

Voltronic Power Technology Corp.

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

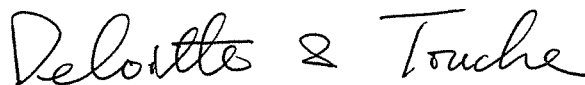
INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Voltronic Power Technology Corp.

We have audited the accompanying balance sheets of Voltronic Power Technology Corp. (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Voltronic Power Technology Corp. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.



February 25, 2016

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

VOLTRONIC POWER TECHNOLOGY CORP.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,680,847	40	\$ 2,152,496	40
Notes receivable (Notes 4 and 7)	11,355	-	12,679	-
Trade receivables (Notes 4, 5 and 7)	1,093,417	16	1,053,457	20
Trade receivables from related parties (Notes 4 and 24)	159,954	3	150,215	3
Other receivables (Note 7)	5,435	-	5,087	-
Inventories (Notes 4, 5 and 8)	1,819	-	3,880	-
Prepayments (Note 12)	11,491	-	9,912	-
Total current assets	<u>3,964,318</u>	<u>59</u>	<u>3,387,726</u>	<u>63</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 9)	1,986,219	30	1,236,878	23
Property, plant and equipment (Notes 4 and 10)	771,999	11	743,087	14
Other intangible assets (Notes 4 and 11)	4,379	-	3,826	-
Deferred income tax assets (Notes 4, 5 and 18)	367	-	163	-
Other non-current assets (Notes 12 and 24)	<u>3,216</u>	<u>-</u>	<u>2,798</u>	<u>-</u>
Total non-current assets	<u>2,766,180</u>	<u>41</u>	<u>1,986,752</u>	<u>37</u>
TOTAL	<u>\$ 6,730,498</u>	<u>100</u>	<u>\$ 5,374,478</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 13)	\$ 2,476	-	\$ 5,477	-
Trade payables (Note 13)	5,894	-	21,583	-
Trade payables to related parties (Note 24)	2,237,388	33	1,643,347	31
Other payables (Note 14)	208,113	3	158,034	3
Current income tax liabilities (Notes 4 and 18)	141,577	2	68,305	1
Other current liabilities (Notes 14 and 24)	<u>40,319</u>	<u>1</u>	<u>47,180</u>	<u>1</u>
Total current liabilities	<u>2,635,767</u>	<u>39</u>	<u>1,943,926</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 18)	<u>26,376</u>	<u>1</u>	<u>25,451</u>	<u>1</u>
Total liabilities	<u>2,662,143</u>	<u>40</u>	<u>1,969,377</u>	<u>37</u>
EQUITY (Note 16)				
Capital stock - common stock	<u>743,557</u>	<u>11</u>	<u>708,435</u>	<u>13</u>
Capital surplus	<u>1,385,450</u>	<u>20</u>	<u>1,387,138</u>	<u>26</u>
Retained earnings				
Legal reserve	264,952	4	165,412	3
Unappropriated earnings (Note 18)	<u>1,629,826</u>	<u>24</u>	<u>1,112,728</u>	<u>21</u>
Total retained earnings	<u>1,894,778</u>	<u>28</u>	<u>1,278,140</u>	<u>24</u>
Other equity (Notes 4, 16 and 20)	<u>44,570</u>	<u>1</u>	<u>31,388</u>	<u>-</u>
Total equity	<u>4,068,355</u>	<u>60</u>	<u>3,405,101</u>	<u>63</u>
TOTAL	<u>\$ 6,730,498</u>	<u>100</u>	<u>\$ 5,374,478</u>	<u>100</u>

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4 and 24)	\$ 7,365,875	100	\$ 6,325,522	100
OPERATING COSTS				
Cost of goods sold (Notes 8 and 24)	<u>(5,947,203)</u>	<u>(81)</u>	<u>(5,361,961)</u>	<u>(85)</u>
GROSS PROFIT	<u>1,418,672</u>	<u>19</u>	<u>963,561</u>	<u>15</u>
OPERATING EXPENSES (Notes 17 and 24)				
Selling and marketing expenses	(179,803)	(2)	(144,448)	(2)
General and administrative expenses	(142,669)	(2)	(136,042)	(2)
Research and development expenses	<u>(83,095)</u>	<u>(1)</u>	<u>(76,781)</u>	<u>(1)</u>
Total operating expenses	<u>(405,567)</u>	<u>(5)</u>	<u>(357,271)</u>	<u>(5)</u>
PROFIT FROM OPERATIONS	<u>1,013,105</u>	<u>14</u>	<u>606,290</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 17)	38,982	-	34,149	-
Other gains and losses (Note 17)	87,492	1	48,203	1
Finance costs (Note 17)	(5,832)	-	(4,860)	-
Share of profit of subsidiaries, associates and joint ventures (Note 4)	<u>485,182</u>	<u>7</u>	<u>429,875</u>	<u>7</u>
Total non-operating income and expense	<u>605,824</u>	<u>8</u>	<u>507,367</u>	<u>8</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,618,929	22	1,113,657	18
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(202,219)</u>	<u>(3)</u>	<u>(118,261)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,416,710</u>	<u>19</u>	<u>995,396</u>	<u>16</u>

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Notes 4 and 16)	\$ (15,952)	-	\$ 46,698	-
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 16 and 18)	<u>2,712</u>	<u>-</u>	<u>(7,938)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(13,240)</u>	<u>-</u>	<u>38,760</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,403,470</u>	<u>19</u>	<u>\$ 1,034,156</u>	<u>16</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 19)				
Basic	<u>\$ 19.05</u>		<u>\$ 13.64</u>	
Diluted	<u>\$ 18.98</u>		<u>\$ 13.59</u>	

