

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2015 and 2014 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of GEM Terminal Ind. Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2015 and 2014 and the related consolidated statements of comprehensive income for the three months ended March 31, 2015 and 2014, and for the three months ended March 31, 2015 and 2014, and changes in equity and cash flows for the three months ended March 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

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 International Financial Reporting Standards, International Accounting Standards, Interpretations of IFRS, and Interpretations of IAS endorsed by the Financial Supervisory Commission. 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.

May 12, 2015

Notice to Readers

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

For the convenience of readers, the independent accountants' review 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' review report and consolidated financial statements shall prevail.

GEM TERMINAL IND. CO., LTD.

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2015 (Reviewed)		December 31, 2014 (Audited after Restated)		March 31, 2014 (Reviewed after Restated)		January 1, 2014 (Audited after Restated)		LIABILITIES AND EQUITY	March 31, 2015 (Reviewed)		December 31, 2014 (Audited after Restated)		March 31, 2014 (Reviewed after Restated)		January 1, 2014 (Audited after Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS									CURRENT LIABILITIES								
Cash and cash equivalents (Note 6)	\$ 1,342,194	23	\$ 1,269,649	20	\$ 1,368,068	23	\$ 1,684,855	28	Short-term borrowings (Notes 6, 16 and 24)	\$ 772,366	13	\$ 691,574	11	\$ 655,283	11	\$ 654,451	11
Financial assets at fair value through profit or loss - current (Note 7)	-	-	-	-	10,741	-	12,292	-	Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	-	-	35	-	314	-
Available-for-sale financial assets - current (Note 8)	1,203	-	-	-	95,224	2	42,950	1	Notes payable (Note 14)	109,758	2	213,985	4	110,144	2	93,220	2
Notes receivable (Note 9)	213,553	4	241,837	4	199,876	3	238,907	4	Accounts payable (Note 14)	260,910	5	357,126	6	488,249	8	355,216	6
Accounts receivable, net (Note 9)	907,679	15	1,033,755	17	921,127	16	1,105,315	19	Other payables (Note 15)	170,569	3	208,145	3	174,888	3	194,721	3
Tax refundable	15,287	-	13,997	-	1,516	-	1,481	-	Current tax liabilities (Note 4)	2,952	-	14,192	-	5,489	-	5,245	-
Other receivables	14,369	-	20,037	-	12,908	-	10,542	-	Provisions	1,084	-	1,048	-	21,116	-	932	-
Current tax assets (Note 4)	2,279	-	2,185	-	2,246	-	3,283	-	Long-term borrowings - current portion (Notes 16 and 24)	675,885	11	582,500	9	515,000	9	570,833	10
Inventories (Note 11)	731,231	12	803,091	13	777,979	13	590,151	10	Other current liabilities	14,332	-	2,898	-	3,336	-	3,832	-
Other financial assets - current (Notes 10 and 25)	365,632	6	472,142	8	335,539	6	126,172	2	Total current liabilities	2,007,856	34	2,071,468	33	1,973,540	33	1,878,764	32
Other current assets (Notes 13 and 24)	58,769	1	79,273	1	124,678	2	95,162	2	NONCURRENT LIABILITIES								
Total current assets	3,652,196	61	3,935,966	63	3,849,902	65	3,911,110	66	Long-term borrowings (Notes 16 and 24)	670,000	11	852,115	14	875,815	15	984,566	17
NONCURRENT ASSETS									Deferred tax liabilities (Notes 4 and 20)	87,521	2	88,246	2	75,699	1	73,048	1
Property, plant and equipment (Notes 12, 24 and 25)	2,076,121	35	2,090,034	34	1,793,352	31	1,789,424	30	Net defined benefit liabilities (Notes 2, 4 and 17)	75,324	1	75,331	1	81,772	2	81,789	1
Deferred tax assets (Notes 4 and 20)	76,392	1	67,731	1	71,997	1	58,887	1	Total noncurrent liabilities	832,845	14	1,015,692	17	1,033,286	18	1,139,403	19
Prepayments for equipment (Note 25)	36,903	1	31,702	-	106,348	2	108,345	2	Total liabilities	2,840,701	48	3,087,160	50	3,006,826	51	3,018,167	51
Refundable deposits - noncurrent	3,346	-	3,360	-	2,039	-	1,831	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18)								
Long-term prepaid rent (Notes 13 and 24)	102,331	2	95,946	2	72,695	1	72,747	1	Capital stock	1,715,980	29	1,715,980	28	1,715,980	29	1,715,980	29
Other non-current assets	7,739	-	8,332	-	7,704	-	7,979	-	Capital surplus	270,187	4	270,187	4	270,187	5	270,187	4
Total noncurrent assets	2,302,832	39	2,297,105	37	2,054,135	35	2,039,213	34	Retained earnings								
TOTAL	\$ 5,955,028	100	\$ 6,233,071	100	\$ 5,904,037	100	\$ 5,950,323	100	Legal reserve	329,878	6	329,878	5	328,406	6	328,406	5
								Unappropriated earnings	418,738	7	430,894	7	319,726	5	344,928	6	
								Total retained earnings	748,616	13	760,772	12	648,132	11	673,334	11	
								Others equity	379,544	6	398,972	6	262,912	4	272,655	5	
								Total equity	3,114,327	52	3,145,911	50	2,897,211	49	2,932,156	49	
								TOTAL	\$ 5,955,028	100	\$ 6,233,071	100	\$ 5,904,037	100	\$ 5,950,323	100	

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

(With Deloitte & Touche review report dated May 12, 2015)

GEM TERMINAL IND. CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Net Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE, NET	\$ 855,017	100	\$ 852,932	100
OPERATING COSTS (Notes 11, 19 and 23)	<u>780,260</u>	<u>91</u>	<u>800,337</u>	<u>94</u>
GROSS PROFIT	<u>74,757</u>	<u>9</u>	<u>52,595</u>	<u>6</u>
OPERATING EXPENSES (Notes 19 and 23)				
Selling and marketing	30,908	4	36,709	4
General and administrative	52,244	6	44,389	5
Research and development	<u>9,918</u>	<u>1</u>	<u>8,801</u>	<u>1</u>
Total operating expenses	<u>93,070</u>	<u>11</u>	<u>89,899</u>	<u>10</u>
LOSS FROM OPERATIONS	<u>(18,313)</u>	<u>(2)</u>	<u>(37,304)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Note 19)				
Other income	10,120	1	8,791	1
Other gains and losses	3,443	-	5,107	-
Finance costs	<u>(11,469)</u>	<u>(1)</u>	<u>(10,812)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>2,094</u>	<u>-</u>	<u>3,086</u>	<u>-</u>
CONSOLIDATED LOSS BEFORE INCOME TAX	(16,219)	(2)	(34,218)	(4)
INCOME TAX BENEFIT (Notes 4 and 20)	<u>4,063</u>	<u>-</u>	<u>9,016</u>	<u>1</u>
CONSOLIDATED NET LOSS	<u>(12,156)</u>	<u>(2)</u>	<u>(25,202)</u>	<u>(3)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(23,389)	(3)	(7,830)	(1)
Unrealized loss on available-for-sale financial assets	(20)	-	(2,197)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>3,981</u>	<u>1</u>	<u>284</u>	<u>-</u>

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GEM TERMINAL IND. CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Net Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
Other comprehensive income for the year, net of income tax	\$ (19,428)	(2)	\$ (9,743)	(1)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (31,584)	(4)	\$ (34,945)	(4)
NET LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$ (12,156)	(1)	\$ (25,202)	(3)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$ (31,584)	(4)	\$ (34,945)	(4)
NET LOSS PER SHARE (Note 21)				
Basic	\$ (0.07)		\$ (0.15)	
Diluted	\$ (0.07)		\$ (0.15)	

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

(Concluded)

(With Deloitte & Touche review report dated May 12, 2015)

