

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

**Consolidated Financial Statements for the
Years Ended December 31, 2015 and 2014 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of GEM Terminal Ind. Co., Ltd. as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, GEM Terminal Ind. Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GEM Terminal Ind. Co., Ltd.

By

Su, Chung - Hong
Chairman of the board

March 25, 2016

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of GEM Terminal Ind. Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015, December 31, 2014 and January 1, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015, December 31, 2014 and January 1, 2014, and their consolidated financial performance and their consolidated 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 and 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").

As discussed in Note 3 to the accompanying consolidated financial statements, starting from January 1, 2015, the Group applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the IFRS, IAS, IFRIC and SIC endorsed by the FSC. Therefore, some items in the consolidated financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2015 and 2014 on which we have issued a modified unqualified report.

March 25, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated financial performance and consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

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

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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)	\$ 1,323,316	22	\$ 1,269,649	20	\$ 1,684,855	28	Short-term borrowings (Notes 16 and 25)	\$ 659,626	11	\$ 691,574	11	\$ 654,451	11
Financial assets at fair value through profit or loss - current (Note 4)	-	-	-	-	12,292	-	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	-	-	314	-
Available-for-sale financial assets - current (Notes 4 and 7)	13,173	-	-	-	42,950	1	Notes payable (Note 14)	248,075	4	213,985	4	93,220	2
Notes receivable (Notes 4, 5 and 8)	151,493	3	241,837	4	238,907	4	Accounts payable (Note 14)	269,353	5	357,126	6	355,216	6
Accounts receivable, net (Notes 4, 5 and 8)	982,557	16	1,033,755	17	1,105,315	19	Other payables (Notes 15 and 17)	225,671	4	208,145	3	194,721	3
Other receivables	414	-	20,037	-	10,542	-	Current tax liabilities (Notes 4 and 20)	15,517	-	14,192	-	5,245	-
Current tax assets (Notes 4 and 20)	2,239	-	2,185	-	3,283	-	Long-term borrowings - current portion (Notes 16 and 25)	303,425	5	582,500	9	570,833	10
Inventories (Notes 4, 5 and 10)	579,481	10	803,091	13	590,151	10	Other current liabilities (Note 4)	3,816	-	3,946	-	4,764	-
Other financial assets - current (Notes 4, 9 and 25)	500,551	8	472,142	8	126,172	2	Total current liabilities	1,725,483	29	2,071,468	33	1,878,764	32
Other current assets (Notes 13 and 25)	98,955	2	93,270	1	96,643	2	NONCURRENT LIABILITIES						
Total current assets	3,652,179	61	3,935,966	63	3,911,110	66	Long-term borrowings (Notes 16 and 25)	1,158,750	19	852,115	14	984,566	17
NONCURRENT ASSETS							Deferred income tax liabilities (Notes 4 and 20)	97,977	1	88,246	2	73,048	1
Property, plant and equipment (Notes 4, 5, 12, 25 and 26)	2,077,070	34	2,090,034	34	1,789,424	30	Net defined benefit liabilities (Notes 4, 5 and 17)	45,627	1	75,331	1	81,789	1
Deferred income tax assets (Notes 4, 5 and 20)	95,441	2	67,731	1	58,887	1	Total noncurrent liabilities	1,302,354	21	1,015,692	17	1,139,403	19
Prepayments for equipment (Note 26)	93,749	1	31,702	-	108,345	2	Total liabilities	3,027,837	50	3,087,160	50	3,018,167	51
Refundable deposits - noncurrent (Notes 4 and 9)	3,337	-	3,360	-	1,831	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18)						
Long-term prepaid rent (Notes 13 and 25)	101,016	2	95,946	2	72,747	1	Ordinary shares	1,692,000	28	1,715,980	28	1,715,980	29
Other non-current assets	7,881	-	8,332	-	7,979	-	Capital surplus	271,315	5	270,187	4	270,187	4
Total noncurrent assets	2,378,494	39	2,297,105	37	2,039,213	34	Retained earnings						
							Legal reserve	338,662	5	329,878	5	328,406	5
							Unappropriated earnings	346,487	6	430,894	7	344,928	6
							Total retained earnings	685,149	11	760,772	12	673,334	11
							Other equity	354,372	6	398,972	6	272,655	5
							Total equity	3,002,836	50	3,145,911	50	2,932,156	49
TOTAL	\$ 6,030,673	100	\$ 6,233,071	100	\$ 5,950,323	100	TOTAL	\$ 6,030,673	100	\$ 6,233,071	100	\$ 5,950,323	100

The accompanying notes are an integral part of the consolidated financial statements.

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

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 29)	\$ 3,728,264	100	\$ 3,945,079	100
OPERATING COSTS (Notes 10, 17, 19 and 24)	<u>3,385,665</u>	<u>91</u>	<u>3,417,920</u>	<u>87</u>
GROSS PROFIT	<u>342,599</u>	<u>9</u>	<u>527,159</u>	<u>13</u>
OPERATING EXPENSES (Notes 17, 19 and 24)				
Marketing	136,032	4	138,261	4
General and administrative	201,617	5	209,790	5
Research and development	<u>42,100</u>	<u>1</u>	<u>33,796</u>	<u>1</u>
Total operating expenses	<u>379,749</u>	<u>10</u>	<u>381,847</u>	<u>10</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(37,150)</u>	<u>(1)</u>	<u>145,312</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 19)				
Other income	29,400	1	27,443	1
Other gains and losses	25,750	-	12,665	-
Finance costs	<u>(46,568)</u>	<u>(1)</u>	<u>(45,748)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>8,582</u>	<u>-</u>	<u>(5,640)</u>	<u>-</u>
CONSOLIDATED INCOME (LOSS) BEFORE INCOME TAX	(28,568)	(1)	139,672	3
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(12,735)</u>	<u>-</u>	<u>(52,234)</u>	<u>(1)</u>
CONSOLIDATED NET INCOME (LOSS)	<u>(41,303)</u>	<u>(1)</u>	<u>87,438</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(905)	-	6,540	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	154	-	(1,112)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(52,495)	(1)	121,666	3

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GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Net Loss) Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
Unrealized loss on available-for-sale financial assets	\$ (288)	-	\$ (787)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>8,934</u>	<u>-</u>	<u>10</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(44,600)</u>	<u>(1)</u>	<u>126,317</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (85,903)</u>	<u>(2)</u>	<u>\$ 213,755</u>	<u>5</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ (41,303)</u>	<u>(1)</u>	<u>\$ 87,438</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ (85,903)</u>	<u>(2)</u>	<u>\$ 213,755</u>	<u>5</u>
EARNINGS (NET LOSS) PER SHARE (Note 21)				
Basic	<u>\$ (0.24)</u>		<u>\$ 0.51</u>	
Diluted	<u>\$ (0.24)</u>		<u>\$ 0.51</u>	

The accompanying notes are an integral part of the consolidated financial statements.

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

(Concluded)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity					
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefit Plans	Total	Treasury shares	Total Equity
	Shares (In Thousands)	Amount			Unappropriated Earnings	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 18)												
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 18)												
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 18)	-	-	-	-	-	-	-	-	-	-	(22,852)	(22,852)
Cancellation of treasury shares (Note 18)	(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 consolidated financial statements.