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

(Concluded)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock	Capital Surplus	Retained Earnings		Other Equity		Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Others	
BALANCE AT JANUARY 1, 2014	\$ 616,400	\$ 600,258	\$ 104,358	\$ 704,652	\$ 22,671	\$ (70,424)	\$ 1,977,915
Appropriation of the 2013 earnings (Note 16)							
Legal reserve	-	-	61,054	(61,054)	-	-	-
Cash dividends distributed by the Company	-	-	-	(492,531)	-	-	(492,531)
Share dividends distributed by the Company	33,735	-	-	(33,735)	-	-	-
Issue of ordinary shares for cash (Note 16)	58,300	786,880	-	-	-	-	845,180
Share-based payment transactions (Notes 17 and 20)	-	-	-	-	-	40,381	40,381
Net profit for the year ended December 31, 2014	-	-	-	995,396	-	-	995,396
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	38,760	-	38,760
Total comprehensive income for the year ended December 31, 2014	-	-	-	995,396	38,760	-	1,034,156
BALANCE AT DECEMBER 31, 2014	708,435	1,387,138	165,412	1,112,728	61,431	(30,043)	3,405,101
Appropriation of the 2014 earnings (Note 16)							
Legal reserve	-	-	99,540	(99,540)	-	-	-
Cash dividends distributed by the Company	-	-	-	(765,109)	-	-	(765,109)
Share dividends distributed by the Company	35,422	-	-	(35,422)	-	-	-
Share-based payment transactions (Notes 16, 17 and 20)	(300)	(1,688)	-	459	-	26,422	24,893
Net profit for the year ended December 31, 2015	-	-	-	1,416,710	-	-	1,416,710
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(13,240)	-	(13,240)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	1,416,710	(13,240)	-	1,403,470
BALANCE AT DECEMBER 31, 2015	<u>\$ 743,557</u>	<u>\$ 1,385,450</u>	<u>\$ 264,952</u>	<u>\$ 1,629,826</u>	<u>\$ 48,191</u>	<u>\$ (3,621)</u>	<u>\$ 4,068,355</u>

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

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,618,929	\$ 1,113,657
Adjustments for:		
Depreciation expenses	9,141	10,358
Amortization expenses	1,937	2,159
(Reversal of impairment loss) impairment loss recognized on trade receivables	(1,125)	3,941
Net gain on fair value change of financial assets designated as at fair value through profit or loss	-	(1,283)
Finance costs	5,832	4,860
Interest income	(37,824)	(30,162)
Compensation cost of employee share options	24,893	40,381
Share of profit of subsidiaries, associates and joint ventures	(485,182)	(429,875)
Gain on disposal of property, plant and equipment	(81)	-
Net gain on disposal of available-for-sale financial assets	-	(496)
Write-down of inventories	1,601	159
Net (gain) loss on foreign currency exchange	(6,506)	2,201
Changes in operating assets and liabilities		
Financial assets held for trading	-	336,095
Notes receivable	1,324	(8,123)
Trade receivables	(60,656)	(221,414)
Trade receivables from related parties	(13,669)	(51,961)
Other receivables	(338)	2,821
Inventories	460	(1,260)
Prepayments	(1,579)	(1,190)
Notes payable	(3,001)	(1,138)
Trade payables	(15,689)	(10,700)
Trade payables to related parties	626,298	483,089
Other payables	50,079	42,013
Other current liabilities	(6,861)	24,627
Cash generated from operations	1,707,983	1,308,759
Interest received	37,814	26,647
Interest paid	(5,832)	(4,860)
Income tax paid	(125,514)	(88,598)
Net cash generated from operating activities	<u>1,614,451</u>	<u>1,241,948</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(14,755)
Proceeds of the sale of available-for-sale financial assets	-	15,251
Investment accounted for using the equity method	(280,111)	(16,489)
Acquisition of property, plant and equipment	(38,053)	(725,656)

(Continued)

VOLTRONIC POWER TECHNOLOGY CORP.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Proceeds of the disposal of property, plant and equipment	\$ 81	\$ -
Increase in refundable deposits	(418)	(1,771)
Acquisition of intangible assets	<u>(2,490)</u>	<u>(2,110)</u>
Net cash used in investing activities	<u>(320,991)</u>	<u>(745,530)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(765,109)	(492,531)
Proceeds of the issue of capital stock - common stock	<u>-</u>	<u>845,180</u>
Net cash (used in) generated from financing activities	<u>(765,109)</u>	<u>352,649</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	528,351	849,067
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,152,496</u>	<u>1,303,429</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 2,680,847</u></u>	<u><u>\$ 2,152,496</u></u>

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

(Concluded)

VOLTRONIC POWER TECHNOLOGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

1. GENERAL INFORMATION

Voltronic Power Technology Corp. (the “Company”) was incorporated in the Republic of China (ROC) in May 2008. The Company mainly manufactures and sells uninterruptible power systems (UPS).

The Company’s shares have been listed on the Taiwan Stock Exchange since March 31, 2014.

The financial statements are presented in the company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on February 25, 2016.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

New Taiwan IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 “Share-Based Payment” applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 “Business Combinations” applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 “Fair Value Measurement” is effective immediately; and the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

All recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, financial assets, such as debt instruments, may be measured at amortized cost only if they are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are assessed for impairment continually, with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

If the debt instruments are held within a business model whose objective is both to collect contractual cash flows and to sell financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed continually for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, impairment gains or losses and foreign exchange gains and losses are also recognized in profit or loss, and other gain or loss is recognized in other comprehensive income. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election, on the initial recognition of an equity investment that is not held for trading, to measure it at fair value through other comprehensive income, with only dividend income subsequently recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires the recognition of impairment loss on financial assets using the expected credit loss model. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, certain lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers," and certain written loan commitments and financial guarantee contracts. A loss allowance for a 12-month expected credit loss is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the estimated cash flows used to calculate the credit-adjusted effective interest rate on initial recognition incorporate the lifetime expected credit losses. Subsequently, any changes in expected losses are recognized as a loss allowance, with the corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement,” the IASB made a consequential amendment to IAS 36 “Impairment of Assets,” introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit for which an impairment loss has been recognized or reversed during the reporting period. Furthermore, the Company is further required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal while using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related-party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of this compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

The amended IAS 38 “Intangible Assets” introduces a presumption that a revenue-based amortization method for intangible asset is not appropriate. However, this presumption is rebuttable under any of the following limited circumstances:

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

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

6) IFRS 15 “Revenue from Contracts with Customers”

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

When applying IFRS 15, the Company should recognize revenue by applying the following steps:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognize revenue when the entity satisfies a performance obligation.