GEM TERMINAL IND. CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to the Owners of the Company					Other Equity				
	Capital Stock - Common Stock	Capital Surplus - share	Retained Earnings			Unrealized gain on available -for-sale financial assets	Exchange differences on translating foreign operations	Remeasurement of Defined benefit Plans	Total	Total equity
			Legal reserve	Unappropriated earnings	Total					
BALANCE AT JANUARY 1, 2014	\$ 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 AT JANUARY 1, 2014 AS RESTATED	<u>1,715,980</u>	<u>270,187</u>	<u>328,406</u>	<u>344,928</u>	<u>673,334</u>	<u>777</u>	<u>269,135</u>	<u>2,743</u>	<u>272,655</u>	<u>2,932,156</u>
Net loss for the three months ended March 31, 2014	-	-	-	(25,202)	(25,202)	-	-	-	-	(25,202)
Other comprehensive loss for the three months ended March 31, 2014, net of income tax	-	-	-	-	-	(1,913)	(7,830)	-	(9,743)	(9,743)
Total comprehensive loss for the three months ended March 31, 2014	-	-	-	(25,202)	(25,202)	(1,913)	(7,830)	-	(9,743)	(34,945)
BALANCE AT MARCH 31, 2014	<u>\$ 1,715,980</u>	<u>\$ 270,187</u>	<u>\$ 328,406</u>	<u>\$ 319,726</u>	<u>\$ 648,132</u>	<u>\$ (1,136)</u>	<u>\$ 261,305</u>	<u>\$ 2,743</u>	<u>\$ 262,912</u>	<u>\$ 2,897,211</u>
BALANCE AT JANUARY 1, 2015	\$ 1,715,980	\$ 270,187	\$ 329,878	\$ 431,296	\$ 761,174	\$ -	\$ 390,801	\$ -	\$ 390,801	\$ 3,138,142
Effect of retrospective application and retrospective restatement	-	-	-	(402)	(402)	-	-	8,171	8,171	7,769
BALANCE AT JANUARY 1, 2015 AS RESTATED	<u>1,715,980</u>	<u>270,187</u>	<u>329,878</u>	<u>430,894</u>	<u>760,772</u>	<u>-</u>	<u>390,801</u>	<u>8,171</u>	<u>398,972</u>	<u>3,145,911</u>
Net loss for the three months ended March 31, 2015	-	-	-	(12,156)	(12,156)	-	-	-	-	(12,156)
Other comprehensive loss for the three months ended March 31, 2015, net of income tax	-	-	-	-	-	(15)	(19,413)	-	(19,428)	(19,428)
Total comprehensive loss for the three months ended March 31, 2015	-	-	-	(12,156)	(12,156)	(15)	(19,413)	-	(19,428)	(31,584)
BALANCE AT MARCH 31, 2015	<u>\$ 1,715,980</u>	<u>\$ 270,187</u>	<u>\$ 329,878</u>	<u>\$ 418,738</u>	<u>\$ 748,616</u>	<u>\$ (15)</u>	<u>\$ 371,388</u>	<u>\$ 8,171</u>	<u>\$ 379,544</u>	<u>\$ 3,114,327</u>

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

(With Deloitte & Touche review report dated May 12, 2015)

GEM TERMINAL IND. CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated loss before income tax	\$ (16,219)	\$ (34,218)
Adjustments for:		
Depreciation expense	65,842	58,228
Amortization expense	1,148	1,013
Reversal of allowance for doubtful accounts	(2,342)	(2,105)
Valuation gain on financial instruments at fair value through profit or loss, net	-	(354)
Finance costs	11,469	10,812
Interest income	(5,452)	(5,928)
Dividend income	-	(146)
Loss on disposal of property, plant and equipment, net	1,262	1,015
Gain on sale of investments, net	-	(787)
Other non-cash items	4,526	21,321
Changes in operating assets and liabilities		
Financial assets held for trading	-	2,778
Notes receivable	28,284	39,031
Accounts receivable	128,538	186,174
Tax refundable and other receivables	4,378	(2,401)
Inventories	68,687	(187,473)
Other current assets	17,268	(32,808)
Financial liabilities held for trading	-	(3,865)
Notes payable	(104,227)	16,924
Accounts payable	(96,216)	133,033
Other payables	(16,632)	(8,968)
Other current liabilities	170	(496)
Net defined benefit liabilities	(7)	(17)
Cash generated from operations	90,477	190,763
Interest received	7,567	7,897
Income tax (paid) return	(11,972)	121
Net cash generated from operating activities	<u>86,072</u>	<u>198,781</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets designated as at fair value through profit and loss	-	2,323
Acquisition of available-for-sale financial assets	(1,224)	(100,470)
Proceeds from disposal of available-for-sale financial assets	-	47,363
Acquisition of property, plant and equipment	(96,371)	(87,875)
Decrease in refundable deposits	219	618
Decrease (Increase) in other financial assets - current	106,305	(210,193)
Increase in other noncurrent assets	(7,155)	(325)
Dividend received	-	146
Net cash generated from (used in) investing activities	<u>1,774</u>	<u>(348,413)</u>

(Continued)

GEM TERMINAL IND. CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>Three Months Ended March 31</u>	
	<u>2015</u>	<u>2014 (Restated)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 507,425	\$ 556,910
Decrease in short-term borrowings	(420,177)	(560,918)
Increase in long-term borrowings	120,000	300,000
Repayment of long-term borrowings	(208,750)	(464,149)
Interest paid	<u>(12,535)</u>	<u>(12,566)</u>
Net cash used in financing activities	<u>(14,037)</u>	<u>(180,723)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(1,264)</u>	<u>13,568</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72,545	(316,787)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,269,649</u>	<u>1,684,855</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,342,194</u>	<u>\$ 1,368,068</u>

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

(With Deloitte & Touche review report dated May 12, 2015)

(Concluded)

GEM TERMINAL IND. CO., LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 authorized by the board of directors for issue on May 12, 2015.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (“FSC”)

According to Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (the “IFRSs”) announced by the International Accounting Standards Board (IASB) and 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, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of IFRSs did not have any material impact on the Group’s accounting policies:

- 1) 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 than in the current standards.

2) IFRS 13 “Fair Value Measurement”

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

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 22 for more details.

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

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

The Group will retrospectively apply the above amendments starting from the year 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets. However, the application of the above amendments will not result in any impact on the net profit for the period, other comprehensive income for the period (net of income tax), and total comprehensive income for the period.

4) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets and other equity; the carrying amounts of inventories are not adjusted. In addition, in preparing the consolidated financial statements of the year ended December 31, 2015, the Group elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact on the prior period is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
<u>Impact on assets, liabilities and equity</u>			
<u>December 31, 2014</u>			
Deferred tax assets	\$ 69,322	\$ (1,591)	\$ 67,731
Net defined benefit liabilities	\$ 84,691	\$ (9,360)	\$ 75,331
Retained earnings	\$ 761,174	\$ (402)	\$ 760,772
Other Equity	\$ 390,801	\$ 8,171	\$ 398,972
Equity	\$ 3,138,142	\$ 7,769	\$ 3,145,911
<u>March 31, 2014</u>			
Deferred tax assets	\$ 72,538	\$ (541)	\$ 71,997
Net defined benefit	\$ 84,956	\$ (3,184)	\$ 81,772
Retained earnings	\$ 648,232	\$ (100)	\$ 648,132
Other Equity	\$ 260,169	\$ 2,743	\$ 262,912
Equity	\$ 2,894,568	\$ 2,643	\$ 2,897,211
<u>January 1, 2014</u>			
Deferred tax assets	\$ 59,449	\$ (562)	\$ 58,887
Net defined benefit	\$ 85,094	\$ (3,305)	\$ 81,789
Other Equity	\$ 269,912	\$ 2,743	\$ 272,655
Equity	\$ 2,929,413	\$ 2,743	\$ 2,932,156
<u>Impact on total comprehensive income for the three months ended March 31, 2014</u>			
Operating cost	\$ 800,301	\$ 36	\$ 800,337
Operating expense	\$ 89,814	\$ 85	\$ 89,899
Income tax	\$ (8,995)	\$ (21)	\$ (9,016)
Total effect on net loss for the period	\$ (25,102)	\$ (100)	\$ (25,202)
Net loss attributable to:			
Owners of the Company	\$ (25,102)	\$ (100)	\$ (25,202)

5) Annual Improvements to IFRSs: 2009-2011 Cycle

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

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Refer to Note 28 for more details.

