U.D. ELECTRONIC CORP. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of U.D. Electronic Corp. and its affiliates as of and for the year ended December 31, 2015 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard No. 10, "Consolidated Financial Statements." Information required to be disclosed in the consolidated financial statements of affiliates has all been included in the consolidated financial statements. Thus, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

U.D. ELECTRONIC CORP.

By:

GARY CHEN
Chairman

March 10, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
U.D. ELECTRONIC CORP.

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

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

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

We have also audited the parent company only financial statements of U.D. ELECTRONIC CORP. as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified report.

March 10, 2016

<u>*Notice to Readers*</u>

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

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 394,355	9	$ 1,013,407	21
Notes receivable (Notes 4 and 9)	74,742	2	63,049	1
Trade receivables (Notes 4, 5 and 9)	1,053,528	23	1,042,672	21
Trade receivables from related parties (Notes 4 and 30)	-	-	58,276	1
Other receivables (Note 9)	29,750	1	69,143	2
Inventories (Notes 4, 5 and 10)	1,471,833	32	1,325,042	27
Prepayments (Notes 15 and 16)	28,299	-	63,230	1
Other current financial assets (Notes 16 and 31)	100	-	5,743	-
Other current assets (Note 16)	126,468	3	121,021	3
Total current assets	3,179,075	70	3,761,583	77
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	89,608	2	49,608	1
Property, plant and equipment (Notes 4, 5 and 12)	971,034	21	879,457	18
Computer software, net (Notes 4 and 14)	6,595	-	15,609	1
Goodwill (Notes 4, 5 and 13)	6,103	-	6,103	-
Deferred tax assets (Notes 4, 5 and 24)	4,717	-	8,470	-
Prepayments for equipment (Note 16)	111,908	3	100,699	2
Long-term prepayments for lease (Note 15)	69,618	2	-	-
Other non-current financial assets (Notes 16 and 31)	-	-	10,445	-
Other non-current assets (Note 16)	81,976	2	58,056	1
Refundable deposits (Notes 16 and 27)	13,503	-	7,471	-
Total non-current assets	1,355,062	30	1,135,918	23
TOTAL	$ 4,534,137	100	$ 4,897,501	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	$ 761,820	17	$ 553,875	11
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	-	-	8,132	-
Trade payables (Note 19)	528,820	12	509,644	10
Other payables (Note 20)	508,424	11	768,486	16
Current tax liabilities (Notes 4 and 24)	12,956	-	71,110	2
Current portion of long-term bonds payable (Notes 4 and 18)	17,015	-	119,368	2
Other current liabilities (Note 20)	21,712	1	26,830	1
Total current liabilities	1,850,747	41	2,057,445	42
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 24)	12,512	-	17,985	-
Guarantee deposits received (Note 20)	5,014	-	2,090	-
Total non-current liabilities	17,526	-	20,075	-
Total liabilities	1,868,273	41	2,077,520	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)				
Share capital				
Ordinary shares	696,758	15	696,758	14
Capital surplus (Note 18)	726,715	16	726,715	15
Retained earnings				
Legal reserve	241,124	6	190,273	4
Special reserve	7,778	-	30,887	-
Unappropriated earnings (Note 24)	920,109	20	1,071,842	22
Total retained earnings	1,169,011	26	1,293,002	26
Other equity				
Exchange differences on translating foreign operations (Notes 4 and 22)	50,262	1	69,330	2
Total equity attributable to owners of the parent	2,642,746	58	2,785,805	57
NON-CONTROLLING INTERESTS (Note 22)	23,118	1	34,176	1
Total equity	2,665,864	59	2,819,981	58
TOTAL	$ 4,534,137	100	$ 4,897,501	100