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

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

The amendments stipulate that, when an entity sells or contributes assets to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. When an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is also recognized in full.

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

8) IFRS 16 “Leases”

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

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

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

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

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

The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements and but at cost for tax purposes give rise to deductible temporary differences, irrespective of whether the Company expects to recover the carrying amounts of the debt instruments by selling them or by holding them and collecting contractual cash flows.

If the tax law restricts the use of tax losses such that the Company can only deduct the tax losses against a certain type of income, the Company should assess a deferred tax asset in combination with other tax assets of the same type. The amendment also stipulates that, when estimating taxable profit of future periods, the Company may assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired. In addition, in evaluating whether sufficient future taxable profits are available, the Company should compare the deductible temporary differences with the future taxable profits, excluding tax deductions resulting from the reversal of these deductible temporary differences.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company was continuing to assess the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for their oversight purposes.

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its financial statements, the Company used equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the financial statements.

c. Current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading.
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. When a gain or loss on a nonmonetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss. When a gain or loss on a nonmonetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

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

For the purpose of presenting financial statements, the functional currencies of the Company and the Group entities (including subsidiaries associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency-the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories, which consist of merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes its share the changes in the other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the company's loss of control over the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company discontinues recognizing its share of the subsidiary's further losses.

The acquisition cost in excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any Company share of the net fair value of the identifiable assets and liabilities in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would have been required had the Company directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are fully eliminated from the financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties, plant and equipment under construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. These assets are depreciated and placed in the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each property, plant and equipment component with a cost that is significant in relation to the total cost of the item must be depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Corporate assets are allocated to the individual CGUs on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or CGU in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into loans and receivables.

- Loans and receivables

Loans and receivables (including cash and cash equivalent, notes receivable, trade receivables, trade receivables from related parties and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that have original maturities within three months from the date of acquisition and are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as notes receivable, trade receivables from related and unrelated parties and other receivables, are assessed for impairment collectively even if they had been assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include the significant financial difficulty of the issuer or counterparty; breach of contract, such as default or delinquency in interest or principal payments; it becoming probable that the borrower will undergo bankruptcy or financial re-organization; or the disappearance of an active market for the financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, but for trade receivables, the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectible trade receivables, which are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On the full derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Sale of goods

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The transaction costs incurred or to be incurred can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve the transfer of risks and rewards of materials ownership.

2) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued over time, by reference to the principal outstanding and at the effective interest rate applicable.

l. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

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

Contingent rents are recognized as an expense in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

n. Share-based payment arrangements

- Restricted shares for employees granted to employee

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period on the basis of the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - restricted shares for employees. The fair value of the restricted shares is recognized as an expense in full at the grant date if these shares will vest immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Under certain conditions, some employees who receive restricted shares are required to return their shares to the issuer on their resignation, and these shares will then be recognized as payables.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - restricted shares for employees.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Based on the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, but when these taxes pertain to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in subsidiaries.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amounts of trade receivables as of December 31, 2015 and 2014 were \$1,093,417 thousand and \$1,053,457 thousand, respectively. The Company recognized \$1,554 thousand and \$2,679 thousand as impairment of trade receivables for the years ended December 31, 2015 and 2014, respectively.

b. Income taxes

As of December 31, 2015 and 2014, the carrying amounts of the deferred tax in relation to unused tax losses were \$367 thousand and \$163 thousand, respectively. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which this reversal takes place.

c. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	\$ 412	\$ 662
Demand deposits	1,054,496	513,358
Cash equivalents		
Time deposits with original maturities of less than three months	<u>1,625,939</u>	<u>1,638,476</u>
	<u>\$ 2,680,847</u>	<u>\$ 2,152,496</u>

The market rates for cash in bank at the end of the reporting period were as follows:

	December 31	
	2015	2014
Bank balance	0.001%-4.5%	0.01%-3.40%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	2014
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 11,355</u>	<u>\$ 12,679</u>
		(Continued)

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,094,971	\$ 1,056,136
Less: Allowance for impairment loss	<u>(1,554)</u>	<u>(2,679)</u>
	<u>\$ 1,093,417</u>	<u>\$ 1,053,457</u>
<u>Other receivables</u>		
Income tax refund receivables	\$ 1,910	\$ 1,016
Factored trade receivables	-	556
Interest receivables	<u>3,525</u>	<u>3,515</u>
	<u>\$ 5,435</u>	<u>\$ 5,087</u>
		(Concluded)

Trade receivables

The average credit period on sales of goods was 0 to 180 days. In determining the collectibility of a trade receivable, the Company considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all trade receivables over 365 days because historical experience shows that receivables outstanding beyond 365 days are not recoverable. For receivables outstanding between 0 to 365 days, the Company estimated irrecoverable amount based on the past default by the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Not overdue	\$ 935,887	\$ 934,474
Overdue 60 days	123,986	83,881
Overdue 61-120 days	31,105	33,181
Overdue beyond 120 days	<u>3,993</u>	<u>4,600</u>
	<u>\$ 1,094,971</u>	<u>\$ 1,056,136</u>

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

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2015	2014
Overdue 60 days	\$ 132,103	\$ 96,581
Overdue 61-120 days	23,484	20,050
Overdue beyond 120 days	<u>1,943</u>	<u>2,352</u>
	<u>\$ 157,530</u>	<u>\$ 118,983</u>

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

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	\$ 927	\$ 1,615	\$ 2,542
Add: Impairment losses recognized on receivables	-	3,941	3,941
Deduct: Amounts written off during the year as uncollectible	<u>(927)</u>	<u>(2,877)</u>	<u>(3,804)</u>
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 2,679</u>	<u>\$ 2,679</u>
Balance at January 1, 2015	\$ -	\$ 2,679	\$ 2,679
Deduct: Impairment losses reversed	<u>-</u>	<u>(1,125)</u>	<u>(1,125)</u>
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 1,554</u>	<u>\$ 1,554</u>

The Company recognized no impairment loss on trade receivables which related to customers that in severe financial difficulties with balances as of December 31, 2015 and 2014. The Company did not hold any collateral over these balances.