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

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

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 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 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

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

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

The initial application of the above New IFRSs has not had 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 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.

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) Annual Improvements to IFRSs: 2010-2012 Cycle

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

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

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

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

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

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure

of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

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

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

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

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

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

6) IFRS 15 “Revenue from Contracts with Customers”

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

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

7) Annual Improvements to IFRSs: 2012-2014 Cycle

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

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

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

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

IAS 34 was amended to clarify that other disclosure information required by IAS 34 should be included in interim financial statements. If the Group includes the information in other statements (such as management commentary or risk report) issued at the same time, it is not required to repeat the disclosure in the interim financial statements. However, it is required to include a cross-reference from the interim financial statements to that issued statements that is available to users on the same terms and at the same time as the interim financial statements.

8) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

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 IAS 34 "Interim Financial Reporting" endorsed by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual consolidated financial statements.

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 value.

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. 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

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		
			March 31, 2015	December 31, 2014	March 31, 2014
GEM	Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	Note 1	100	100	100
	Genius Terminal Co., Ltd. (Genius Terminal)	Notes 1 and 2	100	100	100
	GEM Terminal (Cayman) Co., Ltd. (GEM Terminal (Cayman))	Note 1	100	100	100
Global (Cayman)	Vibo Gem International Co., Ltd. (Vibo)	Notes 1 and 2	100	100	100
	Global Electronics Terminal (HK) Co., Ltd. (Global (HK))	Note 2	100	100	100
Genius Terminal	Genius Terminal (HK) Ltd. (Genius (HK))	Note 2	100	100	100
GEM Terminal (Cayman)	Rui Zhan Hardware VN Co., Ltd. (Rui Zhan Hardware VN)	Note 3	100	100	100
Vibo	Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM (Suzhou))	Note 3	100	100	100
	Dongguan Gem Electronics & Metal Co., Ltd. (GEM (Dongguan))	Note 3	100	100	100
	You Mao Terminal International Co., Ltd. (You Mao)	Note 4	-	-	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: The invested money has not been remitted as of October 2014, and You Mao had cancelled its registration in October, 2014.

d. Other significant accounting policy

Except for the following, refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2014.

1) Retirement benefits

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 retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Groups' 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.

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

one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

3) Reclassification

Several items were reclassified in the consolidated balance sheet as of March 31, 2014 to comply with the presentation of the consolidated balance sheet as of March 31, 2015.

	Before Reclassification	After Reclassification
<u>March 31, 2015</u>		
Consolidated balance sheets	<u>\$ 1,719,649</u>	<u>\$ 1,793,352</u>
Property, plant and equipment	<u>\$ 180,051</u>	<u>\$ 106,348</u>

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2014.

6. CASH AND CASH EQUIVALENTS

	March 31, 2015	December 31, 2014	March 31, 2014
Cash on hand	\$ 2,461	\$ 2,593	\$ 1,914
Checking accounts and demand deposits	702,867	710,489	766,950
Cash equivalent			
Time deposits with original maturities less than 3 months	<u>636,866</u>	<u>556,567</u>	<u>599,204</u>
	<u>\$ 1,342,194</u>	<u>\$ 1,269,649</u>	<u>\$ 1,368,068</u>

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	March 31, 2014
Financial assets held for trading	\$ 450
Financial assets designated as at FVTPL	<u>10,291</u>
	<u>\$ 10,741</u>
Financial liabilities held for trading	<u>\$ 35</u>

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

As of March 31, 2015 and December 31, 2014, there was no outstanding copper futures contract and nickel futures contract. Outstanding copper futures contracts and nickel futures contracts as of March 31, 2014 were as follows:

	Futures Month	Lots	Contract Amount (In Thousands)
Copper futures contracts			
Refined copper	May, 2014	11	USD 817
Nickel futures contracts			
Nickel	June, 2014	4	USD 381

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	March 31	
	2015	2014
Overseas investment		
Quoted stocks	\$ 1,203	\$ 13,540
Mutual funds	-	10,537
Domestic investment		
Quoted stocks	-	64,648
Mutual funds	-	<u>6,499</u>
	<u>\$ 1,203</u>	<u>\$ 95,224</u>

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2015	December 31, 2014	March 31, 2014
Notes receivable			
Notes receivable - operating	<u>\$ 213,553</u>	<u>\$ 241,837</u>	<u>\$ 199,876</u>
Accounts receivable			
Accounts receivable	\$ 922,034	\$ 1,050,572	\$ 934,941
Less: Allowance for doubtful accounts	<u>14,355</u>	<u>16,817</u>	<u>13,814</u>
	<u>\$ 907,679</u>	<u>\$ 1,033,755</u>	<u>\$ 921,127</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 period. 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 period.

Aging analysis of accounts receivable was as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Not past due	\$ 775,154	\$ 938,961	\$ 797,098
Past due 1-60 days	141,990	97,472	132,401
Past due 61-90 days	127	10,019	133
Past due 91-180 days	53	468	1,381
Past due over 181 days	<u>4,710</u>	<u>3,652</u>	<u>3,928</u>
	<u>\$ 922,034</u>	<u>\$ 1,050,572</u>	<u>\$ 934,941</u>

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

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

	Collectively Assessed for Impairment	
	For the Three months Ended March 31	
	2015	2014
Balance, beginning of period	\$ 16,817	\$ 15,800
Reversal of allowance for doubtful accounts	(2,342)	(2,105)
Effect of foreign currency exchange differences	<u>(120)</u>	<u>119</u>
Balance, end of period	<u>\$ 14,355</u>	<u>\$ 13,814</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 each reporting date, 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:

	March 31, 2015	December 31, 2014	March 31, 2014
Group A	<u>\$ 176,687</u>	<u>\$ 207,294</u>	<u>\$ 235,206</u>

10. OTHER FINANCIAL ASSET - CURRENT

	March 31, 2015	December 31, 2014	March 31, 2014
Time deposits with original maturities more than 3 months	\$ 269,821	\$ 268,897	\$ 222,436
Pledge time deposits	95,498	202,727	98,375
Refundable deposits	<u>313</u>	<u>518</u>	<u>14,728</u>
	<u>\$ 365,632</u>	<u>\$ 472,142</u>	<u>\$ 335,539</u>

Information of pledged other financial assets is shown in Note 24.

11. INVENTORIES

	March 31, 2015	December 31, 2014	March 31, 2014
Finished goods	\$ 298,066	\$ 400,059	\$ 226,791
Raw materials	192,760	206,986	320,822
Work in process	178,477	130,916	199,403
Supplies	<u>61,928</u>	<u>65,130</u>	<u>30,963</u>
	<u>\$ 731,231</u>	<u>\$ 803,091</u>	<u>\$ 777,979</u>

The cost of inventories recognized as costs of goods sold were \$780,260 thousand and \$800,337 thousand for the three months ended March 31, 2015 and 2014, respectively, which included the following items:

	For the Three Months Ended March 31	
	2015	2014
Unallocated fixed manufacturing cost	\$ 53,977	\$ 38,006
Others	<u>3,401</u>	<u>37,918</u>
	<u>\$ 57,378</u>	<u>\$ 75,924</u>

12. PROPERTY, PLANT, AND EQUIPMENT

The Company purchased land for \$7,908 thousand. On this land, a resort will be constructed for the employees. However, a part of the land is agricultural land that cannot be transferred to the Company because of statutory limitations; thus, the Company registered the property rights in the name of an individual temporarily, in December 2014, its registration is transferred to chairman's name. The land is mortgaged to the Company and the agreement stipulated unconditional conveyance of the land to the Company.