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED 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 (Notes 4 and 30)				
Sales	$ 4,490,717	100	$ 5,155,785	100
OPERATING COSTS (Notes 10 and 23)				
Cost of goods sold	(3,597,645)	(80)	(3,787,846)	(74)
GROSS PROFIT	893,072	20	1,367,939	26
OPERATING EXPENSES (Notes 21 and 23)				
Selling and marketing	(213,928)	(5)	(258,162)	(5)
General and administrative	(322,055)	(7)	(321,267)	(6)
Research and development	(186,055)	(4)	(162,276)	(3)
Total operating expenses	(722,038)	(16)	(741,705)	(14)
PROFIT FROM OPERATIONS	171,034	4	626,234	12
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 30)	30,174	-	21,734	-
Other gains and losses (Notes 4 and 23)	48,975	1	2,964	-
Finance costs (Notes 4 and 23)	(12,630)	-	(15,383)	-
Total non-operating income and expenses	66,519	1	9,315	-
PROFIT BEFORE INCOME TAX	237,553	5	635,549	12
INCOME TAX EXPENSE (Notes 4 and 24)	(72,996)	(1)	(132,415)	(2)
NET PROFIT FOR THE YEAR	164,557	4	503,134	10
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 22)	(22,974)	(1)	93,656	2
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 22 and 24)	3,906	-	(15,923)	(1)
Other comprehensive income for the period, net of income tax	(19,068)	(1)	77,733	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 145,489	3	$ 580,867	11

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED 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**	**%**
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 175,615	4	$ 508,507	10
Non-controlling interests	(11,058)	-	(5,373)	-
	$ 164,557	4	$ 503,134	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 156,547	3	$ 586,240	11
Non-controlling interests	(11,058)	-	(5,373)	-
	$ 145,489	3	$ 580,867	11
EARNINGS PER SHARE (NTD; Note 25)				
Basic	$ 2.52		$ 7.38	
Diluted	$ 2.45		$ 7.02	

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent									
		Capital Surplus			Retained Earnings			Exchange Differences on Translating Foreign Operations	Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Others	Share Option	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2014	$ 675,971	$ 568,037	$ -	$ 13,620	$ 138,317	$ 30,887	$ 921,733	$ (8,403)	$ 39,549	$ 2,379,711
Appropriation of the 2013 earnings (Note 22)										
Legal reserve	-	-	-	-	51,956	-	(51,956)	-	-	-
Cash dividends	-	-	-	-	-	-	(306,442)	-	-	(306,442)
Converted shares from convertible bonds (Notes 18 and 22)	20,787	152,962	-	(7,904)	-	-	-	-	-	165,845
Net profit for the year ended December 31, 2014	-	-	-	-	-	-	508,507	-	(5,373)	503,134
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	-	77,733	-	77,733
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	508,507	77,733	(5,373)	580,867
BALANCE, DECEMBER 31, 2014	696,758	720,999	-	5,716	190,273	30,887	1,071,842	69,330	34,176	2,819,981
Appropriation of the 2014 earnings (Note 22)										
Legal reserve	-	-	-	-	50,851	-	(50,851)	-	-	-
Special reserve reversed	-	-	-	-	-	(23,109)	23,109	-	-	-
Cash dividends	-	-	-	-	-	-	(299,606)	-	-	(299,606)
Other changes in capital surplus										
Adjustment of capital surplus from convertible bonds (Note 18)	-	-	4,935	(4,935)	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	175,615	-	(11,058)	164,557
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	(19,068)	-	(19,068)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	175,615	(19,068)	(11,058)	145,489
BALANCE, DECEMBER 31, 2015	$ 696,758	$ 720,999	$ 4,935	$ 781	$ 241,124	$ 7,778	$ 920,109	$ 50,262	$ 23,118	$ 2,665,864

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED 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	$ 237,553	$ 635,549
Adjustments for:		
Depreciation expenses	206,956	166,950
Amortization expenses	68,689	62,528
Amortization of prepayments for lease	1,217	-
Impairment loss (reversal of impairment loss) recognized on trade receivables	4,097	(244)
Net (gain) loss on fair value change of financial assets at fair value through profit or loss	(181)	34,435
Finance costs	12,630	15,383
Interest income	(6,138)	(9,717)
Impairment loss recognized on non-financial assets	1,982	299
Loss (gain) on disposal of property, plant and equipment	2,081	(827)
Net unrealized gain on foreign currency exchange, net	(9,998)	(13,805)
Changes in operating assets and liabilities		
Notes receivable	(11,773)	(45,392)
Trade receivables	(4,748)	99,534
Trade receivables from related parties	58,276	10,997
Other receivables	38,287	(7,764)
Inventories	(187,638)	(388,375)
Prepayment	32,806	-
Other current assets	210	(873)
Financial liabilities held for trading	(1,646)	-
Trade payables	25,407	7,349
Other payables	(209,108)	27,172
Other current liabilities	(4,585)	1,312
Cash generated from operations	254,376	594,511
Interest received	6,011	13,090
Interest paid	(8,999)	(13,605)
Income tax paid	(128,731)	(142,878)
Net cash generated from operating activities	122,657	451,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(339,902)	(392,234)
Proceeds from disposal of property, plant and equipment	1,374	4,007
Increase in refundable deposits	(6,189)	(2,004)
Payments for intangible assets	(3,034)	(12,301)
Increase in prepayments for equipment	(56,671)	-
Payment to acquire financial assets measured at cost	(40,000)	-
Increase in other non-current assets	(119,687)	(107,713)
Net cash used in investing activities	(564,109)	(510,245)