Factored trade receivables for the years ended December 31, 2015 and 2014 were as follows:

Counter-parties	Receivables Sold	Trade Receivables Removed from Book	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
<u>2015</u>						
Bank SinoPac	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	US\$ -
<u>2014</u>						
Bank SinoPac	<u>\$ 556</u>	<u>\$ 556</u>	<u>\$ -</u>	<u>\$ -</u>	-	US\$ 600

The above factored trade receivables have been transferred to other receivables, and credit lines may be used on a revolving basis.

Based on the Company's factoring agreements, losses from commercial disputes (such as sales returns and discounts) shall be borne by the Company, while losses from credit risk shall be borne by the banks.

8. INVENTORIES

	December 31	
	2015	2014
Merchandise	\$ <u>1,819</u>	\$ <u>3,880</u>

The costs of inventories recognized as cost of goods sold was \$5,947,203 thousand for 2015 and \$5,361,961 thousand for 2014, which included inventory write-downs of \$1,601 thousand and \$159 thousand, respectively.

9. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2015	2014
Voltronic International Corp.	\$ <u>1,986,219</u>	\$ <u>1,236,878</u>

At the end of the reporting period, the percentage of ownership of and voting rights in the subsidiary held by the Company were as follows:

	December 31	
	2015	2014
Voltronic International Corp.	100%	100%

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 was based on the subsidiary financial statements audited by the auditors for the same years.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Machinery and Equipment	Transportation	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2014	\$ -	\$ 48,979	\$ 460	\$ 4,810	\$ 5,737	\$ 742	\$ -	\$ 60,728
Additions	720,761	2,781	-	2,004	110	-	-	725,656
Disposals	-	-	-	(141)	-	-	-	(141)
Balance at December 31, 2014	\$ <u>720,761</u>	\$ <u>51,760</u>	\$ <u>460</u>	\$ <u>6,673</u>	\$ <u>5,847</u>	\$ <u>742</u>	\$ -	\$ <u>786,243</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2014	\$ -	\$ 25,872	\$ 460	\$ 3,553	\$ 2,732	\$ 322	\$ -	\$ 32,939
Disposals	-	-	-	(141)	-	-	-	(141)
Depreciation expense	-	8,508	-	689	1,009	152	-	10,358
Balance at December 31, 2014	\$ -	\$ <u>34,380</u>	\$ <u>460</u>	\$ <u>4,101</u>	\$ <u>3,741</u>	\$ <u>474</u>	\$ -	\$ <u>43,156</u>
Carrying amounts at December 31, 2014	\$ <u>720,761</u>	\$ <u>17,380</u>	\$ -	\$ <u>2,572</u>	\$ <u>2,106</u>	\$ <u>268</u>	\$ -	\$ <u>743,087</u>
<u>Cost</u>								
Balance at January 1, 2015	\$ 720,761	\$ 51,760	\$ 460	\$ 6,673	\$ 5,847	\$ 742	\$ -	\$ 786,243
Additions	-	4,642	-	1,265	686	-	31,460	38,053
Disposals	-	-	(460)	(21)	-	-	-	(481)
Balance at December 31, 2015	\$ <u>720,761</u>	\$ <u>56,402</u>	\$ -	\$ <u>7,917</u>	\$ <u>6,533</u>	\$ <u>742</u>	\$ <u>31,460</u>	\$ <u>823,815</u>

(Continued)

	Freehold Land	Machinery and Equipment	Transportation	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2015	\$ -	\$ 34,380	\$ 460	\$ 4,101	\$ 3,741	\$ 474	\$ -	\$ 43,156
Disposals	-	-	(460)	(21)	-	-	-	(481)
Depreciation expense	-	6,766	-	1,277	991	107	-	9,141
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 41,146</u>	<u>\$ -</u>	<u>\$ 5,357</u>	<u>\$ 4,732</u>	<u>\$ 581</u>	<u>\$ -</u>	<u>\$ 51,816</u>
Carrying amounts at December 31, 2015	<u>\$ 720,761</u>	<u>\$ 15,256</u>	<u>\$ -</u>	<u>\$ 2,560</u>	<u>\$ 1,801</u>	<u>\$ 161</u>	<u>\$ 31,460</u>	<u>\$ 771,999</u>

(Concluded)

For the years ended December 31, 2015, and 2014, no impairment assessment was performed as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the useful lives of the assets, estimated as follows:

Machinery and equipment	3-10 years
Transportation	3-5 years
Office equipment	2-5 years
Leasehold improvements	3-5 years
Other equipment	3-5 years

11. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2014	\$ 14,309
Additions	<u>2,110</u>
Balance at December 31, 2014	<u>\$ 16,419</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2014	\$ 10,434
Amortization expense	<u>2,159</u>
Balance at December 31, 2014	<u>\$ 12,593</u>
Carrying amounts at December 31, 2014	<u>\$ 3,826</u>
<u>Cost</u>	
Balance at January 1, 2015	\$ 16,419
Additions	<u>2,490</u>
Balance at December 31, 2015	<u>\$ 18,909</u>

(Continued)

	Computer Software
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2015	\$ 12,593
Amortization expense	<u>1,937</u>
Balance at December 31, 2015	<u>\$ 14,530</u>
Carrying amounts at December 31, 2015	<u>\$ 4,379</u> (Concluded)

The above of intangible assets are amortized on a straight-line basis over their estimated useful lives of three to five years.

12. OTHER ASSETS

	<u>December 31</u>	
	2015	2014
<u>Current</u>		
Prepayments	<u>\$ 11,491</u>	<u>\$ 9,912</u>
<u>Non-current</u>		
Refundable deposits	\$ 3,153	\$ 2,735
Prepayments	<u>63</u>	<u>63</u>
	<u>\$ 3,216</u>	<u>\$ 2,798</u>

13. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	2015	2014
<u>Notes payable</u>		
Operating	<u>\$ 2,476</u>	<u>\$ 5,477</u>
<u>Trade payables</u>		
Operating	<u>\$ 5,894</u>	<u>\$ 21,583</u>

14. OTHER LIABILITIES

	December 31	
	2015	2014
<u>Current</u>		
Other payables		
Salaries and bonuses	\$ 39,721	\$ 34,810
Payable for employee bonus	93,738	59,000
Payable for remuneration to directors and supervisors	21,000	18,000
Payable for commission	47,037	41,507
Others	<u>6,617</u>	<u>4,717</u>
	<u>\$ 208,113</u>	<u>\$ 158,034</u>
Other liabilities		
Advance receipts	\$ 39,165	\$ 46,290
Receipts under custody	<u>1,154</u>	<u>890</u>
	<u>\$ 40,319</u>	<u>\$ 47,180</u>

15. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company has a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

16. EQUITY

a. Capital stock

	December 31	
	2015	2014
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>
Shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,355</u>	<u>70,843</u>
Shares issued	<u>\$ 743,557</u>	<u>\$ 708,435</u>

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

Shares authorized include \$20,000 thousand for issuance of employee share options.

