ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT AUDITORS

JUNE 30, 2015 AND 2014

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese financial statements shall prevail.

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS
English Translation of a Report Originally Issued in Chinese

To Orient Semiconductor Electronics Limited

We have reviewed the accompanying consolidated balance sheets of Orient Semiconductor Electronics Limited and its subsidiaries (the "Company") as of June 30, 2015, and 2014, the related consolidated statements of comprehensive income for the six-month periods ended June 30, 2015 and 2014, and consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our reviews.

Except for the matters mentioned in the third paragraph, our reviews were made in accordance with the Statements of Auditing Standards NO. 36, "Review of Financial Statements". We only performed the analytical and comparative procedures to financial data and inquired persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As of June 30, 2015 and 2014, total assets of the subsidiaries exception of OSE PHLIPPINES, INC. were $1,297,426 thousands (7.43% of the consolidated total assets) and $1,423,749 thousands (9.39% of the consolidated total assets), respectively; total liabilities of the subsidiaries were $483,693 thousands (4.09% of the consolidated total liabilities) and $577,222 thousands (5.55% of the consolidated total liabilities), respectively. For the three-month period ended June 30, 2015 and 2014, net income of the subsidiaries were $24,576 thousands (9.98% of the consolidated net income) and $15,482 thousands (13.56% of the consolidated net income). For the six-month period ended June 30, 2015 and 2014, net income of the subsidiaries were $63,420 thousands (13.24% of the consolidated net loss) and $22,493 thousands (10.09% of the consolidated net loss). As stated in Note 12 to the financial statements, investments accounted for using the equity method of the Company and its subsidiaries, were $364,612 thousands and $322,540 thousands as of June 30, 2015 and 2014. For the three-month period ended June 30, 2015 and 2014 the related shares of profits of associate and joint ventures and the relate shares of other comprehensive profits of associate and joint ventures of the Company and its subsidiaries, were $18,014 thousands, $8,174 thousands and $0 thousands, $0 thousands, for the six-month period ended June 30, 2015 and 2014 the related shares of profits of associate and joint ventures and the relate shares of other comprehensive profits of associate and joint ventures of the Company and its subsidiaries, were $25,734 thousands, $12,595 thousands and $0 thousands, $0 thousands, which were not reviewed by auditors.

Based on our reviews and the reports of the other independent accountants, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which is endorsed by Financial Supervisory Commission of the Republic of China.

As of June 30, 2015, the Company's current liabilities and current assets amounted were $9,985,286 thousands and $6,482,433 thousands, respectively, which resulted in a current ratio of 64.92%.

Ernst & Young
Auguest 6, 2015
Republic of China on Taiwan

<u>Notice to Readers</u>

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

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

As of June 30, 2015, December 31, 2014, June 30, 2014 and January 1, 2014

(Amounts expressed in Thousands of New Taiwan Dollars)

		June 30, 2015		December 31, 2014 (After Retrospect)		June 30, 2014 (After Retrospect)		January 1, 2014 (After Retrospect)	
ASSETS	Notes	Amount	%	Amount	%	Amount	%	Amount	%
Current assets									
Cash and cash equivalents	4, 6	$751,659	4	$399,711	3	$322,365	2	$322,495	2
Financial assets at fair value through profit or loss-Current	4, 7	32,945	—	49,825	1	53,464	—	30,748	—
Notes receivable	4, 8	19,637	—	17,855	—	18,285	—	17,389	—
Accounts receivable-Non Affiliates	4, 9, 33	2,967,397	18	2,659,997	16	2,312,144	16	1,649,596	13
Accounts receivable-Affiliates	4, 9, 32	36,925	—	44,523	—	51,359	—	30,882	—
Other receivable-Non Affiliates		42,992	—	41,803	—	20,801	—	40,771	—
Other receivable-Affiliates	32	57,040	—	42,474	—	42,241	—	36,823	—
Inventories	4, 10	1,374,584	8	1,455,081	9	1,350,697	9	1,023,342	7
Prepayments	4, 16	165,419	1	119,088	1	110,780	1	78,566	1
Other current assets		71,307	—	44,375	—	32,419	—	34,705	—
Other financial assets-Current	33	962,528	6	849,420	5	747,773	5	539,948	4
Total current assets		6,482,433	37	5,724,152	35	5,062,328	33	3,805,265	27
Non-current assets									
Available-for-sale financial assets-Non current	4, 11	347,440	2	454,690	3	432,763	3	424,663	3
Investments accounted for using the equity method	4, 12, 33	364,612	2	350,355	2	322,540	2	315,700	2
Property, plant, and equipment	4, 13, 33	7,469,213	43	6,912,842	42	6,446,415	43	6,429,229	45
Investment Property	4, 14, 33	650,723	4	678,691	4	651,794	4	—	—
Intangible assets	4, 15	17,922	—	29,435	—	30,158	—	37,208	—
Deferred income tax assets	4	1,570,008	9	1,672,470	10	1,878,168	12	2,028,529	15
Prepayment for purchase of fixed assets	4, 16	285,485	2	289,914	2	103,876	1	113,614	1
Refundable deposits	33	139,614	1	128,768	1	104,436	1	96,129	1
Long-term receivables-Affiliates	4, 17, 32	95,921	—	138,900	1	131,003	1	130,959	1
Other non-current assets	33	31,424	—	36,723	—	33,235	—	682,751	5
Total non-current assets		10,972,362	63	10,692,788	65	10,134,388	67	10,258,782	73
Total assets		$17,454,795	100	$16,416,940	100	$15,196,716	100	$14,064,047	100

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

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

As of June 30, 2015, December 31,2014, June 30, 2014 and January 1,2014

(Amounts expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	June 30, 2015		December 31, 2014 (After Retrospect)		June 30, 2014 (After Retrospect)		January 1, 2014 (After Retrospect)	
		Amount	%	Amount	%	Amount	%	Amount	%
Current liabilities									
Short-term loans	18	$3,278,011	19	$3,337,999	20	$3,281,093	22	$3,182,491	23
Short-term notes payable	19	99,487	–	49,242	–	49,215	–	49,951	–
Notes payable		339,718	2	306,534	2	304,200	2	286,990	2
Other notes payable		46,595	–	42,331	–	52,467	–	25,982	–
Accounts payable-Non Affiliates		2,759,096	16	2,823,142	17	2,377,376	16	1,727,861	12
Accounts payable-Affiliates	32	19,725	–	–	–	–	–	–	–
Accrued expenses		527,944	3	401,260	3	382,497	3	288,063	2
Payables on equipment		666,128	4	498,923	3	309,439	2	171,783	1
Other payables-Affiliates	32	319,900	2	74,900	1	74,900	–	74,900	1
Current income tax liabilities		–	–	699	–	106	–	471	–
Current portion of long-term loans	20	1,212,857	7	1,023,018	6	937,111	6	793,087	6
Lease payable-Current	4, 21	512,704	3	321,811	2	151,311	1	183,999	1
Other current liabilities		203,121	1	105,048	1	156,058	1	109,340	1
Total current liabilities		9,985,286	57	8,984,907	55	8,075,773	53	6,894,918	49
Non-current liabilities									
Long-term loans	20	828,030	5	1,317,816	8	1,669,032	11	2,016,374	15
Lease payable-Non current	4, 21	280,600	2	200,906	1	85,109	1	8,728	–
Net defined benefit liabilities-noncurrent	4	705,321	4	714,810	5	732,422	5	726,869	5
Other non-current liabilities	4	33,576	–	34,538	–	32,146	–	33,097	–
Total non-current liabilities		1,847,527	11	2,268,070	14	2,518,709	17	2,785,068	20
Total liabilities		11,832,813	68	11,252,977	69	10,594,482	70	9,679,986	69
Equity attributable to the parent company	4, 23								
Capital									
Common stock		8,060,158	46	8,060,158	49	8,060,158	53	8,060,158	57
Additional paid-in capital		1,824	–	–	–	–	–	–	–
Recognize changes in subsidiaries' ownership									
Retained earnings									
Retained deficits		(2,813,855)	(16)	(3,317,661)	(20)	(3,788,860)	(25)	(3,998,077)	(28)
Other Components of Equity		248,953	1	276,354	1	216,598	1	208,189	1
Equity attributable to stockholders of the parent		5,497,080	31	5,018,851	30	4,487,896	29	4,270,270	30
Non-controlling interests		124,902	1	145,112	1	114,338	1	113,791	1
Total stockholders' equity		5,621,982	32	5,163,963	31	4,602,234	30	4,384,061	31
Total liabilities and stockholders' equity		$17,454,795	100	$16,416,940	100	$15,196,716	100	$14,064,047	100

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

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015 and 2014

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	For the three months ended June 30,2015		For the three months ended June 30,2014 (After Retrospect)		For the six months ended June 30,2015		For the six months ended June 30,2014 (After Retrospect)	
		Amount	%	Amount	%	Amount	%	Amount	%
Gross sales	4, 24	$4,162,707	100	$3,327,393	100	$7,938,639	100	$6,304,086	100
Cost of goods sold	4,27	(3,526,933)	(85)	(2,855,063)	(86)	(6,760,290)	(85)	(5,436,905)	(86)
Gross profit		635,774	15	472,330	14	1,178,349	15	867,181	14
Operating expenses	4,27								
Selling and administration expenses		(217,800)	(5)	(188,540)	(6)	(431,023)	(6)	(376,737)	(6)
Research and development expenses		(48,864)	(1)	(41,981)	(1)	(92,665)	(1)	(78,392)	(1)
Subtotal		(266,664)	(6)	(230,521)	(7)	(523,688)	(7)	(455,129)	(7)
Operating income		369,110	9	241,809	7	654,661	8	412,052	7
Non-operating income and expenses	28								
Other income		15,418	—	31,619	1	31,107	—	40,168	1
Other gains and losses		(20,170)	—	(7,334)	—	9,702	—	12,389	—
Financial costs		(49,151)	(1)	(50,923)	(2)	(99,417)	(1)	(101,446)	(2)
Share of profits of associates and joint ventures	4, 12	18,014	—	8,174	—	25,734	—	12,595	—
Pretax income from continuing operations		333,221	8	223,345	6	621,787	7	375,758	6
Income tax expense	4, 30	(70,808)	(2)	(99,638)	(3)	(112,441)	(1)	(152,014)	(3)
Aftertax income from continuing operations		262,413	6	123,707	3	509,346	6	223,744	3
Aftertax (loss) from discontinued operation	4, 39	—	—	(5,219)	—	—	—	(9,285)	—
Consolidated net income		262,413	6	118,488	3	509,346	6	214,459	3
Other comprehensive (loss) income	4, 29								
To be reclassified to profit or loss in subsequent periods									
Exchange differences resulting from translating the financial statements of foreign operations		(4,510)	—	(17,000)	—	(21,105)	—	407	—
Unrealized gain from available-for-sale financial assets		(12,270)	—	9,660	—	(12,270)	—	8,070	—
Income tax relating to components of other comprehensive income		511	—	2,539	—	3,099	—	(69)	—
Total other comprehensive (loss) income for the period, net of tax		(16,269)	—	(4,801)	—	(30,276)	—	8,408	—
Total comprehensive income		$246,144	6	$113,687	3	$479,070	6	$222,867	3
Consolidated net income attributable to:									
Common stockholders of the parent		$255,873	6	$117,317	3	$503,806	6	$209,217	3
Non controlling interests		6,540	—	1,171	—	5,540	—	5,242	—
		$262,413	6	$118,488	3	$509,346	6	$214,459	3
Consolidated comprehensive income attributable to:									
Common stockholders of the parent		$241,109	6	$114,584	3	$476,405	6	$217,626	3
Non-controlling interests		5,035	—	(897)	—	2,665	—	5,241	—
		$246,144	6	$113,687	3	$479,070	6	$222,867	3
Basic earnings per share (Expressed in NTD)	4, 31								
Aftertax income from continuing operations		$0.32		$0.15		$0.63		$0.27	
Aftertax (loss) from discontinued operations		—		(0.01)		—		(0.01)	
Consolidated net income		$0.32		$0.14		$0.63		$0.26	