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

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income (loss) before income tax	\$ (28,568)	\$ 139,672
Adjustments for:		
Depreciation expense	268,722	237,386
Amortization expense	4,761	4,104
Allowance (reversal of allowance) for doubtful accounts	(4,113)	386
Valuation gain on financial instruments at fair value through profit or loss, net	-	(1,073)
Finance costs	46,568	45,748
Interest income	(18,896)	(25,263)
Dividend income	(952)	(618)
Loss on disposal of property, plant and equipment, net	7,678	7,020
Loss (gain) on sale of investments, net	4,609	(2,207)
Write-down of inventories	6,613	-
Other non-cash items	3,073	5,716
Changes in operating assets and liabilities		
Financial assets held for trading	-	5,289
Notes receivable	90,344	(2,930)
Accounts receivable	55,295	70,543
Other receivables	19,623	(22,011)
Inventories	217,387	(214,051)
Other current assets	(11,506)	10,767
Financial liabilities held for trading	-	(4,808)
Notes payable	34,090	120,765
Accounts payable	(87,773)	1,910
Other payables	(14,729)	(174)
Other current liabilities	662	(934)
Net defined benefit liabilities	(27)	82
Cash generated from operations	<u>592,861</u>	<u>375,319</u>
Interest received	20,852	25,631
Income tax paid	<u>(23,202)</u>	<u>(36,937)</u>
Net cash generated from operating activities	<u>590,511</u>	<u>364,013</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	(1,037,926)	(134,434)
Proceeds from disposal of available-for-sale financial assets	1,019,902	178,869
Acquisition of property, plant and equipment	(372,588)	(445,107)
Proceeds from disposal of property, plant and equipment	169	3,980
Increase in other financial assets	(28,386)	(347,499)
Increase in other noncurrent assets	(9,076)	(24,553)
Dividend received	<u>952</u>	<u>618</u>
Net cash used in investing activities	<u>(426,953)</u>	<u>(755,556)</u>

(Continued)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 1,363,853	\$ 2,538,700
Decrease in short-term borrowings	(1,399,410)	(2,532,117)
Increase in long-term borrowings	610,000	1,250,000
Repayment of long-term borrowings	(582,500)	(1,370,833)
Cash dividend	(34,320)	-
Payments for buy-back of ordinary shares	(22,852)	-
Interest paid	<u>(53,546)</u>	<u>(53,368)</u>
Net cash used in financing activities	<u>(118,775)</u>	<u>(167,618)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>8,884</u>	<u>143,955</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	53,667	(415,206)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,269,649</u>	<u>1,684,855</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,323,316</u>	<u>\$ 1,269,649</u>

The accompanying notes are an integral part of the consolidated financial statements.

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

(Concluded)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated 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 traded on the Taiwan Stock Exchange since September 2001.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated 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 INTERNATIONAL STANDARDS

- 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 and its subsidiaries (collectively, the “Group”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the 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 Group’s accounting policies:

- 1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Group considers whether it has control over other

entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive, please refer to Note 11 for related disclosures.

3) 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 23 for related disclosures.

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

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

The Group retrospectively apply 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 and unrealized gains (loss) on available-for-sale financial assets. However, the application of the above amendments will not have in 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.

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all 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. The remeasurements of defined benefit plans is presented separately as 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 Group elects not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact in 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 income tax assets	\$ 69,322	\$ (1,591)	\$ 67,731
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	<u>\$ 3,138,142</u>	<u>\$ 7,769</u>	<u>\$ 3,145,911</u>
<u>January 1, 2014</u>			
Deferred income tax assets	\$ 59,449	\$ (562)	\$ 58,887
Accrued pension liabilities	\$ 85,094	\$ (85,094)	\$ -
Net defined benefit liabilities	\$ -	\$ 81,789	\$ 81,789
Other equity	\$ 269,912	\$ 2,743	\$ 272,655
Equity	<u>\$ 2,929,413</u>	<u>\$ 2,743</u>	<u>\$ 2,932,156</u>
<u>Impact on total comprehensive income for the year ended December 31, 2014</u>			
Operating costs	\$ 3,417,772	\$ 148	\$ 3,417,920
Operating expenses	\$ 381,510	\$ 337	\$ 381,847
Income tax	\$ 52,317	\$ (83)	\$ 52,234
Total effect on net income for the year	<u>\$ 87,840</u>	<u>\$ (402)</u>	<u>\$ 87,438</u>
Items that will not be reclassified subsequently 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	<u>\$ 120,889</u>	<u>\$ 5,428</u>	<u>\$ 126,317</u>
Total effect on total comprehensive income for the year	<u>\$ 208,729</u>	<u>\$ 5,026</u>	<u>\$ 213,755</u>
<u>Impact on earnings per share for the year ended December 31, 2014</u>			
Basic	\$ 0.51	\$ -	\$ 0.51
Diluted	\$ 0.51	\$ -	\$ 0.51

6) 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 the Group 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 consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

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 Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group 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

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
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
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
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 are 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, whenever applied, would not have any material impact on the Group’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 Group’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 of 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 Group 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 Group 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 Group 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) 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 Group 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. On the consolidated statements of comprehensive income, the Group 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 consolidated 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 Group as lessor.

When IFRS 16 becomes effective, the Group 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.

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

The amendment clarifies that whether to recognize a deferred tax asset, the Group 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 Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS as endorsed by the FSC.

b. Basis of preparation

The consolidated 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.

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 Group 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. Basis of Consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

2) Subsidiary included in consolidated financial statements

See Note 11, table 5 and 6 for the detailed information of subsidiaries (including percentage of ownership and main business).

e. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the 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.

f. Inventories

Inventories consist of 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 adjusted to approximate weighted-average cost on the balance sheet date.

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 year, 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 Group 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 Group 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 an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial 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 Group's right to receive the dividends is established.

iii Loans and receivables

Loans and receivables (including cash and cash equivalent, notes receivable, accounts receivable, other receivables, and 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 year. 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 Group'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 Group 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 entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

3) Financial liabilities

Subsequent measurement

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

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 flow 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 Group 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 reliable 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group 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 Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group 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 Group 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 Group 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 Group 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 remeasurement) 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. Remeasurement, 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. Remeasurement 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 Group'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 consolidated 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 Group 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 Group 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 Group 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 Group 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 allowed for doubtful account was described 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 \$579,481 thousand, \$803,091 thousand, respectively.

c. Useful lives and impairment of property, plant and equipment

As described in Note 4 g. “Summary of Significant Accounting Policies”, the Group 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 of impairment losses.

As of December 31, 2015 and 2014, the carrying amount of property, plant and equipment were \$2,077,070 thousand, \$2,090,034 thousand, respectively.

d. Realizability of deferred income tax assets

Deferred income 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 income tax assets requires the Group’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 income tax assets.

