

**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED**  
**PARENT COMPANY ONLY**  
**FINANCIAL STATEMENTS**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 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.

**Independent Auditors' Audit Report**  
**English Translation of a Report Originally Issued in Chinese**

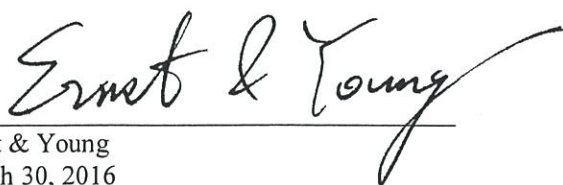
To Orient Semiconductor Electronics Limited

We have audited the accompanying parent company only balance sheets of Orient Semiconductor Electronics Limited as of December 31, 2015 and 2014 and January 1, 2014, and the related parent company only statements of comprehensive income, parent company only statements of changes in equity and cash flows for the years ended December 31, 2015 and 2014. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. With respect to the aforementioned financial statements, certain long-term investments accounted for under equity method were based on the 2015 and 2014 financial statements of the investee companies, including OSE PHILIPPINES, INC., OSE PROPERTIES, INC., OSE USA, INC., SPARQTRON CORP. which were audited by other auditors. The balances of long-term investments on these investee companies as of December 31, 2015 and 2014 amounted to \$427,450 thousand (2.46% of total assets) and \$446,566 thousand (2.81% of total assets), respectively, and the related investment loss for the years then ended amounted to (\$39,408) thousand (3.03% of total gain before tax) and (\$28,110) thousand (2.81% of total gain before tax), respectively.

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

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of Orient Semiconductor Electronics Limited as of December 31, 2015 and 2014, and January 1, 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

As of December 31, 2015, the Company's current liabilities and current assets amounted to \$9,740,317 thousand and \$5,812,882 thousand, respectively, which resulted in a current ratio of 59.68%.



Ernst & Young  
March 30, 2016  
Republic of China on Taiwan

Notice to Readers

The accompanying financial statements are intended only to present the 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 practice to audit such 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

PARENT COMPANY ONLY BALANCE SHEETS

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

(Amounts expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2015		December 31, 2014 (After Retrospect)		January 1, 2014 (After Retrospect)	
		Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	4, 6	\$477,399	3	\$253,349	2	\$223,180	2
Financial assets at fair value through profit or loss-Current	4, 7	21,712	—	49,825	—	30,748	—
Notes receivable	4, 8	12,589	—	15,165	—	15,948	—
Accounts receivable-Non Affiliates	4, 9, 31	2,371,209	14	2,501,839	16	1,573,669	12
Accounts receivable-Affiliates	4, 9, 30	701,544	4	44,254	—	30,860	—
Other receivable-Non Affiliates		44,709	—	33,830	—	31,813	—
Other receivable-Affiliates	30	13,650	—	4,016	—	1,736	—
Inventories	4, 10	1,263,089	7	1,194,253	8	853,333	6
Prepayments	4, 15	129,229	1	92,632	1	59,616	1
Other current assets		39,973	—	40,105	—	34,346	—
Other financial assets-Current	31	737,779	4	841,747	5	538,745	4
Total current assets		5,812,882	33	5,071,015	32	3,393,994	25
Non-current assets							
Available-for-sale financial assets-Non current	4, 11	291,628	2	347,440	2	329,113	2
Investments accounted for using the equity method	4, 12, 31	1,189,358	7	1,197,888	8	1,103,722	8
Property, plant, and equipment	4, 13, 31	7,847,154	45	6,684,771	42	6,194,493	45
Intangible assets	4, 14	25,402	—	29,181	—	36,224	—
Deferred income tax assets	4, 28	1,430,589	8	1,669,581	10	2,025,643	15
Prepayment for purchase of fixed assets	4, 15	127,016	1	289,914	2	113,615	1
Refundable deposits	31	115,891	1	104,327	1	73,177	1
Long-term receivables-Affiliates	4, 16, 30	512,265	3	485,659	3	382,832	3
Other non-current assets	31	22,267	—	34,147	—	35,430	—
Total non-current assets		11,561,570	67	10,842,908	68	10,294,249	75
Total assets		\$17,374,452	100	\$15,913,923	100	\$13,688,243	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

PARENT COMPANY ONLY BALANCE SHEETS

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

(Amounts expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	December 31, 2015		December 31, 2014 (After Retrospect)		January 1, 2014 (After Retrospect)	
		Amount	%	Amount	%	Amount	%
Current liabilities							
Short-term loans	18	\$3,254,414	19	\$3,266,719	21	\$3,171,144	23
Short-term notes payable	19	249,336	1	49,242	—	49,951	—
Notes payable		298,282	2	306,508	2	296,904	2
Other notes payable		40,410	—	42,331	—	25,982	—
Accounts payable-Non Affiliates		2,919,118	17	2,501,419	16	1,574,917	12
Accounts payable-Affiliates	30	276,323	2	167,192	1	74,496	1
Accrued expenses		635,927	4	368,909	2	273,676	2
Payables on equipment		563,133	3	514,683	3	171,783	1
Other payables-Affiliates	30	265,000	1	74,900	1	74,900	1
Current portion of long-term loans	19	700,514	4	979,558	6	723,165	5
Lease payable-Current	4, 20	451,003	3	321,811	2	183,999	1
Other current liabilities		86,857	—	79,977	1	97,590	1
Total current liabilities		9,740,317	56	8,673,249	55	6,718,507	49
Non-current liabilities							
Long-term loans	19	695,887	4	1,287,950	8	1,947,241	14
Lease payable-Non current	4, 20	150,128	1	200,906	1	8,728	—
Net defined benefit liabilities-noncurrent	4, 21	734,813	4	699,286	5	710,457	6
Other non-current liabilities	4	33,481	—	33,961	—	33,040	—
Total non-current liabilities		1,614,309	9	2,222,103	14	2,699,466	20
Total liabilities		11,354,626	65	10,895,352	68	9,417,973	69
Equity	4, 22						
Capital							
Common stock		8,060,158	47	8,060,158	51	8,060,158	59
Additional paid-in capital		2,137	—	—	—	—	—
Retained earnings							
Retained deficits		(2,285,922)	(13)	(3,317,941)	(21)	(3,998,077)	(29)
Other Components of Equity		243,453	1	276,354	2	208,189	1
Total stockholders' equity		6,019,826	35	5,018,571	32	4,270,270	31
Total liabilities and stockholders' equity		\$17,374,452	100	\$15,913,923	100	\$13,688,243	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

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015 and 2014

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	2015		2014 (After Retrospect)	
		Amount	%	Amount	%
Gross sales	4, 23, 30	\$15,171,746	100	\$12,872,258	100
Cost of goods sold	4, 25, 30	(13,018,288)	(86)	(11,106,542)	(86)
Gross profit		2,153,458	14	1,765,716	14
Operating expenses	4, 25				
Selling and administration expenses		(625,794)	(4)	(634,104)	(5)
Research and development expenses		(208,811)	(1)	(168,830)	(2)
Subtotal		(834,605)	(5)	(802,934)	(7)
Operating income		1,318,853	9	962,782	7
Non-operating income and expenses	26				
Other income		63,765	—	98,888	1
Other gains and losses		(3,584)	—	103,315	1
Financial costs		(189,591)	—	(197,905)	(1)
Share of profits of associates and joint ventures	4, 12, 30	109,242	—	33,051	—
Pretax income from continuing operations		1,298,685	9	1,000,131	8
Income tax expense	4, 28	(247,186)	(2)	(339,425)	(3)
Net income		1,051,499	7	660,706	5
Other comprehensive income	4, 27				
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans		(23,345)	—	23,389	—
Income tax benefit (expense) related to items that will not be reclassified		3,969	—	(3,959)	—
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		30,956	—	56,246	1
Unrealized (loss) gain from available-for-sale financial assets		(55,812)	—	18,327	—
Share of other comprehensive (loss) income of associates and joint ventures		(12,374)	—	6,270	—
Income tax related to components of other comprehensive income (loss)		4,225	—	(12,678)	—
Total other comprehensive (loss) income for the period, net of tax		(52,381)	—	87,595	1
Total comprehensive income		\$999,118	7	\$748,301	6
Basic earnings per share (Expressed in NTD)	4, 29	\$1.30		\$0.82	

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

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years ended December 31, 2015 and 2014