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

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30, 2015 and 2014

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Equity attributable to stockholders of the parent						Non-Controlling Interests	Total Equity
	Common stock	Capital surplus	Retained earnings	Other equity		Total		
			Retained deficits	Exchange differences on translation of foreign operations	Unrealized gains from available-for-sale financial assets			
Balance as of January 1, 2014	$8,060,158	–	($3,837,278)	($36,277)	$244,466	$4,431,069	$117,998	$4,549,067
The Amount effected by retrospective application and retrospective restatement			(160,799)			(160,799)	(4,207)	(165,006)
Balance as of January 1, 2014 (After Retrospect)	8,060,158	–	(3,998,077)	(36,277)	244,466	4,270,270	113,791	4,384,061
Profit for the six months ended June 30, 2014 (After Retrospect)			209,217			209,217	5,242	214,459
Other comprehensive income (loss) for the six months ended June 30, 2014 (After Retrospect)				339	8,070	8,409	(1)	8,408
Total comprehensive income (After Retrospect)	–	–	209,217	339	8,070	217,626	5,241	222,867
Changes in non-controlling interests						–	(4,694)	(4,694)
Balance as of June 30, 2014 (After Retrospect)	$8,060,158	–	($3,788,860)	($35,938)	$252,536	$4,487,896	$114,338	$4, 602, 234
Balance as of January 1, 2015 (After Retrospect)	$8,060,158	–	($3,317,661)	$10,407	$265,947	$5,018,851	$145,112	$5,163,963
Changes in subsidiaries' ownership		$1,824				1,824	–	1,824
Profit for the six months ended June 30, 2015			503,806			503,806	5,540	509,346
Other comprehensive (loss) for the six months ended June 30, 2015				(15,131)	(12,270)	(27,401)	(2,875)	(30,276)
Total comprehensive income	–	–	503,806	(15,131)	(12,270)	476,405	2,665	479,070
Changes in non-controlling interests						–	(22,875)	(22,875)
Balance as of June 30, 2015	$8,060,158	$1,824	($2,813,855)	($4,724)	$253,677	$5,497,080	$124,902	$5,621,982

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

English Translation of Financial Statements Originally Issued in Chinese
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six-month periods ended June 30, 2015 and 2014
(Amount expressed in Thousands of New Taiwan Dollars)

Items	For the Six months ended June 30, 2015 Amount	For the Six months ended June 30, 2014 (After Retrospect) Amount
Cash flows from operating activities:		
Pretax income from continuing operations	$621,787	$375,758
Pretax (loss) from discontinued operation	–	(9,285)
Consolidated net income	621,787	366,473
Adjustments to reconcile net income (loss) before tax to net		
The profit or loss items which did not affect cash flows:		
Depreciation	574,960	571,003
Amortization	15,226	13,582
Bad debt expenses (reversal)	1,550	(25,528)
Net loss (income) of financial assets and liabilities at fair value through profit or loss	16,880	(22,716)
Interest expense	99,417	101,446
Interest revenue	(3,679)	(1,772)
Share of (profit) of associates accounted for using the equity method	(25,734)	(12,595)
(Gain) on disposal of property, plant and equipment	(1,993)	(1,881)
(Gain) Loss on disposal of investments	(37,662)	32
Loss on impairment of non-financial assets	7,019	–
Changes in operating assets and liabilities:		
(Increase) in notes receivable-non affiliates	(4,451)	(896)
(Increase) in notes receivable-affiliates	(21)	–
(Increase) in accounts receivable-non affiliates	(350,249)	(637,019)
Decrease (Increase) in accounts receivable-affiliates	7,329	(20,478)
(Increase) Decrease in other receivable-non affiliates	(1,043)	19,466
(Increase) Decrease in other receivable-affiliates	(841)	1,088
Decrease (Increase) in inventories	53,229	(327,356)
(Increase) in prepayments	(44,797)	(34,622)
(Increase) Decrease in other current assets	(26,932)	2,286
(Increase) in other operating assets	(612)	–
Increase in notes payable-non affiliates	37,474	43,695
(Decrease) Increase in accounts payable	(65,486)	649,515
Increase in other accounts payable-affiliates	19,725	–
(Decrease) in other accounts payable	(961)	(412)
Increase in other current liabilities	261,645	141,152
Increase in accrued pension liabilities	1,015	5,553
(Decrease) in deferred credit	–	(8,850)
Cash generated from operating activities	1,152,795	821,166
Interest received	3,533	2,276
Income tax (paid)	(9,772)	(2,087)
Net cash provided by operating activities	1,146,556	821,355

Items	For the Six months ended June 30, 2015 Amount	For the Six months ended June 30, 2014 (After Retrospect) Amount
Cash flows from investing activities:		
Disposal of available-for-sale financial assets	131,422	–
Acqusition of property, plant and equipment	(1,498,310)	(671,329)
Disposal of property, plant and equipment	543,729	228,859
(Increase) in refundable deposits	(10,846)	(8,307)
Acqusition of intangible assets	(3,990)	(6,532)
Decrease (Increase) in long-term receivables	42,979	(44)
Other investing activities	(7,608)	(789)
Net cash (used) by investing activities	(802,624)	(458,142)
Cash flows from financing activities:		
Increase in short-term loans	–	98,602
(Decrease) in short-term loans	(13,403)	–
Increase (Decrease) in short-term notes payable	50,245	(736)
Increase in long-term loans	453,017	280,000
Repayment of long-term loans	(754,740)	(480,910)
Increase in guarantee deposits received	5	23
Increase in other payable-affiliates	245,000	–
Increase in lease payable	544,710	200,250
(Decrease) in lease payable	(274,123)	(156,557)
Interest paid	(98,456)	(101,034)
Changes in non-controlling interests	(22,875)	(4,694)
Other financing activities	(120,831)	(207,825)
Net cash provided (used) by financing activities	8,549	(372,881)
Foreign currency translation adjustment	(533)	9,538
Net Increase (decrease) in cash	351,948	(130)
Cash and cash equivalents, beginning of period	399,711	322,495
Cash and cash equivalents, end of period	$751,659	$322,365

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

1. ORGANIZATION AND OPERATION

Orient Semiconductor Electronics Limited (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China in June 1971. The Company was registered in Kaohsiung City and the registered address is 9 Central 3Rd St. N.E.P.Z., Kaohsiung, Taiwan, 11, R.O.C. The principal activity of the Company is to engage in the manufacture, assembly, processing and sale of integrated circuits, parts for semiconductors, computer motherboards and related products. The Company's shares commenced trading in the Taiwan stock exchange market in April 1994.

For the six-months period ended June 30, 2015, the Company and its subsidiaries current liabilities and current assets amounted to $9,985,286 thousands and 6,482,433 thousands, respectively. The current ratio was 64.92%. The Company has devoted to adjusting its product structure, cutting down costs and expenses, using sales leaseback, rearranging repayment periods and obtaining the new finance sources. Otherwise, the primary shareholders provided financial support to the Company. Therefore there is no doubt about the Company's on-going operation.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries("the Group) for the six-month period ended June 30, 2015 and 2014 were authorized for issue by the Board of Directors on August 6, 2015.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments.

The Group has adopted the IFRSs, International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC), which are recognized by Financial Supervisory Commission (FSC) and effective for annual periods beginning on or after January 1, 2015. Except for the impacts and nature of the following newly issued or revised standards as explained below, the first-time adoption of other standards and interpretations will not have material impact on the Group.

IAS 19 "Employee Benefits"

The revised IAS 19 brought about the following changes to defined benefit plans which are summarized as below:

(a) The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under the revised IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.

(b) In the previous version of IAS 19, past service cost is recognized as an expense immediately to the extent that the benefits are already vested, or on a straight-line basis over the average period until the benefits become vested. Under the revised IAS 19, all past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. Therefore unvested past service cost is no longer deferred over future vesting periods.

(c) The revised IAS 19 required more disclosure.

(d) The Group applied the revised IAS 19 Employee Benefits retrospectively in the current period in accordance with the transitional provisions set out in the revised standard except that the carrying amount of assets was not adjusted for changes in employee benefit cost that were included in the carrying amount before 1 January 2014. The figures of the earliest comparative period presented and the comparative period have been accordingly restated.

Impact on the balance sheet:

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014	Jan.1, 2014
Other non-current liabilities	$175,313	$175,313	$198,802	$198,802
Deferred tax assets	$29,803	$29,803	$33,796	$33,796
Retained earnings				
Undistributed earnings	$141,089	$141,089	$160,799	$160,799

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 Disclosure of Interests in Other Entities sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements, for example, summarized financial information about the associate or disclosure on subsidiaries with material non-controlling interests. Please refer to Note 12 for more details.

IFRS 13 "Fair Value Measurements"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. The Group re-assessed its policies for measuring fair values. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

Additional disclosures where required under IFRS 13, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12. According to the transitional provisions of IFRS 13, IFRS 13 is applied prospectively as of 1 January 2015; the disclosure requirements of IFRS 13 need not be applied in comparative information before 1 January 2015.

