> |
| Recognized in other comprehensive income | <u>1,168</u> | <u>(263)</u> | <u>905</u> |
| Contributions from the employer | <u>-</u> | <u>(2,208)</u> | <u>(2,208)</u> |
| Benefits paid | <u>(5,451)</u> | <u>5,451</u> | <u>-</u> |
| Balance at December 31, 2015 | <u>\$ 93,117</u> | <u>\$ (16,908)</u> | <u>\$ 76,209</u> |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|-----------------|
| | 2015 | 2014 |
| Operating costs | \$ 667 | \$ 732 |
| Marketing expenses | 239 | 260 |
| General and administrative expenses | 848 | 942 |
| Research and development expenses | <u>427</u> | <u>465</u> |
| | <u>\$ 2,181</u> | <u>\$ 2,399</u> |

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

| | <u>December 31</u> | |
|--------------------------------------|--------------------|-------------|
| | 2015 | 2014 |
| Discount rate (%) | 1.25 | 1.25 |
| Expected rate of salary increase (%) | 1.20 | 1.20 |

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

| | December 31, 2015 |
|----------------------------------|------------------------------|
| Discount rate | |
| 0.25% increase | <u>\$ (2,049)</u> |
| 0.25% decrease | <u>\$ 2,132</u> |
| Expected rate of salary increase | |
| 1% increase | <u>\$ 9,032</u> |
| 1% decrease | <u>\$ (7,785)</u> |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| | <u>December 31</u> | |
|--|--------------------|-----------------|
| | 2015 | 2014 |
| The expected contributions to the plan for the next year | <u>\$ 32,334</u> | <u>\$ 1,786</u> |
| The average duration of the defined benefit obligation | 13 years | 14 years |

16. EQUITY

a. Capital Stock

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| 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>169,200</u> | <u>171,598</u> |
| Shares issued | <u>\$ 1,692,000</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.

For the year ended December 31, 2015, the decrease in shares due to buy-back and cancellation of treasury shares, see Note 16 (e) for the information.

b. Capital Surplus

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> | | |
| Arising from issuance of common shares | \$ 266,411 | \$ 270,187 |
| Arising from treasury share transactions | <u>4,904</u> | <u>-</u> |
| | <u>\$ 271,315</u> | <u>\$ 270,187</u> |

The capital surplus 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 be 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 stockholders 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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 10, 2015 and are subject to the resolution of the stockholders in their meeting to be held on June 22, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to (e). Employee benefits expense in Note 17.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

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 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 shareholders 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 for 2014 and 2013 have been approved in the stockholders' meetings on June 15, 2015 and June 19, 2014, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|----------------|----------------------------------|-----------------|-----------------------------------|-------------|
| | For the Year Ended | | For the Year Ended | |
| | December 31 | | December 31 | |
| | 2014 | 2013 | 2014 | 2013 |
| Legal reserve | \$ 8,784 | \$ 1,472 | | |
| Cash dividends | <u>34,320</u> | <u>-</u> | \$ 0.2 | \$ - |
| | <u>\$ 43,104</u> | <u>\$ 1,472</u> | | |

The deficit compensation for 2015 are subject to the resolution of the stockholders' meeting to be held on June 22, 2016.

d. Other Equity Items

1) Exchange differences on translating the financial statements of foreign operations

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------|
| | 2015 | 2014 |
| Balance at January 1 | \$ 390,801 | \$ 269,135 |
| Exchange differences arising on translating the financial statements of foreign operations | 135,009 | 210,156 |

(Continued)

| | For the Year Ended December 31 | |
|--|---------------------------------------|----------------------------------|
| | 2015 | 2014 |
| Related income tax | \$ (22,952) | \$ - |
| Share of exchange difference of subsidiaries accounted for using the equity method | (187,504) | (88,490) |
| Related income tax | <u>31,876</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 347,230</u> | <u>\$ 390,801</u> (Concluded) |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------|
| | 2015 | 2014 |
| Balance at January 1 | \$ - | \$ 777 |
| Unrealized gain/(loss) arising on revaluation of available-for-sale financial assets | 2,780 | (2,994) |
| Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets | (3,028) | 2,207 |
| Related income tax | - | 10 |
| Share of unrealized gain on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method | <u>(30)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ (278)</u> | <u>\$ -</u> |