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

Three months ended March 31, 2015

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2015	\$ 146,218	\$ 815,421	\$ 1,808,955	\$ 60,349	\$ 39,944	\$ 84	\$ 532,564	\$ 348,780	\$ 3,752,315
Additions	-	4,036	49,868	223	255	-	26,706	1,488	82,576
Disposal	-	(238)	(12,429)	-	-	-	(1,773)	-	(14,440)
Reclassification	-	-	-	-	-	-	367	(367)	-
Effect of foreign currency exchange differences	-	(5,164)	(3,559)	(360)	(283)	-	(4,204)	(6,164)	(19,734)
Balance at March 31, 2015	<u>\$ 146,218</u>	<u>\$ 814,055</u>	<u>\$ 1,842,835</u>	<u>\$ 60,212</u>	<u>\$ 39,916</u>	<u>\$ 84</u>	<u>\$ 553,660</u>	<u>\$ 343,737</u>	<u>\$ 3,800,717</u>
<u>Accumulated depreciation</u>									
Balance on January 1, 2015	\$ -	\$ (363,984)	\$ (933,576)	\$ (44,764)	\$ (30,131)	\$ (62)	\$ (289,764)	\$ -	\$ (1,662,281)
Depreciation expenses	-	(10,418)	(38,188)	(1,069)	(615)	(4)	(15,548)	-	(65,842)
Disposal	-	148	11,649	-	-	-	1,381	-	13,178
Effect of foreign currency exchange differences	-	1,935	(14,386)	273	227	-	2,300	-	(9,651)
Balance at March 31, 2015	<u>\$ -</u>	<u>\$ (372,319)</u>	<u>\$ (974,501)</u>	<u>\$ (45,560)</u>	<u>\$ (30,519)</u>	<u>\$ (66)</u>	<u>\$ (301,631)</u>	<u>\$ -</u>	<u>\$ (1,724,596)</u>
Carrying amounts at January 1, 2015	<u>\$ 146,218</u>	<u>\$ 451,437</u>	<u>\$ 875,379</u>	<u>\$ 15,585</u>	<u>\$ 9,813</u>	<u>\$ 22</u>	<u>\$ 242,800</u>	<u>\$ 348,780</u>	<u>\$ 2,090,034</u>
Carrying amounts at March 31, 2015	<u>\$ 146,218</u>	<u>\$ 441,736</u>	<u>\$ 868,334</u>	<u>\$ 14,652</u>	<u>\$ 9,397</u>	<u>\$ 18</u>	<u>\$ 252,029</u>	<u>\$ 348,737</u>	<u>\$ 2,076,121</u>

Three months ended March 31, 2014

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance on January 1, 2014	\$ 146,218	\$ 785,207	\$ 1,611,099	\$ 73,872	\$ 37,185	\$ 84	\$ 429,047	\$ 133,578	\$ 3,216,290
Additions	-	-	49,588	1,892	140	-	12,878	15,976	80,474
Disposal	-	(1,991)	(5,036)	-	(278)	-	(802)	-	(8,107)
Effect of foreign currency exchange differences	-	(2,620)	(3,573)	(618)	(119)	-	(1,827)	413	(8,344)
Balance on March 31, 2014	<u>\$ 146,218</u>	<u>\$ 780,596</u>	<u>\$ 1,652,078</u>	<u>\$ 75,146</u>	<u>\$ 36,928</u>	<u>\$ 84</u>	<u>\$ 439,296</u>	<u>\$ 149,967</u>	<u>\$ 3,280,313</u>
<u>Accumulated depreciation</u>									
Balance on January 1, 2014	\$ -	\$ (320,314)	\$ (795,121)	\$ (53,944)	\$ (27,176)	\$ (47)	\$ (230,264)	\$ -	\$ (1,426,866)
Depreciation expenses	-	(9,573)	(33,583)	(1,575)	(574)	(4)	(12,919)	-	(58,228)
Disposal	-	1,802	4,368	-	250	-	672	-	7,092
Effect of foreign currency exchange differences	-	2,409	(12,782)	248	100	-	1,066	-	(8,959)
Balance on March 31, 2014	<u>\$ -</u>	<u>\$ (325,676)</u>	<u>\$ (837,118)</u>	<u>\$ (55,271)</u>	<u>\$ (27,400)</u>	<u>\$ (51)</u>	<u>\$ (241,445)</u>	<u>\$ -</u>	<u>\$ (1,486,961)</u>
Carrying amounts at March 31, 2014	<u>\$ 146,218</u>	<u>\$ 454,920</u>	<u>\$ 814,960</u>	<u>\$ 19,875</u>	<u>\$ 9,528</u>	<u>\$ 33</u>	<u>\$ 197,851</u>	<u>\$ 149,967</u>	<u>\$ 1,793,352</u>

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

Transportation equipment

Office equipment

Leasehold improvements

Miscellaneous equipment

3-15 years
3-12 years
5-15 years
5.75 years
2-20 years

Refer to note 24 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings/general banking facilities granted to the Group.

13. PREPAYMENTS FOR LEASE

	March 31, 2015	December 31, 2014	March 31, 2014
Current (included in other current assets)	\$ 2,058	\$ 2,317	\$ 1,741
Noncurrent (included in long-term prepaid rent)	<u>102,331</u>	<u>95,946</u>	<u>72,695</u>
	<u>\$ 104,389</u>	<u>\$ 98,263</u>	<u>\$ 74,436</u>

As of March 31, 2015, December 31, 2014 and March 31, 2014, prepaid lease payments are for properties located in Mainland China and Vietnam. 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 24 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

	March 31, 2015	December 31, 2014	March 31, 2014
Payable for purchase of equipment	\$ 50,095	\$ 60,616	\$ 35,636
Salaries or bonus	38,881	44,095	37,585
Payable for utilities expense	10,090	9,227	7,990
Payable for bonus to employees and remuneration to directors and supervisors	5,680	5,680	1,380
Payable for professional service fees	4,853	6,456	4,716
Payable for annual leave	3,487	5,159	3,297
Others	<u>57,483</u>	<u>76,912</u>	<u>84,284</u>
	<u>\$ 170,569</u>	<u>\$ 208,145</u>	<u>\$ 174,888</u>

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

16. BORROWINGS

a. Short-term borrowings

	March 31, 2015	December 31, 2014	March 31, 2014
Unsecured borrowings	\$ 490,790	\$ 402,822	\$ 458,685
Secured borrowings	<u>281,576</u>	<u>288,752</u>	<u>196,598</u>
	<u>\$ 772,366</u>	<u>\$ 691,574</u>	<u>\$ 655,283</u>

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

	March 31, 2015	December 31, 2014	March 31, 2014
Unsecured borrowings (%)	1.45-6.00	1.45-6.00	1.25-2.04
Secured borrowings (%)	4.82-6.00	5.40-6.00	5.40-6.00

b. Long-term borrowings

	March 31, 2015	December 31, 2014	March 31, 2014
Unsecured borrowings	<u>\$ 1,146,250</u>	<u>\$ 1,235,000</u>	<u>\$ 1,191,250</u>
Commercial paper payable	200,000	200,000	200,000
Less: Unamortized discount	<u>365</u>	<u>385</u>	<u>435</u>
	<u>199,635</u>	<u>199,615</u>	<u>199,565</u>
	1,345,885	1,434,615	1,390,815
Less: Current portion	<u>675,885</u>	<u>582,500</u>	<u>515,000</u>
	<u>\$ 670,000</u>	<u>\$ 852,115</u>	<u>\$ 875,815</u>

Unsecured borrowings

	March 31, 2015	December 31, 2014	March 31, 2014
Borrowings	\$ 1,146,250	\$ 1,235,000	\$ 1,191,250
Less: Current portion	<u>476,250</u>	<u>582,500</u>	<u>515,000</u>
Long-term borrowings	<u>\$ 670,000</u>	<u>\$ 652,500</u>	<u>\$ 676,250</u>
Interest rate P.A. (%)	1.66-2.00	1.66-2.20	1.66-2.20

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

Long-term commercial paper payable

The Company committed to International Bills Finance Corporation to use from February 2013 to

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

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. The foreign subsidiaries also make contributions in accordance with the local regulations, which is a defined contribution plan.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law (LSL). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The Company have no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group defined benefit plans were as follows:

	December 31, 2014
Present value of defined benefit obligation	\$ 94,962
Fair value of plan assets	<u>(19,631)</u>
Net defined benefit liabilities	<u>\$ 75,331</u>

Movements of net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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	-	(2,317)	(2,317)
Benefits paid	<u>(6,797)</u>	<u>6,797</u>	<u>-</u>
Balance at December 31, 2014	<u>\$ 94,962</u>	<u>\$ 19,631</u>	<u>\$ 75,331</u>

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

	For the Three Months Ended March 31	
	2015	2014
Operating costs	\$ 166	\$ 178
Marketing expenses	59	70
General and administration expenses	214	234
Research and development expenses	<u>106</u>	<u>117</u>
	<u>\$ 545</u>	<u>\$ 599</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation and its subsidiaries are 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 of Labor Funds, Ministry of Labor 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 and corporate 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 principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2014
Discount rate (%)	1.25
Expected rate of salary increase (%)	1.20
Mortality rate	According to annuity insurance life table in Taiwan
Turnover rate (%)	0-40

The average duration of the defined benefit obligation is 14 years.