IAS 1 "Presentation of Financial Statements – Presentation of items of other comprehensive income"

Beginning 1 January 2014, the Group presented its items of other comprehensive income that will be reclassified to profit or loss separately from items that will not be reclassified in accordance with the amendments to IAS 1. The amendments affect presentation of statement of comprehensive income only and have no impact on the Group's financial position or performance.

IAS 1 "Presentation of Financial Statements – Clarification of the requirement for comparative information"

Beginning 1 January 2014, according to the amendments to IAS 1, when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in it financial statements, or when it reclassifies items in its financial statements, the opening statement of financial position does not have to be accompanied by comparative information in the related notes. The amendments affect notes accompanying the financial statements only and have no impact on the Group's financial position or performance.

(2) Standards or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below:

(a)IAS 36 "Impairment of Assets" (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after 1 January 2014.

(b)IFRIC 21 "Levies"

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after 1 January 2014.

(c)IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after 1 January 2014.

(d)IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after 1 July 2014.

(e)Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 2 "Share-based Payment"

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 "Business Combinations"

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 Provisions, Contingent Liabilities and Contingent Assets or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss; (3) amending the classification requirements of IFRS 9 Financial Instruments to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

IFRS 8 "Operating Segments"

The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

IFRS 13 "Fair Value Measurement"

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement as consequential amendments from IFRS 13 Fair Value Measurement, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 "Property, Plant and Equipment"

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 24 "Related Party Disclosures"

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 38 "Intangible Assets"

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

(f) Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 "Business Combinations"

This amendment clarifies that paragraph 2(a) of IFRS 3 Business Combinations excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

IFRS 13 “Fair Value Measurement”

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 40 “Investment Property”

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after 1 July 2014.

(g)IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

(h)IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations.)

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation (constituting a business unit), which requires an entity to apply all principles in IFRS 3 Business Combinations (and other IFRSs that are not in conflict with IFRS 11) for the scope of the acquisition and disclose relevant information according to this standard. The amendments are effective for annual periods beginning on or after January 1, 2016.

(i)IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” － Clarification of acceptable methods of depreciation and amortization

The amendments clarify that the use of revenue generated by an activity of an asset is not an appropriate basis for the depreciation method of property, plant and equipment, because this type of revenue generally reflects factors other than the entity consumption of the economic benefits embodied in the asset, such as the change in sales activity, sales quantity and price. The amendments also clarify the presumption for amortization methods of intangible assets that the use of revenue is not an appropriate basis for measuring the consumption of the economic benefits embodied in intangible assets. (Under certain special circumstances, this presumption can be rebutted.) The amendments are effective for annual periods beginning on or after January 1, 2016.

(j)IFRS 15 “Revenue from Contracts with Customers”

The core principle of the new Standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1 : Identify the contracts with a customer;

Step 2 : Identify the performance obligations in the contract;

Step 3 : Determine the transaction price;

Step 4 : Allocate the transaction price to the performance obligations in the contracts; and

Step 5 : Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 also includes a cohesive set of discosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, timing and uncertainty of revenue and cash flows arising form the entity’s contratcts with customers. The amendments are effective for annual periods beginnng on or after January 1, 2017.

(k)Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Since the growing operation of bearer plants is similar to that of manufacturing, the IASB decided that accounting for bearer plants shall be consistent with the accounting requirements for property, plant and equipment in IAS 16. Consequently, the amendments include bearer plants into the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

(l)IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting). Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that “own credit risk” adjustments are not recognized in profit or loss. Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio. The new standard is effective for annual periods beginning on or after January 1, 2018.

(m)IAS 27"Separate Financial Statements" — Equity Method in Separate Financial Statements

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendment is effective for annual periods beginning on or after 1 January 2016.

(n)IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"-Sale or Contributation of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The amendment is effective for annual periods beginning on or after 1 January 2016.

(o)Improvements to International Financial Reporting Standards (2012-2014 cycle):

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

IFRS 7 "Financial Instruments: Disclosures"

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 Financial Instruments: Disclosures is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 Interim Financial Reporting. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 19 “Employee Benefits”

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 34 “Interim Financial Reporting”

The amendment clarifies what is meant by “elsewhere in the interim financial report” under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after 1 January 2016.

(p)IAS 1 “Presentation of Financial Statements” (Amendment):

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2016.

(q)IFRS 10“Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, and IAS 28“Investments in Associates and Joint Ventures” — Investment Entities: Applying the Consolidation Exception

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after 1 January 2016.

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Group's financial statements, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a)~(q), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the six-month periods ended 30 June 2015 and 2014 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as recognized by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

A. The consolidated entities are listed as follows:

Investor	Name of subsidiaries	Business nature	Percentage of ownership			Remarks
			June 30, 2015	December 31, 2014	June 30, 2014	
The Company	OSE PHILIPPINES INC. (OSEP)	Manufacture and export of integrated circuits and computers	99.99%	99.99%	99.99%	1. As of June 30, 2015, the Company owned 93.67% and OSE B.V.I. owned 6.33% of the shares of OSEP, which represented the aggregate a 99.99% ownership of OSEP. 2. OSEP ceased its operation in fourth quarter of 2011.
The Company	OSE INTERNATIONAL, LTD. (OSE B.V.I)	Investments of various manufacturing businesses	100.00%	100.00%	100.00%	—
The Company	SPARQTRON CORP. (SPARQTRON)	Manufacture of electronics product	44.95%	43.81%	43.81%	As discussed in (B)

The Company	OSE USA, INC. (OSEU)	Investments of various manufacturing businesses	100.00%	100.00%	100.00%	OSEA merged with OSEU on February 14, 2006 and assumed OSEU's assets, liabilities and preferred stocks. OSEA changed its name as OSE USA, Inc. after the merger.
The Company	INFOFAB, INC.	Business management consulting and information software service	—	20.25%	20.25%	As discussed in (B)
The Company	COREPLUS (HK) LIMITED (COREPLUS)	Manufacture of electronics product	100.00%	100.00%	100.00%	—
SPARQTRON CORP. (SPARQTRON)	CONSTELLAR TECHNOLOGY CORPORATION (CONSTELLAR)	Manufacture of electronics product	100.00%	100.00%	100.00%	OSE did not hold any share of CONSTELLAR. But OSE still treated CONSTELLAR as its subsidiary because OSE's subsidiary- SPARQTRON held 100 % ownership of CONSTELLAR.
COREPLUS (HK) LIMITED (COREPLUS)	VALUE–PLUS TECHNOLOGY (SUZHOU) CO. (VALUE–PLUS (SUZHOU))	Manufacture of electronics product	100.00%	100.00%	100.00%	OSE did not hold any share of VALUE-PLUS (SUZHOU). But OSE still treated VALUE-PLUS (SUZHOU) as its subsidiary because OSE's subsidiary- COREPLUS held 100 % ownership of VALUE-PLUS (SUZHOU).

INFOFAB, INC.	UOCEANUS TECHNOLOGY CO.	Business management consulting and information software service	—	100.00%	100.00%	1. OSE did not hold any share of UOCEANUS. But OSE still treated UOCEANUS as its subsidiary because OSE's subsidiary-INFOFAB, INC. held 100 % ownership of UOCEANUS. 2. As discussed in (B).

B. The essence of the relationship between the parent company and its subsidiaries when the parent company did not directly or indirectly hold more than 50% voting shares of the investees and still treated the investees as its subsidiaries:

a. Despite holding less than 50% of the voting rights, the Company has been determined that it still possesses control over SPARQTRON. From the beginning of investment in SPAQTRON, the Company has been the single largest shareholder of SPAQTRON. Since the remaiming voting shares are widely held by other numerous shareholders and there is no right arising from contractual arrangement, the Company can obtain the authorization of relative majority of voting rights and appoint the main management personnel who are able to lead relevant operations in SPAQTRON.

b. According to IFRS10, based on the Company's owership of voting rights of INFOFAB,INC, it has been determined that the Company is no longer able to influence the policy-making processes in shareholders meeting, which results in the loss of control. As a result, INFOFAB,INC is not include in the consolidated financial reporting entities.

c. The financial statements of part of the consolidated subsidiaries listed above had not been reviewed by auditors. As of June 30, 2015 and 2014, the related assets of the subsidiaries which were unaudited by auditors amount to $1,297,426 thousands and $1,423,749 thousands respectively, and the related liabilities amount to $483,693 thousands and $577,222 thousands, respectively. The comprehensive income of these subsidiaries amount to $63,420 thousands and $22,493 thousands for the six-month period ended June 30, 2015 and 2014, respectively.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.

(b) The Group holds the asset primarily for the purpose of trading.

(c) The Group expects to realize the asset within twelve months after the reporting period.

(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle.

(b) The Group holds the liability primarily for the purpose of trading.

(c) The liability is due to be settled within twelve months after the reporting period.

(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Fixed-term deposits include deposits that have maturities of three months from the date of acquisition and can be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments:

Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or reocgnitoin inconsistency; or

ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

<u>Available-for-sale financial assets</u>

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

<u>Held-to-maturity financial assets</u>

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i.significant financial difficulty of the issuer or obligor; or

ii.a breach of contract, such as a default or delinquency in interest or principal payments; or

iii.it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

iv.the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

<u>Derecognition of financial assets</u>

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.

ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.

iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(b) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

<u>Financial liabilities</u>

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or

ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a)In the principal market for the asset or liability, or

(b)In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10)Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Raw materials – Purchase cost on an average basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs, on an average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(12) Investments accounted for using the equity method

The Group’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10～50 years
Machinery and equipment	7～15 years
Transportation equipment	5 years
Office equipment	5 years
Leased assets	7～15 years
Leasehold improvements	5～15 years
Other equipment	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(15) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Sale and leaseback

The company sold and portion mmachinery and equipment and leased back. When sale and leaseback determined as finance lease, the company (the lessor and lessee) deferred the amount exceed book value in the leasehold period.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale

(b) Its intention to complete and its ability to use or sell the asset

(c) How the asset will generate future economic benefits

(d) The availability of resources to complete the asset

(e) The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

A summary of the policies applied to the Group's intangible assets is as follows:

	Cost of computer software
Useful lives	1～3 years
Amortization method used	Amortized on a straight-line basis
Internally generated or acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a)the significant risks and rewards of ownership of the goods have passed to the buyer;

(b)neither continuing managerial involvement nor effective control over the goods sold have been retained;

(c)the amount of revenue can be measured reliably;

(d)it is probable that the economic benefits associated with the transaction will flow to the entity; and

(e)the costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points programme that the Group operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Rendering of services

Revenue is recognised when the Group finishes the processing services.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a)the date of the plan amendment or curtailment, and

(b)the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

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 and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

<u>Deferred tax</u>

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i.Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii.In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i.Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii.In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

(22) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 Financial Instruments: Recognition and Measurement either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNITNG JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1)Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety.