3) Remeasurement of defined benefit plans

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2015 | 2014 |
| Balance at January 1 | \$ 8,171 | \$ 2,743 |
| Remeasurement of defined benefit plans | (905) | 6,540 |
| Related income tax | <u>154</u> | <u>(1,112)</u> |
| Balance at December 31 | <u>\$ 7,420</u> | <u>\$ 8,171</u> |

e. Treasury Shares - Only 2015

In 2015, the Company bought back and cancelled treasury shares of 2,398 thousand shares with \$22,852 thousand, and generated capital surplus of \$4,904 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

17. INCOME BEFORE INCOME TAX AND OTHER COMPREHENSIVE INCOME (LOSS)

Income before income tax was as follows:

a. Other income

| | For the Year Ended December 31 | |
|-----------------|---------------------------------------|------------------|
| | 2015 | 2014 |
| Interest income | \$ 4,354 | \$ 4,329 |
| Dividend income | 262 | 618 |
| Others | <u>20,471</u> | <u>15,981</u> |
| | <u>\$ 25,087</u> | <u>\$ 20,928</u> |

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2015 | 2014 |
| Foreign exchange gains, net | \$ 10,162 | \$ 17,501 |
| Gain (loss) on disposal of investments, net | (3,028) | 2,207 |
| Loss on disposal of property, plant and equipment, net | (35) | (464) |
| Valuation gain on financial instruments at fair value through profit or loss, net | <u>-</u> | <u>1,073</u> |
| | <u>\$ 7,099</u> | <u>\$ 20,317</u> |

c. Finance costs

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2015 | 2014 |
| Interest expense of borrowings | \$ 27,321 | \$ 28,635 |
| Less: Amounts included in the cost of qualifying assets | <u>1,118</u> | <u>926</u> |
| | <u>\$ 26,203</u> | <u>\$ 27,709</u> |

Information about capitalized interest was as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2015 | 2014 |
| Capitalized interest (classified under property, plant and equipment and prepayments for equipment) | \$ 1,118 | \$ 926 |
| Capitalization rate (%) | 1.81-2.03 | 1.58-2.18 |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2015 | 2014 |
| Property, plant and equipment | \$ 32,330 | \$ 34,347 |
| Other assets | <u>1,179</u> | <u>1,130</u> |
| | <u>\$ 33,509</u> | <u>\$ 35,477</u> |

Other assets were long-term prepayments for computer software, etc.

| | For the Year Ended December 31 | |
|--------------------------------------|---------------------------------------|------------------|
| | 2015 | 2014 |
| Analysis of depreciation by function | | |
| Operating costs | \$ 12,143 | \$ 13,998 |
| Operating expenses | <u>20,187</u> | <u>20,349</u> |
| | <u>\$ 32,330</u> | <u>\$ 34,347</u> |
| Analysis of amortization by function | | |
| General and administration expenses | \$ 579 | \$ 670 |
| Research and development expenses | <u>600</u> | <u>460</u> |
| | <u>\$ 1,179</u> | <u>\$ 1,130</u> |

e. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2015 | 2014 |
| Short-term employee benefits | | |
| Salary | \$ 76,265 | \$ 94,822 |
| Labor and health insurance | 8,324 | 8,862 |
| Others | <u>5,291</u> | <u>4,773</u> |
| | <u>89,880</u> | <u>108,457</u> |
| Post-employment benefits (Note 15) | | |
| Defined contribution plans | 3,120 | 3,252 |
| Defined benefit plans | <u>2,181</u> | <u>2,399</u> |
| | <u>5,301</u> | <u>5,651</u> |
| | <u>\$ 95,181</u> | <u>\$ 114,108</u> |
| Analysis of employee benefits expense by function | | |
| Operating costs | \$ 28,521 | \$ 31,384 |
| Operating expenses | <u>66,660</u> | <u>82,724</u> |
| | <u>\$ 95,181</u> | <u>\$ 114,108</u> |