On December 24, 2013, the Board of directors approved the issuance of 5,830 thousand common shares, with a par value of NT\$10, amounting to \$58,300 thousand. The issuance of new shares was approved by the Financial Supervisory Commission (FSC) on January 6, 2014, and the subscription price per share was NT\$146. Net consideration was \$845,180 thousand after deducting the necessary issuance cost of \$6,000 thousand. The subscription base date was determined on March 27, 2014 by the board of directors, and the Company obtained approval of this base date from the Ministry of Economic affairs on April 15, 2014.

In the meetings on June 30, 2015 and June 24, 2014, the Company's shareholders approved the transfer of retained earnings of \$35,422 thousand and \$33,735 thousand, respectively, to 3,542 thousand new shares and 3,373 thousand new shares, respectively, with a par value of NT\$10. These transfers were approved by the FSC at July 30, 2015 and July 14, 2014, and August 31, 2015 and August 31, 2014, respectively, were approved as the subscription base dates.

A reconciliation of the number of shares outstanding was as follows:

	Number of Shares (In Thousands of Shares)	Share Capital	Share Premium
Balance at January 1, 2014	61,640	\$ 616,400	\$ 600,258
Capital transferred from retained earnings	3,373	33,735	-
Share issuance for cash	<u>5,830</u>	<u>58,300</u>	<u>786,880</u>
Balance at December 31, 2014	70,843	708,435	1,387,138
Share issuance for cash	3,542	35,422	-
Retirement of recovered employee restricted shares	<u>(30)</u>	<u>(300)</u>	<u>(1,688)</u>
Balance at December 31, 2015	<u><u>74,355</u></u>	<u><u>\$ 743,557</u></u>	<u><u>\$ 1,385,450</u></u>

b. Capital surplus

	December 31	
	2015	2014
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Arising from issuance of common shares	\$ 1,323,323	\$ 1,301,446
<u>May not be used for any purpose</u>		
Arising from employee restricted shares	<u>62,127</u>	<u>85,692</u>
	<u><u>\$ 1,385,450</u></u>	<u><u>\$ 1,387,138</u></u>

Note: Capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, capital surplus may be distributed as cash dividends, or may be transferred to share capital within a certain percentage of the Company's paid-in capital once a year.

A reconciliation of the number of shares outstanding was as follows:

	Arising from Issuance of Common Shares	Arising from Employee Restricted Shares
Balance at January 1, 2014	\$ 493,143	\$ 107,115
Issue of ordinary shares for cash	786,880	-
Vested employee restricted shares	<u>21,423</u>	<u>(21,423)</u>
Balance at December 31, 2014	<u><u>\$ 1,301,446</u></u>	<u><u>\$ 85,692</u></u>

(Continued)

	Arising from Issuance of Common Shares		Arising from Employee Restricted Shares
Balance at January 1, 2015	\$ 1,301,446		\$ 85,692
Vested employee restricted shares	21,423		(21,423)
Retirement employee restricted shares	<u>454</u>	(Note 1)	<u>(2,142)</u> (Note 2)
Balance at December 31, 2015	<u>\$ 1,323,323</u>		<u>\$ 62,127</u> (Concluded)

Note 1: Accumulative stock dividends of \$454 thousand for withdrawn restricted stock was recognized as salary expense.

Note 2: The reversed compensation cost of \$2,442 thousand for restricted stock was net of retired share capital of \$300 thousand.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, for each fiscal year, if there is a net profit, it shall be first to pay all taxes, cover all losses and dues, set aside 10% of accounting earning as legal reserve (unless the accumulated legal reserve has reached the amount of company registered capital), and provide or reverse special reserve in accordance with relevant laws or regulations. Then, the Board may plan to keep necessary reserve for future business need by making such proposal to the Shareholders' meeting for recognition, and allocate the profit with the following percentage:

- 1) Employee bonus: 5% to 15% of the allocable total profit of the fiscal year.
- 2) Remuneration for Directors and Supervisors: No more than 5% of the allocable total profit of the fiscal year.
- 3) Shareholders' bonus: No less than 20% of the after-tax profit of the fiscal year. The actual percentage shall depend on the remaining balance plus the retained profits of last fiscal year and also with the consideration on the industry economic trend and financial status of this Corporation. Distribution of the bonus may be made by way of a cash dividend or stock dividend, where the ratio of the cash dividend shall not less than 10% of the shareholders' bonus so as to achieve the balance and stability of the dividend policy. However, in a case that the bonus per share is less than NT\$0.3, the Board of Directors may cancel the bonus distribution by submit such cancellation for recognition at the shareholders' meeting. If such cancellation is recognized by the shareholders' meeting, the allocation of the employee bonus and remuneration for Directors and Supervisors shall also be canceled.

Under the May 2015 amendments to the Company Act, in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation, which were proposed by the Company's board of directors on February 25, 2015, are subject to the approval of the shareholders in their meeting to be held on May 24, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 17,e. Employee benefit expenses.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

Except for non-ROC resident shareholders, all shareholders are allowed tax credits equal to their proportionate share of the income tax paid by the Company.