(2)Operating lease commitment－Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(3)De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(4)Revenue recognition

The Group based on trading patterns and whether the economic substance were expose to the sale of goods or services related to the significant risks and rewards, to determine whether the Group should be classified as the principal of the transaction or agent. When expose to the sale of goods or services related to the significant risks and rewards, the principal of the transaction should recognize the total receivables or received economic benefit as revenue; if determine as the agent, recognize the net transaction as revenue.

The Group provides electronic manufacturing services and integrated circuit packaging and testing manufacturing services, determined as to conform to the following indicators; it is recognized as total revenue collected:

(1) Has the primary responsibility to the provision of goods or services provided

(2) Assumed inventory risk

(3) Assumed customer's credit risk

<u>Estimates and assumptions</u>

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1)The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 37 for more details.

(2)Post-employment benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

(3)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4)Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6. CASH AND CASH EQUIVALENTS

	Jun. 30 , 2015	Dec. 31 , 2014	Jun. 30 , 2014
Cash on hand	$267	$265	$194
Demand deposits	751,392	399,446	322,171
Total	$751,659	$399,711	$322,365

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS－CURRENT

	Jun. 30 , 2015	Dec. 31 , 2014	Jun. 30 , 2014
Held for trading:			
Non-derivative financial assets			
Stocks	$38,560	$38,560	$38,560
Add：Valuation adjustments	(5,615)	11,265	14,904
Total	$32,945	$49,825	$53,464

Please refer to Note 33 for the more details on financial assets held for trading under pledge.

8. NOTES RECEIVABLES

	Jun. 30 , 2015	Dec. 31 , 2014	Jun. 30 , 2014
Notes receivables	$19,637	$17,855	$18,285
Less: allowance for doubtful debts	(－)	(－)	(－)
Total	$19,637	$17,855	$18,285

Notes receivables were not pledged.

9. ACCOUNTS RECEIVABLES, NET

(a)

	Jun. 30 , 2015	Dec. 31 , 2014	Jun. 30 , 2014
Accounts receivables	$2,317,909	$1,918,162	$1,462,036
Add : accounts receivable to be factored	656,181	747,194	854,586
Less: allowance for doubtful debts	(6,693)	(5,359)	(4,478)
Subtotal	2,967,397	2,659,997	2,312,144
Accounts receivables -affiliates	36,925	44,523	51,360
Less: allowance for doubtful debts	(－)	(－)	(1)
Subtotal	36,925	44,523	51,359
Total	$3,004,322	$2,704,520	$2,363,503

(b) Accounts receivables are generally on 30-150 day terms. The movements in the provision for impairment of accounts receivables are as follows (please refer to Note 37 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of Jan.1, 2015	—	$5,359	$5,359
Charge/reversal for the current period	—	1,550	1,550
Effect of exchange rate	—	(24)	(24)
Other changes		(192)	(192)
As of Jun.30, 2015	—	$6,693	$6,693
As of Jan.1, 2014	—	$30,007	$30,007
Charge/reversal for the current period	—	(25,528)	(25,528)
Effect of exchange rate	—	—	—
As of Jun.30, 2014	—	$4,479	$4,479

		Past due but not impaired			
	Neither past due nor impaired	61-90 days	91-120 days	>=121 days	Total
Jun. 30 , 2015	$2,955,786	$31,825	$16,482	$229	$3,004,322
Dec. 31 , 2014	$2,672,238	$29,788	$1,572	$922	$2,704,520
Jun. 30 , 2014	$2,350,557	$3,724	$3,497	$5,725	$2,363,503

(c) The Group signed loan agreements with the following banks and used its accounts receivable as securities for the loans. Certain of the Company's accounts receivable were under pledge to the banks. The details of the loan agreements are as follows:

Jun. 30, 2015

Bank	Contract period	Banking facility	Loan amount	Factored amount
SinoPac Bank	March 31, 2015 ~ March 31, 2016	US$15,400 $265,000	$388,217	$413,650
SinoPac Bank	March 31, 2015 ~ March 31, 2016	$260,000	—	—
Far Eastern Bank	April 10, 2015 ~ April 10, 2016	$450,000	18,204	242,531
Far Eastern Bank	April 10, 2015 ~ April 10, 2016	$135,000	—	—
Total			$406,421	$656,181

Dec. 31, 2014

Bank	Contract period	Banking facility	Loan amount	Factored amount
SinoPac Bank	March 28, 2014 ~ March 31, 2015	US$14,300 $295,000	$375,523	$401,268
SinoPac Bank	March 28, 2014 ~ March 31, 2015	$260,000	83,263	99,916
Far Eastern Bank	March 28, 2014 ~ March 28, 2015	$450,000	48,041	246,010
Far Eastern Bank	March 28, 2014 ~ March 28, 2015	$135,000	—	—
Total			$506,827	$747,194

Jun. 30 ,2014

Bank	Contract period	Banking facility	Loan amount	Factored amount
SinoPac Bank	March 28, 2014 ~ March 31, 2015	US$14,300 $295,000	$266,781	$317,172
SinoPac Bank	March 28, 2014 ~ March 31, 2015	$260,000	150,174	180,209
Far Eastern Bank	March 28, 2014 ~ March 28, 2015	$450,000	62,835	357,205
Far Eastern Bank	March 28, 2014 ~ March 28, 2015	$135,000	—	—
Total			$479,790	$854,586

10. INVENTORIES

(a)

	Jun. 30 , 2015	Dec. 31 , 2014	Jun. 30 , 2014
Raw materials	$938,772	$1,025,949	$960,909
Supplies	55,456	51,207	50,157
Work in progress	258,064	243,485	220,541
Finished goods	122,292	134,440	119,090
Total	$1,374,584	$1,455,081	$1,350,697

(b)

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Cost of inventories sold	$3,516,795	$2,865,721	$6,722,661	$5,444,421
Loss in inventory write-off	10,138	(10,658)	37,629	(7,516)
Cost of Goods Sold	$3,526,933	$2,855,063	$6,760,290	$5,436,905

(c) As of June 30, 2015 and 2014, inventories were insured for $9,775,186 thousands and $9,326,639 thousands, respectively.

(d) No inventories were pledged.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS─ NON CURRENT

(a)

	Jun. 30 , 2015	Dec. 31 , 2014	Jun. 30 , 2014
Unlisted stocks	$41,805	$136,785	$131,385
Less：Unrealized gains and losses	305,635	317,905	301,378
Total	$347,440	$454,690	$432,763

(b) Stock details are as follows:

Investee Company	Type of stock	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
STRATEDGE	Common stock	$1,323	$1,323	$1,323
ACTIONTEC	Common stock	164,904	164,904	156,172
ACTIONTEC	Preferred stock	181,213	181,213	171,618
SPINERGY	Common stock	─	─	─
GOLFWARE, INC.	Common stock	─	─	─
IntelliEPI (Cayman) (Note)	Common stock	─	107,250	103,650
Total		$347,440	$454,690	$432,763

(Note): The group dispose all of stocks were amount $131,422 thousands of IntelliEPI (Cayman) and the gain on disposal of investments were $37,662 thousands as of the first half of 2015.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(i) The group investments accounted for using the equity method are as follows:

		Jun. 30, 2015		Dec. 31, 2014		Jun. 30, 2014	
Investee Company	Type of stock	Amount	Ownership	Amount	Ownership	Amount	Ownership
Investments in associates:							
OSE PROPERTIES, INC.	Common stock	─	39.99%	─	39.99%	─	39.99%
ATP ELECTRONICS, TAIWAN INC.	Common stock	$361,618	18.22%	$349,785	18.22%	$322,062	17.24%
INFOFAB, INC.	Common stock	2,994	14.85%	─	─	─	─
SCS HIGHTECH INC.	Common stock	─	18.17%	─	18.17%	─	18.17%
INFINITY & BEYOND CO., LTD.	Common stock	─	─	570	40.00%	478	40.00%
Total		$364,612		$350,355		$322,540	

(ii)In September 2006, shares of the investee company ATP were exchanged with ATP TAIWAN so that the Company would hold 15.13% ownership of ATP TAIWAN after the exchange. In addition, As of June 30, 2015, ATP TAIWAN had purchased 5,425 thousands treasury shares, sold 18 thousands treasury stocks, wrote-off 1,549 thousands treasury stocks, transferred 6,495 thousands treasury stocks to employees and the Group had purchased 1,929 thousands treasury shares. So the Company held 18.22% ownership of ATP TAIWAN.

(iii)Because SCS HIGHTECH INC. was written off as losses in 2004.

(iv)Part of the shares in long-term equity investments has been pledged to the banks as securities for bank loans granted to the Group. Please refer to Note 33 for the more details.

(v) The groups investments by using the equity method are not published price quotations.

(vi)Investment accounted for using the equity method on June 30, 2015 and 2014 are $364,612 thousands and $322,540 thousands, respectively. Share of profits of associate and joint ventures for the three-month period ended June 30 of 2015 and 2014 are 18,014 thousands and 8,174 thousands, respectively. Share of profits of associate and joint ventures for the six-month period ended June 30 of 2015 and 2014 are 25,734 thousands and 12,595 thousands, respectively. Based on the financial reports of the invested companies not reviewed by auditors.