As of December 31, 2015 and 2014, the deferred income tax assets were \$95,441 thousand and \$67,731 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, respectively.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2015	2014
Cash on hand	\$ 2,153	\$ 2,593
Checking accounts and demand deposits	956,573	710,489
Cash equivalent		
Time deposits with original maturities less than 3 months	<u>364,590</u>	<u>556,567</u>
	<u>\$ 1,323,316</u>	<u>\$ 1,269,649</u>

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

	<u>December 31</u>	
	2015	2014
Time deposits (%)	0.77-2.05	0.86-3.05

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31, 2015
Domestic listed shares	\$ 12,612
Foreign listed shares	<u>561</u>
	<u>\$ 13,173</u>

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	2015	2014
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 151,493</u>	<u>\$ 241,837</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 995,277	\$ 1,050,572
Less: Allowance for doubtful accounts	<u>12,720</u>	<u>16,817</u>
	<u>\$ 982,557</u>	<u>\$ 1,033,755</u>

a. Accounts receivable

The average credit period of sales of goods was 30-120 days. The Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting year. The Group 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:

	December 31	
	2015	2014
Not past due	\$ 907,945	\$ 938,961
Past due 1-60 days	82,916	97,472
Past due 61-90 days	1,409	10,019
Past due 91-180 days	22	468
Past due over 181 days	<u>2,985</u>	<u>3,652</u>
	<u>\$ 995,277</u>	<u>\$ 1,050,572</u>

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

	Collectively Assessed for Impairment	
	Year Ended December 31	
	2015	2014
Balance, beginning of year	\$ 16,817	\$ 15,800
Allowance (reversal of allowance) for doubtful accounts	(4,113)	386
Foreign exchange translation gain	<u>16</u>	<u>631</u>
Balance, end of year	<u>\$ 12,720</u>	<u>\$ 16,817</u>

b. Credit risk of notes and accounts receivable

The Group'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.

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>\$ 214,699</u>	<u>\$ 207,294</u>

9. OTHER FINANCIAL ASSET

	December 31	
	2015	2014
Time deposits with original maturities more than 3 months	\$ 270,358	\$ 268,897
Pledge time deposits	230,048	202,727
Refundable deposits	<u>3,482</u>	<u>3,878</u>
	<u>\$ 503,888</u>	<u>\$ 475,502</u>

(Continued)

	December 31	
	2015	2014
Current	\$ 500,551	\$ 472,142
Non-current	<u>3,337</u>	<u>3,360</u>
	<u>\$ 503,888</u>	<u>\$ 475,502</u>

(Concluded)

The pledge information of other financial assets refer to Note 25.

10. INVENTORIES

	December 31	
	2015	2014
Finished goods	\$ 295,559	\$ 400,059
Raw materials	133,088	206,986
Work in process	91,640	130,916
Supplies	<u>59,194</u>	<u>65,130</u>
	<u>\$ 579,481</u>	<u>\$ 803,091</u>

The cost of inventories recognized as costs of goods sold were \$3,385,665 thousand and \$3,417,920 thousand in 2015 and 2014, respectively, which included inventory write-downs of \$6,613 thousands as of December 31, 2015.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership	
			December 31, 2015	December 31, 2014
The Company	Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	Note 1	100	100
	Genius Terminal Co., Ltd. (Genius Terminal)	Notes 1 and 2	100	100
	GEM Terminal (Cayman) Co., Ltd. (GEM Terminal (Cayman))	Note 1	100	100
Global (Cayman)	Vibo Gem International Co., Ltd. (Vibo)	Notes 1 and 2	100	100
	Global Electronics Terminal (HK) Co., Ltd. (Global (HK))	Note 2	100	100
Genius Terminal	Genius Terminal (HK) Ltd. (Genius (HK))	Note 2	100	100
GEM Terminal (Cayman)	Vietnam Gem Electronic and Metal Co., Ltd (GEM (VN))	Notes 3 and 4	100	100
Vibo	Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM (Suzhou))	Note 3	100	100
	Dongguan Gem Electronics & Metal Co., Ltd. (GEM (Dongguan))	Note 3	100	100

Note 1: International investment.

Note 2: International trading

Note 3: Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.

Note 4: Rui Zhan Hardware VN Co., Ltd changed its name to Vietnam Gem Electronic and Metal Co., Ltd in September, 2015.

12. 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	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2015	\$ 146,218	\$ 815,421	\$ 1,808,955	\$ 60,349	\$ 572,592	\$ 348,780	\$ 3,752,315
Additions	-	4,416	37,720	331	12,602	264,183	319,252
Disposal	-	(3,891)	(56,713)	(981)	(6,845)	-	(68,430)
Reclassification	-	1,569	115,756	1,140	104,376	(222,462)	379
Effect of foreign currency exchange differences	-	(11,729)	(104,481)	(929)	(13,205)	8,022	(122,322)
Balance at December 31, 2015	<u>\$ 146,218</u>	<u>\$ 805,786</u>	<u>\$ 1,801,237</u>	<u>\$ 59,910</u>	<u>\$ 669,520</u>	<u>\$ 398,523</u>	<u>\$ 3,881,194</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2015	\$ -	\$ (363,984)	\$ (933,576)	\$ (44,764)	\$ (319,957)	\$ -	\$ (1,662,281)
Depreciation expenses	-	(40,925)	(154,088)	(4,206)	(69,503)	-	(268,722)
Disposal	-	3,365	50,897	902	5,419	-	60,583
Effect of foreign currency exchange differences	-	4,629	48,699	685	12,283	-	66,296
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ (396,915)</u>	<u>\$ (988,068)</u>	<u>\$ (47,383)</u>	<u>\$ (371,758)</u>	<u>\$ -</u>	<u>\$ (1,804,124)</u>
Carrying amounts at December 31, 2015	<u>\$ 146,218</u>	<u>\$ 408,871</u>	<u>\$ 813,169</u>	<u>\$ 12,527</u>	<u>\$ 297,762</u>	<u>\$ 398,523</u>	<u>\$ 2,077,070</u>

For the Year ended December 31, 2014

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 146,218	\$ 785,207	\$ 1,611,099	\$ 73,872	\$ 466,316	\$ 133,578	\$ 3,216,290
Additions	-	4,779	222,113	3,640	90,758	110,748	432,038
Disposal	-	(2,260)	(49,014)	(18,199)	(4,922)	-	(74,395)
Reclassification	-	-	(1,545)	-	1,579	97,661	97,695
Effect of foreign currency exchange differences	-	27,695	26,302	1,036	18,861	6,793	80,687
Balance at December 31, 2014	<u>\$ 146,218</u>	<u>\$ 815,421</u>	<u>\$ 1,808,955</u>	<u>\$ 60,349</u>	<u>\$ 572,592</u>	<u>\$ 348,780</u>	<u>\$ 3,752,315</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2014	\$ -	\$ (320,314)	\$ (795,121)	\$ (53,944)	\$ (257,487)	\$ -	\$ (1,426,866)
Depreciation expenses	-	(38,912)	(137,238)	(5,306)	(55,930)	-	(237,386)
Disposal	-	1,954	41,793	15,423	4,225	-	63,395
Reclassification	-	-	(122)	-	122	-	-
Effect of foreign currency exchange differences	-	(6,712)	(42,888)	(937)	(10,887)	-	(61,424)
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ (363,984)</u>	<u>\$ (933,576)</u>	<u>\$ (44,764)</u>	<u>\$ (319,957)</u>	<u>\$ -</u>	<u>\$ (1,662,281)</u>
Carrying amounts at December 31, 2014	<u>\$ 146,218</u>	<u>\$ 451,437</u>	<u>\$ 875,379</u>	<u>\$ 15,585</u>	<u>\$ 252,635</u>	<u>\$ 348,780</u>	<u>\$ 2,090,034</u>

(Concluded)

b. Estimated useful lives

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

Buildings

Factory	10-20 years
Main building	5-20 years
The major component part of the factory	19-20 years
The major component part of the office	10-55 years
Machinery and equipment	4.67-15 years
Transportation equipment	3-12 years
Others	2-20 years

Refer to Note 25 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowing /general facilities granted to the Group.