18. EQUITY

a. Share capital

	March 31, 2015	December 31, 2014	March 31, 2014
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>	<u>221,000</u>

(Continued)

	March 31, 2015	December 31, 2014	March 31, 2014
Shares authorized	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>
Number of shares issued and fully paid (in thousands)	<u>171,598</u>	<u>171,598</u>	<u>171,598</u>
Shares issued	<u>\$ 1,715,980</u>	<u>\$ 1,715,980</u>	<u>\$ 1,715,980</u> (Concluded)

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

b. Capital Surplus

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

c. Appropriation of Earnings and Dividend Policy

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

- 1) 10% as legal reserve, until its balance equals the Company's paid-in capital;
- 2) Special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- 3) The balance of remaining balance should be allocated or retained 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 Shareholder dividends' policy. Company's profits may be distributed in the form of cash and/or stock. However, distribution of profits should preferably be in the form of cash dividend. Cash dividends should be at least 10% of total dividends. But if a cash dividend is less than NT\$0.2, the Company may choose to appropriate stock dividends instead.

The Company had incurred net loss for the three months ended March 31, 2015 and 2014, hence, no bonus to employees and remuneration to directors and supervisors were accrued for the periods. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before 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 are authorized for issue, the differences are recorded as change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after

considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

The Company appropriates and reverses special reserves under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity item.

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

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

The appropriations of earnings for 2014 and 2013 had been approved in the board of directors' meeting on March 27, 2015 and the stockholders' meeting on June 19, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2014	For Fiscal Year 2013	For Fiscal Year 2014	For Fiscal Year 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>		
			2014	2013
Employee bonus			\$ 3,580	\$ -
Remuneration to directors and supervisors			2,100	-

The approved bonus to employees and the remuneration to directors and supervisors were distributed in cash and were not different from amounts recognized in the consolidated financial statements for 2014 and 2013.

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

Information about the bonus to employees, directors and supervisors proposed or resolved by the Company's board of directors and stockholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other Equity Items

1) Exchange differences on translating foreign operations

	For the Three Months Ended March 31	
	2015	2014
Balance, beginning of period	\$ 390,801	\$ 269,135

(Continued)

	For the Three Months Ended March 31	
	2015	2014
Exchange differences arising on translating the foreign operations	\$ (23,389)	\$ (7,830)
Exchange differences arising on translating to the presentation currency related income tax	<u>3,976</u>	<u>-</u>
Balance, end of period	<u>\$ 371,388</u>	<u>\$ 261,305</u> (Concluded)

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

	For the Three Months Ended March 31	
	2015	2014
Balance, beginning of period	\$ -	\$ 777
Unrealized loss arising on revaluation of available-for-sale financial assets	(20)	(1,410)
Income tax relating to unrealized loss arising on revaluation of available-for-sale financial assets	5	274
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(787)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	<u>-</u>	<u>10</u>
Balance, end of period	<u>\$ (15)</u>	<u>\$ (1,136)</u>

19. CONSOLIDATED INCOME BEFORE INCOME TAX

Consolidated income before income tax was as follows:

a. Other income

	For the Three Months Ended March 31	
	2015	2014
Interest income	\$ 5,452	\$ 5,928
Dividend income	-	146
Others	<u>4,668</u>	<u>2,717</u>
	<u>\$ 10,120</u>	<u>\$ 8,791</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2015	2014
Foreign exchange gain, net	\$ 4,828	\$ 5,078
Loss on disposal of property, plant and equipment, net	(1,262)	(1,015)
		(Continued)

	For the Three Months Ended March 31	
	2015	2014
Gain on disposal of investments, net	-	787
Valuation gain on financial instruments at fair value through profit or loss, net	-	354
Others	<u>(123)</u>	<u>(97)</u>
	<u>\$ 3,443</u>	<u>\$ 5,107</u> (Concluded)

c. Finance costs

	For the Three Months Ended March 31	
	2015	2014
Interest expense of borrowings	\$ 13,396	\$ 12,345
Less: Amounts included in the cost of qualifying assets	<u>1,927</u>	<u>1,533</u>
	<u>\$ 11,469</u>	<u>\$ 10,812</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2015	2014
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 1,927	\$ 1,533
Capitalization rate (%)	1.84-4.76	1.58-5.88

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2015	2014
Property, plant and equipment	\$ 65,842	\$ 58,228
Prepayments for lease (current/noncurrent)	584	440
Other assets	<u>564</u>	<u>573</u>
	<u>\$ 66,990</u>	<u>\$ 59,241</u>

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

	For the Three Months Ended March 31	
	2015	2014
Analysis of depreciation by function		
Operating costs	\$ 55,298	\$ 46,714
Operating expenses	<u>10,544</u>	<u>11,514</u>
	<u>\$ 65,842</u>	<u>\$ 58,228</u> (Continued)

	For the Three Months Ended March 31	
	2015	2014
Analysis of amortization by function		
Operating costs	\$ 68	\$ 68
Operating expenses	<u>1,080</u>	<u>945</u>
	<u>\$ 1,148</u>	<u>\$ 1,013</u>
		(Concluded)

e. Employee benefits expense

	For the Three Months Ended March 31	
	2015	2014
Short-term employee benefits		
Salary	\$ 104,551	\$ 115,759
Labor and health insurance	2,155	2,229
Other	<u>6,447</u>	<u>3,964</u>
	<u>113,153</u>	<u>121,952</u>
Post-employment benefits (Note 17)		
Defined contribution plans	8,892	7,767
Defined benefit plans	<u>545</u>	<u>599</u>
	<u>9,437</u>	<u>8,366</u>
	<u>\$ 122,590</u>	<u>\$ 130,318</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 85,440	\$ 89,869
Operating expenses	<u>37,150</u>	<u>40,449</u>
	<u>\$ 122,590</u>	<u>\$ 130,318</u>

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2015	2014
Foreign exchange gains	\$ 9,022	\$ 13,032
Foreign exchange losses	<u>(4,194)</u>	<u>(7,954)</u>
Foreign exchange gains, net	<u>\$ 4,828</u>	<u>\$ 5,078</u>

20. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2015	2014
Current tax		
In respect of the current period	\$ 638	\$ 2,675
In respect of prior periods	<u>-</u>	<u>199</u>
	<u>638</u>	<u>2,874</u>
In respect of the current period	(5,405)	(10,176)
Exchange rate influence	<u>704</u>	<u>(1,714)</u>
	<u>(4,701)</u>	<u>(11,890)</u>
Income tax expense recognized in profit or loss	<u>\$ (4,063)</u>	<u>\$ (9,016)</u>

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

	For the Three Months Ended March 31	
	2015	2014
Deferred tax		
Translation of foreign operations	\$ 3,976	\$ -
Unrealized gain (loss) on available-for-sale financial asset	<u>5</u>	<u>284</u>
	<u>\$ 3,981</u>	<u>\$ 284</u>

c. Integrated income tax

	March 31, 2015	December 31, 2014	March 31, 2014
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ 6,684	\$ 6,684	\$ 6,684
Unappropriated earnings generated on and after January 1, 1998	<u>412,054</u>	<u>424,210</u>	<u>313,042</u>
	<u>\$ 418,738</u>	<u>\$ 430,894</u>	<u>\$ 319,726</u>
Imputation credits accounts	<u>\$ 27,198</u>	<u>\$ 27,198</u>	<u>\$ 23,030</u>

The creditable ratios for the distribution of earnings of 2014 and 2013 was 6.09% (estimated) and 7.31% (actual), respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. Effective January 1, 2015, the amount of imputation credits distributed as dividend to ROC resident stockholders shall be reduced by half. The actual imputation credits allocated to shareholders of the Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

d. Income tax assessments

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

- e. GEM (Dongguan) and GEM (Suzhou) had completed the filing of their income tax returns through 2013 with the tax authorities.