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Common stock	Additional Paid-in Capital	Retained earnings	Other equity		Total Equity
			Retained deficits	Exchange differences on translation of foreign operations	Unrealized gain or loss 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
The Amount effected by retrospective application and retrospective restatement			(160,799)			(160,799)
Balance as of January 1, 2014 (After Retrospect)	8,060,158	—	(3,998,077)	(36,277)	244,466	4,270,270
Profit for the year ended December 31, 2014 (After Retrospect)			660,706			660,706
Other comprehensive income for the year ended December 31, 2014 (After Retrospect)			19,430	46,684	21,481	87,595
Total comprehensive income (After Retrospect)	—	—	680,136	46,684	21,481	748,301
Balance as of December 31, 2014 (After Retrospect)	\$8,060,158	—	(\$3,317,941)	\$10,407	\$265,947	\$5,018,571
Balance as of January 1, 2015 (After Retrospect)	\$8,060,158	—	(\$3,317,941)	\$10,407	\$265,947	\$5,018,571
Share of changes in net assets of associates and joint ventures accounted for using the equity method		\$2,137				2,137
Profit for the year ended December 31, 2015			1,051,499			1,051,499
Other comprehensive income for the year ended December 31, 2015			(19,480)	25,693	(58,594)	(52,381)
Total comprehensive income	—	—	1,032,019	25,693	(58,594)	999,118
Balance as of December 31, 2015	\$8,060,158	\$2,137	(\$2,285,922)	\$36,100	\$207,353	\$6,019,826

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

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	2015	2014	Items	2015	2014
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$1,298,685	\$1,000,131	Proceeds from capital reduction of investments accounted for using the equity method	132,536	—
Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities:			Acquisition of property, plant and equipment	(2,729,475)	(2,196,217)
The profit or loss items which did not affect cash flows:			Disposal of property, plant and equipment	644,413	733,505
Depreciation	1,146,214	1,141,153	(Increase) in refundable deposits	(11,564)	(31,150)
Amortization	28,399	26,841	Acquisition of intangible assets	(23,080)	(19,798)
Bad debt expenses (reversal)	1,754	(24,748)	(Increase) in long-term receivables	(26,606)	(102,827)
Net loss (income) of financial assets and liabilities at fair value through profit or loss	28,113	(19,077)	Dividend revenue	10,743	6,658
Interest expense	189,591	197,905	Net cash (used in) investing activities	(2,003,033)	(1,609,829)
Interest revenue	(12,029)	(10,358)			
Dividend revenue	(2,510)	(2,008)			
Share of (profit) of associates accounted for using the equity method	(109,242)	(33,051)			
(Gain) on disposal of property, plant and equipment	(4,884)	(5,155)			
(Gain) on disposal of investments	—	(875)	Cash flows from financing activities:		
Changes in operating assets and liabilities:			(Decrease) Increase in short-term loans	(12,305)	95,575
Decrease in notes receivable	2,576	783	Increase in short-term notes payable	200,094	—
Decrease(Increase) in accounts receivable-non affiliates	129,032	(903,422)	(Decrease) in short-term notes payable	—	(709)
(Increase) in accounts receivable-affiliates	(657,446)	(13,394)	Increase in long-term loans	1,029,000	680,000
(Increase) Decrease in other receivable-non affiliates	(1,844)	5,832	Repayment of long-term loans	(1,913,887)	(1,090,516)
(Increase) in other receivable-affiliates	(9,634)	(2,280)	Increase in guarantee deposits received	7	2,869
(Increase) in inventories	(68,836)	(340,920)	Increase in other payables-affiliates	190,100	—
(Increase) in prepayments	(22,817)	(25,398)	Increase in lease payable	647,488	668,517
Decrease (Increase) in other current assets	132	(5,759)	(Decrease) in lease payable	(569,074)	(338,527)
Decrease in other operating assets	272	—	Change in non-controlling interests	(186,024)	(197,613)
(Decrease) Increase in notes payable-non affiliates	(10,147)	25,953	Other financing activities	103,968	(303,002)
Increase in accounts payable-non affiliates	417,699	926,502	Net cash (used in) financing activities	(510,633)	(483,406)
Increase in accounts payable-affiliates	109,131	92,696			
(Decrease) in other accounts payable	(3,567)	(292)			
Increase in other current liabilities	273,898	77,619			
Increase in net defined benefit liabilities	12,182	12,217			
Cash generated from operating activities	2,734,722	2,120,895	Net Increase in cash	224,050	30,169
Interest received	2,994	2,509	Cash and cash equivalents, beginning of period	253,349	223,180
Net cash provided by operating activities	2,737,716	2,123,404	Cash and cash equivalents, end of period	\$477,399	\$253,349

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

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

December 31, 2015 and 2014

(Unless otherwise stated, all amounts expressed are in thousands of New Taiwan Dollars)

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.

As of December 31, 2015, the Company's current liabilities and current assets were \$9,740,317 thousand and \$5,812,882 thousand, respectively. The current ratio was 59.68%. The Company has devoted to adjusting its product structure, cutting down costs and expenses, rearranging repayment periods and obtaining the new finance sources. Otherwise, the primary shareholders provided financial support to the Company. The Company has generated cash inflows these two years and keeps making a profit and improving financial instretrue.

On December 31, 2015 and 2014, the total numbers of employees of the Company were 5,785 and 4,978, respectively.

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

The parent company only financial statements of the Company for the year ended December 31, 2015 and 2014 were authorized for issue by the Board of Directors on March 30, 2016.

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 Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment that has a material effect on The Company is described below:

IAS 19 Employee Benefits

The revised IAS 19 brought about the following changes to defined benefit plans which are summarized 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; please refer to Note 21 for more details.
- (d) The Company 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:

	Dec. 31, 2015	Dec. 31, 2014	Jan.1, 2014
Other non-current liabilities	\$169,058	\$169,058	\$192,447
Investments accounted for using the equity method	(\$1,051)	(\$1,051)	(\$1,051)
Deferred tax assets	\$28,740	\$28,740	\$32,699
Retained earnings			
Undistributed earnings	\$141,369	\$141,369	\$169,799

#### 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.

#### 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 Company re-assessed its policies for measuring fair values. Application of IFRS 13 has not materially impacted the fair value measurements of The Company.

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 35. 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 Company 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 Company'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 its 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 Company'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 Company'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 add 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 disclosure 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 from the entity's contracts with customers. The amendments are effective for annual periods beginning on or after January 1, 2018.

(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 Contribution 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 effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

(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.

(r) IFRS 16 “Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

(s) IAS 12 “Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after 1 January 2017.

(t) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after January 1, 2017.

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Company’s financial statements, the local effective dates are to be determined by FSC. The Company determines that the abovementioned standards and interpretations have no material impact on the Company.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The financial statements for the year ended 31 December 2015 and 2014 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of preparation

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

(3) Foreign currency transactions

The Company’s consolidated financial statements are presented in NT\$, which is also the Company’s functional currency. Each entity in The Company 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 Company 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.

(4) 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.

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.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Company holds the asset primarily for the purpose of trading.
- (c) The Company 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 Company expects to settle the liability in its normal operating cycle.
- (b) The Company 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 Company 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.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid 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.

(7) Financial instruments

(a) Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

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 recognition inconsistency; or
- ii. a company 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 Company 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 fair 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.

#### Available-for-sale financial assets

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 fair 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.

#### Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company 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.

#### Loans and receivables

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 Company 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 bond 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 Company 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 Company 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 Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company 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.

#### Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company 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 instruments

##### Classification between liabilities or equity

The Company 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.

##### Equity instruments

An equity instrument is any contract of the Company that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

##### Financial liabilities

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.

The measurement of financial liabilities depends on their classification as follows:

##### Financial liabilities at fair value through profit or loss

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 company 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 company 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 losses 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 fair 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

A financial liability is derecognised 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, 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 is recognised in the income statement.

#### (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.

(8) Derivative financial instrument

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(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 Company.

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 Company 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 the lower of cost and net realizable value. Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	— Purchase cost on an average basis
Finished goods	— Cost of direct materials and labor and a proportion of
and work in	manufacturing overheads based on normal operating
Progress	capacity on weighted average cost 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 Company's investment in its associate is accounted for using the equity method. An associate is an entity in which the Company has significant influence.

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

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company 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 on a prorata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate 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 Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

The Company recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

The Company recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(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 Company 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

Company as a lessee

Finance leases which transfer to the Company 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 Company 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.

Company as a lessor

Leases where the Company 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 machinery 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 Company 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. Amortisation 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 Company's intangible assets is as follows:

	<u>Cost of computer software</u>
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 Company 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 Company 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 companies 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 Company 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 companies 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 (company of units), then to the other assets of the unit (company of units) pro rata on the basis of the carrying amount of each asset in the unit (company 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 Company 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 Company 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 Company's right to receive the payment is established.