(vi) The following table lists the investments accounted for using the equity method of the Group:

	Jun.30, 2015	Dec.31, 2014	Jun.30, 2014
Total assets (100%)	$2,667,078	$2,405,520	$2,419,871
Total liabilities (100%)	$1,047,306	$874,462	$1,001,937

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Revenue (100%)	$887,133	$836,422	$1,603,261	$1,511,703
Profit (100%)	$93,440	$54,694	$152,753	$80,918

13. PROPERTY, PLANT AND EQUIPMENT

(1)

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Rental assets	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:											
As of Jan.1, 2015	$35,200	$6,925,088	$18,928,772	$10,628	$92,142	$412,751	$830,467	$13,355	$389,037	$265,360	$27,902,800
Additions	—	87	3,993	1,595	774	—	—	3,240	2,594	385,813	398,096
Disposals	—	(9,091)	(769,656)	(3,018)	(50)	—	—	—	(633)	—	(782,448)
Transfers	—	21,882	1,267,484	900	—	—	438,629	4	19,915	(476,966)	1,271,848
Exchange differences	(823)	(2,552)	(18,317)	(162)	(813)	—	—	(312)	(307)	—	(23,286)
Other changes	—	—	—	—	(5,172)	—	—	—	—	—	(5,172)
As of Jun. 30, 2015	$34,377	$6,935,414	$19,412,276	$9,943	$86,881	$412,751	$1,269,096	$16,287	$410,606	$174,207	$28,761,838
Depreciation and impairment:											
As of Jan.1, 2015	—	$3,699,319	$16,544,362	$8,243	$88,017	$169,421	$129,952	$12,980	$337,664	—	$20,989,958
Depreciation	—	120,520	336,854	542	580	5,356	91,753	76	8,485	—	564,166
Disposals	—	(8,789)	(228,133)	(2,639)	(45)	—	—	—	(588)	—	(240,194)
Transfers	—	—	61,816	—	—	—	(61,816)	—	—	—	—
Exchange differences	—	(136)	(16,500)	(98)	(762)	—	—	(303)	(243)	—	(18,042)
Other changes	—	—	—	—	(3,263)	—	—	—	—	—	(3,263)
As of Jun. 30, 2015	—	$3,810,914	$16,698,399	$6,048	$84,527	$174,777	$159,889	$12,753	$345,318	—	$21,292,625

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Rental assets	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:											
As of Jan.1, 2014	$33,187	$7,138,362	$17,507,464	$9,706	$70,665	$144,131	$820,267	$12,269	$359,633	$42,076	$26,137,760
Additions	—	—	89,779	1,456	123	—	—	—	463	75,034	166,855
Disposals	—	(10,714)	(314,716)	(1,406)	(492)	—	—	—	(915)	—	(328,243)
Transfers	—	16,658	1,183,078	963	18,518	—	(139,056)	—	14,673	(16,123)	1,078,711
Exchange differences	11	35	(1,713)	(22)	(19)	—	—	4	(108)	—	(1,812)
As of Jun. 30, 2014	$33,198	$7,144,341	$18,463,892	$10,697	$88,795	$144,131	$681,211	$12,273	$373,746	$100,987	$27,053,271
Depreciation and impairment:											
As of Jan.1, 2014	—	$3,526,555	$15,418,984	$7,739	$66,378	$68,624	$285,467	$12,222	$322,562	—	$19,708,531
Depreciation	—	138,502	348,106	430	1,015	2,080	68,102	2	8,212	—	566,449
Disposals	—	(9,514)	(88,338)	(1,075)	(442)	—	—	—	(892)	—	(100,261)
Transfers	—	—	530,399	963	18,544	—	(116,800)	—	101		433,207
Exchange differences	—	109	(1,071)	(9)	(17)	—	—	5	(87)	—	(1,070)
As of Jun. 30, 2014	—	$3,655,652	$16,208,080	$8,048	$85,478	$70,704	$236,769	$12,229	$329,896	—	$20,606,856
Net carrying amount:											
As of Jun.30, 2015	$34,377	$3,124,500	$2,713,877	$3,895	$2,354	$237,974	$1,109,207	$3,534	$65,288	$174,207	$7,469,213
As of Dec.31, 2014	$35,200	$3,225,769	$2,384,410	$2,385	$4,125	$243,330	$700,515	$375	$51,373	$265,360	$6,912,842
As of Jun.30, 2014	$33,198	$3,488,689	$2,255,812	$2,649	$3,317	$73,427	$444,442	$44	$43,850	$100,987	$6,446,415

(2) Affects both the cash and non-cash items of investing activities：

	6-month periods ended June 30	
	2015	2014
Acquisition of property, plant, and equipment expenditure		
Property, plant and equipment increase	$1,669,944	$818,723
Prepayment for equipment (decrease)	(4,429)	(9,738)
Payables on equipment (decrease)	(167,205)	(137,656)
Cash expenditure	$1,498,310	$671,329

(3) Details of capitalized borrowing costs are as follows:

	Jun.30, 2015	Jun.30, 2014
Construction in progress	$4,434	$2,878
Capitalisation rate of borrowing costs	2.3591％～2.6175％	2.9150％～3.1132％

(4) As of June 30, 2015 and 2014, fixed assets were insured for $12,402,344 thousands and $10,837,570 thousands, respectively.

(5) The company signed a financial leasing contracts of leased assets for lease payable that the abovementioned assets are not allowed to be provided as guarantee for other borrowings.

(6) Please refer to Note 33 for more details on property, plant and equipment under pledge.

14. INVESTMENT PROPERTY

	Buildings
Cost：	
As of Jan.1, 2015	$690,497
Transfers from other non-current assets	—
Exchange difference	(15,686)
As of Jun.30, 2015	$674,811
As of Jan.1, 2014	—
Transfers from property, plan and equipment	$986,909
As of Jun.30, 2014	$986,909
Depreciation:	
As of Jan.1, 2015	$11,806
Depreciation	12,251
Transfers from other non-current assets	—
Exchange difference	31
As of Jun.30, 2015	$24,088
As of Jan.1, 2014	—
Transfers from property, plan and equipment	$335,115
As of Jun.30, 2014	$335,115
Net carrying amount：	
As of Jun.30, 2015	$650,723
As of Dec.31, 2014	$678,691
As of Jun.30, 2014	$651,794

Please refer to Note 33 for more details on investment property under pledge.

The fair value of investment property is $773,686 thousands, $792,203 thousands and $747,163 thousands as of June 30, 2015, December 31, 2014 and June 30, 2014. The fair value has been determined based on valuations performed by an independent appraiser and on transactions observable in the market. The investment property has no rent revenue.

15. INTANGIBLE ASSETS

(1)As of June 30, 2015, December 31, 2014 and June 30, 2014, the cost of the computer software, original cost, accumulated amortization and amount of amortization in the book of the Group is listed as below:

	Computer software
Cost:	
As of Jan. 1, 2015	$91,282
Addition	3,990
Exchange differences	(43)
Other changes	(290)
As of Jun. 30, 2015	$94,939
As of Jan. 1, 2014	$71,227
Addition	6,532
Exchange differences	—
As of Jun. 30, 2014	$77,759
Amortization and impairment:	
As of Jan. 1, 2015	$61,847
Amortization	15,226
Exchange differences	23
Other changes	(79)
As of Jun. 30, 2015	$77,017
As of Jan. 1, 2014	$34,019
Amortization	13,582
Exchange differences	—
As of Jun. 30, 2014	$47,601
Net carrying amount as of:	
Jun. 30, 2015	$17,922
Dec. 31, 2014	$29,435
Jun. 30, 2014	$30,158

(2) Amortization expense of intangible assets under the statement of comprehensive income:

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Operating costs	$492	$585	$905	$1,003
Operating expenses	$7,371	$6,370	$14,321	$12,579

16. PREPAYMENTS

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Current assets－prepayments			
Prepaid expenses	$157,123	$111,311	$99,880
Other prepayments	8,296	7,777	10,900
Total	$165,419	$119,088	$110,780
Non current assets－prepayments for equipment：			
Prepayment for equipment	$285,485	$289,914	$103,876

17. LONG-TERM RECEIVABLES-AFFILIATES

(1)

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Loan receivable -PROPERTIES	$95,921	$138,900	$131,003
(Less) : Allowance for bad debts	(－)	(－)	(－)
Net	$95,921	$138,900	$131,003

(2) OSE PHILIPPINES, INC. lended USD 4,387 thousands to OSE PROPERTIES Inc. in July 31, 1996. Three-month period ended March 31, 2015 dispose of part of the land and the return of USD 1,285 thousands. As of June 30, 2015 were USD 3,102 thousands OSE PROPERTIES, INC. The interest rates for the six-month period ended June 30, 2015 and 2014 were both 2.50%. The contract periods were 10 years and may be extended to another 10 years, if necessary.

18. SHORT-TERM LOANS

(1)

Items	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
L/C	$417,881	$411,651	$572,509
Unsecured bank loan	2,554,421	2,776,763	2,432,605
Mortgage loan on machine and equipment	305,709	149,585	52,029
Other loans	－	－	223,950
Total	$3,278,011	$3,337,999	$3,281,093

(2) The ranges of interest rates and the due dates:

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Ranges of interest rates	1.20%～4.19%	1.50%～4.19%	1.50%～4.19%
Due dates	August 31, 2015 ～June 15, 2016	February 20, 2015 ～November 30, 2015	August 31, 2014 ～June 30, 2015

(3) As of June 30, 2015, December 31, 2014 and June 30, 2014, unused short-term loans were $1,326,646 thousands, $1,309,068 thousands and $1,539,243 thousands, respectively.

(4) Please refer to Note 33 for property, plant and equipment pledged as collateral for short- term loans.

19. SHORT-TERM NOTES PAYABLE

(1) Details are as follows:

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Par value of commercial papers	$100,000	$50,000	$50,000
(Less) : Discount for short-term notes payable	(513)	(758)	(785)
Net	$99,487	$49,242	$49,215

(2) The ranges of interest rates and the due dates:

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Ranges of interest rates	2.600%	4.985%	4.985%
Due dates	September 11, 2015	April 22, 2015	October 24, 2014

20. LONG-TERM LOANS

(1) Details are as follows:

Items	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Mortgage loan	$1,190,193	$988,287	$779,107
Syndicated loan	828,099	1,329,353	1,805,606
Other loan	38,317	42,405	45,754
Total	2,056,609	2,360,045	2,630,467
Less: Due within one year	(1,212,857)	(1,023,018)	(937,111)
Less: Unamortized cost of syndicated loans	(15,722)	(19,211)	(24,324)
Net	$828,030	$1,317,816	$1,669,032

(2) The ranges of interest rates and the due dates:

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Ranges of interest rates	2.80%～4.82%	2.80%～4.73%	2.80%～4.15%
Due dates	December 30, 2015～May 5, 2020	June 17, 2015～March 1, 2020	September 29, 2014～March 1, 2020

(3) Please refer to Note 33 for property, plant and equipment pledged as collateral for long- term loans.

(4) On September, 2008, the Company signed a medium-term loan contract with Bank of Kaohsiung. The amount of the loan facility was $50,000 thousands. Commencing on March 29, 2009, the loan will be repaid in 10 installments by paying $5,000 thousands each 6 months. The company had repaid all loans in September, 2014.

(5) On February 10, 2010, the Company signed a syndicated loan contract with 7 banks. The contract period was 10 years, and the amount of the loan facility was $1,700,000 thousands. Within the contract period and before the full repayment of the loan, the Company is required to maintain the following financial ratios：

A. Liability ratio (total liability/ net tangible assets): not lower than 200% in 2011 (250% in 2012, 230% in 2013, 200% in 2014, 160% in 2015, 120% after 2016).