21. NET LOSS PER SHARE (EPS)

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

Net loss for the period ended

	For the Three Months Ended March 31	
	2015	2014
Net loss used in the computation of basic / diluted net loss per share	<u>\$ (12,156)</u>	<u>\$ (25,202)</u>

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

	For the Three Months Ended March 31	
	2015	2014
Weighted average number of ordinary shares in computation of basic EPS	171,598	171,598
Effect of diluted potential ordinary shares Bonus to employee	<u>282</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted EPS	<u>171,880</u>	<u>171,598</u>

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

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

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

The Group's management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

Fair value hierarchy

March 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas quoted stocks	<u>\$ 1,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,203</u>

December 31, 2014: None.

March 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets designated as at FVTPL				
Callable preferred stock with interest	<u>\$ 10,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,291</u>
Financial assets held for trading				
Copper futures contracts	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450</u>
Financial liabilities held for trading				
Nickel futures contracts	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35</u>
Available-for-sale financial assets				
Domestic quoted stocks	\$ 64,648	\$ -	\$ -	\$ 64,648
Overseas quoted stocks	13,540	-	-	13,540
Domestic mutual funds	6,499	-	-	6,499
Overseas mutual funds	<u>10,537</u>	<u>-</u>	<u>-</u>	<u>10,537</u>
	<u>\$ 95,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,224</u>

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2015 and 2014.

b. Categories of financial instruments

<u>Financial assets</u>	March 31, 2015	December 31, 2014	March 31, 2014
Fair value through profit or loss			
Designated as at FVTPL	\$ -	\$ -	\$ 10,291
Held for trading	-	-	450
Loans and receivables (Note 1)	2,846,773	3,040,780	2,839,557
Available-for-sale financial assets	1,203	-	95,224

(Continued)

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Financial liabilities</u>			
Fair value through profit or loss			
Held for trading	\$ -	\$ -	\$ 35
Amortized cost (Note 2)	2,659,488	2,905,445	2,819,379 (Concluded)

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 refundable deposits-noncurrent.

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

c. Financial risk management objectives and policies

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

The Corporate 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. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Group was mainly exposed to the risks 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.

	For the Three Months Ended March 31	
	2015	2014
<u>USD impact</u>		
Profit or loss	\$ 4,211	\$ 1,888
<u>HKD impact</u>		
Profit or loss	384	5,116

b) Interest rate risk

The Group was exposed to interest rate risk because entities in 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 period were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Fair value interest rate risk			
Financial assets	\$ 1,002,185	\$ 1,028,191	\$ 889,552
Financial liabilities	1,828,251	1,866,189	1,861,098
Cash flow interest rate risk			
Financial assets	702,664	710,286	797,211
Financial liabilities	290,000	260,000	185,000

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2015 and 2014 would have been higher/lower by \$1,032 thousand and \$1,530 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the 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 9

3) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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>March 31, 2015</u>					
Fixed interest rate liabilities	1.45-6.00	\$ 149,284	\$ 419,683	\$ 786,606	\$ 506,571
Variable interest rate liabilities	1.90-2.20	20,740	912	103,236	172,350
Non-interest bearing	-	254,756	199,493	22,815	-
		<u>\$ 424,780</u>	<u>\$ 620,088</u>	<u>\$ 912,657</u>	<u>\$ 678,921</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	-	385,400	282,953	37,402	-
		<u>\$ 543,604</u>	<u>\$ 697,470</u>	<u>\$ 770,753</u>	<u>\$ 861,981</u>
<u>March 31, 2014</u>					
Fixed interest rate liabilities	1.25-6.00	\$ 170,803	\$ 179,260	\$ 780,788	\$ 768,896
Variable interest rate liabilities	2.00-2.20	504	658	67,477	122,157
Non-interest bearing	-	330,044	281,236	23,384	-
		<u>\$ 501,351</u>	<u>\$ 461,154</u>	<u>\$ 871,649</u>	<u>\$ 891,053</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.

23. TRANSACTIONS WITH RELATED PARTIES

All transactions, balances, and revenues and expenses among the Group are eliminated on consolidation, so the information is not disclosed in this note. Except for those disclosed in Note 12 to the consolidated financial statements, 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 period were as follows:

	For the Three Months Ended March 31	
	2015	2014
Short-term benefits (including salary and bonuses)	\$ 3,163	\$ 3,158
Post-employment benefits	<u>106</u>	<u>65</u>
	<u>\$ 3,296</u>	<u>\$ 3,223</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 Su, Tun-Jen and Su, Tun-Li under one-year operating lease contracts. The rentals for the three months ended March 31, 2015 and 2014 were both \$493 thousand, respectively, and were recorded as operating expenses and manufacturing cost on the basis of the size of the areas actually used.

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

c. Guarantees

Su, Chung-Hong and Su, Tun-Li jointly provided the guarantee for the loans of GEM, Global (HK) and GEM (Suzhon). 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).

24. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Group provided the following assets as collateral for the banks's short-term and long-term borrowings:

	March 31, 2015	December 31, 2014	March 31, 2014
Property, plant and equipment - buildings	\$ 368,265	\$ 378,016	\$ 204,522
Deposit account (under other financial assets-current)	95,498	202,727	98,375
Prepaid rent (under other current assets)	<u>41,460</u>	<u>42,076</u>	<u>19,800</u>
	<u>\$ 505,223</u>	<u>\$ 622,819</u>	<u>\$ 322,697</u>

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 16 to the consolidated financial statements, as of March 31, 2015 were as follows:

- a. The amounts of contracts for the Group's purchases of properties and materials were \$398,748 thousand, of which \$149,137 thousand had not been paid.
- b. Unused letters of credit for purchasing equipment and materials amounted to \$4,471 thousand.

26. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group's 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 (in thousands of foreign currency, except exchange rate):

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>March 31, 2015</u>				
Financial assets				
Monetary items				
USD	\$ 10,259	31.290	(USD : NTD)	\$ 321,017
USD	7,397	6.200	(USD : RMB)	231,449
USD	7,367	7.751	(USD : HKD)	230,512
USD	504	21,535	(USD : VND)	15,758
HKD	11,226	4.037	(HKD : NTD)	45,319
HKD	39,765	0.792	(HKD : RMB)	160,533
HKD	934	0.129	(HKD : USD)	3,770
Financial liabilities				
Monetary items				
USD	194	31.290	(USD : NTD)	6,070
USD	7,761	6.200	(USD : RMB)	242,053
USD	3,144	7.751	(USD : HKD)	98,184
USD	1,005	21,535	(USD : VND)	31,290
HKD	40,717	0.792	(HKD : RMB)	164,373
HKD	1,706	4.037	(HKD : NTD)	6,887

(Continued)

	Foreign Currencies	Exchange Rate		Carrying Amount
<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)	3,853
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)	13,333
<u>March 31, 2014</u>				
Financial assets				
Monetary items				
USD	10,578	30.465	(USD : NTD)	322,252
USD	3,338	6.224	(USD : RMB)	101,697
USD	4,312	7.754	(USD : HKD)	131,370
USD	4	21,839	(USD : VND)	109
HKD	18,794	3.929	(HKD : NTD)	73,842
HKD	162,440	0.803	(HKD : RMB)	638,226
HKD	938	0.129	(HKD : USD)	3,686
Financial liabilities				
Monetary items				
USD	107	30.465	(USD : NTD)	3,256
USD	6,088	6.224	(USD : RMB)	185,479
USD	5,838	7.754	(USD : HKD)	177,859
HKD	46,935	3.929	(HKD : NTD)	184,412
HKD	5,031	0.803	(HKD : RMB)	19,770
(Concluded)				

For the three months ended March 31, 2015 and 2014, realized and unrealized net foreign exchange gains were \$4,828 thousand and \$5,078 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

27. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached).
- 2) Endorsement/guarantee provided: None.
- 3) Marketable securities held : 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: Note 7.
- 10) Inter - Company business relationship and material transactions and its amount: Table 7 (attached).
- 11) Information on investees: Table 5 and 6 (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 (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 (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 (attached).