The existing Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 3% and quota assignment, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$3,580 thousand and \$2,100 thousand, respectively, representing 4.5% and quota assignment, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles through directors board meeting held in November, 2015 of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 3% and no higher than \$4,000 thousand, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The Company had incurred net loss for the year ended December 31, 2015, hence, no compensation to employees and remuneration to directors and supervisors were accrued for the year. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by the Company's board of directors on March 25, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the stockholders in their meeting to be held on

June 22, 2016, and in addition thereto a report of such distribution shall be submitted to the stockholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual parent company only financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual parent company only financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 15, 2015 and June 19, 2014, respectively, were as follows:

| | Cash Dividends | |
|---|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2014 | 2013 |
| Bonus to employees | \$ 3,580 | \$ - |
| Remuneration of directors and supervisors | 2,100 | - |

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings and the amounts recognized in the parent company only financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the bonus to employees, directors and supervisors resolved by the shareholders' meeting are available on the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|------------------|
| | 2015 | 2014 |
| Foreign exchange gains | \$ 28,846 | \$ 36,091 |
| Foreign exchange losses | <u>(18,684)</u> | <u>(18,590)</u> |
| Net gain | <u>\$ 10,162</u> | <u>\$ 17,501</u> |

18. INCOME TAXES

a. The major components of income tax recognized in profit or loss

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------|
| | 2015 | 2014 |
| Current tax | | |
| In respect of the current year | \$ - | \$ 4 |
| Additional 10% income tax on unappropriated earnings | 344 | 1,325 |
| Adjustments for prior years | <u>(298)</u> | <u>(504)</u> |
| | <u>46</u> | <u>825</u> |

(Continued)

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------------------------|
| | 2015 | 2014 |
| Deferred tax | \$ (16,944) | \$ (5,430) |
| In respect of the current year | <u>-</u> | <u>(1,313)</u> |
| Adjustments for prior years | <u>(16,944)</u> | <u>(6,743)</u> |
| Income tax recognized in profit or loss | <u>\$ (16,898)</u> | <u>\$ (5,918)</u> (Concluded) |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2015 | 2014 |
| Income (loss) before income tax | <u>\$ (58,201)</u> | <u>\$ 81,520</u> |
| Income tax expense (income) at statutory rate | \$ (9,894) | \$ 13,862 |
| Tax-exempt income | (45) | (494) |
| Nondeductible expenses in determining taxable income | 557 | - |
| Temporary differences | (7,562) | (18,794) |
| Additional 10% income tax on unappropriated earnings | 344 | 1,325 |
| In respect of the prior years | <u>(298)</u> | <u>(1,817)</u> |
| Income tax income | <u>\$ (16,898)</u> | <u>\$ (5,918)</u> |

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

The Company had incurred net loss for the year ended December 31, 2015, thus there was no potential income tax consequences of 2015 unappropriated earnings.

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2015 | 2014 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Translation of foreign operations | \$ (22,952) | \$ - |
| Share of other comprehensive income of subsidiaries | 31,876 | - |
| Remeasurement on defined benefit plan | 154 | (1,112) |
| Arising on income and expenses reclassified from equity to profit or loss | | |
| On disposal of available-for-sale financial assets | <u>-</u> | <u>10</u> |
| Total income tax recognized in other comprehensive income | <u>\$ 9,078</u> | <u>\$ (1,102)</u> |

c. Current tax assets and liabilities\

| | December 31 | |
|-------------------------|--------------------|-----------------|
| | 2015 | 2014 |
| Current tax assets | | |
| Tax refund receivable | \$ <u>2,239</u> | \$ <u>2,185</u> |
| Current tax liabilities | | |
| Income tax payable | \$ <u>-</u> | \$ <u>942</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, 2015