For the Year Ended December 31

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS

	2015	2014
Acquisition of in property, plant and equipment	\$ 319,252	\$ 432,038
Capitalized interest	(7,095)	(7,366)
Increase in prepayments for equipment	62,047	34,336
Increase in payable for purchase of equipment	<u>(1,616)</u>	<u>(13,901)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 372,588</u>	<u>\$ 445,107</u>

13. PREPAYMENTS FOR LEASE

	December 31	
	2015	2014
Current (included in other current assets)	\$ 2,053	\$ 2,317
Noncurrent (included in long-term prepaid rent)	<u>101,016</u>	<u>95,946</u>
	<u>\$ 103,069</u>	<u>\$ 98,263</u>

As of December 31, 2015 and 2014, prepayments for lease are for land use rights and property use rights in Mainland China and Vietnam, the remaining amortization year of land use rights for those located in Mainland China is 31-45 years, the remaining amortization year of land use rights and property use rights for those located in Vietnam is 38-49 years. Prepaid lease payments with carrying amount of RMB 1,200 thousand is in the process of obtaining the land use right certificate.

Refer to Note 25 for the carrying amount of prepayments for lease that had been pledged by the Group to secure borrowings/general banking facilities granted to the Group.

14. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Group's notes payable and accounts payable were from operating activities and were not secured by collaterals.

The Group 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 trade payables.

15. OTHER PAYABLES

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Payable for purchase of equipment	\$ 62,232	\$ 60,616
Salaries or bonus	41,609	44,095
Payable for pension	31,369	798
Payable for utilities expense	9,070	9,227
Payable for tax	9,031	3,676
Payable for welfare	6,321	9,104
Payable for annual leave	4,757	5,159
Payable for professional service fees	3,644	8,196
Payable for interests	1,761	1,704
Payable for bonus to employees and remuneration to directors and supervisors	-	5,680
Others	<u>55,877</u>	<u>59,890</u>
	<u>\$ 225,671</u>	<u>\$ 208,145</u>

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

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Unsecured borrowings	\$ 316,918	\$ 402,822
Secured borrowings	<u>342,708</u>	<u>288,752</u>
	<u>\$ 659,626</u>	<u>\$ 691,574</u>

Interest rates P.A. on short-term borrowings were as follows:

	<u>December 31</u>	
	2015	2014
Unsecured borrowings (%)	1.25-5.35	1.45-6.00
Secured borrowings (%)	3.92-5.35	5.40-6.00

b. Long-term borrowings

	<u>December 31</u>	
	2015	2014
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 Group should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2015 and 2014, the Group was in compliance with the above mentioned financial ratio requirements stated in the loan agreements with the banks.

The Group 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.

1) 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

2) 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.

17. 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. Except the foreign subsidiaries: GEM (Dongguan), GEM (Suzhou) and GEM (Vietnam) make contributions in accordance with the local regulations, which is a defined contribution plan; the others do not have retirement regulations.

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 Group 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 consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Benefits paid	\$ (6,797)	\$ 6,797	\$ -
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 loss - 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> (Concluded)

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

18. EQUITY

a. Share capital

	<u>December 31</u>	
	2015	2014
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 cancelation of treasury shares, see Note 18 (e) for the information.

b. Capital Surplus

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
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 19.

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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	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

	<u>For the Year Ended December 31</u>	
	2015	2014
Balance at January 1	\$ 390,801	\$ 269,135
Exchange differences arising on translating the financial statements of foreign operations, net	(52,495)	121,666
Related income tax, net	<u>8,924</u>	<u>-</u>
Balance at December 31	<u>\$ 347,230</u>	<u>\$ 390,801</u>

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

	<u>For the Year Ended December 31</u>	
	2015	2014
Balance at January 1	\$ -	\$ 777
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	4,321	(2,994)
Related income tax	10	-

(Continued)

	For the Year Ended December 31	
	2015	2014
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	\$ (4,609)	\$ 2,207
Related income tax	<u>-</u>	<u>10</u>
Balance at December 31	<u>\$ (278)</u>	<u>\$ -</u> (Concluded)

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.

19. CONSOLIDATED INCOME (LOSS) BEFORE INCOME TAX

Consolidated income before income tax was as follows:

a. Other income

	For the Year Ended December 31	
	2015	2014
Interest income	\$ 18,896	\$ 25,263
Dividend income	952	618
Others	<u>9,552</u>	<u>1,562</u>
	<u>\$ 29,400</u>	<u>\$ 27,443</u>

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Foreign exchange gains, net	\$ 39,766	\$ 19,370
Loss on disposal of property, plant and equipment, net	(7,678)	(7,020)
Gain (loss) on disposal of investments, net	(4,609)	2,207
		(Continued)

	For the Year Ended December 31	
	2015	2014
Valuation gain on financial instruments at fair value through profit or loss, net	\$ -	\$ 1,073
Others	<u>(1,729)</u>	<u>(2,965)</u>
	<u>\$ 25,750</u>	<u>\$ 12,665</u> (Concluded)

c. Finance costs

	For the Year Ended December 31	
	2015	2014
Interest expense of borrowings	\$ 53,663	\$ 53,114
Less: Amounts included in the cost of qualifying assets	<u>7,095</u>	<u>7,366</u>
	<u>\$ 46,568</u>	<u>\$ 45,748</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)	\$ 7,095	\$ 7,366
Capitalization rate (%)	1.82-5.23	1.58-6.21

d. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	\$ 268,722	\$ 237,386
Prepayments for lease (current/noncurrent)	2,425	1,818
Other assets	<u>2,336</u>	<u>2,286</u>
	<u>\$ 273,483</u>	<u>\$ 241,490</u>

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

	For the Year Ended December 31	
	2015	2014
Analysis of depreciation by function		
Operating costs	\$ 227,236	\$ 193,662
Operating expenses	<u>41,486</u>	<u>43,724</u>
	<u>\$ 268,722</u>	<u>\$ 237,386</u>

(Continued)

	For the Year Ended December 31	
	2015	2014
Analysis of amortization by function		
Operating costs	\$ 327	\$ 266
Operating expenses	<u>4,434</u>	<u>3,838</u>
	<u>\$ 4,761</u>	<u>\$ 4,104</u>

(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits		
Salary	\$ 492,126	\$ 485,502
Labor and health insurance	25,202	18,379
Others	<u>26,335</u>	<u>17,688</u>
	<u>543,663</u>	<u>521,569</u>
Post-employment benefits (Note 17)		
Defined contribution plans	35,742	36,176
Defined benefit plans	<u>2,181</u>	<u>2,399</u>
	<u>37,923</u>	<u>38,575</u>
	<u>\$ 581,586</u>	<u>\$ 560,144</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 445,387	\$ 399,553
Operating expenses	<u>136,199</u>	<u>160,591</u>
	<u>\$ 581,586</u>	<u>\$ 560,144</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 consolidated 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 consolidated 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 consolidated 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	\$ 79,872	\$ 49,876
Foreign exchange losses	<u>(40,106)</u>	<u>(30,506)</u>
Net gain	<u>\$ 39,766</u>	<u>\$ 19,370</u>