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	$ (299,606)	$ (306,442)
Increase in short-term borrowings	186,812	113,464
Repayment of convertible bonds	(111,961)	-
Guarantee deposits received	2,972	703
Net cash used in financing activities	(221,783)	(192,275)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	44,183	7,114
NET DECREASE IN CASH AND CASH EQUIVALENTS	(619,052)	(244,288)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,013,407	1,257,695
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 394,355	$ 1,013,407

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

U.D. ELECTRONIC CORP. (the “Company”) was incorporated in the Republic of China (ROC) on March 18, 2005 with a share capital $10,000 thousand, and the accumulated share capital was $696,758 thousand as of December 31, 2015. The Company is a trading enterprise and mainly engaged in the selling of electronic connectors for telecommunications, data communications, and computers.

The Company’s shares have been listed on the Taipei Exchange since October 2012. The shares are widely distributed; therefore, there is no ultimate parent company or ownership interest. The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 10, 2016.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS 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 and its subsidiaries (collectively, the “Group”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

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

   1) IFRS 10 “Consolidated Financial Statements”

      IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Group considers whether it has control over other entities for consolidation. The Group has control over an investee only if it has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee and (iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

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

      IFRS 12 is a new disclosure standard that applies to entities with interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the past standards. Please refer to Note 11 for related disclosures.

3) IFRS 13 "Fair Value Measurement"

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

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Please refer to Note 29 for related disclosures.

4) 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 previous IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations. The application of the above amendments did not result in 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.

5) Annual Improvements to IFRSs: 2009-2011 Cycle

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

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 "Income Taxes".

b. New IFRSs issued but not yet endorsed by the FSC

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant dates on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 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 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 also effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New IFRSs would not have any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

   All recognized financial assets currently in the scope of IAS 39, "Financial Instruments: Recognition and Measurement", will be subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

   For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

   a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

   b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

   The impairment of financial assets

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

   For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

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

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

3) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

5) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

7) IFRS 15 "Revenue from Contracts with Customers"

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

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

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

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 Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

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

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

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

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated 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 consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the FSC for their oversight purposes.

a. Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, interpretations as well as related guidance translated by the Accounting Research and Development Foundation (ARDF) are endorsed by the FSC with the effective dates.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

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

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

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

e. Foreign currencies

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

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

Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

For the purpose of presenting consolidated 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 - New Taiwan dollars 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.

f. Inventories

Inventories consist of raw materials, finished goods and work-in-process and 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.

g. Property, plant and equipment

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

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

Freehold land is not depreciated.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. 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 estimate accounted for on a prospective basis.

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. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i. 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 estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units 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 cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 held by the Group are classified into available-for-sale financial assets and loans and receivables.

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

Loans and receivables

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

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

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting 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.

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

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

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its market risk exposure to foreign exchange rate, including forward exchange contracts and convertible options.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

l. 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. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

   a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

   b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

   c) The amount of revenue can be measured reliably;

   d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

   e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Dividend and interest income

   Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

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

m. 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.

<u>The Group as lessee</u>

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

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 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. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As of December 31, 2015 and 2014, the carrying amount of goodwill was both $6,103 thousand. The Group recognized no impairment of goodwill for the years ended December 31, 2015 and 2014.

b. Income taxes

As of December 31, 2015 and 2014, the carrying amount of deferred tax assets in relation to unused tax losses was $4,717 thousand and $8,470 thousand, respectively. According to unpredictability of future profit streams, no deferred tax asset has been recognized on tax losses of $9,069 thousand and zero, respectively, for the years ended December 31, 2015 and 2014. 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. Estimated impairment of trade receivables