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|--|---|---|---|---------------------------------|
| <u>Deferred Tax Assets</u> | | | | |
| Temporary differences | | | | |
| Defined benefit obligation | \$ 12,807 | \$ (4) | \$ 154 | \$ 12,957 |
| Unrealized deferred profit | 25,699 | 1,099 | - | 26,798 |
| Share of other comprehensive income of subsidiaries accounted for using the equity method | - | - | 31,876 | 31,876 |
| Translation of foreign operation | - | - | (22,952) | (22,952) |
| Foreign investment loss | 3,941 | 6,275 | - | 10,216 |
| Others | <u>2,083</u> | <u>131</u> | <u>-</u> | <u>2,214</u> |
| | 44,530 | 7,501 | 9,078 | 61,109 |
| Loss carryforwards | <u>3,001</u> | <u>9,541</u> | <u>-</u> | <u>12,542</u> |
| | <u>\$ 47,531</u> | <u>\$ 17,042</u> | <u>\$ 9,078</u> | <u>\$ 73,651</u> |
| <u>Deferred Tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Land value increment tax | \$ 7,398 | \$ - | \$ - | \$ 7,398 |
| Others | <u>886</u> | <u>98</u> | <u>-</u> | <u>984</u> |
| | <u>\$ 8,284</u> | <u>\$ 98</u> | <u>\$ -</u> | <u>\$ 8,382</u> |

For the year ended December 31, 2014

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|----------------------------|---|---|---|---------------------------------|
| <u>Deferred Tax Assets</u> | | | | |
| Temporary differences | | | | |
| Defined benefit obligation | \$ 13,904 | \$ 15 | \$ (1,112) | \$ 12,807 |
| Unrealized deferred profit | 21,669 | 4,030 | - | 25,699 |

(Continued)

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|--|---|---|---|---------------------------------|
| 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> |
| | 40,369 | 5,273 | (1,112) | 44,530 |
| Loss carryforwards | <u>1,163</u> | <u>1,838</u> | - | <u>3,001</u> |
| | <u>\$ 41,532</u> | <u>\$ 7,111</u> | <u>\$ (1,112)</u> | <u>\$ 47,531</u> |
| <hr/> | | | | |
| Deferred Tax liabilities | | | | |
| <hr/> | | | | |
| 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>886</u> |
| | <u>\$ 7,926</u> | <u>\$ 368</u> | <u>\$ (10)</u> | <u>\$ 8,284</u> (Concluded) |

e. Information about unused loss carryforwards and tax - exemption

Loss carryforwards as of December 31, 2015 comprised of:

| Unused Amount | Expiry Year |
|----------------------|--------------------|
| \$ 6,383 | 2022 |
| 10,796 | 2024 |
| <u>56,603</u> | 2025 |
| <u>\$ 73,782</u> | |

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

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$112,482 thousand and \$109,459 thousand, respectively.

g. Integrated income tax

| | December 31 | |
|---|--------------------|-------------------|
| | 2015 | 2014 |
| Unappropriated earnings | | |
| Unappropriated earnings generated before January 1, 1998 | \$ 6,684 | \$ 6,684 |
| Unappropriated earnings generated on and after January 1, 1998 | <u>339,803</u> | <u>424,210</u> |
| | <u>\$ 346,487</u> | <u>\$ 430,894</u> |
| Imputation credits accounts | <u>\$ 25,469</u> | <u>\$ 27,198</u> |

The creditable ratios for the distribution of earnings of 2015 and 2014 were 7.35% (estimate) and 6.56% (actual), respectively.

h. Income tax assessments

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

19. EARNINGS (NET LOSS) PER SHARE (EPS)

There's no diluted effect for the year ended December 31, 2015 for net loss incurred in the reporting year.

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

Net profit (loss) for the year ended

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|------------------|
| | 2015 | 2014 |
| Net profit (loss) used in the computation of basic / diluted earnings per share | <u>\$ (41,303)</u> | <u>\$ 87,438</u> |

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

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|----------------------|
| | 2015 | 2014 |
| Weighted average number of ordinary shares in computation of basic EPS | 170,949 | 171,598 |
| Effect of diluted potential ordinary shares Bonus to employee | <u> -</u> | <u> 292</u> |
| Weighted average number of ordinary shares used in the computation of diluted EPS | <u>170,949</u> | <u>171,890</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.