B. Interest coverage ratio: higher than 300%.

C. Net tangible worth (stockholders' equity minus intangible assets): higher than 4,000,000 thousands.

For the calculation of the above ratios/amounts, the Company's financial statements should be audited and based on the annual unconsolidated financial statements.

(6) On April 18, 2012, the Company signed a syndicated loan contract with 9 banks. The contract period was 5 years, and the amount of the loan facility was $1,660,000 thousands. Within the contract period and before the full repayment of the loan, the Company is required to maintain the following financial ratios：

A. Liability ratio (total liability/tangible net worth): not lower than 250% in 2012 (230% in 2013, 200% in 2014, 160% in 2015, 120% after 2016).

B. Interest coverage ratio: higher than 300%.

C. Net tangible worth (stockholders' equity minus intangible assets): higher than 4,000,000 thousands.

(7) On September 28, 2012, the Company signed a medium-term loan contract with Bank of Kaohsiung. The amount of the loan facility was $108,371 thousands. Commencing on October 28, 2012, the loan will be repaid in 84 installments by paying each months.

(8) On August 5, 2013, the Company signed a syndicated loan contract with Far Eastern Bank. The contract period was 3 years, and the amount of the loan facility was $630,000 thousands. Within the contract period and before the full repayment of the loan, the Company is required to maintain the following financial ratios:

A. Liability ratio (total liability/ net tangible assets): lower than 230% in 2013, 200% in 2014, 160% in 2015.

B. Interest coverage ratio: higher than 300%.

C. Net tangible assets (stockholders' equity minus intangible assets): higher than 4,000,000 thousands.

(9) On June 30, 2014, the Company signed a medium-term loan contract with Hwatai Bank. The amount of the loan facility was $100,000 thousands. Commencing on July 30, 2014, the loan will be repaid in 18 installments by paying $5,500 thousands each months.

(10) On October 30, 2014, the Company signed a syndicated loan contract with Far Eastern Bank. The contract period was 3 years, and the amount of the loan facility was $400,000 thousands. Within the contract period and before the full repayment of the loan, the Company is required to maintain the following financial ratios:

A. Liability ratio (total liability/ net tangible assets): lower than 200% in 2014, 160% in 2015, 120% in 2016.

B. Interest coverage: higher than 300%.

C. Net Tangible worth (stockholders' equity minus intangible assets): higher than 4,000,000 thousands.

(11) On March 11, 2015, the Company signed a medium-term loan contract with Hwatai Bank. The amount of the loan facility was $150,000 thousands. Commencing on April 11, 2015, the loan will be repaid in 24 installments by paying $6,250 thousands each months.

(12) On June 29, 2015, the Company signed a medium-term loan contract with Bank of Shanghai. The amount of the loan facility was $200,000 thousands. Commencing on September 29, 2015, the loan will be repaid in 8 installments by paying $25,000 thousands each months.

(13) On June 30, 2015, the Company signed a medium-term loan contract with King’s Town Bank. The amount of the loan facility was $100,000 thousands. Commencing on July 30, 2015, the loan will be repaid in 36 installments by paying each months.

(14) In June, 2011, OSEP signed a long-term loan contract with Mega International Commercial Bank of TAIWAN. The amount of the loan facility was USD 2,000 thousands. The company had repaid all loans in February, 2015.

(15) In July, 2011, OSEP signed a long-term loan contract with Mega International Commercial Bank of Philippines. The amount of loan facility was USD 2,210 thousands. The company had repaid all loans in February, 2015.

21. <u>LONG-TERM LEASE PAYABLE</u>

(1) The details are as follow:

The Group has finance leases contracts for various items of machinery. These leases have terms of renewal. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases contracts together with the present value of the net minimum lease payments are as follows：

	Jun. 30, 2015		Dec. 31, 2014		Jun. 30, 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	$542,813	$512,704	$344,242	$321,812	$161,509	$151,311
After one year but not more than five years	287,058	280,600	206,488	200,905	88,854	85,078
More than five years	—	—	—	—	32	31
Total minimum lease payments	829,871	793,304	550,730	522,717	250,395	236,420
Less amounts representing finance charges	(36,567)	—	(28,013)	—	(13,975)	—
Present value of minimum lease payments	$793,304	$793,304	$522,717	$522,717	$236,420	$236,420
Liquidity	$512,704		$321,811		$151,311	
Non-Liquidity	$280,600		$200,906		$85,109	

22. POST-EMPLOYMENT BENEFITS

(1) Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2015 and 2014 are $20,503 thousands and $20,732 thousands, respectively; for the six-month periods ended June 30, 2015 and 2014 are $42,724 thousands and $40,539 thousands, respectively.

(2) Defined benefits plan

Costs under the defined contribution plan for the three-month periods ended June 30, 2015 and 2014 are $3,298 thousands and $3,579 thousands, respectively; for the six-month periods ended June 30, 2015 and 2014 are $6,636 thousands and $7,270 thousands, respectively.

23. EQUITY

(1) Common stock

A.The Company had increased capital by cash by $1,800,000 thousands with par value $10 per share and issued price $9.2 on May 30, 2007. The rights and obligations of new shares by private placement are the same as those of common shares. Ownership of shares by private placement cannot be transferred to others within three years since issuance per Security and Exchange regulations.

B.The board of directors of the Company agreed on June 21, 2011 to increase capital by issuing common stocks for cash in order to repay loan and improve the Company financial structure. A total of 200,000 thousand shares of common stocks, with face value of $10 per share, will be issued for a total of $2,000,000 thousands. Approval has been granted by Financial Supervisory Commission on July 22, 2011 by Doc No. 1000030977. In the event of existing shareholders or employees forfeiting purchasing rights or the event of shortage of subscription of share, the board of directors will authorize the chair of directors to contact a designated person for purchases. As of August 2, 2011, the board of directors agreed stocks will be issued with the issuance price of NTD 6.4 per share with the official issuance date of September 5, 2011. As of September 19, 2011, registration for the issuance of new stocks is complete.

C.As of June 30, 2015, December 31, 2014 and June 30, 2014, the authorized capitals were both $20,000,000 thousands. Issued capital for were both $8,060,158 thousands with 806,015,782 shares.

(2) Additional paid-in capital

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Recognized changes in subsidiaries' ownership	$1,824	—	—

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

A.Pursuant to the Articles of Incorporation, net income, after offsetting any prior loss, if any, should be allocated as follows every year：

(A) Payment of all taxes and dues;

(B) Offset prior years' operation losses;

(C) Appropriate 10% of the remaining amount after deducting items (A) and (B) as a legal reserve;

(D) Appropriate or reverse special reserve in accordance with relevant laws or regulations, and

(E) After deducting items (A) ~ (D) above from the current year's earnings, no less than 5% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employee bonus, which will be settled through issuance of new shares, or cash. Employees of subsidiaries, meeting certain requirements determined by the Board of Directors, are also eligible for the employee stock bonus.

(F) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the stockholders' meeting.

Based on Article 235-1 of Company Act revised on May 20, 2015, the Company shall distribute a portion of current year's profit as employees' compensation after offsetting the cumulative losses, if any. The aforementioned employees' compensation distributed in the form of shares or in cash shall be resolved by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors and reported at the stockholders' meeting.

As of June 30, 2015, December 31, 2014 and June 30, 2014, the Company still had accumulated deficit. As a result the Company's expected amounts of Employees' bonuses and rewards for Directors and Supervisors for the six-month periods ended June 30, 2015 and 2014 were both $0.

B.Legal reserve

(A) Under the provisions of the Company's Articles of Incorporation and in accordance with the Company Law, 10% of after tax net income each year, after offsetting any accumulated deficit, must be transferred to a legal reserve, until such time when the reserve is equal to the capital.

(B) Legal reserve should first be offset against retained deficits.

(C) If the Company does not carry retained deficits, the amount of legal reserve should be decided in shareholder's meeting whether to issue stock dividend or cash dividend in proportion to the shares held. The upper limit of such capital shall not exceed 25% of paid-in capital.

C.Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The amount of the retained earnings of the company at the conversion date is negative, free from the adoption of international accounting standards for the first time, set aside special reserve according to the standard required; and thereafter may also be exempt from appropriation of this section of this special reserve.

D.On May 6, 2015 and June 18, 2014, the Directors resolved the plan to set off losses in 2014 and 2013. There were both no mention to the distribution of bonus to the Directors, Supervisors and employees in the plan.

E. In accordance with Financial Supervisory Committee Dor. No. 0960013218 on March 30,2007, related information regarding the Company's earning distribution including the resolved distribution to the Directors, Supervisors and employees, will be available in R.O.C. Market Observation Post System (http ://mops.tse.com.tw).

(4) Non-controlling interests

	For the 6-month periods ended June 30	
	2015	2014
Beginning balance	$145,112	$113,791
Profit (loss) attributable to non-controlling interests		
Consolidated net income	5,540	5,242
Decrease in non-controlling interests	(22,875)	(4,694)
Other comprehensive income	(2,875)	(1)
Ending balance	$124,902	$114,338

24. <u>OPERATING REVENUE</u>

The details are as follow:

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Sale of goods	$4,060,424	$2,496,799	$7,730,165	$5,452,011
Revenue arising from rendering of services	82,674	171,980	174,287	193,638
Income on sale of material	29,171	662,370	53,841	667,533
Total	4,172,269	3,331,149	7,958,293	6,313,182
(Less):Sales returns and allowances	(9,562)	(3,756)	(19,654)	(9,096)
Net sales	$4,162,707	$3,327,393	$7,938,639	$6,304,086

25.<u>LEASES</u>

(1) Operating lease commitments – Group as lessee

A.<u>Long-term Rental Agreement</u>

The Company has entered into a series of land rental agreements with the government which will expire between March 31, 2018 and April 30, 2025. The Company could apply for lease renewal three months prior to the expiry date. If the Company fails to do so, the land shall be returned to the government and the building on the land shall be sold to another approved exporting enterprise within nine months after the expiry date. If the Company fails to complete all the above-mentioned procedures within the prescribed nine months, the government has the right to dispose the property on the land on the behalf of the Company. The government has the right to adjust the rent based on the publicly announced land value. The government also has the right to terminate the contract if the Company breaches the contract or fails to pay the rent over four months or violates the civil law or the land law.