The appropriations from the 2014 and 2013 earnings, which was approved in the annual stockholders’ meetings on June 30, 2015 and June 24, 2014, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	2014	2013	2014	2013
Legal reserve	\$ 99,540	\$ 61,054	\$ -	\$ -
Cash dividends	765,109	492,531	10.80	7.30
Stock dividends	35,422	33,735	0.50	0.50

The appropriation of the 2015 earnings, which included dividends per share, were proposed by the Company’s board of directors on February 25, 2016, as follows:

	<u>Appropriations of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 141,671	\$ -
Cash dividends	1,115,335	15.00
Stock dividends	37,178	0.50

The appropriation of the 2015 earnings is subject to the approval at the shareholders’ meeting to be held on May 24, 2016.

d. Other equity items

Exchange differences on translating foreign operations

	<u>For the Year Ended December 31</u>	
	2015	2014
Balance at January 1	\$ 61,431	\$ 22,671
Exchange differences on translating foreign operations	(15,952)	46,698
Income tax related to exchange differences arising on translating to the presentation currency	<u>2,712</u>	<u>(7,938)</u>
Balance at December 31	<u>\$ 48,191</u>	<u>\$ 61,431</u>

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

	<u>For the Year Ended December 31, 2014</u>
Balance at January 1	\$ -
Unrealized gain arising on revaluation of available-for-sale financial assets	496
Cumulative gain reclassified to profit on sale of available-for-sale financial assets	<u>(496)</u>
Balance at December 31	<u>\$ -</u>

Unearned employee benefit

In their meeting on December 10, 2012, the shareholders approved the issuance of restricted shares to employees. Refer to Note 20 for the information on restricted shares issued.

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Balance at January 1	\$ (30,043)	\$ (70,424)
Share-based payment expenses recognized	23,980	40,381
Retired restricted employee shares (Note)	<u>2,442</u>	<u>-</u>
Balance at December 31	<u>\$ (3,621)</u>	<u>\$ (30,043)</u>

Note: Deducted from compensation cost of restricted shares amounting \$2,442 thousand.

17. NET PROFIT (LOSS) FROM OPERATIONS

a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Rental income		
Operating lease rental income - others	\$ 814	\$ 859
Interest income		
Bank deposits	37,824	30,162
Others	<u>344</u>	<u>3,128</u>
	<u>\$ 38,982</u>	<u>\$ 34,149</u>

b. Other gains and loss

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Gain on disposal of property, plant and equipment	\$ 81	\$ -
Gain on disposal of available-for-sale financial assets	-	496
Net foreign exchange gains	87,411	46,424
Net gain arising from financial assets classified as held for trading	<u>-</u>	<u>1,283</u>
	<u>\$ 87,492</u>	<u>\$ 48,203</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Other interest expense	<u>\$ 5,832</u>	<u>\$ 4,860</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	\$ 9,141	\$ 10,358
Intangible assets	<u>1,937</u>	<u>2,159</u>
	<u>\$ 11,078</u>	<u>\$ 12,517</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 9,141</u>	<u>\$ 10,358</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 272	\$ 479
General and administrative expenses	1,022	1,332
Research and development expenses	<u>643</u>	<u>348</u>
	<u>\$ 1,937</u>	<u>\$ 2,159</u>

e. Employee benefit expense

	For the Year Ended December 31	
	2015	2014
Salary expenses	\$ 205,510	\$ 165,303
Other employee benefits	20,070	10,877
Share-based payments		
Equity-settled share-based payments (Note)	24,893	40,381
Post-employment benefits		
Defined contribution plans	<u>3,575</u>	<u>3,145</u>
Total employee benefit expense	<u>\$ 254,048</u>	<u>\$ 219,706</u>
An analysis of employee benefit expense by function		
Operating expenses	<u>\$ 254,048</u>	<u>\$ 219,706</u>

Note: The share-based payments included the withdrawn accumulative stock dividends \$913 thousand in 2015.

The current Articles of Incorporation of the Company stipulate the distribution of bonus to employees and remuneration to directors and supervisors at no less than 5% and no higher than 15%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$59,000 thousand and \$18,000 thousand, respectively, based on historical experience. For compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company will stipulate the distribution of employees' compensation and remuneration to directors and supervisors at no less than 3.75% and no higher than 11.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were estimated at \$87,000 thousand and \$21,000 thousand, respectively, based on historical experience. The employees's compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 were proposed by the Company's board of directors on February 25, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on May 24, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. For material differences between these

estimates and the amounts proposed by the Board of Directors in the following year, adjustments of the bonus and remuneration are made in the year of the proposal. If the actual amounts subsequently approved at the shareholders' meeting differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013, which were approved in the shareholders' meetings on June 30, 2015 and June 24, 2014, respectively, were as follows:

	For the Year Ended December 31			
	2014		2013	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Bonus to employees	\$ 59,000	\$ -	\$ 39,000	\$ -
Remuneration of directors and supervisors	18,000	-	15,000	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 30, 2015 and June 24, 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors proposed by the Company's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2015	2014
Foreign exchange gains	\$ 209,566	\$ 220,724
Foreign exchange losses	<u>(122,155)</u>	<u>(174,300)</u>
	<u>\$ 87,411</u>	<u>\$ 46,424</u>

18. INCOME TAXES RELATING TO OPERATIONS

a. Major components of tax expense recognized in profit:

	For the Year Ended December 31	
	2015	2014
Current tax		
Current year	\$ (189,304)	\$ (106,960)
Income tax on unappropriated earnings	(9,533)	(2,322)
Adjustments for prior years	<u>51</u>	<u>-</u>
	(198,786)	(109,282)
Deferred tax		
Current year	<u>(3,433)</u>	<u>(8,979)</u>
Income tax expense recognized in profit or loss	<u>\$ (202,219)</u>	<u>\$ (118,261)</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2015	2014
Profit before tax	<u>\$ 1,618,929</u>	<u>\$ 1,113,657</u>
Income tax expense calculated at the statutory tax rate	\$ (275,218)	\$ (189,321)
Differences associated with investment in subsidiaries	82,481	73,079
Tax-exempt income	-	303
Income tax on unappropriated earnings	(9,533)	(2,322)
Adjustments for prior years' tax	<u>51</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ (202,219)</u>	<u>\$ (118,261)</u>