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

The carrying amounts of trade receivables as of December 31, 2015 and 2014 were $1,053,528 thousand and $1,042,672 thousand, respectively. The Group recognized $4,112 thousand and $15 thousand as impairment of trade receivables for the years ended December 31, 2015 and 2014, respectively.

d. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group will follow applicable regulations or judgments to determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Group would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities or market prices or rates and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 29.

e. Useful lives of property, plant and equipment

As described in Note 4(7), the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date. After reviewing, management determined that the useful lives of certain items of equipment were appropriate and no need to re-estimate.

f. Impairment of property, plant and equipment

The impairment of equipment in relation to the production of handsets was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and further lead to recognize additional or reversal of impairment losses.

g. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash on hand	$ 2,914	$ 1,453
Demand deposits	376,441	536,954
Cash equivalents		
Time deposits	15,000	475,000
	$ 394,355	$ 1,013,407

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

	December 31	
	2015	**2014**
Bank balance	0.01%-0.74%	0.01%-0.94%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	**2014**
Financial liabilities held for trading - current		
Derivative financial liabilities (not under hedge accounting)		
Currency exchange option contracts	$ -	$ 1,646
Convertible options	-	6,486
	$ -	$ 8,132

The financial liabilities at fair value through profit or loss held by the Group were forward exchange contracts, convertible options and currency exchange option contracts. For the years ended December 31, 2015 and 2014, the gains (losses) on the valuation of financial instruments recognized by the Group were $21,176 thousand and $(34,435) thousand, respectively.

For the years ended December 31, 2015 and 2014, the Group entered into forward exchange contracts and currency exchange option contracts to manage exposures due to fluctuations of foreign exchange rates. Those contracts did not meet the criteria of hedge accounting. Therefore, the Group did not apply hedge accounting treatment for forward exchange contracts and currency exchange option contracts.

As of December 31, 2014, the outstanding currency exchange option contracts held by the Group and the terms of the transactions were as follows:

December 31, 2014

	Initial Date	**Expiry Date**	**Unrealized Amount (USD)**	**Strike Price for Every USD1**	**Max Amount of Profits That Could Be Earned (RMB)**
Currency exchange options (A)	2013.11.25	2015.01.16	$ 1,000,000	6.1400	$ 300,000
Currency exchange options (B)	2013.11.25	2015.01.16	1,000,000	6.1350	500,000
Currency exchange options (C)	2014.01.08	2015.01.13	1,000,000	6.0900	300,000

Under the currency exchange option contracts, the Group paid US$1,000 thousand to a bank in each term and then the bank paid US$1,000 thousand back to the Group at a strike price in RMB. If the spot rate is more than or equal to the strike price, the Group recognizes the difference multiplied by US$1,000 thousand as loss; likewise, if the spot rate is less than the strike price, then the Group recognizes the difference multiplied by US$1,000 thousand as profit. The contract shall be terminated on the day when the profit meets the amount stipulated in the contract. But regarding loss, there are no relevant stipulations.

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	**2014**
Non-current		
Domestic investment - unlisted shares	$ 89,608	$ 49,608
Classification		
Available-for-sale	$ 89,608	$ 49,608

Management believed that the fair value of the above unlisted equity investments cannot be reliably measured due to the very significant range of reasonable fair value estimates and cannot be assessed by any probability estimates. Therefore, they were measured at cost less impairment at the end of reporting period.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	**2014**
Notes receivable		
Notes receivable - operating	$ 74,742	$ 63,049
Less: Allowance for impairment loss	-	-
	$ 74,742	$ 63,049
Trade receivables		
Accounts receivable	$ 1,057,640	$ 1,042,687
Less: Allowance for impairment loss	(4,112)	(15)
	$ 1,053,528	$ 1,042,672
Other receivables		
The reserved portion of receivables factoring	$ 16,698	$ 29,112
Tax refund receivable	12,023	38,382
Interest receivable	-	293
Others	1,029	1,356
	$ 29,750	$ 69,143

a. Notes receivable

The average credit period for notes receivable is 30 to 180 days. In determining the recoverability of a note receivable, the Group considered any change in the credit quality of the note receivables since the date credit was initially granted to the end of the reporting period. Due to historical experience had been shown that all note receivables were recoverable, the allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience and current financial condition of customers.