20. 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 14).

Management 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.

21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured 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.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|------------------|-------------|-------------|------------------|
| <u>December 31, 2015</u> | | | | |
| Available-for-sale financial assets | | | | |
| Domestic listed shares | \$ <u>12,612</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>12,612</u> |
| <u>December 31, 2014</u> : None. | | | | |

There were no transfers between Level 1 and Level 2 in 2015 and 2014.

- c. Categories of financial instruments

| | <u>December 31</u> | |
|-------------------------------------|--------------------|--------------|
| | 2015 | 2014 |
| <u>Financial assets</u> | | |
| Loans and receivables (Note 1) | \$ 855,174 | \$ 1,014,316 |
| Available-for-sale financial assets | 12,612 | - |
| <u>Financial liabilities</u> | | |
| Measured at amortized cost (Note 2) | 1,754,795 | 1,716,219 |

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 other financial assets-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).

- d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, notes receivable, accounts receivable, other financial assets, borrowings, notes payable and accounts payable. The Company's Corporate 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 had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing future accounts receivable and accounts payable of same foreign currency.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposing to foreign currency risk at the end of the reporting period are set out in Note 24.

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 number below indicates an increase (decrease) in pre-tax profit and other equity associated with the functional currency.

| | USD impact | | HKD impact | |
|----------------|---------------------------|-------------|---------------------------|-------------|
| | For the Year Ended | | For the Year Ended | |
| | December 31 | | December 31 | |
| | 2015 | 2014 | 2015 | 2014 |
| Profit or loss | \$ 2,527 | \$ 3,021 | \$ (1,369) | \$ (1,304) |

b) Interest rate risk

The Company was exposed to interest rate risk because 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.

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

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2015 | 2014 |
| Fair value interest rate risk | | |
| Financial liabilities | \$ 1,162,175 | \$ 1,174,615 |
| Cash flow interest rate risk | | |
| Financial assets | 245,258 | 335,260 |
| Financial liabilities | 300,000 | 260,000 |

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 year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting year 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, 2015 and 2014 would have been lower/ higher by \$547 thousand and higher/lower \$753 thousand, respectively, which was mainly a result of the changes in the floating rate bank demand deposits and borrowings.

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 8.

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.

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

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 |
|------------------------------------|---|---|-------------------|-------------------------------|---------------------|
| <u>December 31, 2015</u> | | | | | |
| Fixed interest rate liabilities | 1.79-2.09 | \$ 2,316 | \$ 3,098 | \$ 214,107 | \$ 966,990 |
| Variable interest rate liabilities | 1.76-2.10 | 781 | 831 | 102,828 | 201,734 |
| Non-interest bearing | | <u>29,748</u> | <u>155,840</u> | <u>96,045</u> | <u>-</u> |
| | | <u>\$ 32,845</u> | <u>\$ 159,769</u> | <u>\$ 412,980</u> | <u>\$ 1,168,724</u> |
| <u>December 31, 2014</u> | | | | | |
| Fixed interest rate liabilities | 1.66-2.02 | \$ 45,953 | \$ 128,123 | \$ 305,576 | \$ 720,892 |
| Variable interest rate liabilities | 1.90-2.20 | 15,781 | 25,754 | 82,635 | 141,474 |
| Non-interest bearing | | <u>85,336</u> | <u>109,056</u> | <u>61,997</u> | <u>-</u> |
| | | <u>\$ 147,070</u> | <u>\$ 262,933</u> | <u>\$ 450,208</u> | <u>\$ 862,366</u> |

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.

22. 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 | |
|--------------|---------------------------------------|---------------------------------------|------------------|
| | | 2015 | 2014 |
| Sales | Subsidiaries | <u>\$ 65,649</u> | <u>\$ 67,693</u> |

Accumulated unrealized gains on the transactions with the subsidiaries as of December 31, 2015 and 2014, were \$12,869 thousand and \$6,705 thousand, respectively.