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

As the status of the appropriation of the 2016 earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
<u>Deferred tax</u>		
Current year:		
Translation of foreign operations	<u>\$ 2,712</u>	<u>\$ (7,938)</u>

c. Current tax assets and liabilities

	December 31	
	2015	2014
Current tax liabilities		
Income tax payable	<u>\$ 141,577</u>	<u>\$ 68,305</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on write-down of inventories	\$ 27	\$ 272	\$ -	\$ 299
Employee welfare	<u>136</u>	<u>(68)</u>	<u>-</u>	<u>68</u>
	<u>\$ 163</u>	<u>\$ 204</u>	<u>\$ -</u>	<u>\$ 367</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized exchange loss	\$ (12,869)	\$ (3,637)	\$ -	\$ (16,506)
Exchanges difference on foreign operations	<u>(12,582)</u>	<u>-</u>	<u>2,712</u>	<u>(9,870)</u>
	<u>\$ (25,451)</u>	<u>\$ (3,637)</u>	<u>\$ 2,712</u>	<u>\$ (26,376)</u> (Concluded)

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on write-down of inventories	\$ -	\$ 27	\$ -	\$ 27
Employee welfare	<u>204</u>	<u>(68)</u>	<u>-</u>	<u>136</u>
	<u>\$ 204</u>	<u>\$ (41)</u>	<u>\$ -</u>	<u>\$ 163</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized exchange loss	\$ (3,931)	\$ (8,938)	\$ -	\$ (12,869)
Exchanges difference on foreign operations	<u>(4,644)</u>	<u>-</u>	<u>(7,938)</u>	<u>(12,582)</u>
	<u>\$ (8,575)</u>	<u>\$ (8,938)</u>	<u>\$ (7,938)</u>	<u>\$ (25,451)</u>

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

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to \$264,077 thousand and \$181,596 thousand, respectively.

f. Integrated income tax

	December 31	
	2015	2014
Unappropriated earnings		
Generated before January 1, 1998	\$ -	\$ -
Generated on and after January 1, 1998	<u>1,629,826</u>	<u>1,112,278</u>
	<u>\$ 1,629,826</u>	<u>\$ 1,112,278</u>
Imputation credits accounts	<u>\$ 81,112</u>	<u>\$ 56,676</u>
	For the Year Ended December 31	
	2015	2014
	(Expected)	(Actual)
Creditable ratio for distribution of earning	13.66%	11.23%

g. Income tax assessments

The Company's tax returns through 2013 have been assessed by the tax authorities. As of December 31, 2015, the Company has no unsettled lawsuit.

19. EARNINGS PER SHARE

	For the Year Ended December 31	
	2015	2014
Basic earnings per share		
Net income	<u>\$ 1,416,710</u>	<u>\$ 995,396</u>
Weighted average number of ordinary shares in computation of basic earnings per share	<u>74,370</u>	<u>72,960</u>
Basic earnings per share	<u>\$ 19.05</u>	<u>\$ 13.64</u>
Diluted earnings per share		
Net income	<u>\$ 1,416,710</u>	<u>\$ 995,396</u>
Weighted average number of ordinary shares in computation of basic earnings per share	74,370	72,960
Effect of potentially dilutive ordinary shares:		
Bonus to employees	<u>272</u>	<u>304</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>74,642</u>	<u>73,264</u>
Diluted earnings per share	<u>\$ 18.98</u>	<u>\$ 13.59</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 31, 2015. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2014 were as follows:

	Unit: NTS Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 14.33</u>	<u>\$ 13.64</u>
Diluted earnings per share	<u>\$ 14.26</u>	<u>\$ 13.59</u>

If the Company will use cash or shares to settle compensation or bonuses paid to employees, the Company will assume the entire compensation or bonus will be settled in shares. If the effect of the resulting potential shares is dilutive, these shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. This dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

20. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED STOCK PLAN

In their meeting on December 10, 2012, the shareholders approved a restricted stock plan for employees with a total amount of \$15,000 thousand, consisting of 1,500 thousand shares, and authorized the board of directors to determine the issue prices of the restricted shares. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- The employees should provide the restricted shares to the Company as trust custodian or the agencies designated by the Company and cooperate in complying with all related procedures and preparing the required documents.
- The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
- The employees' other rights, which are the same as those of the holders of the issued common shares of the Company, include entitlement to receive cash, dividends and capital surplus in shares; employee share option due to the issuance of share dividends and voting rights, etc.
- The handling or execution of the related proposal, statements, voting rights and other equity-related matters are delegated to trust custody agencies.

The vesting conditions of restricted shares is when employee received the restricted shares, the restriction of acquiring share would be canceled as follows:

After one year from the grant date: 20%
 After two years from the grant date: 20%
 After three years from the grant date: 60%

If an employee fails to meet the vesting conditions, the Company will withdraw the restricted shares.

The fair value of NT\$81.41 per share of the newly issued restricted shares was determined using the market-price-based method. An expense of \$122,115 thousand was recognized on the basis of vesting conditions. Compensation costs of \$24,893 thousand and \$40,381 thousand were recognized respectively within the vesting period for the years ended December 31, 2015 and 2014.

21. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of building with lease terms between 1 and 5 years. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payables for non-cancellable operating lease commitments were as follows:

	December 31	
	2015	2014
Up to 1 year	\$ 5,731	\$ 3,712
Later than 1 year and not later than 5 years	<u>1,980</u>	<u>2,071</u>
	<u>\$ 7,711</u>	<u>\$ 5,783</u>

22. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while considering operating risks and maximizing the returns to shareholders through the optimization of the debt and equity balance and the investment of financial instruments which were short-term and low fluctuation. The Company classified these financial instruments as financial assets held for trading.

Cash flows generated from operating activities of these financial assets held for trading as of December 31, 2014 were as follows:

	For the Year Ended December 31, 2014
Financial assets held for trading	<u>\$ 336,095</u>

The capital structure of the Company consists of equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Under the recommendations of the key management, to balance the overall capital structure, the Company may adjust the number of new shares issued.

23. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

As of December 31, 2015, the Company had derecognized all the non-derivative financial assets held for trading and available-for-sale financial assets-current.