#### Rendering of services

Revenue is recognised when the Company 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 Company'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.

#### (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.

#### Current income tax

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.

#### Deferred tax

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 ventures, 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 ventures, 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 Company 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.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements require management to make judgments, 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 Company'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) Revenue recognition

The Company 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 Company 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 Company 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:

- (a) Has the primary responsibility to the provision of goods or services provided
- (b) Assumed inventory risk
- (c) Assumed customer's credit risk

### Estimates and assumptions

In the process of applying the Company'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 35 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. Please refer to Note 21 for more details.

(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 Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries 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 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. Please refer to Note 28 for more details on unrecognized deferred tax assets.

(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 available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. 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 Company 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

	Dec. 31 , 2015	Dec. 31 , 2014
Cash on hand	\$200	\$150
Demand deposits	477,199	253,199
Total	<u>\$477,399</u>	<u>\$253,349</u>

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

	Dec. 31 , 2015	Dec. 31 , 2014
Held for trading:		
Non-derivative financial assets		
Stocks	\$38,560	\$38,560
Add : Valuation adjustments	(16,848)	11,265
Total	\$21,712	\$49,825

Please refer to Note 31 for the more details on financial assets held for trading under pledge.

## 8. NOTES RECEIVABLE

	Dec. 31 , 2015	Dec. 31, 2014
Notes receivables	\$12,589	\$15,165
Less: allowance for doubtful debts	(—)	(—)
Total	\$12,589	\$15,165

Notes receivables were not pledged.

## 9. ACCOUNTS RECEIVABLE- NET

(1)

	Dec. 31 , 2015	Dec. 31, 2014
Accounts receivables	\$2,168,910	\$1,759,210
Add : Pledged accounts receivable	208,462	747,194
Less: allowance for doubtful debts	(6,163)	(4,565)
Subtotal	2,371,209	2,501,839
Accounts receivables -affiliates	701,700	44,254
Less: allowance for doubtful debts	(156)	(—)
Subtotal	701,544	44,254
Total	\$3,072,753	\$2,546,093

(2) 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 35 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of Jan. 1, 2015	—	\$4,565	\$4,565
Charge/reversal for the current period	—	1,754	1,754
As of Dec. 31, 2015	—	\$6,319	\$6,319
As of Jan. 1, 2014	—	\$29,313	\$29,313
Charge/reversal for the current period	—	(24,748)	(24,748)
As of Dec. 31, 2014	—	\$4,565	\$4,565

	Neither past due nor impaired	Past due but not impaired			Total
		61-90 days	91-120 days	>=121 days	
Dec. 31 , 2015	\$3,048,991	\$12,473	\$1,226	\$10,063	\$3,072,753
Dec. 31 , 2014	\$2,515,490	\$29,175	\$506	\$922	\$2,546,093

- (3) The Company 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:

Dec. 31, 2015

Bank	Contract period	Banking facility	Loan amount	Factored amount
SinoPac Bank	March 31, 2015	US\$13,600	\$196,653	\$208,462
	~ March 31, 2016	\$265,000		
SinoPac Bank	March 31, 2015	\$260,000	—	—
	~ March 31, 2016			
Far Eastern Bank	April 10, 2015	\$450,000	—	—
	~ April 10, 2016			
Far Eastern Bank	April 10, 2015	\$135,000	—	—
	~ April 10, 2016			
Total			\$196,653	\$208,462

Dec. 31, 2014

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

## 10. INVENTORIES

(1)

	Dec. 31, 2015	Dec. 31, 2014
Raw materials	\$797,987	\$825,841
Supplies	73,727	51,207
Work in progress	277,933	225,963
Finished goods	113,442	91,242
Total	<u>\$1,263,089</u>	<u>\$1,194,253</u>

(2)

	2015	2014
Cost of inventories sold	\$12,971,603	\$11,050,429
Loss on an realizable value and obsolescence of inventories	26,038	46,827
Loss in inventory write-off	20,701	9,223
Inventory loss (profit)	(54)	63
Cost of Goods Sold	<u>\$13,018,288</u>	<u>\$11,106,542</u>

(3) As of December 31, 2015 and 2014, inventories were insured for \$9,463,890 thousand and \$7,939,470 thousand, respectively.

(4) No inventories were pledged.

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS — NON CURRENT

(1)

	Dec. 31, 2015	Dec. 31, 2014
Unlisted stocks	\$41,805	\$41,805
Less : Unrealized gains and losses	249,823	305,635
Total	<u>\$291,628</u>	<u>\$347,440</u>

(2) Stock details are as follows:

Investee Company	Type of stock	Dec. 31, 2015	Dec. 31, 2014
STRATEDGE	Common stock	\$1,323	\$1,323
ACTIONTEC	Common stock	136,592	164,904
ACTIONTEC	Preferred stock	153,713	181,213
SPINERGY	Common stock	—	—
GOLFWARE, INC.	Common stock	—	—
Total		<u>\$291,628</u>	<u>\$347,440</u>

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(1) The company investments accounted for using the equity method are as follows:

Investee Company	Type of stock	Dec. 31, 2015		Dec. 31, 2014	
		Amount	Ownership	Amount	Ownership
<u>Investments in subsidiaries:</u>					
ORIENT SEMICONDUCTOR ELECRTONICS PHILIPPINES INC.(OSEP)	Common stock	\$203,700	93.67%	\$229,927	93.67%
OSE USA, INC. (OSEU)	Common stock	106,283	100.00%	122,963	100.00%
SPARQTRON CORP.	Common stock	117,468	44.89%	93,676	43.81%
	Preferred stock				
OSE INTERNATIONAL LTD.	Common stock	253,601	100.00%	334,541	100.00%
COREPLUS (HK) LIMITED	Common stock	301,699	100.00%	234,663	100.00%
Subtotal		982,751		1,015,770	
<u>Investments in associates:</u>					
OSE PROPERTIES, INC.	Common stock	—	39.99%	—	39.99%
ATP ELECTRONICS, TAIWAN INC.	Common stock	201,162	9.66%	177,942	9.52%
INFOFAB, INC.	Common stock	5,445	14.85%	4,176	20.25%
SCS HIGHTECH INC.	Common stock	—	18.17%	—	18.17%
Subtotal		206,607		182,118	
Total		\$1,189,358		\$1,197,888	

(2) In February 2006, for the purpose of a merger, the investee company OSE ACQUISITION CORP. purchased 100% of common shares in OSE USA, Inc. at a price of US\$0.006 per share and assumed all of its assets and liabilities. After the merger, OSE ACQUISITION CORP. changed its name to OSE USA, Inc.

(3) In September 2006, shares of the investee company ATP were exchanged with ATP TAIWAN so that the Company would hold 6.79% ownership of ATP TAIWAN after the exchange. The Company had purchased 1,929 thousand treasury shares. So the Company held 9.66% ownership of ATP TAIWAN on December 31, 2015.

(4) Because SCS HIGHTECH INC. was in financial crisis in 2004, the long-term investment amounted to \$96,203 thousand was written off as losses in 2004.

(5) Owing to the continue loss of OSE PROPERTIES, INC., the accumulated investment loss has made the book value of long-term investment declining to zero, the company will no longer recognize the investment loss.

(6) In order to improve the financial structure of OSEP, the Company made a financial structure improvement plan as following:

- A. On December 12, 2008, the board of directors of the Company approved OSEP to issue first set of new stocks for a total value of US\$8 million, consisting of US\$5.18 million of cash and US \$2.82 million worth of debt to equity swap. This was approved on May 21, 2009 by Investment Commission M.O.E.A.
- B. On December 9, 2009, the board of directors of the Company approved OSEP to issue second set stocks for a total value of US\$8 million, consisting of US\$1.6 million of cash and US\$6.4 million of debt-to-equity swap. This was approved on September 8, 2011 by Investment Commission M.O.E.A.
- C. On May 5, 2010, the board of the directors of the Company approved OSEP to issue third set of stocks for a total value of US\$13.5 million, consisting of US\$2.7 million of cash and US\$10.8 million of debt-to-equity swap. This was approved on September 8, 2011 by Investment Commission M.O.E.A.
- D. On August 26, 2010, the board of the directors of the Company approved OSEP to issue fourth set of stocks for a total value of US\$10.5 million, consisting of US\$2.1 million of cash and US\$8.4 million of debt-to-equity swap. This was approved on September 8, 2011 by Investment Commission M.O.E.A.
- E. On December 28, 2010, the board of the directors of the Company approved OSEP to issue fifth set of stocks for a total value of US\$8 million, consisting of US\$1.6 million of cash and US\$6.4 million of debt-to-equity swap. This was approved on January 16, 2012 by Investment Commission M.O.E.A.