28. 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

Segment revenues and results, segment assets and liabilities

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

	GEM Terminal, GEM (Dongguan)& Genius (HK)	GEM (Suzhou)	Others	Adjustment and Elimination	Consolidated Amount
<u>For the three months ended March 31, 2015</u>					
Revenue from external customers	\$ 471,726	\$ 337,420	\$ 45,871	\$ -	\$ 855,017
Inter - segment revenues	<u>25,528</u>	<u>127,321</u>	<u>9,425</u>	<u>(162,274)</u>	<u>-</u>
Segment revenues	<u>\$ 497,254</u>	<u>\$ 464,741</u>	<u>\$ 55,296</u>	<u>\$ (162,274)</u>	<u>\$ 855,017</u>
Segment income (loss)	<u>\$ (17,224)</u>	<u>\$ (10,040)</u>	<u>\$ (1,056)</u>	<u>\$ 10,007</u>	\$ (18,313)
Other income					10,120
Other gains and losses					3,443
Finance cost					<u>(11,469)</u>
Net loss of operating units (pretax)					(16,219)
Income tax					<u>(4,063)</u>
Consolidated net loss					<u>\$ (12,156)</u>
<u>March 31, 2015</u>					
Segment assets	<u>\$ 6,689,492</u>	<u>\$ 2,635,407</u>	<u>\$ 412,242</u>	<u>\$(3,782,113)</u>	<u>\$ 5,955,028</u>
Segment liabilities	<u>\$ 2,359,369</u>	<u>\$ 524,051</u>	<u>\$ 218,275</u>	<u>\$ (260,994)</u>	<u>\$ 2,840,701</u>
<u>For the three months ended March 31, 2014</u>					
Revenue from external customers	\$ 477,699	\$ 324,020	\$ 51,213	\$ -	\$ 852,932
Inter - segment revenues	<u>12,089</u>	<u>99,802</u>	<u>24,458</u>	<u>(136,349)</u>	<u>-</u>
Segment revenues	<u>\$ 489,788</u>	<u>\$ 423,822</u>	<u>\$ 75,671</u>	<u>\$ (136,349)</u>	<u>\$ 852,932</u>

(Continued)

	GEM Terminal, GEM (Dongguan)& Genius (HK)	GEM (Suzhou)	Others	Adjustment and Elimination	Consolidated Amount
Segment income (loss)	<u>\$ (31,920)</u>	<u>\$ (25,885)</u>	<u>\$ (1,272)</u>	<u>\$ 21,773</u>	\$ (37,304)
Other income					8,791
Other gains and losses					5,107
Finance cost					<u>(10,812)</u>
Net loss of operating units (pretax)					(34,218)
Income tax					<u>(9,016)</u>
Consolidated net loss					<u>\$ (25,202)</u>
<hr/>					
March 31, 2014					
Segment assets	<u>\$ 6,463,884</u>	<u>\$ 2,481,189</u>	<u>\$ 496,415</u>	<u>\$(3,537,451)</u>	<u>\$ 5,904,037</u>
Segment liabilities	<u>\$ 2,488,559</u>	<u>\$ 494,846</u>	<u>\$ 160,812</u>	<u>\$ (137,391)</u>	<u>\$ 3,006,826</u> (Concluded)

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance (Note 2)	Actual Borrowing Amount (Notes 2 and 3)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Company	Vibo	Other receivables - related parties	Yes	\$ 63,000 (US\$ 2,000 thousand)	\$ -	\$ -	-	Short-term financing	\$ -	Business development	\$ -	\$ -	\$ -	\$ 622,865 (Note 1)	\$ 1,245,730 (Note 1)
		Rui Zhan Hardware VN	Other receivables - related parties	Yes	94,200 (US\$ 3,000 thousand)	93,870 (US\$ 3,000 thousand)	-	2.10	Short-term financing	-	Business development	-	-	-	622,865 (Note 1)	1,245,730 (Note 1)
1	Vibo	GEM (Dongguan)	Other receivables - related parties	Yes	94,500 (US\$ 3,000 thousand)	93,870 (US\$ 3,000 thousand)	31,290 (US\$ 1,000 thousand)	2.80	Short-term financing	-	Business development	-	-	-	639,178 (Note 1)	1,278,356 (Note 1)
		GEM (Dongguan)	Other receivables - related parties	Yes	31,290 (US\$ 1,000 thousand)	31,290 (US\$ 1,000 thousand)	-	2.30	Short-term financing	-	Business development	-	-	-	639,178 (Note 1)	1,278,356 (Note 1)
2	Global (Cayman)	Global (HK)	Other receivables - related parties	Yes	12,600 (US\$ 400 thousand)	12,516 (US\$ 400 thousand)	12,516 (US\$ 400 thousand)	2.00	Short-term financing	-	Business development	-	-	-	643,681 (Note 1)	1,287,362 (Note 1)
3	GEM (Cayman)	Rui Zhan Hardware VN	Other receivables - related parties	Yes	31,500 (US\$ 1,000 thousand)	31,290 (US\$ 1,000 thousand)	31,290 (US\$ 1,000 thousand)	2.10	Short-term financing	-	Business development	-	-	-	41,607 (Note 1)	83,213 (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 rates on March 31, 2015 were US\$1 : NT\$31.29.

Note 3: It was eliminated on consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 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	March 31, 2015				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	Shandong Dong-E E-Jiao Co., Ltd.	-	Available-for-sale financial assets - current	1,000	\$ 210	-	\$ 210	
	Luzhou Laojiao Co., Ltd.	-	Available-for-sale financial assets - current	2,000	248	-	248	
	JiuGui liquor Co., Ltd.	-	Available-for-sale financial assets - current	1,000	85	-	85	
	Wuliangye Yibin Co., Ltd.	-	Available-for-sale financial assets - current	1,000	117	-	117	
	China Merchants Bank Co., Ltd.	-	Available-for-sale financial assets - current	1,000	78	-	78	
	Sichuan Swellfun Co., Ltd.	-	Available-for-sale financial assets - current	1,000	53	-	53	
	Shanxi Xinghuacvn Fen Wine Factory Co., Ltd.	-	Available-for-sale financial assets - current	1,000	112	-	112	
	Bank of Beijing Co., Ltd.	-	Available-for-sale financial assets - current	2,000	110	-	110	
	Agricultural Bank of China Limited	-	Available-for-sale financial assets - current	3,000	56	-	56	
	Bank of Communications Co., Ltd.	-	Available-for-sale financial assets - current	1,000	32	-	32	
	Industrial and Commercial Bank of China Limited	-	Available-for-sale financial assets - current	2,000	49	-	49	
	China Construction Bank Corporation	-	Available-for-sale financial assets - current	1,000	31	-	31	
	Bank of China Limited	-	Available-for-sale financial assets - current	1,000	22	-	22	
					<u>\$ 1,203</u>		<u>\$ 1,203</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 THREE MONTHS ENDED MARCH 31, 2015

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

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
Genius (HK)	The Company	Subsidiary	Sales	\$ 102,704 (HK\$25,251 thousand) (Note 1)	41	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	\$ 149,606 (HK\$37,059 thousand) (Note 2)	45	Note3
The Company	Genius (HK)	Parent	Purchases	(102,704) (HK\$25,251 thousand) (Note 1)	(76)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(149,606) (HK\$37,059 thousand) (Note 2)	(82)	Note3
GEM (Dongguan)	Genius (HK)	Affiliate	Sales	241,793 (HK\$50,014 thousand and US\$1,352 thousand) (Note 1)	58	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	119,928 (HK\$25,495 thousand and US\$581 thousand) (Note 2)	35	Note3
Genius (HK)	GEM (Dongguan)	Affiliate	Purchases	(241,793) (HK\$50,014 thousand and US\$1,352 thousand) (Note 1)	(98)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(119,928) (HK\$25,495 thousand and US\$581 thousand) (Note 2)	(95)	Note3

Note 1: The average conversion rates for the three months ended March 31, 2015 were HK\$1 : NT\$4.0674 and US\$1 : NT\$31.5293.