20. INCOME TAX

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	\$ 23,647	\$ 47,267
Additional 10% income tax on	344	1,325
Adjustments for prior years	<u>482</u>	<u>2,767</u>
	<u>24,473</u>	<u>51,359</u>
Deferred tax		
In respect of the current year	(8,891)	5,252
Exchange rate influence	<u>(2,847)</u>	<u>(4,377)</u>
	<u>(11,738)</u>	<u>875</u>
Income tax expense recognized in profit or loss	<u>\$ 12,735</u>	<u>\$ 52,234</u>

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

	For the Year Ended December 31	
	2015	2014
Income (loss) before income tax	\$ (28,568)	\$ 139,672
Income tax expense at statutory rate	\$ 12,087	\$ 46,094
Tax-exempt income	(45)	(1,039)
Nondeductible expenses in determining taxable income	630	298
Temporary differences	2,084	8,479
Additional 10% income tax on unappropriated earnings	344	1,325
In respect of the prior years	482	1,454
Exchange rate influence	<u>(2,847)</u>	<u>(4,377)</u>
Income tax expense	<u>\$ 12,735</u>	<u>\$ 52,234</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by the subsidiaries in China is 25%; the applicable tax rate used by subsidiaries in Vietnam is 22%. Under the laws of the British Virgin Islands, the income of Genius, Global (Cayman) and GEM (Cayman) is exempt from income tax. The subsidiaries in Hong Kong - Genius (HK), Vibo and Global (HK) have no operations on local area, these subsidiaries are also exempt from income tax in accordance with Hong Kong's laws. If these subsidiaries have any separate tax on interest income or withholding tax on dividends, the amount of this tax is recorded as the current year's tax provision.

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	\$ 8,924	\$ -
Remeasurement on defined benefit plan	154	(1,112)
Unrealized gain or loss of available-for-sale financial assets	10	-
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>\$ 9,088</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>

(Continued)

	<u>December 31</u>	
	2015	2014
Current tax liabilities		
Income tax payable	\$ <u>15,517</u>	\$ <u>14,192</u> (Concluded)

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				
Unrealized deferred profit	\$ 30,356	\$ 988	\$ -	\$ 31,344
Defined benefit obligation	12,807	(4)	154	12,957
Foreign investment losses	3,941	6,275	-	10,216
Translation of foreign operation	-	-	8,924	8,924
Financial and taxation differences on property, plant and equipment	6,634	1,471	-	8,105
Unrealized loss on inventories	6,189	1,337	-	7,526
Others	<u>4,142</u>	<u>(325)</u>	<u>10</u>	<u>3,827</u>
	64,069	9,742	9,088	82,899
Loss carryforwards	<u>3,662</u>	<u>8,880</u>	<u>-</u>	<u>12,542</u>
	<u>\$ 67,731</u>	<u>\$ 18,622</u>	<u>\$ 9,088</u>	<u>\$ 95,441</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Foreign investment gains	\$ 74,906	\$ 7,616	\$ -	\$ 82,522
Land value increment tax	7,398	-	-	7,398
Others	<u>5,942</u>	<u>2,115</u>	<u>-</u>	<u>8,057</u>
	<u>\$ 88,246</u>	<u>\$ 9,731</u>	<u>\$ -</u>	<u>\$ 97,977</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				
Unrealized deferred profit	\$ 22,106	\$ 8,250	\$ -	\$ 30,356
Defined benefit obligation	13,904	15	(1,112)	12,807
				(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Financial and taxation differences on property, plant and equipment	\$ 6,619	\$ 15	\$ -	\$ 6,634
Unrealized loss on inventories	5,906	283	-	6,189
Others	<u>8,821</u>	<u>(738)</u>	<u>-</u>	<u>8,083</u>
	57,356	7,825	(1,112)	64,069
Loss carryforwards	<u>1,531</u>	<u>2,131</u>	<u>-</u>	<u>3,662</u>
	<u>\$ 58,887</u>	<u>\$ 9,956</u>	<u>\$ (1,112)</u>	<u>\$ 67,731</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Foreign investment gains	\$ 62,312	\$ 12,594	\$ -	\$ 74,906
Land value increment tax	7,398	-	-	7,398
Capitalized interest	2,706	1,648	-	4,354
Available-for-sale financial assets	10	-	(10)	-
Others	<u>622</u>	<u>966</u>	<u>-</u>	<u>1,588</u>
	<u>\$ 73,048</u>	<u>\$ 15,208</u>	<u>\$ (10)</u>	<u>\$ 88,246</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

	<u>December 31</u>	
	2015	2014
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998	\$ 6,684	\$ 6,684

(Continued)

	<u>December 31</u>	
	2015	2014
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> (Concluded)

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

f. Income tax assessments

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

GEM (Dongguan) and GEM (Suzhou) had completed the filing of their income tax returns through 2014 with the tax authorities.

21. 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 (net loss) 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 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.

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt and equity of the Group. The Group is not subject to any externally imposed capital requirements, except to maintain certain financial ratios specified under loan agreements. (Refer to Note 16)

Key management personnel of the Group 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 Group may adjust the amount of dividends paid to shareholders or the levels of debt and current assets.

23. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated 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	\$ 12,612	\$ -	\$ -	\$ 12,612
Overseas listed shares	<u>561</u>	<u>-</u>	<u>-</u>	<u>561</u>
	<u>\$ 13,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,173</u>

December 31, 2014 : 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)	\$ 2,961,668	\$ 3,040,780
Available-for-sale financial assets	13,173	-
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,864,900	2,905,445

Note 1: The balances included in loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets-current and non-current.

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, notes receivable, accounts receivable, other financial assets, borrowings, notes payable and accounts payable. The Group'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 Group 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 Treasury function reports monthly to the Group's risk management committee.

The Group 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 Group'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 Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group'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 Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts (including the denominated monetary items in consolidated financial statements which were eliminated) of the Group'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 27.

Sensitivity analysis

The Group 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 Group's outstanding foreign currency denominated monetary items at the end of the reporting period. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity associated with the functional currency.

	USD impact		HKD impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
Profit or loss	\$ 4,974	\$ 4,669	\$ 241	\$ (35)

b) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Fair value interest rate risk		
Financial liabilities	\$ 1,162,175	\$ 1,171,615
Cash flow interest rate risk		
Financial assets	956,470	710,286
Financial liabilities	300,000	260,000

Sensitivity analysis

The sensitivity analysis below was based on the Group'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 Group's pre-tax profit for the year ended December 31, 2015 and 2014 would have been higher/lower by \$6,565 thousand and \$4,503 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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the counterparties' failure to discharge an obligation and because of financial guarantees provided by the Group is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group 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 Group'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 Group's funding and liquidity management requirements.