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 | |
|-----------------------------------|---------------------------------------|-------------------|
| | 2015 | 2014 |
| Subsidiaries | <u>\$ 534,917</u> | <u>\$ 609,064</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 | |
|-----------------------------------|--------------------|-----------------|
| | 2015 | 2014 |
| Subsidiaries | <u>\$ 5,762</u> | <u>\$ 1,889</u> |

No expense was recognized for the years ended December 31, 2015 and 2014 for allowance for impaired receivables with respect to the amounts owed by related parties.

d. Payables to related parties

| Related Parties Categories | December 31 | |
|-----------------------------------|--------------------|-------------------|
| | 2015 | 2014 |
| Subsidiaries | <u>\$ 157,906</u> | <u>\$ 183,511</u> |

The outstanding trade payables from related parties are unsecured.

e. Other payable to related parties

| Related Parties Categories | December 31 | |
|-----------------------------------|--------------------|------------------|
| | 2015 | 2014 |
| Subsidiaries | <u>\$ 23,945</u> | <u>\$ 11,077</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 11, property, plant and equipment acquired from subsidiaries were as follows:

| Related Parties Categories | Price | |
|-----------------------------------|---------------------------------------|-----------------|
| | For the Year Ended December 31 | |
| | 2015 | 2014 |
| Subsidiaries | <u>\$ 3,046</u> | <u>\$ 2,947</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

| | For the Year Ended December 31 | | | |
|--------------|---------------------------------------|-------------------------|-----------------|-------------------------|
| | 2015 | | 2014 | |
| | Price | Gain on Disposal | Price | Gain on Disposal |
| Subsidiaries | <u>\$ 3,563</u> | <u>\$ 1,003</u> | <u>\$ 4,560</u> | <u>\$ 760</u> |

As of December 31, 2015 and 2014, the accumulated unrealized gains on the intercompany property transactions by selling to and purchasing on behalf of subsidiaries amounted to \$141,765 thousand and \$143,974 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, 2015 and 2014, the Company had sold franchise to subsidiaries, and the related accumulated unrealized gains from the company's sale of its franchise to subsidiaries amounted to \$750 thousand and \$718 thousand, respectively.

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)

| | December 31 | |
|--------------|--------------------|------------------|
| | 2015 | 2014 |
| Subsidiaries | <u>\$ 3,997</u> | <u>\$ 15,032</u> |

h. Loans to related parties (only December, 2015)

As of December 31, 2015, the loans (which was unsecured) to subsidiaries with annual interest rate at 2.10%, which approximated market interest rate, amounted to \$65,660 thousand (US\$2,000 thousand) (classified under other receivables - those from related parties). Interest receivable and interest income for foregoing loans were 404 thousand (US\$12 thousand).

i. Compensation of key management personnel

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2015 | 2014 |
| Short-term benefits (including salary and bonuses) | \$ 6,210 | \$ 6,244 |
| Post-employment benefits | <u>424</u> | <u>260</u> |
| | <u>\$ 6,634</u> | <u>\$ 6,504</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, Su, Tun-Li (served as the Company's supervisor before June, 2015), second-degree relatives of the company's chairman, Su, Tun-Yi and employment dormitory from director Yu Feng Investment Company under one-year operating lease contracts. The rentals for the years ended December 31, 2015 and 2014 were \$1,658 thousand and \$1,970 thousand, respectively, and were recorded as operating expenses and manufacturing cost.

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

The Company's chairman Su, Chung-Hong and Su, Tun-Li (served as the Company's supervisor before June, 2015) jointly provided the guarantee for the loans of the Company.

23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies, as of December 31, 2015 were as follows:

- a. The amounts of contracts for the Company purchases of properties and materials were \$67,861 thousand, of which \$37,155 thousand had not been paid.
- b. Under unused letters of credit for purchasing equipment and materials amounted to \$4,096 thousand.

24. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

| | Foreign Currencies | Exchange Rate | | Carrying Amount |
|---|-------------------------------|----------------------|-----------|----------------------------|
| <u>December 31, 2015</u> | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | \$ 7,823 | 32.830 | (USD:NTD) | \$ 256,818 |
| HKD | 9,625 | 4.238 | (HKD:NTD) | <u>40,790</u> |
| | | | | <u>\$ 297,608</u> |
| Non-monetary items | | | | |
| Investment subsidiaries accounted for using equity method | | | | |
| USD | 104,155 | 32.830 | (USD:NTD) | <u>\$ 3,419,396</u> |

(Continued)

| | Foreign Currencies | Exchange Rate | | Carrying Amount |
|---|-------------------------------|----------------------|-----------|----------------------------------|
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | \$ 126 | 32.830 | (USD:NTD) | \$ 4,143 |
| HKD | 41,932 | 4.238 | (HKD:NTD) | <u>177,709</u> |
| | | | | <u>\$ 181,852</u> |
| <u>December 31, 2014</u> | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | 9,679 | 31.630 | (USD:NTD) | \$ 306,135 |
| HKD | 14,747 | 4.080 | (HKD:NTD) | <u>60,170</u> |
| | | | | <u>\$ 366,305</u> |
| Non-monetary items | | | | |
| Investment subsidiaries accounted for using equity method | | | | |
| USD | 107,560 | 31.630 | (USD:NTD) | <u>\$ 3,402,111</u> |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 129 | 31.630 | (USD:NTD) | \$ 4,081 |
| HKD | 46,697 | 4.080 | (HKD:NTD) | <u>190,522</u> |
| | | | | <u>\$ 194,603</u> (Concluded) |

The significant unrealized foreign exchange gains (losses) were as follows:

| | Foreign Currencies | Exchange Rate | | Net Foreign Exchange Gain (Loss) |
|---|---------------------------|----------------------|--|---|
| For the Year Ended December 31, 2015 | | | | |
| USD | 32.830 | USD:NTD | | \$ (1,171) |
| HKD | 4.238 | HKD:NTD | | <u>3,165</u> |
| | | | | <u>\$ 1,994</u> |
| For the Year Ended December 31, 2014 | | | | |
| USD | 31.630 | USD:NTD | | \$ 3,926 |
| HKD | 4.080 | HKD:NTD | | <u>(3,521)</u> |
| | | | | <u>\$ 405</u> |

25. 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): Table 2 (attached).
- 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 3 (attached).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.
- 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 year, 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 year: Table 6 (attached).
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 6 (attached).
- 3) The amount of property transactions and the amount of the resultant gains or losses: Table 6 (attached).
- 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 year balance, the interest rates range, and total current year interest with respect to financing of funds: None.

- 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: Table 6 (attached).

26. 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.

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2015

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

| No. | Financing Company | Borrowing Company | Financial Statement Account | Related Parties | Maximum Balance for the Year | Ending Balance (Note 2) | Actual Borrowing Amount (Note 2) | 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 | \$ 63,000 (US\$ 2,000 thousand) | \$ - | \$ - | 2.80 | Short-term financing | \$ - | Operating capital | \$ - | \$ - | \$ - | \$ 600,567 (Note 1) | \$ 1,201,134 (Note 1) |
| | | Gem VN | Other receivables - related parties | Yes | 98,580 (US\$ 3,000 thousand) | 98,490 (US\$ 3,000 thousand) | 65,660 (US\$ 2,000 thousand) | 2.10 | Short-term financing | - | Operating capital | - | - | - | 600,567 (Note 1) | 1,201,134 (Note 1) |

Note 1: Under the Company's "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 stockholders' equity, and individual financing should not exceed 20 percent of the Company's stockholders' equity.

Note 2: The conversion rates on December 31, 2015 were US\$1.00: NT\$32.83.

GEM TERMINAL IND. CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | DECEMBER 31, 2015 | | | | Note |
|----------------------|--|---------------------------------------|---|-------------------|------------------|-------------------------|------------------|------|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| The Company | <u>Stock</u> | | | | | | | |
| | Chinatrust Financial Holding Co., Ltd. | - | Available-for-sale financial assets - current | 290,000 | \$ 4,901 | - | \$ 4,901 | |
| | Shin Kong Financial Holding Co., Ltd. | - | Available-for-sale financial assets - current | 507,114 | 3,626 | - | 3,626 | |
| | Cathay Financial Holding Co., Ltd. | - | Available-for-sale financial assets - current | 55,000 | 2,546 | - | 2,546 | |
| | Taishin Financial Holding Co., Ltd. | - | Available-for-sale financial assets - current | 135,000 | <u>1,539</u> | - | <u>1,539</u> | |
| | | | | | <u>\$ 12,612</u> | | <u>\$ 12,612</u> | |

GEM TERMINAL IND. CO., LTD.