(7) OSE INTERNATIONAL LTD was approved by its Board of Directors to decrease its capital by US\$2,800 thousand and US\$4,200 thousand on June 25, 2008 and April 20, 2015, respectively. The Company had taken back the investment amount by \$84,280 thousand (US\$2,800 thousand) and \$132,536 thousand (US\$4,200 thousand), respectively.

(8) In order to improve the financial structure of OSEU, the Company made financial improvement plan as following:

- A. On July 15, 2010, the board of directors of the Company approved to merge OSEI and OSEU in September 2010. OESU is the remaining existing entity while OSEI ceased to operate. Starting from September 2010, all assets, liabilities, rights and obligations of OSEI were transferred to OSEU.
- B. On July 15, 2010 the board of directors of the Company approved OSEU to raise capital by the issuance of new stock for the total value of US\$35,762 thousand in debt-to-equity swap. This was approved on January 17, 2011 by Investment Commission M.O.E.A.

(9) On March 24, 2011, the board of the directors of the Company approved COREPLUS (HK) LIMITED to issue stocks, consisting of US\$2.7 million of debt-to-equity swap. This was approved on October 3, 2012 by Investment Commission M.O.E.A.

(10) The share of the profit or loss of these associates and joint ventures for using the equity method are as follows :

Investee Companies	For the years ended December 31	
	2015	2014
OSE PHILIPPINES INC.	(\$36,818)	(\$27,650)
OSE PROPERTIES, INC.	—	—
OSE USA, INC.	(20,837)	(13,227)
SPARQTRON CORP.	18,246	12,767
OSE INTERNATIONAL LTD.	60,149	13,689
INFOFAB, INC.	2,059	1,147
ATP TAIWAN	28,324	16,913
COREPLUS (HK) LIMITED.	58,119	29,412
Net	\$109,242	\$33,051

The 2015 and 2014 financial statements were audited by other auditors.

(11) In year 2015 and 2014, the Company obtained cash dividend from ATP Taiwan and InfoFab in the form of cash dividend for \$7,519 thousand and \$3,759 thousand, \$713 thousand and \$891 thousand, respectively. They are recorded as credit to “Investments accounted for using the equity method”.

(12) The details of translation adjustment from investments accounted for using the equity method are as follows :

Investee Companies	For the years ended December 31	
	2015	2014
OSE PHILIPPINES INC.	\$8,111	\$14,106
OSE USA, INC.	4,156	7,296
SPARQTRON CORP.	4,217	5,099
OSE INTERNATIONAL LTD.	3,718	14,129
ATP TAIWAN.	1,634	2,616
COREPLUS (HK) LIMITED.	9,120	13,000
Net	\$30,956	\$56,246

(13) Part of investments accounted for using the equity method has been pledged to the banks as securities for bank loans granted to the Company. Please refer to Note 31 for more details.

(14) The Company investments by using the equity method are not published price quotations.

(15) The following table lists the investments accounted for using the equity method of the Company:

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Total assets (100%)	\$2,631,241	\$2,564,393
Total liabilities (100%)	\$846,484	\$1,000,109

	<u>For the years ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Revenue (100%)	\$2,820,886	\$3,363,493
Profit (100%)	\$320,359	\$177,281

### 13. PROPERTY, PLANT AND EQUIPMENT

(1)

	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	\$6,815,903	\$18,159,174	\$4,064	\$52,445	\$412,751	\$830,468	—	\$375,538	\$265,360	\$26,915,703
Additions	87	394	—	1,438	—	96,452	\$3,459	4,516	713,865	820,211
Disposals	(64,487)	(1,987,979)	(2,350)	—	—	—	—	(1,670)	(1,823)	(2,058,309)
Transfers	120,527	2,414,197	900	—	—	378,379	4	22,692	(817,627)	2,119,072
As of Dec.31, 2015	<u>\$6,872,030</u>	<u>\$18,585,786</u>	<u>\$2,614</u>	<u>\$53,883</u>	<u>\$412,751</u>	<u>\$1,305,299</u>	<u>\$3,463</u>	<u>\$401,076</u>	<u>\$159,775</u>	<u>\$27,796,677</u>
Depreciation and impairment:										
As of Jan.1, 2015	\$3,694,187	\$15,853,915	\$4,064	\$52,441	\$169,421	\$129,953	—	\$326,951	—	\$20,230,932
Depreciation	238,664	656,460	124	73	10,712	210,445	\$392	17,706	—	1,134,576
Disposals	(64,055)	(1,347,968)	(2,351)	—	—	—	—	(1,611)	—	(1,415,985)
Transfers	—	67,100	—	—	—	(67,100)	—	—	—	—
As of Dec.31, 2015	<u>\$3,868,796</u>	<u>\$15,229,507</u>	<u>\$1,837</u>	<u>\$52,514</u>	<u>\$180,133</u>	<u>\$273,298</u>	<u>\$392</u>	<u>\$343,046</u>	<u>—</u>	<u>\$19,949,523</u>

	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	\$7,035,419	\$17,153,657	\$4,521	\$52,445	\$144,131	\$820,267	—	\$345,785	\$42,076	\$25,598,301
Additions	—	—	—	—	—	—	—	—	282,267	282,267
Disposals	(10,714)	(1,034,245)	(457)	—	—	—	—	—	—	(1,045,416)
Transfers	(208,802)	2,039,762	—	—	268,620	10,201	—	29,753	(58,983)	2,080,551
As of Dec.31, 2014	<u>\$6,815,903</u>	<u>\$18,159,174</u>	<u>\$4,064</u>	<u>\$52,445</u>	<u>\$412,751</u>	<u>\$830,468</u>	<u>—</u>	<u>\$375,538</u>	<u>\$265,360</u>	<u>\$26,915,703</u>
Depreciation and impairment:										
As of Jan.1, 2014	\$3,524,356	\$15,157,445	\$4,518	\$52,249	\$68,624	\$285,467	—	\$311,149	—	\$19,403,808
Depreciation	269,313	740,478	3	192	10,712	95,373	—	15,701	—	1,131,772
Disposals	(9,397)	(294,794)	(457)	—	—	—	—	—	—	(304,648)
Transfers	(90,085)	250,786	—	—	90,085	(250,887)	—	101	—	—
As of Dec.31, 2014	<u>\$3,694,187</u>	<u>\$15,853,915</u>	<u>\$4,064</u>	<u>\$52,441</u>	<u>\$169,421</u>	<u>\$129,953</u>	<u>—</u>	<u>\$326,951</u>	<u>—</u>	<u>\$20,230,932</u>
Net carrying amount:										
As of Dec.31, 2015	<u>\$3,003,234</u>	<u>\$3,356,279</u>	<u>\$777</u>	<u>\$1,369</u>	<u>\$232,681</u>	<u>\$1,032,001</u>	<u>\$3,071</u>	<u>\$58,030</u>	<u>\$159,775</u>	<u>\$7,847,154</u>
As of Dec.31, 2014	<u>\$3,121,716</u>	<u>\$2,305,259</u>	<u>—</u>	<u>\$4</u>	<u>\$243,330</u>	<u>\$700,515</u>	<u>—</u>	<u>\$48,587</u>	<u>\$265,360</u>	<u>\$6,684,771</u>

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

	Dec. 31, 2015	Dec. 31, 2014
Acquisition of property, plant, and equipment expenditure:		
Increase of property, plant and equipment	\$2,939,283	\$2,362,818
(Decrease) increase of prepayment for equipment	(161,358)	176,299
(Increase) of payables on equipment	(48,450)	(342,900)
Cash expenditure	<u>\$2,729,475</u>	<u>\$2,196,217</u>

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

	For the years ended December 31	
	2015	2014
Prepayments for equipment	\$8,205	\$7,786
Capitalisation rate of borrowing costs	2.3591%~2.6175%	2.6219%~3.1132%

(4) As of December 31, 2015 and 2014, fixed assets were insured for \$11,519,350 thousand and \$11,322,736 thousand, respectively.

(5) Please refer to Note 31 for more details on property, plant and equipment under pledge.