There was no note receivable that was past due at the end of the reporting period; in addition, the Group had not recognized an allowance for impairment loss for these receivables.

b. Trade receivables

The Group has no material irrecoverable trade receivables and it periodically evaluates the reasons for overdue receivables individually. After evaluating and confirming unusual amounts, the Group estimates the allowance for impairment loss rate by dividing overdue receivables by the net sales, and irrecoverable amounts are calculated by multiplying the rate and the current receivables together.

For the trade receivables balances that were past due at the end of the reporting period, the Group 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 Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2015	**2014**
Not overdue	$ 960,998	$ 900,831
Less than 60 days	96,374	141,781
61-90 days	219	-
91-120 days	8	75
Over 121 days	41	-
	$ 1,057,640	$ 1,042,687

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**
Less than 60 days	$ 92,262	$ 141,766
61-90 days	219	-
91-120 days	8	75
Over 121 days	41	-
	$ 92,530	$ 141,841

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	$ 259	$ -	$ 259
Less: Impairment losses reversed	(244)	-	(244)
Balance at December 31, 2014	$ 15	$ -	$ 15

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 15	$ -	$ 15
Add: Impairment losses recognized on receivables	4,097	-	4,097
Balance at December 31, 2015	$ 4,112	$ -	$ 4,112

(Concluded)

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

Counter-parties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line
December 31, 2015					
Yuanta Commercial Bank	$ 131,899	$ 132,137	$ 14,315	0.95-1.25	US$ 16,000
Taipei Fubon Commercial Bank Co., Ltd.	764,349	888,255	135,966	0.9514-1.1041	US$ 17,500
	$ 896,248	$ 1,020,392	$ 150,281		
December 31, 2014					
Yuanta Commercial Bank	$ 343,982	$ 462,536	$ 14,530	1.13-2.10	US$ 16,000
CTBC Commercial Bank Co., Ltd.	144,740	200,071	-	1.29-1.89	NT$350,000
Taipei Fubon Commercial Bank Co., Ltd.	471,565	252,833	247,481	1.02-1.90	US$ 18,000
	$ 960,287	$ 915,440	$ 262,011		

The above credit lines may be used on a revolving basis.

Under the Group’s factoring agreements, losses from commercial disputes (such as sales returns or allowances) were borne by the Group, while losses from the credit risks were borne by the banks. As of December 31, 2015, the Group had issued promissory notes consisting of checks for US$33,500 thousand. As of December 31, 2014, the Group had issued promissory notes consisting of checks for $350,000 thousand and US$34,000 thousand, respectively.

c. Other receivables

Other receivables are tax refund receivables and trade receivables factoring with reserve. Due to historical experience shows that the majority of other receivables are recoverable and after considering past default experience and current financial condition of customers, there is no need to recognize the allowance for impairment loss for other receivables.

10. INVENTORIES

	December 31	
	2015	2014
Finished goods	$ 377,508	$ 296,037
Work in progress	948,300	885,337
Raw materials and supplies	146,025	143,668
	$ 1,471,833	$ 1,325,042

The costs of inventories recognized as cost of goods sold was $3,597,645 thousand for 2015 and $3,787,846 thousand for 2014, which included inventory write-downs of $1,982 thousand and $299 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Investee's Company Type/Main Business	% of Ownership December 31 2015	% of Ownership December 31 2014	Remark
U.D. Electronic Corp.	Global Connection (Samoa) Holding Inc.	Holding company	100	100	Foreign exchange risk is major operational risk
U.D. Electronic Corp.	CDE Corp.	Manufacturing and selling of electronic materials	50	50	Market risk is major operational risk
Global Connection (Samoa) Holding Inc.	Sunderland Inc.	Holding company	100	100	Foreign exchange risk is major operational risk
Global Connection (Samoa) Holding Inc.	San Francisco Inc.	Holding company	100	100	Foreign exchange risk is major operational risk
Global Connection (Samoa) Holding Inc.	Orient Express International Co., Ltd.	International trading	Note	Note	Foreign exchange and market risks are major operational risks
Global Connection (Samoa) Holding Inc.	All First International Co., Ltd.	International trading	100	100	Foreign exchange and market risks are major operational risks
Sunderland Inc.	Dongguan Jian Guan P.E. Co, Ltd. (東莞建冠塑膠電子有限公司)	Manufacturing and selling of electronic components	100	100	Political, foreign exchange, and market risks are major operational risks
San Francisco Inc.	Zhong Jiang U.D.E. Electronics Corp. (中江湧德電子有限公司)	Manufacturing and selling of electronic components	100	100	Political, foreign exchange, and market risks are major operational risks
Zhong Jiang U.D.E. Electronics Corp. (中江湧德電子有限公司)	Zhong Jiang U.D.E. Networking Electronics Corp. (中江湧德聯網電子有限公司)	Selling of electronic components	100	100	Political, foreign exchange, and market risks are major operational risks