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, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | 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 |
| the Company | Genius (HK) | Subsidiary | Purchases | \$ (455,226) (HK\$ -111,087 thousand) (Note 1) | (74) | 120 days after monthly closing | No comparable transactions with those in the market | No comparable transactions with those in the market | \$ (153,763) (HK\$ -36,282 thousand) (Note 2) | (81) | |

Note 1: The average conversion rate for 2015 were HK\$1.0000: NT\$4.0967.

Note 2: The conversion rates on December 31, 2015 were HK\$1.0000: NT\$4.238.

GEM TERMINAL IND. CO., LTD.

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (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, 2015 | | | Net Income (Loss) of the Investee | Share of Profit(Loss) | Earnings Appropriation | | Note |
|------------------|-----------------------|------------------------------|--|---|---|---------------------------------|-------------------------|---------------------|-----------------------------------|-----------------------|------------------------|------|------|
| | | | | December 31, 2015 (Foreign Currencies in Thousands) | December 31, 2014 (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) | 40,137,814 | 100 | \$ 3,089,371 | \$ 24,394 | \$ 24,711 | \$ - | \$ - | |
| | GEM Terminal (Cayman) | Grand Cayman, Cayman Islands | International investment | 275,167 (US\$ 8,998) | 210,367 (US\$ 7,010) | 8,998,333 | 100 | 267,105 | (7,437) | (7,437) | - | - | |
| | Genius Terminal | British Virgin Islands | International investment and trading, etc. | 23,282 (US\$ 750) | 23,282 (US\$ 750) | 750,000 | 100 | 62,920 | (8,309) | (8,309) | - | - | |
| | | | | | | | | <u>\$ 3,419,396</u> | <u>\$ 8,648</u> | <u>\$ 8,965</u> | | | |

GEM TERMINAL IND. CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015

(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, 2015 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015 | Net Income (Loss) of the Investee | % of Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2015 (Notes 1) | Accumulated Repatriation of Investment Income as of December 31, 2015 |
|------------------|---|--|--|---|------------------|--|---|-----------------------------------|---|---------------------------------|---|---|
| | | | | | 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. | \$ 846,572 (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) | \$ 36,902 (US\$ 400 thousand) | 100 | \$ 3,075 (US\$ 96 thousand) | \$ 1,107,812 (US\$ 33,744 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. | 1,252,267 (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) | 31,449 (US\$ 969 thousand) | 100 | 24,215 (US\$ 747 thousand) | 2,117,876 (US\$ 64,510 thousand) | - |
| | | | | | | <hr/> \$ 1,193,450 (US\$ 37,159 thousand) | | | | | | |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015 | 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) | \$1,861,461 (US\$56,700 thousand) | \$1,801,702 |

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.

GEM TERMINAL IND. CO., LTD.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Transaction Type | Price | Transaction Details | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss | Note |
|----------------|---|----------|--------------------------------|---|-------------------------------------|---|------------------------|------|
| | | | Payment Term | Comparison with Normal Transaction | Ending Balance | % | | |
| GEM (Dongguan) | Property, plant, and equipment for sale | \$ 1,966 | 120 days after monthly closing | No comparable transactions with those in the market | \$ - | - | \$ 647 | |
| GEM (Suzhou) | Purchase | 22,434 | 120 days after monthly closing | No comparable transactions with those in the market | 2,067 | 1 | (411) | |
| | Sales | 23,702 | 120 days after monthly closing | No comparable transactions with those in the market | - | - | 4,692 | |
| | Property, plant, and equipment for sale | 53,157 | 120 days after monthly closing | No comparable transactions with those in the market | 2,530 | 3 | 15,314 | |