#### 14. INTANGIBLE ASSETS

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

	Computer software
	Amount
Cost:	
As of Jan. 1, 2015	\$85,834
Addition	23,080
Transfers	1,540
As of Dec. 31, 2015	<u>\$110,454</u>
As of Jan. 1, 2014	\$66,036
Addition	19,798
As of Dec. 31, 2014	<u>\$85,834</u>
Amortization and impairment:	
As of Jan. 1, 2015	\$56,653
Amortization	28,399
As of Dec. 31, 2015	<u>\$85,052</u>
As of Jan. 1, 2014	\$29,812
Amortization	26,841
As of Dec. 31, 2014	<u>\$56,653</u>
Dec. 31, 2015	<u>\$25,402</u>
Dec. 31, 2014	<u>\$29,181</u>

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

	For the years ended December 31	
	2015	2014
Operating costs	\$1,607	\$1,106
Managing costs	\$14,653	\$16,638
Research and development costs	\$12,139	\$9,097

(3) The cost of the computer software is amortized with straight-line method over the estimated useful life of 1~3 years.

#### 15. PREPAYMENTS

	Dec. 31, 2015	Dec. 31, 2014
Current assets — prepayments		
Prepaid expenses	\$124,816	\$89,409
Other prepayments	4,413	3,223
Total	\$129,229	\$92,632
Non current assets — prepayments for equipment :		
Prepayment for equipment	\$127,016	\$289,914

#### 16. LONG-TERM RECEIVABLES-AFFILIATES

	Dec. 31, 2015	Dec. 31, 2014
Loan receivable (Note)	\$404,704	\$389,945
Receivable for sale/rent of machinery and equipment and payment on behalf (Note)	80,012	77,020
Interest receivable from financial activities (Note)	27,549	18,694
Total	512,265	485,659
(Less) : Allowance for bad debts	(—)	(—)
Net	\$512,265	\$485,659

(Note): (1) Long-term receivable – OSE PHILIPPINES INC. and Long-term receivable – OSE USA Inc. amounted to \$803,966 thousand and \$1,148,668 thousand, respectively. In 2010, they were converted to common stocks of OSEP and common stocks of OSEU through debt-to-equity swap options.

(2) Long-term receivable – OSE PHILIPPINES INC. amounted to \$183,843 thousand. In May 2011, the receivable was subsequently converted to common stocks of OSE PHILIPPINES INC. through debt-to-equity swap options.

(3) Long-term receivable – COREPLUS amounted to \$79,893 thousand. In October, 2012, the amount was converted to common stocks of investment of COREPLUS through debt-to-equity swap options.

## 17. SHORT-TERM LOANS

(1)

Items	Dec. 31, 2015	Dec. 31, 2014
L/C	\$583,717	\$411,651
Unsecured bank loans	2,124,653	2,705,483
Mortgage loans on machine and equipment	546,044	149,585
Other loans	—	—
Total	\$3,254,414	\$3,266,719

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

	Dec. 31, 2015	Dec. 31, 2014
Ranges of interest rates	1.19% ~ 4.17%	1.50% ~ 4.19%
Due dates	February 17, 2016 ~ July 31, 2017	February 20, 2015 ~ November 30, 2015

(3) As of December 31, 2015 and 2014, unused short-term loans were \$1,852,782 thousand and \$1,267,027 thousand, respectively.

(4) Please refer to Note 31 for more detail on held for trading financial assets pledged as security for short-term loans.

## 18. SHORT-TERM NOTES PAYABLE

(1)

	Dec. 31, 2015	Dec. 31, 2014
Par value of commercial papers	\$250,000	\$50,000
(Less) : Discount for short-term notes payable	(664)	(758)
Net	\$249,336	\$49,242

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

	Dec. 31, 2015	Dec. 31, 2014
Ranges of interest rates	2.45% ~ 2.70%	4.985%
Due dates	January 25, 2016 ~ February 26, 2016	April 22, 2015

## 19. LONG-TERM LOANS

(1) Detail are as follows:

Items	Dec. 31, 2015	Dec. 31, 2014
Mortgage loan	\$1,401,832	\$957,366
Syndicated loan	—	1,329,353
Total	1,401,832	2,286,719
Less: Due within one year	(700,514)	(979,558)
Less: Unamortized cost of syndicated loans	(5,431)	(19,211)
Net	\$695,887	\$1,287,950

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

	Dec. 31, 2015	Dec. 31, 2014
Ranges of interest rates	2.610% ~ 4.2759%	2.80% ~ 4.149%
Due dates	August 5, 2016 ~ September 28, 2019	December 30, 2015 ~ March 1, 2020

- (3) Part of property, plant and equipment, account receivable, time deposits, and deposits reserved for repayment are pledged as security for the Company's long-term borrowings. Please refer to Note 31 for more details.
- (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 thousand. Commencing on March 29, 2009, the loan will be repaid in 10 installments by paying \$5,000 thousand 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 thousand. 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 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 assets (stockholders' equity minus intangible assets): higher than 4,000,000 thousand.
  - D. The company had repaid all loans on October 1, 2015.
- (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 thousand. 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 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 assets (stockholders' equity minus intangible assets): higher than 4,000,000 thousand.
  - D. The company had repaid all loans on December 24, 2015.
- (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 thousand. Commencing on October 28, 2012, the loan will be repaid in 84 installments by paying every month.
- (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 thousand. 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 thousand.

- (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 thousand. Commencing on July 30, 2014, the loan will be repaid in 18 installments by paying \$5,500 thousand every installment. The company had repaid all loans in December, 2015.
- (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 thousand. 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 ratio: lower than 300%.
  - C. Net tangible assets (stockholders' equity minus intangible assets): higher than 4,000,000 thousand.
- (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 thousand. Commencing on April 11, 2015, the loan will be repaid in 24 installments by paying \$6,250 thousand every installment.
- (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 thousand. Commencing on September 29, 2015, the loan will be repaid in 8 installments by paying \$25,000 thousand every installment.
- (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 thousand. Commencing on July 30, 2015, the loan will be repaid in 36 installments by paying every month.
- (14) On July 24, 2015, the Company signed a medium-term loan contract with Shin Kong Commercial Bank. The amount of the loan facility was \$60,000 thousand. Commencing on October 24, 2015, the loan will be repaid in 8 installments by paying \$7,500 thousand every installment.
- (15) On July 24, 2015, the Company signed a medium-term loan contract with Chang Hwa Bank. The amount of the loan facility was \$81,000 thousand. Commencing on October 24, 2015, the loan will be repaid in 10 installments by paying \$8,100 thousand every installment.
- (16) On October 30, 2015, the Company signed a medium-term loan contract with Hwatai Bank. The amount of the loan facility was \$100,000 thousand. Commencing on November 30, 2015, the loan will be repaid in 24 installments by paying \$4,000 thousand every installment which the last installment will be repaid \$8,000 thousand.
- (17) On November 24, 2015, the Company signed a medium-term loan contract with Chang Hwa Bank. The amount of the loan facility was \$88,000 thousand. Commencing on February 24, 2016, the loan will be repaid in 10 installments by paying \$8,800 thousand every installment.
- (18) On November 10, 2015, the Company signed a medium-term loan contract with CTBC Bank. The amount of the loan facility was \$80,000 thousand. Commencing on December 15, 2016, the loan will be repaid in 12 installments by paying \$7,000 thousand every installment which the last installment will be repaid \$3,000 thousand.

- (19) On November 12, 2015, the Company signed a medium-term loan contract with CTBC Bank. The amount of the loan facility was \$100,000 thousand. Commencing on December 15, 2016, the loan will be repaid in 24 installments by paying \$4,200 thousand every installment which the last installment will be repaid \$3,400 thousand.
- (20) On November 30, 2015, the Company signed a medium-term loan contract with Taishin Bank. The amount of the loan facility was \$70,000 thousand. Commencing on February 28, 2017, the loan will be repaid in 8 installments by paying \$8,750 thousand every installment.

## 20. LONG-TERM LEASE PAYABLE

(1)

	Dec. 31, 2015		Dec. 31, 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	\$470,739	\$451,003	\$344,242	\$321,811
After one year but not more than five years	153,497	150,128	206,488	200,906
More than five years	—	—	—	—
Total minimum lease payments	624,236	601,131	550,730	522,717
Less amounts representing finance charges	(23,105)	—	(28,013)	—
Present value of minimum lease payments	\$601,131	\$601,131	\$522,717	\$522,717

(2) The details of future annual rental lease payments are as follow:

Year	Dec. 31, 2015	Dec. 31, 2014
2015	—	\$344,241
2016	\$470,739	199,527
2017	135,123	6,816
After 2018	18,374	146
Total	\$624,236	\$550,730

## 21. POST-EMPLOMENT BENEFITS

(1) Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2015 and 2014 are \$85,872 thousand and \$78,766 thousand, respectively.