The Company entered into non-cancelable operating leases of the contract and in this contract does not impose any restrictions on the company policy.The total future minimum lease payments as of June 30,2015 and 2014 are as follows：

	Jun.30, 2015	Dec.31, 2014	Jun.30, 2014
Within one year	$10,165	$7,648	$9,314
After one year but not more than five years	32,265	21,809	23,502
More than five years	15,680	543	2,267
Total	$58,110	$30,000	$35,083

B. Recognized as an expense：

For the six-month period ended June 30, 2015 and 2014, the rental expenses were both $5,082 thousands.

26. AMORTIZATION EXPENSE AND OPERATING LEASE EXPENSES IN THE STATEMENT OF COMPREHENSIVE INCOME

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Included in cost of goods sold:				
Amortization expense of intangible assets	$492	$585	$905	$1,003
Minimum lease payments recognized as operating lease expenses	$7,340	$2,542	$14,415	$8,289
Included in operating expenses：				
Amortization expense of intangible assets	$7,371	$6,370	$14,321	$12,579
Minimum lease payments recognized as operating lease expenses	$3,424	$4,272	$7,414	$10,196

27. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the 3-month periods ended June 30					
	2015			2014		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$519,083	$100,483	$619,566	$501,253	$90,716	$591,969
Pension	$19,933	$3,845	$23,778	$23,014	$6,474	$29,488
Labor and health insurance	$50,683	$9,106	$59,789	$46,354	$9,509	$55,863
Other employee benefits expense	$98,128	$19,501	$117,629	$95,319	$1,778	$97,097
Depreciation	$266,206	$25,986	$292,192	$262,661	$22,674	$285,335
Amortization	$492	$7,371	$7,863	$585	$6,370	$6,955

	For the 6-month periods ended June 30					
	2015			2014		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$1,046,373	$204,448	$1,250,821	$913,158	$210,058	$1,123,216
Pension	$41,528	$7,809	$49,337	$42,843	$10,143	$52,986
Labor and health insurance	$101,839	$18,672	$120,511	$90,983	$20,596	$111,579
Other employee benefits expense	$206,043	$24,264	$230,307	$177,581	$6,898	$184,479
Depreciation	$524,192	$50,768	$574,960	$528,784	$42,219	$571,003
Amortization	$905	$14,321	$15,226	$1,003	$12,579	$13,582

28. NON-OPERATING INCOME AND EXPENSES

(1) Other income

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014(NOTE)	2015	2014(NOTE)
Rental income	$5,734	$676	$10,803	$1,422
Interest income	1,892	1,183	3,679	1,772
Other income	7,792	29,760	16,625	36,974
Total	$15,418	$31,619	$31,107	$40,168

(Note)：excludes other income from discontinued operation.

(2) Other gains and losses

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014(NOTE)	2015	2014(NOTE)
Gains on disposal of property, plant and equipment	$644	$812	$1,993	$1,881
(losses) Gains on disposal of investments	(225)	—	37,662	(32)
Foreign exchange (losses) gains, net	(1,522)	(12,728)	(6,054)	(12,176)
(Losses) gains on financial assets at fair value through profit or loss	(12,048)	4,581	(16,880)	22,716
Other gains	—	1	—	—
(Losses) on impairment of property, plant and equipment	(7,019)	—	(7,019)	—
Total	($20,170)	($7,334)	$9,702	$12,389

(Note)：excludes other gains and losses from discontinued operation.

(3) Finance costs

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014(NOTE)	2015	2014(NOTE)
Interest on borrowings from bank	($38,763)	($44,139)	($80,614)	($88,751)
Interest on borrowings from others	(10,388)	(6,784)	(18,803)	(12,695)
Total	($49,151)	($50,923)	($99,417)	($101,446)

(Note)：excludes finance costs from discontinued operation.

29. COMPONENTS OF OTHER COMPREHENSIVE INCOME

3-month period ended Jun. 30, 2015

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating of foreign operation	($4,510)	—	($4,510)	$511	($3,999)
Unrealized (loss) on available-for-sale financial assets	(12,270)	—	(12,270)	—	(12,270)
Total	($16,780)	—	($16,780)	$511	($16,269)

3-month period ended Jun. 30, 2014

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	($17,000)	–	($17,000)	$2,539	($14,461)
Unrealized gain on available-for-sale financial assets	9,660	–	9,660	–	9,660
Total	($7,340)	–	($7,340)	$2,539	($4,801)

6-month period ended Jun. 30, 2015

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	($21,105)	–	($21,105)	$3,099	($18,006)
Unrealized (loss) on available-for-sale financial assets	(12,270)	–	(12,270)	–	(12,270)
Total	($33,375)	–	($33,375)	$3,099	($30,276)

6-month period ended Jun. 30, 2014

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	$407	—	$407	($69)	$338
Unrealized gain on available-for-sale financial assets	8,070	—	8,070	—	8,070
Total	$8,477	—	$8,477	($69)	$8,408

30. INCOME TAX

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

A. Income tax expense recognized in profit or loss

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Current income tax (expense) income:				
Current income tax charge	($5,344)	($529)	($9,769)	($1,784)
Adjustments in respect of current income tax of prior periods	—	—	—	—
Deferred tax (expense) income:				
Deferred tax (expense) income relating to origination and reversal of temporary differences	401	(9,109)	4,476	(8,211)
Deferred tax (expense) income relating to origination and reversal of tax loss and tax credit	(65,865)	(90,000)	(107,148)	(142,019)
Total income tax (expense)	($70,808)	($99,638)	($112,441)	($152,014)

B. Income tax relating to components of other comprehensive income

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Deferred tax (expense) income:				
Exchange differences on translation of foreign operations	$511	$2,539	$3,099	($69)

(2) Imputation credit information

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
A. Balances of imputation credit amounts	$30,175	$30,117	$29,017

B. The tax-deductible rate for retained earnings to be distributed to stockholders were both 0.00%.

C. OSE's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

(3) The assessment of income tax returns

As of June 30, 2015, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2011

31. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the three-month period ended Jun. 30, 2015		
	Amount	Number of shares	Per share
Basic earnings per share			
Consolidated net loss excluding discontinued operations	$255,873		$0.32
Less: discontinued operations (net of savings from income tax)	—		—
Consolidated net income	$255,873	806,015,782	$0.32

	For the three-month period ended Jun. 30, 2014		
	Amount	Number of shares	Per share
Basic earnings per share			
Consolidated net loss excluding discontinued operations	$122,536		$0.15
Less: discontinued operations (net of savings from income tax)	(5,219)		(0.01)
Consolidated net income	$117,317	806,015,782	$0.14

	For the six-month period ended Jun. 30, 2015		
	Amount	Number of shares	Per share
Basic earnings per share			
Consolidated net loss excluding discontinued operations	$503,806		$0.63
Less: discontinued operations (net of savings from income tax)	—		—
Consolidated net income	$503,806	806,015,782	$0.63

	For the six-month period ended Jun. 30, 2014		
	Amount	Number of shares	Per share
Basic earnings per share			
Consolidated net loss excluding discontinued operations	$218,502		$0.27
Less: discontinued operations (net of savings from income tax)	(9,285)		(0.01)
Consolidated net income	$209,217	806,015,782	$0.26

There is no any effect other transactions or potential ordinary shares ordinary shares between the reporting date and the completion day of financial statement.

32.RELATED PARTY TRANSACTIONS

(1) Significant transactions with related parties:

A.Sales

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Associates	$49,007	$71,076	$89,150	$120,206

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period sales to related parties was month-end 30 days .The outstanding balance at 30, June 2015 and 2014 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B.Purchase

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Associates	—	—	$7,886	—

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers.

C.Intercompany receivables and payables

	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Accounts Receivable			
Associates	$36,925	$44,254	$51,360
Other related parties	—	269	—
(Less) : Allowance for bad debts	—	—	(1)
Net	$36,925	$44,523	$51,359
Other Receivable			
Associates	$57,040	$42,474	$42,241
(Less) : Allowance for bad debts	—	—	—
Net	$57,040	$42,474	$42,241
Accounts Payable			
Other related parties	$19,725	—	—

D.Transaction of properties

Jun. 30, 2015	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchase				
Associate	Other equipment	$10,609	Not applicable	Negotiate
Dec. 31, 2014				
None				
Jun. 30, 2014				
None				

E.Intercompany borrowing

	Jun. 30, 2015			
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
Associates	$135,653 (USD4,387 thousands)	$95,921 (USD3,102 thousands)	2.50%	$1,213
Amount borrowed from: (included in other payable-affiliates accounts)				
Other related parties	$324,900	$319,900	1.65%~3.00%	($3,044)

	Dec. 31, 2014			
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
Associates	$138,900 (USD4,387 thousands)	$138,900 (USD4,387 thousands)	2.50%	$3,341
Amount borrowed from: (included in other payable-affiliates accounts)				
Other related parties	$74,900	$74,900	1.65%	($1,236)

	Jun. 30, 2014			
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
Associates	$131,003 (USD4,387 thousands)	$131,003 (USD4,387 thousands)	2.50%	$1,649
Amount borrowed from: (included in other payable-affiliates accounts)				
Other related parties	$74,900	$74,900	1.65%	($613)

F.Compensation of key management personnel

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Short-term employee benefits	$9,971	$4,516	$19,806	$9,036
Post-employment benefits	173	164	336	327
Total	$10,144	$4,680	$20,142	$9,363

For details of total compensation paid to the Company’s key management personnel, please refer to the annual report for the Company.

G. Other disclosures

(a) Associates had borrowed USD $3,102 thousands from subsidiary and provided all of real estates to trust.

(b) The rental incomes from Associates for machinery and equipment and furniture and fixtures are as follows：

	3-month periods ended June 30		6-month periods ended June 30	
	2015	2014	2015	2014
Associates	$1,974	$676	$2,614	$1,352

(c) As of 30 June 2015, 31 December 2014, and 30 June 2014, partial key management as the related guarantor of the loans.

33. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

	Carrying amount			
Assets pledged for security	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014	Secured liabilities details
Financial assets at fair value through profit or loss, current	$14,700	$22,232	$23,856	Short-term borrowings
Accounts Receivable	656,181	747,194	854,586	Short&Long-term borrowings
Other financial assets–current–time deposits	698,552	615,667	548,779	Short&Long-term borrowings
Other financial assets–current–deposits reserved for repayment	263,976	233,753	198,994	Short&Long-term borrowings
Investments accounted for using the equity method –ATP	313,126	302,880	278,874	Short-term borrowings
Investments accounted for using the equity method –SCS HIGHTECH INC. (Note)	—	—	—	Short-term borrowings
Property, plant and equipment–Building and equipment	2,686,459	2,783,586	3,065,541	Short&Long-term borrowings
Property, plant and equipment–Lease assets	1,109,207	—	—	Short&Long-term borrowings
Property, plant and equipment–Machinery and equipment	1,862,311	1,962,081	1,767,117	Short&Long-term borrowings
Property, plant and equipment–Rental assets- Building and equipment	237,974	243,330	73,427	Short&Long-term borrowings
Refundable deposits-time deposits	110,500	100,500	75,000	Customs Guarantee or others
Investment property-OSEP (Note1)	—	126,640	119,440	Long-term borrowings
Total	$7,952,986	$7,137,863	$7,005,614	

(Note)：Released pledge in March 2014.