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group'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 Group 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	1.25-5.35	\$ 142,652	\$ 135,453	\$ 611,758	\$ 966,990
Variable interest rate liabilities	1.76-2.10	781	831	102,828	201,734
Non-interest bearing		<u>395,332</u>	<u>288,352</u>	<u>57,654</u>	<u>-</u>
		<u>\$ 538,765</u>	<u>\$ 424,636</u>	<u>\$ 772,240</u>	<u>\$ 1,168,724</u>
<u>December 31, 2014</u>					
Fixed interest rate liabilities	1.45-6.00	\$ 142,517	\$ 388,763	\$ 650,716	\$ 720,507
Variable interest rate liabilities	1.90-2.20	15,687	25,754	82,635	141,474
Non-interest bearing		<u>385,400</u>	<u>282,953</u>	<u>37,402</u>	<u>-</u>
		<u>\$ 543,604</u>	<u>\$ 697,470</u>	<u>\$ 770,753</u>	<u>\$ 861,981</u>

Taking into account the Group'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.

24. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions and revenues and expenses among the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation, so the information is not disclosed in this note. Transactions of the consolidated companies and other related parties were as follows:

a. Compensation of key management personnel

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

	For the Year Ended December 31	
	2015	2014
Short-term benefits (including salary and bonuses)	\$ 11,920	\$ 13,874
Post-employment benefits	<u>424</u>	<u>260</u>
	<u>\$ 12,344</u>	<u>\$ 14,134</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.

b. Property lease

The Company leased its Taipei office, factories and storehouse from general manager, 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.

c. 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 GEM and Global (HK). Su, Tun-Jen provided the guarantee for Genius (HK)'s borrowings from Shing Kong Bank, Su Chung-Hong and Su, Tun-Jen jointly provided the guarantee for the other borrowings of Genius (HK).

25. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Group provided the following assets as collateral for the borrowings:

	December 31	
	2015	2014
Property, plant and equipment - buildings	\$ 344,881	\$ 378,016
Deposit account (under other financial assets- current)	230,048	202,727
Prepaid rent (including those classified under other current assets)	<u>40,205</u>	<u>42,076</u>
	<u>\$ 615,134</u>	<u>\$ 622,819</u>

26. 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 Group's purchases of properties and materials were \$461,475 thousand, of which \$146,195 thousand had not been paid.
- b. Under unused letters of credit for purchasing equipment and materials amounted to \$4,096 thousand.

27. 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
USD	6,205	6.572	(USD:RMB)	203,726
USD	10,178	7.745	(USD:HKD)	334,145
USD	663	22,456	(USD:VND)	21,754
HKD	9,625	4.238	(HKD:NTD)	40,790
HKD	37,483	0.848	(HKD:RMB)	158,852
HKD	939	0.129	(HKD:USD)	<u>3,977</u>
				<u>\$ 1,020,062</u>
Financial liabilities				
Monetary items				
USD	126	32.830	(USD:NTD)	\$ 4,143
USD	1,105	6.573	(USD:RMB)	36,284
USD	4,955	7.745	(USD:HKD)	162,663
USD	3,531	22,456	(USD:VND)	115,921
HKD	41,932	4.238	(HKD:NTD)	177,709
HKD	421	0.848	(HKD:RMB)	<u>1,783</u>
				<u>\$ 498,503</u>
<u>December 31, 2014</u>				
Financial assets				
Monetary items				
USD	9,679	31.630	(USD:NTD)	\$ 306,135
USD	3,713	6.217	(USD:RMB)	117,442
USD	9,323	7.753	(USD:HKD)	294,909
USD	4	22,196	(USD:VND)	114
HKD	14,747	4.080	(HKD:NTD)	60,170
HKD	33,411	0.802	(HKD:RMB)	136,317
HKD	945	0.129	(HKD:USD)	<u>3,853</u>
				<u>\$ 918,940</u>
Financial liabilities				
Monetary items				
USD	129	31.630	(USD:NTD)	\$ 4,081
USD	1,319	6.217	(USD:RMB)	41,705
USD	6,508	7.753	(USD:HKD)	205,867
HKD	46,697	4.080	(HKD:NTD)	190,522
HKD	3,267	0.802	(HKD:RMB)	<u>13,333</u>
				<u>\$ 455,508</u>

For the year ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains were \$39,766 thousand and \$19,370 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign transactions and functional currencies of the Group's entities.

28. 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: Table 4 (attached).
- 9) Trading in derivative instruments: None.
- 10) Inter - Company business relationship and material transactions and its amount: Table 8 (attached).
- 11) Information on investees: Table 5 (attached).

b. Information on investments in Mainland China

Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China areas: Table 6 (attached).

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

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 3 and 7 (attached).
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3 and 7 (attached).

- 3) The amount of property transactions and the amount of the resultant gains or losses: Table 7 (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 period balance, the interest rates range, and total current period interest with respect to financing of funds: Table 1 (attached).
- 6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Table 7 and 8 (attached).

29. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on type of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- GEM Terminal, GEM (Dongguan) and Genius (HK) consolidated information
- GEM (Suzhou)
- Others

a. Segment revenues and results

The following was an analysis of the Group's revenue, results from operations, segment assets and segment liabilities by reportable segment:

	GEM Terminal, GEM (Dongguan)& Genius (HK)	GEM (Suzhou)	Others	Adjustment and Elimination	Consolidated Amount
<u>For the Year ended December 31, 2015</u>					
Revenues from external customers	\$ 2,077,530	\$ 1,446,679	\$ 204,055	\$ -	\$ 3,728,264
Inter-segment revenues	<u>137,059</u>	<u>862,212</u>	<u>107,537</u>	<u>(1,106,808)</u>	<u>-</u>
Segment revenues	<u>\$ 2,214,589</u>	<u>\$ 2,308,891</u>	<u>\$ 311,592</u>	<u>\$ (1,106,808)</u>	<u>\$ 3,728,264</u>
Segment income (loss)	<u>\$ (87,466)</u>	<u>\$ 30,305</u>	<u>\$ (7,768)</u>	<u>\$ 27,779</u>	\$ (37,150)
Other income					29,400
Other gains and losses					25,750
Finance costs					<u>(46,568)</u>
Consolidated loss before income tax					(28,568)
Income tax					<u>(12,735)</u>
Consolidated net loss					<u>\$ (41,303)</u>
Total segment assets	<u>\$ 6,784,157</u>	<u>\$ 2,778,989</u>	<u>\$ 576,095</u>	<u>\$ (4,108,568)</u>	<u>\$ 6,030,673</u>
Total segment liabilities	<u>\$ 2,543,222</u>	<u>\$ 653,021</u>	<u>\$ 327,035</u>	<u>\$ (495,441)</u>	<u>\$ 3,027,837</u>

(Continued)

	GEM Terminal, GEM (Dongguan)& Genius (HK)	GEM (Suzhou)	Others	Adjustment and Elimination	Consolidated Amount
<u>For the Year ended December 31, 2014</u>					
Revenues from external customers	\$ 2,154,852	\$ 1,559,933	\$ 230,294	\$ -	\$ 3,945,079
Inter-segment revenues	<u>104,123</u>	<u>432,120</u>	<u>100,310</u>	<u>(636,553)</u>	<u>-</u>
Segment revenues	<u>\$ 2,258,975</u>	<u>\$ 1,992,053</u>	<u>\$ 330,604</u>	<u>\$ (636,553)</u>	<u>\$ 3,945,079</u>
Segment income (losses)	<u>\$ 61,975</u>	<u>\$ 63,227</u>	<u>\$ (4,319)</u>	<u>\$ 24,429</u>	\$ 145,312
Other income					27,443
Other gains and losses					12,665
Finance costs					<u>(45,748)</u>
Consolidated income before income tax					139,672
Income tax					<u>(52,234)</u>
Consolidated net income					<u>\$ 87,438</u>
Total segment assets	<u>\$ 6,961,141</u>	<u>\$ 2,659,828</u>	<u>\$ 361,967</u>	<u>\$ (3,749,865)</u>	<u>\$ 6,233,071</u>
Total segment liabilities	<u>\$ 2,588,723</u>	<u>\$ 526,273</u>	<u>\$ 168,589</u>	<u>\$ (196,425)</u>	<u>\$ 3,087,160</u>