(2) Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$12,886 thousand to its defined benefit plan during the 12 months beginning after December 31, 2015.

The average duration of the defined benefits plan obligation as at December 31, 2015 and 2014, is the end of the year of 2025 and 2024, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2015 and 2014:

	For the years ended December 31	
	2015	2014
Current period service costs	\$9,335	\$11,301
Interest income or expense	15,734	19,583
Expected return on plan assets	—	(5,374)
Total	<u>\$25,069</u>	<u>\$25,510</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	Dec. 31, 2015	Dec. 31, 2014	Jan. 1, 2014
Present value of the defined benefit obligation	\$1,016,345	\$975,552	\$979,147
Plan assets at fair value	<u>(281,532)</u>	<u>(276,266)</u>	<u>(268,690)</u>
Other non-current liabilities - Accrued pension liabilities recognized on the company only			
balance sheets	<u>\$734,813</u>	<u>\$699,286</u>	<u>\$710,457</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at Jan. 1, 2014	\$979,147	(\$268,690)	\$710,457
Current period service costs	11,301	—	11,301
Net interest expense (income)	19,583	(5,374)	14,209
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	1,010,031	(274,064)	735,967
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	26,065	—	26,065
Actuarial gains and losses arising from changes in financial assumptions	(32,941)	—	(32,941)
Experience adjustments	(15,547)	—	(15,547)
Return on plan assets	—	(966)	(966)
Subtotal	987,608	(275,030)	712,578
Payments from the plan	(12,056)	12,056	—
Contributions by employer	—	(13,292)	(13,292)
Effect of changes in foreign exchange rates	—	—	—
As at Dec. 31, 2014	975,552	(276,266)	699,286
Current period service costs	9,335	—	9,335
Net interest expense (income)	21,950	(6,216)	15,734
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	1,006,837	(282,482)	724,355
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(82,276)	—	(82,276)
Actuarial gains and losses arising from changes in financial assumptions	91,999	—	91,999
Experience adjustments	14,866	—	14,866
Return on plan assets	—	(1,244)	(1,244)
Subtotal	1,031,426	(283,726)	747,700
Payments from the plan	(15,082)	15,082	—
Contributions by employer	—	(12,887)	(12,887)
Effect of changes in foreign exchange rates	—	—	—
As at Dec. 31, 2015	\$1,016,344	(\$281,531)	\$734,813

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	Dec. 31, 2015	Dec. 31, 2014
Discount rate	1.50%	2.25%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption as at 31 December 2015 and 2014 is, as shown below:

	Effect on the defined benefit obligation			
	2015		2014	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	—	\$58,422	—	\$61,812
Discount rate decrease by 0.5%	\$65,456	—	\$69,421	—
Future salary increase by 0.5%	\$65,456	—	\$69,964	—
Future salary decrease by 0.5%	—	\$58,971	—	\$62,826

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## 22. EQUITY

### (1) Common stock

- A. The Company had increased capital by cash by \$1,800,000 thousand 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 capital injection 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 thousand. 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 arranged 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 December 31, 2015 and December 31, 2014, the authorized capitals were both \$20,000,000 thousand. Issued capital were both \$8,060,158 thousand with 806,015,782 shares.

(2) Capital surplus

A.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.

B.According to the prevailing laws and regulations, each year, the amount of capital increase transferred from capital reserve arising from premiums on issuance of capital stock and donations cannot exceed 10% of the Company's total issued capital.

(3) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a). Payment of all taxes and dues;
- (b). Offset prior years' operation losses;
- (c). Set aside 10% of the remaining amount as legal reserve;
- (d). Set aside or reverse special reserve in accordance with the requirements for operating and law and regulations;
- (e). According to the resolution, 3%~15% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. After deducting items (a), (b), (c), and (d) above from the current year's earnings, no less than 10% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employee bonuses.

However, according to the addition of Article 235-1 of the Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the actual profit for a year to be distributed as "employees' compensation", after deducting and setting aside an amount equal to the cumulative losses (if any). The aforementioned employees' compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Furthermore the Articles of Incorporation may stipulate that the employees' compensation could be distributed to employees of affiliated enterprises meeting certain criteria. The Articles of Incorporation are to be amended in accordance with the aforementioned recent amendment to the Company Act in the shareholders' meeting in 2016.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on April 6, 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.

Details of the 2015 and 2014 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on March 30, 2016 and May 6, 2015, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2015(Note)	2014(Note)	2015	2014
Legal reserve	—	—	—	—
Special reserve	—	—	—	—
Common stock -cash dividend	—	—	—	—

(Note):The Company still had accumulated deficit. As a result the Company did not distribute earnings.

Please refer to Note 25 for further details on employees' compensation and remuneration to directors and supervisors.

## 23. OPERATING REVENUE

The detail are as follow:

	For the years ended December 31	
	2015	2014
Sale of goods	\$14,800,621	\$12,494,338
Revenue arising from rendering of services	349,249	343,326
Income on sale of material	68,103	58,942
Total	15,217,973	12,896,606
(Less):Sales returns and allowances	(46,227)	(24,348)
Net sales	\$15,171,746	\$12,872,258

## 24. LEASES

### Operating lease commitments – Company as lessee

#### A.Long-term Rental Agreement:

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 six months after the expiry date. If the Company fails to complete all the above-mentioned procedures within the prescribed six 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 has signed non-cancellable operating leases. There are no restrictions placed upon the Company by entering into these leases. Future minimum rentals payable as at 31 December 2015 and 2014 are as follows:

	Dec. 31, 2015	Dec. 31, 2014
Within one year	\$10,165	\$7,648
After one year but not more than five years	27,182	21,809
More than five years	14,144	543
Total	\$51,491	\$30,000

#### B.Recognized as an expense:

During December 31, 2015 and 2014 the rental expenses were \$9,245 thousand and \$10,165 thousand, respectively.

## 25. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the years ended December 31					
	2015			2014		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,970,115	\$318,666	\$2,288,781	\$1,686,489	\$315,229	\$2,001,718
Pension	\$84,837	\$16,009	\$100,846	\$78,043	\$13,922	\$91,965
Labor and health insurance	\$201,333	\$29,396	\$230,729	\$165,854	\$25,662	\$191,516
Other employee benefits expense	\$381,552	\$13,023	\$394,575	\$381,854	\$9,842	\$391,696
Depreciation	\$1,086,079	\$60,135	\$1,146,214	\$1,066,660	\$74,493	\$1,141,153
Amortization	\$1,607	\$26,792	\$28,399	\$1,106	\$25,735	\$26,841

A resolution was passed at a Board of Directors meeting of the Company held on March 30, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, 3%~15% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Articles of Incorporation are to be amended in the shareholders' meeting in 2016.

The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors based on profit of current year for the year ended 31 December, 2015 and recognized as employee benefits expense. As of December 31, 2015, 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 years ended December 31, 2015 was \$0.

The estimated employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2014 were based on post-tax net income of the period and the Company's Articles of Incorporation, and considered factors such as appropriation to legal reserve etc. The estimated employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2014 are recognized as employee benefits expense for the period. If the Board modified the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income. The difference between the estimation and the resolution of shareholders' meeting will be recognized in profit or loss of the subsequent year. The number of stocks distributed as employee bonuses was calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend. As of December 31, 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 years ended December 31, 2014 was \$0.

Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

## 26. NON-OPERATING INCOME AND EXPENSES

### (1) Other income

	For the years ended December 31	
	2015	2014
Rental income	\$22,870	\$10,667
Interest income	12,029	10,358
Dividend income	2,510	2,008
Other income	26,356	75,855
Total	<u>\$63,765</u>	<u>\$98,888</u>

### (2) Other gains and losses

	For the years ended December 31	
	2015	2014
Gains on disposal of property, plant and equipment	\$4,884	\$5,155
Gains on disposal of investments	—	875
Foreign exchange gains, net	20,109	78,628
(Losses) gains on financial assets at fair value through profit or loss	(28,113)	19,077
Other losses	(464)	(420)
Total	<u>(\$3,584)</u>	<u>\$103,315</u>

### (3) Finance costs

	For the years ended December 31	
	2015	2014
Interest on borrowings from bank	(\$147,949)	(\$176,088)
Interest on borrowings from others	(41,642)	(21,817)
Total	<u>(\$189,591)</u>	<u>(\$197,905)</u>

## 27. COMPONENTS OF OTHER COMPREHENSIVE INCOME(LOSS)

For the year ended Dec. 31, 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
To be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translating of foreign operation	\$30,956	—	\$30,956	(\$5,263)	\$25,693
Unrealized gain from available-for-sale financial assets	(55,812)	—	(55,812)	9,488	(46,324)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(12,374)	—	(12,374)	—	(12,374)
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	(23,345)	—	(23,345)	3,969	(19,376)
Total	(\$60,575)	—	(\$60,575)	\$8,194	(\$52,381)

For the year ended Dec. 31, 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
To be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translating of foreign operation	\$56,246	—	\$56,246	(\$9,562)	\$46,684
Unrealized gain from available-for-sale financial assets	18,327	—	18,327	(3,116)	15,211
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	6,270	—	6,270	—	6,270
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	23,389	—	23,389	(3,959)	19,430
Total	\$104,232	—	\$104,232	(\$16,637)	\$87,595

## 28. INCOME TAX

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

### A. Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2015	2014
Current income tax (expense) income:		
Current income tax charge	—	—
Adjustments in respect of current income tax of prior periods	—	—
Deferred tax (expense):		
Deferred tax (expense) relating to origination and reversal of temporary differences	(\$2,975)	(\$12,870)
Deferred tax (expense) relating to origination and reversal of tax loss and tax credit	(244,211)	(326,555)
Total income tax (expense)	<u>(\$247,186)</u>	<u>(\$339,425)</u>

### B. Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2015	2014
Deferred tax (expense) income:		
Exchange differences on translation of foreign operations	(\$5,263)	(\$9,562)
Remeasurements of defined benefit plans	3,969	(3,959)
Unrealized gain from available-for-sale financial assets	9,488	(3,116)
Total other comprehensive income (loss), net of tax	<u>\$8,194</u>	<u>(\$16,637)</u>

(2) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2015	2014
Accounting profit (loss) before tax from continuing operations	\$1,298,685	\$1,000,131
Tax at the domestic rates applicable to profits in the country concerned	(220,777)	(170,022)
Tax effect of deferred tax assets/liabilities	(4,352)	3,586
Tax effect of revenues exempt from taxations	(22,057)	(172,989)
Others	—	—
Total income tax (expense) recognized in profit or loss	(\$247,186)	(\$339,425)

(3) Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2015

	Beginning balance as of Jan. 1, 2015	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of Dec. 31, 2015
Temporary differences				
Unrealized exchange gains and losses	(\$4,515)	\$7,137	—	\$2,622
Loss on inventory obsolescence	35,662	3,519	—	39,181
Investments accounted for using the equity method	1,025,441	(15,215)	(\$5,263)	1,004,963
Unrealized gains and losses on available-for-sale financial assets	(51,959)	—	9,488	(42,471)
Unrealized intragroup profits and losses	1,273	(389)	—	884
Impairment of assets	1,793	—	—	1,793
Bad debts	46,478	(536)	—	45,942
Non-current liability – Defined benefit Liability	118,879	2,072	3,969	124,920
Compensated absences	3,850	896	—	4,746
Other	44,527	(459)	—	44,068
Unused tax losses	448,152	(244,211)	—	203,941
Deferred tax income/ (expense)		(\$247,186)	\$8,194	
Net deferred tax assets/(liabilities)	\$1,669,581			\$1,430,589
Reflected in balance sheet as follows:				
Deferred tax assets	\$1,735,846			\$1,477,043
Deferred tax liabilities	\$66,265			\$46,454

For the year ended December 31, 2014

		Deferred tax	Deferred tax	Deferred tax	
		income (expense)	income (expense)	income (expense)	
		recognized in	recognized in	recognized in other	
	Beginning balance	profit or loss	comprehensive	income	Ending balance as
	as of Jan. 1, 2014				of Dec. 31, 2014
Temporary differences					
Unrealized exchange gains and losses	(\$668)	(\$3,847)	—		(\$4,515)
Loss on inventory obsolescence	34,094	1,568	—		35,662
Investments accounted for using the equity method	1,041,002	(5,999)	(\$9,562)		1,025,441
Unrealized gains and losses on available-for-sale financial assets	(48,843)	—	(3,116)		(51,959)
Unrealized intragroup profits and losses	1,675	(402)	—		1,273
Impairment of assets	1,793	—	—		1,793
Bad debts	52,302	(5,824)	—		46,478
Non-current liability – Defined benefit Liability	120,761	2,077	(3,959)		118,879
Compensated absences	3,835	15	—		3,850
Other	44,985	(458)	—		44,527
Unused tax losses	760,231	(312,079)	—		448,152
Unused tax credits	14,476	(14,476)	—		—
Deferred tax income/ (expense)		(\$339,425)	(\$16,637)		
Net deferred tax assets/(liabilities)	\$2,025,643				\$1,669,581
Reflected in balance sheet as follows:					
Deferred tax assets	\$2,077,619				\$1,735,846
Deferred tax liabilities	\$51,976				\$66,265

(4) The following table contains information of the unused tax losses of the Company:

	Tax losses for	Unused tax losses as of		Expiration	
Year	the period	Dec. 31, 2015	Dec. 31, 2014	year	Note
2005	\$1,497,547	—	1,436,531	2015	Assessed
2006	\$598,921	\$598,921	598,921	2016	Assessed
2009	\$377,207	377,207	377,207	2019	Assessed
2011	\$155,641	155,641	155,641	2021	Assessed
2013	\$67,883	67,883	67,883	2023	Non-assessed
		\$1,199,652	\$2,636,183		

(5) Details of the company's unused tax credit are as follows:

Items	Unused tax credits as of		Expiration year
	Dec. 31, 2015	Dec. 31, 2014	
Machinery and equipment	—	—	2013
Machinery and equipment	—	\$14,476	2014
Research and development	—	—	2013
Employee training	—	—	2013
Total income tax credits before utilization	—	14,476	
(Less): Utilized for the year	—	—	
(Less): Expired at the end of the year	—	(14,476)	
Total income tax credits after utilization	—	—	

(6) Unrecognized deferred tax assets

As of December 31, 2015 and 2014, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amount to \$0 and \$10,372 thousand, respectively.

(7) Imputation credit information

	Dec. 31, 2015	Dec. 31, 2014
A. Balances of imputation credit amounts	\$32,069	\$30,117
B. The tax-deductible rate for retained earnings to be distributed to stockholders were both 0.00%.		

(8) The assessment of income tax returns

As of December 31, 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

## 29. 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.

	For the years ended December 31	
	2015	2014
Net income	\$1,051,499	\$660,706
Earnings per share (thousand shares)	806,016	806,016
Earnings per share-basic (NT\$)	\$1.30	\$0.82

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

### 30. RELATED PARTY TRANSACTIONS

#### (1) Significant transactions with related parties:

##### A.Sales

	For the years ended December 31	
	2015	2014
Subsidiaries	\$21,931	—
Associates	182,775	\$246,572
Key management personnel of the Company	1,944,245	—
Total	<u>\$2,148,951</u>	<u>\$246,572</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The details of credit period are 15~60 days. The outstanding balance at 31 December 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

	For the years ended December 31	
	2015	2014
Subsidiaries	\$809,947	\$668,865
Associates	7,886	—
Total	<u>\$817,833</u>	<u>\$668,865</u>

The terms of the above-mentioned purchases were similar to those of the Company's vendors.

##### C.Intercompany receivables and payables

	Dec. 31, 2015	Dec. 31, 2014
<u>Accounts Receivable</u>		
Subsidiaries	\$6,573	—
Associates	37,329	\$44,254
Key management personnel of the Company	657,642	—
Total	<u>\$701,544</u>	<u>\$44,254</u>
<u>Accounts Payable</u>		
Subsidiaries	\$264,156	\$167,192
Associates	12,167	—
Total	<u>\$276,323</u>	<u>\$167,192</u>

#### D. Property Exchange

For the year ended December 31, 2015

Counterparties	Assets	Amount	The gain(loss) of Selling Assets	The Reference of Trading Price
Purchases				
Associates	Other equipment	\$15,241	NA	Negotiate
Sales				
Subsidiaries	Machinery and equipment	\$54,499	NA	Negotiate

For the year ended December 31, 2014

Counterparties	Assets	Amount	The gain(loss) of Selling Assets	The Reference of Trading Price
Purchases				
Associates	Other equipment	\$26,935	NA	Negotiate
Sales				
Associates	Machinery and equipment	\$401	NA	Negotiate

#### E. Intercompany borrowing

Dec. 31, 2015

Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
	\$583,030	\$404,704		
Subsidiaries	(USD17,727 thousand)	(USD12,305 thousand)	2.00%	\$7,863
Amount borrowed from: (included in other accounts payable-affiliates accounts)				
Other related parties	\$324,900	\$265,000	1.65%~ 3.00%	(\$7,240)

Dec. 31, 2014

Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
	\$389,945	\$389,945		
Subsidiaries	(USD12,317 thousand)	(USD12,317 thousand)	2.00%	\$6,827
Amount borrowed from: (included in other accounts payable-affiliates accounts)				
Other related parties	\$74,900	\$74,900	1.65%	(\$1,236)

F.Compensation of key management personnel

	For the years ended December 31	
	2015	2014
Short-term employee benefits	\$38,586	\$21,818
Post-employment benefits	684	596
Total	\$39,270	\$22,414

G.Other disclosures

(a)The Company has engaged with OSEU as its sales and collection agent in America. For the year ended December 31, 2015, total commission expenses amounted to \$25,294 thousand and the amount unpaid as at December 31, 2015 was \$4,188 thousand, which was included in accrued expenses account.