(Note1)：Released pledge in March 2015.

34. COMMITMENTS AND CONTINGENCIES

A. Amounts available under unused letters of credit as of June 30, 2015 are as follows:

Unutilized letters of credit：

	L/C Amount (in thousand dollars)	L/C Margin Deposit (in thousand dollars)
NTD	$12,820	—
JPY	$8,400	—

B. Guarantee given by the bank for the payment of input tax imposed for sales from a tax free zone to non-tax free zone amounted to $200,000 thousands.

C. The Company issued promissory notes of $11,142,178 thousands as guarantees for bank loans.

D. The Company issued promissory notes of $1,792,703 thousands as guarantee for finance lease.

E. The Company issued promissory notes of $333,896 thousands as guarantee for payments of raw materials purchased.

F. The Company has acted as a subcontractor for processing electronic products and provided storage services for outsiders. As of June 30, 2015, the Company kept the processed electronic products of $6,096,792 thousands and raw materials of $202,047 thousands on custodian.

35. LOSSES DUE TO MAJOR DISASTERS

None.

36. SIGNIFICANT SUBSEQUENT EVENTS

None.

37. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

Financial assets	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Financial assets at fair value through profit or loss-Current	$32,945	$49,825	$53,464
Financial assets in available-for-sale-Non current	347,440	454,690	432,763
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	751,392	399,446	322,171
Notes, accounts and other receivable	3,123,991	2,806,652	2,444,830
Long-term receivables-Affiliates	95,921	138,900	131,003
Subtotal	3,971,304	3,344,998	2,898,004
Total	$4,351,689	$3,849,513	$3,384,231

Financial liabilities	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2014
Financial liabilities at amortized cost:			
Short-term borrowings	$3,278,011	$3,337,999	$3,281,093
Short-term notes payable	99,487	49,242	49,215
Notes, accounts and other payable	4,679,106	4,152,809	3,500,879
Long-term loans (including of current portion)	2,040,887	2,340,834	2,606,143
Lease payable (including of current portion)	793,304	522,717	236,420
Total	$10,890,795	$10,403,601	$9,673,750

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency JPY.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Risks of pre-tax Sensitivity analysis is as follows:

For the three-month period ended June 30, 2015

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency +/− 1%	+/−6,078 thousands
	NTD/JPY Foreign currency +/− 1%	+/−5,325 thousands
Interest rate risk	Market rate +/− 10 fundamental proposition	+/−5,319 thousands
Equity price risk	Market price +/− 10 fundamental proposition	+/−3,804 thousands

For the three-month period ended June 30, 2014

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency +/− 1%	+/−6,174 thousands
	NTD/USD Foreign currency +/− 1%	+/−2,641 thousands
Interest rate risk	Market rate +/− 10 fundamental proposition	+/− 5,887 thousands
Equity price risk	Market price +/− 10 fundamental proposition	+/− 4,862 thousands

Please refer to Note 37.(7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of June 30, 2015, December 31, 2014 and June 30, 2014, amounts receivables from top ten customers represent 64.39%, 52.30% and 56.25% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Jun. 30, 2015					
Borrowings	$4,533,407	$821,331	$23,441	—	$5,378,179
Lease payable	$542,813	$286,951	$107	—	$829,871
Other payables	$324,686	—	—	—	$324,686
As of Dec. 31, 2014					
Borrowings	$5,717,743	$2,136,976	$285,854	—	$8,140,573
Lease payable	$344,241	$199,527	$6,961	—	$550,729
Other payables	$78,052	—	—	—	$78,052
As of Jun. 30, 2014					
Borrowings	$4,111,045	$1,569,290	$404,744	$3,154	$6,088,233
Lease payable	$161,509	$88,702	$152	$32	$250,395
Other payables	$76,124	—	—	—	$76,124

(6) Fair values of financial instruments

A. the methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(a)The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b)For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c)Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e)The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 37.(7) for fair value measurement hierarchy for financial instruments of the Group.

(7) Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of Jun. 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$32,945	—	—	$32,945
Available-for-sale financial assets				
equity securities	—	—	$347,440	$347,440

As of Dec. 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$49,825	—	—	$49,825
Available-for-sale financial assets				
equity securities	$107,250	—	$347,440	$454,690

As of Jun. 30, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$53,464	—	—	$53,464
Available-for-sale financial assets				
equity securities	$103,650	—	$329,113	$432,763

Transfers between Level 1 and Level 2 fair value measurements

During the years ending June 30, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy is as follows:

	Available-for-sale financial assets
	Stock
Beginning balance as of Jan. 1, 2015	$347,440
Recognized in other comprehensive income	—
Transfer out of Level 3	—
Ending balance as of Jun. 30, 2015	$347,440

	Available-for-sale financial assets
	Stock
Beginning balance as of Jan. 1, 2014	$329,113
Recognized in other comprehensive income	—
Transfer out of Level 3	—
Ending balance as of Jun. 30, 2014	$329,113

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of June 30, 2015

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	15%~17%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$27,302 thousands.

As of December 31, 2014

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	15%~17%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$27,956 thousands.

As of June 30, 2014

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	16%~18%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$26,784thousands.

Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed:

As of June 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	$773,686	$773,686

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	$792,203	$792,203

As of June 30, 2014

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	$747,163	$747,163

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Jun. 30, 2015		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$88,847	30.92	$2,747,149
Financial liabilities			
Monetary items:			
USD	$69,189	30.92	$2,139,324
JPY	$2,108,269	0.2526	$532,549

	Dec. 31, 2014		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$77,093	31.66	$2,440,764
Financial liabilities			
Monetary items:			
USD	$58,682	31.66	$1,857,872
JPY	$1,299,873	0.2653	$344,856

	Jun. 30, 2014		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$88,666	29.86	$2,647,567
Financial liabilities			
Monetary items:			
USD	$71,613	29.86	$2,138,364
JPY	$895,489	0.2949	$264,080

The disclosure of aforementioned information is based on the book value of foreign currency (which has been converted in functional currency).

The Company's entities functional currency are various, and hence not disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange losses were (NT$1,522) thousands and (NT$12,728) thousands for the three months ended June 30, 2015 and 2014, respectively; and were ($6,054) thousands and ($12,176) thousands for the six-month periods ended June 30, 2015 and 2014, respectively.

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

38. OPERATIONG SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on its products and services and has two reportable segments as follows:

- Semiconductor Group: Mainly provides IC packaging and testing services.
- EMS Group: Provides professional electronics manufacturing services.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group finance costs, finance income and income taxes are managed on a group basis and are not allocated to operating segments. The transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

For the three-month period ended Jun. 30, 2015

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	$2,446,799	$1,716,144	($236)	—	$4,162,707
Inter-Segment	6,648	436,340	236	($443,224) (Note1)	—
Total Revenue	$2,453,447	$2,152,484	—	($443,224) (Note1)	$4,162,707
Segment Profit	$244,639	$100,135	($89,275)	$77,722 (Note2)	$333,221

(Note 1)：Inter-segment revenues are eliminated on consolidation.

(Note 2)：The profit for each operating segment does not include income tax expense.

For the six-month period ended Jun. 30, 2015

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	$4,718,171	$3,196,832	$23,636	—	$7,938,639
Inter-Segment	12,772	554,579	12,885	($580,236) (Note1)	—
Total Revenue	$4,730,943	$3,751,411	$36,521	($580,236) (Note1)	$7,938,639
Segment Profit	$444,055	$184,590	($55,466)	$48,608 (Note2)	$621,787

(Note 1)：Inter-segment revenues are eliminated on consolidation.

(Note 2)：The profit for each operating segment does not include income tax expense.

For the three-month period ended Jun. 30, 2014

	Semiconductor Group (Note3)	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	$2,218,545	$1,075,178	$33,670	—	$3,327,393
Inter-Segment	7,638	308,144	10,188	($325,970) (Note1)	—
Total Revenue	$2,226,183	$1,383,322	$43,858	($325,970) (Note1)	$3,327,393
Segment Profit	$154,164	$85,339	($152)	($16,006) (Note2)	$223,345

(Note 1)：Inter-segment revenues are eliminated on consolidation.

(Note 2)：The profit for each operating segment does not include income tax expense.

(Note 3)：Excludes sales from discontinued operation.4

For the six-month period ended Jun. 30, 2014

	Semiconductor Group (Note3)	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	$4,300,444	$1,929,509	$74,133	—	$6,304,086
Inter-Segment	15,127	464,502	21,875	($501,504) (Note1)	—
Total Revenue	$4,315,571	$2,394,011	$96,008	($501,504) (Note1)	$6,304,086
Segment Profit	$259,982	$122,966	$5,360	$12,550 (Note2)	$375,758

(Note 1)：Inter-segment revenues are eliminated on consolidation.

(Note 2)：The profit for each operating segment does not include income tax expense.

(Note 3)：Excludes sales from discontinued operation.

39. THE DISCLOSURE OF OPERATING INCOME AND CASHFLOW FROM DISCONTINUED OPERATION

OSE PHILIPPINES, INC, a subsidiary of the Company operating in electronics manufacturing industry, ceased to operate as of 2011. As of June 30, 2015 and 2014 related income and cashflow from discontinued operations are as follows:

(1)Operating Income from discontinued operation

(A)Operating Income from discontinued operation

	For the six-month periods ended June 30	
	2015	2014
Operating revenue	—	—
Operating cost and expense	—	($8,777)
Pre-tax operating (loss) from discontinued operation	—	(8,777)
Income tax (expense) benefit	—	—
Operating (loss) from discontinued operation	—	(8,777)

(B)Gain and loss from disposal of assets from discontinued operations and gain and loss valued in comparison to net fair market value

Gain and loss from disposal and value against net fair market value before tax	—	(604)
Income tax (expense) benefit	—	—
	—	(604)
Gain and loss from disposal and value against net fair market value before tax	—	96
Total discontinued loss (A+B)	—	($9,285)

(2) Cashflow from non-operating segment

	For the six-month periods ended June 30	
	2015	2014
Operating cashflow	—	$28,772
Investment cashflow	—	$96