Note: Orient Express International Co., Ltd. had completed liquidation procedures and applied for the cancellation of business registration on June 6, 2014.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Mold Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost										
Balance at January 1, 2014	$ -	$ -	$ 749,775	$ 21,452	$ 14,634	$ 309,480	$ 88,652	$ 29,587	$ -	$ 1,213,580
Additions	155,218	-	55,075	1,239	1,813	50,020	10,950	1,945	-	276,260
Disposals	-	-	(12,272)	(891)	(2,430)	(8,543)	(431)	(1,541)	-	(26,108)
Effect of exchange rate changes	-	-	43,480	1,319	533	20,018	5,474	1,850	-	72,674
Other - transfer of prepayments to expense	-	-	64,067	295	871	18,921	495	30,805	-	115,454
Balance at December 31, 2014	$ 155,218	$ -	$ 900,125	$ 23,414	$ 15,421	$ 389,896	$ 105,140	$ 62,646	$ -	$ 1,651,860
Accumulated depreciation										
Balance at January 1, 2014	$ -	$ -	$ 277,539	$ 9,350	$ 8,938	$ 232,045	$ 49,257	$ 10,434	$ -	$ 587,563
Disposals	-	-	(10,197)	(891)	(2,424)	(7,710)	(298)	(366)	-	(21,886)
Depreciation	-	-	97,150	3,548	2,481	41,338	13,512	8,921	-	166,950
Effect of exchange rate changes	-	-	19,370	671	361	15,093	3,265	1,016	-	39,776
Balance at December 31, 2014	$ -	$ -	$ 383,862	$ 12,678	$ 9,356	$ 280,766	$ 65,736	$ 20,005	$ -	$ 772,403
Carrying amounts at December 31, 2014	$ 155,218	$ -	$ 516,263	$ 10,736	$ 6,065	$ 109,130	$ 39,404	$ 42,641	$ -	$ 879,457
Cost										
Balance at January 1, 2015	$ 155,218	$ -	$ 900,125	$ 23,414	$ 15,421	$ 389,896	$ 105,140	$ 62,646	$ -	$ 1,651,860
Additions	3,945	88,182	59,533	75	1,889	41,192	6,800	16,151	84,225	301,992
Disposals	-	-	(18,710)	-	(1,662)	(110,203)	(4,104)	(1,539)	-	(136,218)
Reclassification (Note)	-	-	(57,883)	-	(52)	(20,949)	-	-	-	(78,884)
Effect of exchange rate changes	-	(724)	(17,577)	(476)	(251)	(8,203)	(2,152)	(1,630)	(669)	(31,682)
Other - transfer of prepayments to expense	-	-	10,196	-	-	15,698	2,313	17,255	-	45,462
Balance at December 31, 2015	$ 159,163	$ 87,458	$ 875,684	$ 23,013	$ 15,345	$ 307,431	$ 107,997	$ 92,883	$ 83,556	$ 1,752,530
Accumulated depreciation										
Balance at January 1, 2015	$ -	$ -	$ 383,862	$ 12,678	$ 9,356	$ 280,766	$ 65,736	$ 20,005	$ -	$ 772,403
Disposals	-	-	(16,611)	-	(1,554)	(109,784)	(4,104)	(710)	-	(132,763)
Depreciation	-	5,509	112,242	3,644	2,862	49,348	17,209	16,142	-	206,956
Reclassification (Note)	-	-	(37,950)	-	(52)	(11,330)	-	-	-	(49,332)
Effect of exchange rate changes	-	(45)	(7,644)	(262)	(162)	(5,762)	(1,367)	(526)	-	(15,768)
Balance at December 31, 2015	$ -	$ 5,464	$ 433,899	$ 16,060	$ 10,450	$ 203,238	$ 77,474	$ 34,911	$ -	$ 781,496
Carrying amounts at December 31, 2015	$ 159,163	$ 81,994	$ 441,785	$ 6,953	$ 4,895	$ 104,193	$ 30,523	$ 57,972	$ 83,556	$ 971,034

Note: Machinery and equipment, office equipment and mold equipment are reclassified to other deferred expense in 2015 (included in other assets).