The Company has engaged with OSEU as its sales and collection agent in America. For the year ended December 31, 2014, total commission expenses amounted to \$31,439 thousand and the amount unpaid as at December 31, 2014 was \$17,640 thousand, which was included in accrued expenses account.

(b)The charge on IT services and technology supporting services provided by INFOFAB during the year ended 2015 and 2014 both were \$39,997 thousand and \$56,791 thousand, respectively, which were recognized as maintenance expenses under operating expenses. As of December 31, 2015 and 2014, the unpaid maintenance expenses amounted to \$12,167 thousand and \$14,404 thousand, respectively, which were recorded under accounts payable – affiliates-account.

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

	For the years ended December 31	
	2015	2014
Subsidiaries	—	\$2,400
Associates	\$5,364	\$2,709

(d)The summary of the guaranty/ warranty balance toward the Company's affiliates is as follows:

	Dec. 31, 2015	Dec. 31, 2014
Subsidiaries	\$82,225	\$212,565
	(USD2,500 thousand)	(USD6,714 thousand)

### 31. ASSETS PLEDGED AS SECURITY

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

Assets pledged for security	Carrying amount		Secured liabilities details
	Dec. 31, 2015	Dec. 31, 2014	
Financial assets at fair value through profit or loss, current	\$9,688	\$22,232	Short-term borrowings
Accounts Receivable – Short-term	208,462	562,783	Short-term borrowings
Accounts Receivable – Long-term	127,216	184,411	Long-term borrowings
Other financial assets–non current–time deposits	492,003	615,667	Short and long-term borrowings
Other financial assets–non current–deposits reserved for repayment	245,776	226,080	Short and long-term borrowings
Investments accounted for using the equity method –ATP	149,552	132,289	Short-term borrowings
Property, plant and equipment–Building and equipment	1,006,244	2,783,586	Short and long-term borrowings
Property, plant and equipment–Machinery and equipment	1,638,648	1,962,081	Short and long-term borrowings
Property, plant and equipment–Rental assets- Building	22,632	243,330	Short and long-term borrowings
Refundable deposits-time deposits	110,600	100,500	Customs export guarantee and Other
Total	<u>\$4,010,821</u>	<u>\$6,832,959</u>	

### 32. COMMITMENTS AND CONTINGENCIES

(1) Amounts available under unused letters of credit as of December 31, 2015 are as follows:

Unutilized letters of credit :

	L/C Amount (in thousand dollars)	L/C Margin Deposit (in thousand dollars)
NTD	\$43,005	—
(2) 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 thousand.		
(3) The Company issued promissory notes of \$9,644,385 thousand as guarantees for bank loans.		
(4) The Company issued promissory notes of \$1,610,446 thousand as guarantee for finance lease.		
(5) The Company issued promissory notes of 245,412 thousand as guarantee for payments of raw materials purchased.		
(6) The Company has acted as a subcontractor for processing electronic products and provided storage services for outsiders. As of December 31, 2015, the Company kept the processed electronic products of \$4,702,963 thousand and raw materials of \$247,893 thousand on custodian.		

### 33. LOSSES DUE TO MAJOR DISASTERS

None.

#### 34. SIGNIFICANT SUBSEQUENT EVENTS

None.

#### 35. FINANCIAL INSTRUMENTS

##### (1) Categories of financial instruments

<u>Financial assets</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss-Current	\$21,712	\$49,825
Available-for-sale financial assets –Non current	291,628	347,440
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	477,199	253,199
Notes, accounts and other receivable	3,143,701	2,599,104
Long-term receivables-Affiliates	512,265	485,659
Subtotal	4,133,165	3,337,962
Total	<u>\$4,446,505</u>	<u>\$3,735,227</u>

<u>Financial liabilities</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$3,254,414	\$3,266,719
Short-term notes payable	249,336	49,242
Notes, accounts and other payable	4,998,193	3,975,942
Long-term loans (including of current portion)	1,396,401	2,267,508
Lease payable (including of current portion)	601,131	522,717
Total	<u>\$10,499,475</u>	<u>\$10,082,128</u>

##### (2) Financial risk management objectives and policies

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

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The company'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 company's exposure to the risk of changes in market interest rates relates primarily to the company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company 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 company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The company'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 Company 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 company's senior management on a regular basis. The company's Board of Directors reviews and approves all equity investment decisions.

### Risks of pre-tax Sensitivity analysis are as follows:

For the year ended December 31, 2015

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency $\pm$ 1%	$\pm$ 11,709 thousand
	NTD/JPY Foreign currency $\pm$ 1%	$\pm$ 7,869 thousand
Interest rate risk	Market rate $\pm$ 10 fundamental proposition	$\pm$ 4,651 thousand
Equity price risk	Market price $\pm$ 10 fundamental proposition	$\pm$ 3,133 thousand

For the year ended December 31, 2014

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency $\pm$ 1%	$\pm$ 19,525 thousand
	NTD/JPY Foreign currency $\pm$ 1%	$\pm$ 3,449 thousand
Interest rate risk	Market rate $\pm$ 10 fundamental proposition	$\pm$ 5,534 thousand
Equity price risk	Market price $\pm$ 10 fundamental proposition	$\pm$ 3,973 thousand

#### (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 Company 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 company'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 company'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 December 31, 2015 and 2014, amounts receivables from top ten customers represent 55.24% and 55.30% of the total accounts receivables of the Company, 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 company's treasury in accordance with the company's policy. The Company 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 company'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 company'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 Dec. 31, 2015					
Borrowings	\$3,954,627	\$719,385	\$13,056	—	\$4,687,068
Lease payable	\$470,739	\$153,427	\$70	—	\$624,236
Other payables	\$272,190	—	—	—	\$272,190
As of Dec. 31, 2014					
Borrowings	\$4,239,795	\$1,261,715	\$176,446	—	\$5,677,956
Lease payable	\$344,241	\$199,527	\$6,961	—	\$550,729
Other payables	\$78,052	—	—	—	\$78,052

(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 Company 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 35. (7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierarchy

A. Fair value measurement hierarchy:

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities:

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$21,712	—	—	\$21,712
Available-for-sale financial assets				
equity securities	—	—	\$291,628	\$291,628

As of December. 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	—	—	\$347,440	\$347,440

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

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

	Available-for-sale financial assets
	Stock
Beginning balance as of Jan. 1, 2015	\$347,440
Recognized in other comprehensive income	(55,812)
Transfer out of Level 3	—
Ending balance as of Dec. 31, 2015	\$291,628

	Available-for-sale financial assets
	Stock
Beginning balance as of Jan. 1, 2014	\$329,113
Recognized in other comprehensive income	18,327
Transfer out of Level 3	—
Ending balance as of Dec. 31, 2014	\$347,440

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 December 31, 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	18%~20%	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 Company's equity by \$27,496 thousand.

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 Company's equity by \$27,956 thousand.

(8) Significant assets and liabilities denominated in foreign currencies

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

Dec. 31, 2015			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$111,402	32.89	\$3,664,102
Non-monetary items:			
USD	\$30,038	32.89	\$987,950
<u>Financial liabilities</u>			
Monetary items:			
USD	\$75,802	32.89	\$2,493,128
JPY	\$2,879,270	0.2733	\$786,904
Dec. 31, 2014			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$93,924	31.66	\$2,973,634
Non-monetary items:			
USD	\$32,320	31.66	\$1,023,251
<u>Financial liabilities</u>			
Monetary items:			
USD	\$64,575	31.66	\$2,044,445
JPY	\$1,299,873	0.2653	\$344,856

(9) Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.