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Financial assets</u>		
Loans and receivables (1)	\$ 3,952,251	\$ 3,375,653
<u>Financial liabilities</u>		
Amortized cost (2)	2,299,412	1,716,631
1) The balances included loans and receivables measured at amortized cost, which comprised cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and refundable deposits (included in other non-current assets).		
2) The balances included financial liabilities measured at amortized cost, which comprised notes payable, trade payables, trade payables to related parties and other payables.		

d. Financial risk management objectives and policies

The Company's major financial instruments included trade receivables and trade payables. The Company's Corporate Treasury function provides services such as providing access to domestic and international financial markets, and monitoring and managing the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Corporate Treasury function reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated) are set out in Note 25.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table shows the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the USD and RMB) against the relevant foreign currencies. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the New Taiwan dollars weakened by 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2015	2014
Profit or loss	\$ 24,551	\$ 20,823

	RMB Impact	
	For the Year Ended December 31	
	2015	2014
Profit or loss	\$ (10,649)	\$ (8,451)

This was mainly attributable to the exposure on USD receivables, USD payables, RMB bank deposits and RMB payables at the end of the reporting period.

The Company's sensitivity to the USD increased during the current period mainly because of an increase in USD bank deposits. The Company's sensitivity to RMB increased during the current period mainly because of more RMB trade payables.

b) Interest rate risk

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

	December 31	
	2015	2014
Interest rate risk on fair value		
Financial assets	\$ 1,625,939	\$ 1,448,476
Interest rate risk on cash flow		
Financial assets	1,054,496	703,358

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Company's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher/lower and all other variables been held constant, the Company's pretax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by \$15,522 thousand and \$8,734 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate risks on its variable-rate bank deposit.

The Company's sensitivity to interest rates increased during the current period mainly because of the increase in variable-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

To minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Company's credit risk was significantly reduced.

Except for the Company's three largest customers, the Company had no material exposure to credit risk with counterparty or a group of counterparties that had similar properties.

The Company's concentration of credit risk of 13% and 11% of total trade receivables as of December 31, 2015 and 2014, respectively, was related to the Company's three largest customers.

3) Liquidity risk

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

Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

For interest flows pertaining to floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2015

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 2,006,872	\$ 292,540	\$ -	\$ -

December 31, 2014

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
Non-derivative financial liabilities				
Non-interest bearing	<u>\$ 1,587,438</u>	<u>\$ 129,193</u>	<u>\$ -</u>	<u>\$ -</u>

24. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. Sales of goods

Line Items	Related Party Categories	For the Year Ended December 31	
		2015	2014
Sales	Key management personnel	\$ 568,612	\$ 613,326
	Other related parties	<u>7,230</u>	<u>4,504</u>
		<u>\$ 575,842</u>	<u>\$ 617,830</u>

The selling prices are not comparable due to no sale of above specified items to third parties in 2015 and 2014. Payment terms of related parties are 60-150 days after every month end close and of third parties are 0-180 days after every month end close.

b. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2015	2014
Subsidiaries	\$ 5,860,529	\$ 5,224,039
Other related parties	<u>27,197</u>	<u>27,308</u>
	<u>\$ 5,887,726</u>	<u>\$ 5,251,347</u>

The purchase prices are not comparable due to no purchase of above specified items from third parties in 2015 and 2014. Payment terms of related parties are 60-150 days after every month end close and of third parties are 30-90 days after every month end close.

c. Trade receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31	
		2015	2014
Trade receivables from related parties	Key management personnel	<u>\$ 159,954</u>	<u>\$ 150,215</u>

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

d. Trade payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	December 31	
		2015	2014
Trade payables to related parties	Subsidiaries	\$ 2,229,980	\$ 1,637,740
	Other related parties	<u>7,408</u>	<u>5,607</u>
		<u>\$ 2,237,388</u>	<u>\$ 1,643,347</u>

The outstanding trade payables from related parties are unsecured.

e. Other transactions with related parties

Line Items	Related Party Categories	December 31	
		2015	2014
Receipts in advance	Key management personnel	<u>\$ 1,557</u>	<u>\$ 2,040</u>
Refundable deposits	Key management personnel	\$ 207	\$ 207
	Other related parties	<u>568</u>	<u>420</u>
		<u>\$ 775</u>	<u>\$ 627</u>
Rental expenses	Key management personnel	\$ 1,283	\$ 1,283
	Other related parties	<u>2,740</u>	<u>2,141</u>
		<u>\$ 4,023</u>	<u>\$ 3,424</u>

In 2015 and 2014, the Company rented buildings from key management personnel and other related parties. The rental expenses, which were payable monthly, were based on current market prices.

f. Compensation of key management personnel

In 2015 and 2014, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2015	2014
Salaries and bonus	\$ 78,924	\$ 63,114
Post-employee benefits	608	578
Share-based payments	<u>10,088</u>	<u>15,614</u>
	<u>\$ 89,620</u>	<u>\$ 79,306</u>

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 76,462	32.8250 (USD:NTD)	\$ 2,509,867
RMB	231,165	5.0550 (RMB:NTD)	<u>1,168,539</u>
			<u>\$ 3,678,406</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,668	32.8250 (USD:NTD)	\$ 54,743
RMB	441,832	5.0550 (RMB:NTD)	<u>2,233,460</u>
			<u>\$ 2,288,203</u>

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 67,328	31.6500 (USD:NTD)	\$ 2,130,931
RMB	155,553	5.0920 (RMB:NTD)	<u>792,076</u>
			<u>\$ 2,923,007</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,537	31.6500 (USD:NTD)	\$ 48,660
RMB	321,511	5.0920 (RMB:NTD)	<u>1,637,133</u>
			<u>\$ 1,685,793</u>

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

	For the Year Ended December 31			
	2015		2014	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.8250 (USD:NTD)	\$ 105,634	31.6500 (USD:NTD)	\$ 102,879
RMB	5.0550 (RMB:NTD)	<u>(7,450)</u>	5.0920 (RMB:NTD)	<u>(26,265)</u>
		<u>\$ 98,184</u>		<u>\$ 76,614</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	December 31	
	2015	2014
Acquisition of property, plant and equipment	<u>\$ 274,973</u>	<u>\$ -</u>

27. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In the meeting on February 25, 2016, the Board of directors approved a restricted stock plan of 650 thousand shares with a par value of NT\$10. The Board authorizes the chairman to determine the issuance date for shares after shareholders' resolution on their meeting on May 24, 2016.