Note 2: The conversion rates on March 31, 2015 were HK\$1 : NT\$4.037; and US\$1 : NT\$31.29.

Note 3: 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

MARCH 31, 2015

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

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Genius (HK)	The Company	Subsidiary	\$ 149,606 (HK\$ 37,059 thousand)	2.50	\$ -	-	\$ 54,369	\$ -
GEM (Dongguan)	Genius (HK)	Affiliate	119,928 (HK\$ 25,495 thousand and US\$ 581 thousand)	7.76	-	-	119,928	-

Note 1: The conversion rates on March 31, 2015 were HK\$1 : NT\$4.037 and US\$1 : NT\$31.29.

Note 2: It was eliminated consolidation.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 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 March 31, 2015			Net Income (Loss) of the Investee	Share of profit (Loss)	Earnings Appropriation		Note
				March 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)	\$ 1,295,208 (US\$ 40,137)	40,137,184	100	\$ 3,096,066	\$ 1,054	\$ 1,054	\$ -	\$ -	Note 1
	Genius Terminal	British Virgin Islands	International investment and trading, etc.	23,282 (US\$ 750)	23,282 (US\$ 750)	750,000	100	70,399	(1,809)	(1,809)	-	-	Note 1
	GEM Terminal (Cayman)	Grand Cayman, Cayman Islands	International investment	210,367 (US\$ 7,010)	210,367 (US\$ 7,010)	7,010,000	100	208,033	(702)	(702)	-	-	Note 1
								<u>\$ 3,374,498</u>	<u>\$ (1,457)</u>	<u>\$ (1,457)</u>			
Genius Terminal	Genius (HK)	Hong Kong	International trading	90,134 (HK\$ 22,000)	90,134 (HK\$ 22,000)	21,999,998	100	<u>\$ 83,717</u>	<u>\$ (1,771)</u>	<u>\$ (1,729)</u>	-	-	Notes 1 and 2
Global (Cayman)	Vibo	Hong Kong	Investment and trading	1,541,063 (HK\$ 359,973)	1,541,063 (HK\$ 359,973)	359,972,616	100	\$ 3,195,892	\$ 837	\$ 837	-	-	Note 1
	Global (HK)	Hong Kong	International trading	3,747 (HK\$ 1,000)	3,747 (HK\$ 1,000)	1,000,000	100	7,144	989	312	-	-	Notes 1 and 2
								<u>\$ 3,203,036</u>	<u>\$ 1,826</u>	<u>\$ 1,149</u>			
GEM Terminal (Cayman)	Rui Zhan Hardware 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;	207,763 (US\$ 6,410)	207,763 (US\$ 6,410)	-	100	<u>\$ 207,902</u>	<u>\$ (546)</u>	<u>\$ (546)</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 THREE MONTHS ENDED MARCH 31, 2015

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

Investee Company	Main Businesses and Products	Paid-in Capital (RMB in Thousands) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 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 March 31, 2015 (Notes 1 and 3)	Accumulated Repatriation of Investment Income as of March 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.	\$ 855,215 (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)	\$ (2,246)	100	\$ (1,820) (US\$ -57 thousand)	\$ 1,123,716 (US\$ 35,913 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.	1,265,052 (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)	(5,214)	100	(5,133) (US\$ -163 thousand)	2,110,693 (US\$ 67,456 thousand)	-
							\$ 1,193,450 (US\$ 37,159 thousand)					

Accumulated Outward Remittance for Investment in Mainland China as of March 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)	\$1,774,143 (US\$56,700 thousand)	\$1,868,596

Note 1: Amount was recognized based on the reviewed 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

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

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

No.	Company Name	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	\$ 4,345	Payment terms are four months, no comparable transactions	1	Note 1
		Genius (HK)	1	Property, plant and equipment for sale - current	857	Payment terms are four months, no comparable transactions	-	Note 1
		Genius (HK)	1	Other receivable	860	Payment terms are four months, no comparable transactions	-	Note 1
		Genius (HK)	1	Accounts receivable	4,360	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Suzhou)	1	Sales	10,158	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (Suzhou)	1	Property, plant and equipment for sale - current	22,341	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Suzhou)	1	Expense of patent right	750	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Suzhou)	1	Accounts receivable	5,762	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Suzhou)	1	Other receivable	16,032	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	1	Property, plant and equipment for sale - current	1,505	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	1	Other receivable	1,510	Payment terms are four months, no comparable transactions	-	Note 1
1	GEM (Dongguan)	Genius (HK)	3	Sales	241,793	Payment terms are four months, no comparable transactions	28	Note 1
		Genius (HK)	3	Accounts receivable	119,928	Payment terms are four months, no comparable transactions	2	Note 1
		GEM (Suzhou)	3	Sales	15,370	Payment terms are four months, no comparable transactions	2	Note 1
		GEM (Suzhou)	3	Accounts receivable	33,083	Payment terms are four months, no comparable transactions	1	Note 1
		GEM Terminal	2	Sales	2	Payment terms are four months, no comparable transactions	-	Note 1
		GEM Terminal	2	Accounts receivable	2	Payment terms are four months, no comparable transactions	-	Note 1
2	Genius (HK)	GEM Terminal	2	Sales	102,704	Payment terms are four months, no comparable transactions	12	Note 1
		GEM Terminal	2	Accounts receivable	149,606	Payment terms are four months, no comparable transactions	3	Note 1
		GEM Terminal	2	Other receivable	14,768	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	3	Sales	5,417	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (Dongguan)	3	Accounts receivable	5,377	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	3	Other receivable	428	Payment terms are four months, no comparable transactions	-	Note 1
3	Global (HK)	GEM Terminal	2	Sales	9,425	Payment terms are four months, no comparable transactions	1	Note 1
		GEM Terminal	2	Accounts receivable	5,006	Payment terms are four months, no comparable transactions	-	Note 1
4	GEM (Suzhou)	GEM Terminal	2	Sales	3,420	Payment terms are four months, no comparable transactions	-	Note 1
		GEM Terminal	2	Accounts receivable	1,054	Payment terms are four months, no comparable transactions	-	Note 1
		Global (HK)	3	Sales	54,366	Payment terms are four months, no comparable transactions	6	Note 1
		Global (HK)	3	Accounts receivable	41,520	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (Dongguan)	3	Sales	69,535	Payment terms are four months, no comparable transactions	8	Note 1
		GEM (Dongguan)	3	Accounts receivable	95,735	Payment terms are four months, no comparable transactions	2	Note 1
		GEM (Dongguan)	3	Property, plant and equipment	420	Payment terms are four months, no comparable transactions	-	Note 1
5	Vibo	GEM (Dongguan)	2	Other receivable	32,085	According to working capital conditions to change payment deading	1	Note 1
		GEM (Dongguan)	2	Interest income	218	Interest rates P.A. 2.1%	-	Note 1

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets	Note
				Financial Statement Item	Amount	Terms		
6	Global (Cayman)	Global (HK)	2	Other receivable	\$ 12,717	According to working capital conditions to change payment deading Interest rates P.A. 2.1%	-	Note 1
		Global (HK)	2	Interest income	62		-	Note 1
7	GEM (Cayman)	Rui Zhan Havdware VN	2	Other receivable	31,430	According to working capital conditions to change payment deading Interest rates P.A. 2.1%	1	Note 1
		Rui Zhan Havdware VN	2	Interest income	141		-	Note 1

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary

2) Subsidiary to parent

3) Subsidiary to subsidiary

(Concluded)