(Concluded)

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	For the Year Ended December 31	
	2015	2014
Terminals	\$ 3,616,763	\$ 3,826,975
Others	<u>111,501</u>	<u>118,104</u>
	<u>\$ 3,728,264</u>	<u>\$ 3,945,079</u>

c. Geographical information

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2015	2014	2015	2014
Taiwan	\$ 218,037	\$ 244,580	\$ 242,842	\$ 253,806
China	3,409,787	3,596,660	1,700,650	1,798,038
Vietnam	9,605	8,877	336,224	174,170
Others	<u>90,835</u>	<u>94,962</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,728,264</u>	<u>\$ 3,945,079</u>	<u>\$ 2,279,716</u>	<u>\$ 2,226,014</u>

Non-current assets exclude financial assets-non current and deferred income tax assets.

d. Information about major customers

For 2015 and 2014, the customer from which sales revenue accounted for over 10% of the Group's consolidated operating revenue is shown below:

	For the Year Ended December 31			
	2015		2014	
	Amount	% to Operating Revenue, Net	Amount	% to Operating Revenue, Net
Group A	<u>\$ 425,695</u>	<u>11</u>	<u>\$ 457,958</u>	<u>12</u>

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
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 Period	Ending Balance (Note 2)	Actual Borrowing Amount (Notes 2 and 3)	Interest Rate	Type of Financing	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	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)
1	Vibo	GEM (Dongguan)	Other receivables - related parties	Yes	94,500 (US\$ 3,000 Thousand)	-	-	2.80	Short-term financing	Operating capital	-	-	-	636,129 (Note 1)	1,272,259 (Note 1)
		GEM (Dongguan)	Other receivables - related parties	Yes	32,860 (US\$ 1,000 Thousand)	32,830 (US\$ 1,000 Thousand)	32,830 (US\$ 1,000 Thousand)	2.30	Short-term financing	Operating capital	-	-	-	636,129 (Note 1)	1,272,259 (Note 1)
2	Global (Cayman)	Global (HK)	Other receivables - related parties	Yes	12,600 (US\$ 400 Thousand)	-	-	2.00	Short-term financing	Operating capital	-	-	-	649,149 (Note 1)	1,282,229 (Note 1)
		Global (HK)	Other receivables - related parties	Yes	13,144 (US\$ 400 Thousand)	13,132 (US\$ 400 Thousand)	13,132 (US\$ 400 Thousand)	2.00	Short-term financing	Operating capital	-	-	-	649,149 (Note 1)	1,282,229 (Note 1)
3	GEM (Cayman)	GEM (VN)	Other receivables - related parties	Yes	32,860 (US\$ 1,000 Thousand)	32,830 (US\$ 1,000 Thousand)	32,830 (US\$ 1,000 Thousand)	2.10	Short-term financing	Operating capital	-	-	-	53,665 (Note 1)	107,329 (Note 1)

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

Note 2: The conversion rate on December 31, 2015 was US\$1.0000: NT\$32.83.

Note 3: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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 (Suzhou)	<u>Stock</u>							
	Bank of China Limited	-	Available-for-sale financial assets - current	28,000	<u>561</u>	-	<u>561</u>	
					<u>\$ 13,173</u>		<u>\$ 13,173</u>	

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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 Term	Ending Balance	% to Total	
Genius (HK)	The Company	Subsidiary	Sales	\$ 455,226 (HK\$111,087 thousand)	39	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)	40	Note
GEM (Dongguan)	Genius (HK)	Affiliate	Sales	1,092,432 (HK\$220,823 thousand and US\$6,476 thousand)	58	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	220,603 (HK\$35,569 thousand and US\$2,212 thousand)	45	Note
GEM (Suzhou)	Global (HK)	Affiliate	Sales	260,076 (HK\$9,304 thousand and US\$7,124 thousand)	11	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	37,314 (HK\$1,608 thousand and US\$943 thousand)	6	Note
GEM (Suzhou)	GEM (Dongguan)	Affiliate	Sales	579,702 (RMB\$114,900 thousand)	25	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	246,366 (RMB\$49,319 thousand)	36	Note

Note : It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2015

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

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
Genius (HK)	The Company	Subsidiary	\$ 153,763 (HK\$ 36,282 thousand)	2.73	\$ -	-	\$ 91,922	\$ -
GEM (Dongguan)	Genius (HK)	Affiliate	220,603 (HK\$ 35,569 thousand and US\$ 2,212 thousand)	6.24	-	-	220,603	-
GEM (Suzhou)	GEM (Dongguan)	Affiliate	246,366 (RMB\$ 49,319 thousand)	3.75	-	-	246,366	-

Note : It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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		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	%	Carrying Amount			Stock	Cash	
The Company	Global (Cayman)	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208 (US\$ 40,137 thousand)	\$ 1,295,208 (US\$ 40,137 thousand)	40,137,184	100	\$ 3,089,371	\$ 24,394	\$ 24,711	\$ -	\$ -	Note 1
	GEM Terminal (Cayman)	Grand Cayman, Cayman Islands	International investment	275,167 (US\$ 8,998 thousand)	210,367 (US\$ 7,010 thousand)	8,998,333	100	267,105	(7,437)	(7,437)	-	-	Note 1
	Genius Terminal	British Virgin Islands	International investment and trading, etc.	23,282 (US\$ 750 thousand)	23,282 (US\$ 750 thousand)	750,000	100	62,920	(8,309)	(8,309)	-	-	Note 1
								<u>\$ 3,419,396</u>	<u>\$ 8,648</u>	<u>\$ 8,965</u>			
Genius Terminal	Genius (HK)	Hong Kong	International trading	90,134 (HK\$ 22,000 thousand)	90,134 (HK\$ 22,000 thousand)	21,999,998	100	<u>\$ 81,167</u>	<u>\$ (8,263)</u>	<u>\$ (8,331)</u>	-	-	Notes 1 and 2
Global (Cayman)	Vibo	Hong Kong	Investment and trading	1,541,063 (HK\$ 359,973 thousand)	1,541,063 (HK\$ 359,973 thousand)	359,972,616	100	\$ 3,180,638	\$ 22,743	\$ 22,743	-	-	Note 1
	Global (HK)	Hong Kong	International trading	3,747 (HK\$ 1,000 thousand)	3,747 (HK\$ 1,000 thousand)	1,000,000	100	8,798	(818)	1,542	-	-	Notes 1 and 2
								<u>\$ 3,189,436</u>	<u>\$ 21,925</u>	<u>\$ 24,285</u>			
GEM Terminal (Cayman)	GEM (VN)	Vietnam	Production of hardware; machine processing; electroplating for hardware processing; production and processing of molds and related accessories; plastic products and related plastic accessory production;	269,278 (US\$ 8,298 thousand)	207,763 (US\$ 6,410 thousand)	-	100	<u>\$ 264,528</u>	<u>\$ (7,652)</u>	<u>\$ (7,652)</u>	-	-	Note 1

Note 1: It was eliminated on consolidation.

Note 2: Net of unrealized profits.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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) (Note 1)	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) (Notes 1 and 3)	Carrying Amount as of December 31, 2015 (Notes 1 and 3)	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 Thousand)	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 Thousand)	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)	-
							\$ 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.

Note 3: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

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)

Investee Company	Counterparty	Transaction Type	Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Payment Term	Comparison with Normal Transaction	Ending Balance	%		
The Company	GEM (Dongguan)	Property, plant, and equipment for sale	\$ 1,966	120 days after monthly closing	No comparable transactions with those in the market	\$ -	-	\$ 647	
The Company	GEM (Suzhou)	Sales	23,702	120 days after monthly closing	No comparable transactions with those in the market	-	-	4,692	
		Purchase	22,434	120 days after monthly closing	No comparable transactions with those in the market	2,067	1	(411)	
		Property, plant, and equipment for sale	53,137	120 days after monthly closing	No comparable transactions with those in the market	2,530	3	15,314	
Genius (HK)	GEM (Dongguan)	Sales	16,457	120 days after monthly closing	No comparable transactions with those in the market	2,243	1	-	
		Purchase	1,092,432	120 days after monthly closing	No comparable transactions with those in the market	220,603	97	-	
Global (HK)	GEM (Suzhou)	Sales	29,970	120 days after monthly closing	No comparable transactions with those in the market	-	-	-	
		Purchase	260,076	120 days after monthly closing	No comparable transactions with those in the market	50,129	78	-	

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

No.	Investee Company	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets	Note
				Financial Statement Item	Amount	Terms		
0	GEM Terminal	Genius (HK)	1	Sales	\$ 15,202	Payment terms are four months	-	Note 1
		Genius (HK)	1	Property, plant and equipment for sale - current	857	Payment terms are four months	-	Note 1
		Genius (HK)	1	Accounts receivable	5,002	Payment terms are four months	-	Note 1
		GEM (Suzhou)	1	Sales	23,702	Payment terms are four months	1	Note 1
		GEM (Suzhou)	1	Property, plant and equipment for sale - current	53,157	Payment terms are four months	1	Note 1
		GEM (Suzhou)	1	Other income	750	Payment terms are four months	-	Note 1
		GEM (Suzhou)	1	Other receivable	2,530	Payment terms are four months	-	Note 1
		GEM (Dongguan)	1	Property, plant and equipment for sale - current	1,966	Payment terms are four months	-	Note 1
		Global (HK)	1	Sales	25,993	Payment terms are four months	1	Note 1
		Global (HK)	1	Property, plant and equipment for sale - current	3,782	Payment terms are four months	-	Note 1
		GEM (VN)	1	Other receivable	66,064	According to working, capital conditions to change payment deeding	1	Note 1
		GEM (VN)	1	Sales	752	Payment terms are four months	-	Note 1
		GEM (VN)	1	Interest income	404	Interest rate P.A. 2.1%	-	Note 1
		GEM (VN)	1	Accounts receivable	760	Payment terms are four months	-	Note 1
		GEM (VN)	1	Property, plant and equipment for sale - current	1,450	Payment terms are four months	-	Note 1
GEM (VN)	1	Other receivable	1,467	Payment terms are four months	-	Note 1		
1	GEM (Dongguan)	GEM Terminal	2	Sales	20	Payment terms are four months	-	Note 1
		Genius (HK)	3	Sales	1,092,432	Payment terms are four months	29	Note 1
		Genius (HK)	3	Accounts receivable	220,603	Payment terms are four months	4	Note 1
		Genius (HK)	3	Property, plant and equipment for sale - current	33,161	Payment terms are four months	1	Note 1
		GEM (Suzhou)	3	Sales	52,983	Payment terms are four months	1	Note 1
		GEM (Suzhou)	3	Other income	2,771	Payment terms are four months	-	Note 1
		GEM (Suzhou)	3	Accounts receivable	45,578	Payment terms are four months	1	Note 1
		GEM (Suzhou)	3	Property, plant and equipment	112,600	Payment terms are four months	3	Note 1
2	Genius (HK)	GEM Terminal	2	Sales	455,226	Payment terms are four months	12	Note 1
		GEM Terminal	2	Accounts receivable	153,763	Payment terms are four months	3	Note 1
		GEM Terminal	2	Other receivable	23,945	Payment terms are four months	-	Note 1
		GEM (Dongguan)	3	Sales	16,457	Payment terms are four months	-	Note 1
		GEM (Dongguan)	3	Accounts receivable	1,783	Payment terms are four months	-	Note 1
		GEM (Dongguan)	3	Other receivable	460	Payment terms are four months	-	Note 1
		GEM (VN)	3	Sales	33,629	Payment terms are four months	1	Note 1
		GEM (VN)	3	Accounts receivable	33,844	Payment terms are four months, no comparable transactions	1	Note 1
3	Global (HK)	GEM Terminal	2	Sales	57,151	Payment terms are four months, no comparable transactions	2	Note 1
		GEM Terminal	2	Accounts receivable	2,077	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Suzhou)	3	Sales	29,970	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (VN)	3	Sales	20,416	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (VN)	3	Accounts receivable	13,786	Payment terms are four months, no comparable transactions	-	Note 1
4	GEM (Suzhou)	GEM Terminal	2	Sales	22,434	Payment terms are four months, no comparable transactions	1	Note 1
		GEM Terminal	2	Accounts receivable	2,042	Payment terms are four months, no comparable transactions	-	Note 1
		Global (HK)	3	Sales	260,076	Payment terms are four months, no comparable transactions	7	Note 1
		Global (HK)	3	Accounts receivable	37,314	Payment terms are four months, no comparable transactions	1	Note 1

(Continued)

No.	Investee Company	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets	Note
				Financial Statement Item	Amount	Terms		
		Global (HK)	3	Other receivable	\$ 12,815	Payment terms are four months, no comparable transactions	-	Note 1
		Global (HK)	3	Property, plant and equipment for sale - current	17,946	Payment terms are four months, no comparable transactions	-	Note 1
		Global (HK)	3	Other income	1,225	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	3	Sales	579,702	Payment terms are four months, no comparable transactions	16	Note 1
		GEM (Dongguan)	3	Accounts receivable	246,366	Payment terms are four months, no comparable transactions	4	Note 1
		GEM (Dongguan)	3	Property, plant and equipment	487	Payment terms are four months, no comparable transactions	-	Note 1
5	Vibo	GEM (Dongguan)	2	Other receivable	33,329	According to working, capital conditions to change payment deeding	1	Note 1
		GEM (Dongguan)	2	Interest income	851	Interest rate P.A. 2.8%	-	Note 1
6	Global (Cayman)	Global (HK)	2	Other receivable	13,274	According to working, capital conditions to change payment deeding	-	Note 1
		Global (HK)	2	Interest income	241	Interest rate P.A. 2.0%	-	Note 1
7	GEM (Cayman)	GEM (VN)	2	Interest income	641	Interest rate P.A. 2.1%	-	Note 1

(Concluded)

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary

2) Subsidiary to parent

3) Subsidiary to subsidiary