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

Buildings	3-20 years
Machinery and equipment	1-11 years
Transportation equipment	4-6 years
Office equipment	3-4 years
Mold equipment	2-4 years
Leasehold improvements	2-8 years
Other equipment	3-4 years

13. GOODWILL

	For the Year Ended December 31	
	2015	2014
Cost		
Balance, beginning of year	$ 6,103	$ 6,103
Additions	-	-
Balance, end of year	$ 6,103	$ 6,103
Accumulated impairment losses		
Balance, beginning of year	$ -	$ -
Impairment losses recognized in the year	-	-
Balance, end of year	$ -	$ -
Carrying amounts, beginning of year	$ 6,103	$ 6,103
Carrying amounts, end of year	$ 6,103	$ 6,103

In February 2013, the Company acquired 50% equity in CDE Corp. 5,000 thousand ordinary shares, with par value of NT$10, for an increase in this associate's paid-in capital to $50,000 thousand. The value of goodwill was recognized when the cost of acquisition is higher than the net fair value of the identifiable assets and liabilities recognized at the date of acquisition. As of December 31, 2015, the present value of future cash flows of CDE Corp. exceeded carrying amount, so the Company did not identify any impairment of the goodwill.

14. OTHER INTANGIBLE ASSET

	Computer Software
Cost	
Balance at January 1, 2014	$ 30,285
Additions	12,301
Effect of exchange rate changes	1,663
Balance at December 31, 2014	$ 44,249
Accumulated amortization and impairment	
Balance at January 1, 2014	$ (15,759)
Amortization expense	(11,760)
Effect of exchange rate changes	(1,121)
Balance at December 31, 2014	$ (28,640)
Carrying amounts at December 31, 2014	$ 15,609

(Continued)

	Computer Software
Cost	
Balance at January 1, 2015	$ 44,249
Additions	3,034
Disposal	(4,191)
Effect of exchange rate changes	(689)
Balance at December 31, 2015	$ 42,403
Accumulated amortization and impairment	
Balance at January 1, 2015	$ (28,640)
Amortization expense	(11,824)
Disposal	4,191
Effect of exchange rate changes	465
Balance at December 31, 2015	$ (35,808)
Carrying amounts at December 31, 2015	$ 6,595

(Concluded)

The above intangible asset, computer software with a definite useful life, was depreciated on a straight-line basis over its estimated useful life of one to three years.

15. PREPAYMENTS FOR LEASE

	December 31	
	2015	2014
Current asset (included in other current assets)	$ 1,574	$ -
Non-current asset	69,618	-
	$ 71,192	$ -

As of December 31, 2015 and 2014, the carrying amount of the land use right located in Mainland China was $71,192 thousand and zero, respectively. Moreover, the Group has obtained the certificates of the land use right.

16. OTHER ASSETS

	December 31	
	2015	2014
Current		
Prepayments	$ 28,299	$ 63,230
Input tax	36,664	43,180
Overpaid tax	54,427	54,642

(Continued)

	December 31	
	2015	**2014**
Deferred expense - current	$ 27,055	$ 19,959
Other financial assets - current (Note 31)	100	5,743
Others	8,322	3,240
	$ 154,867	$ 189,994
Non-current		
Prepayments for equipment	$ 111,908	$ 100,699
Refundable deposits	13,503	7,471
Deferred expense - non-current	81,976	58,056
Other financial assets - non-current (Note 31)	-	10,445
	$ 207,387	$ 176,671

(Concluded)

17. BORROWINGS

Short-term Borrowings

	December 31	
	2015	**2014**
Bank loans	$ 761,820	$ 553,875

The range of the weighted average effective interest rates for bank loans was 0.95%-2.025% and 0.95%-1.90% per annum as of December 31, 2015 and 2014, respectively.

18. BONDS PAYABLE

	December 31	
	2015	**2014**
Unsecured domestic convertible bonds	$ 17,015	$ 119,368
Current portion of long-term bonds payable	(17,015)	(119,368)
	$ -	$ -

a. Unsecured domestic convertible bonds

On November 29, 2013, the Group issued 3,000 thousand New Taiwan dollar-denominated unsecured convertible bonds with effective interest rate of 2.15%. The aggregate principal of the bonds is $300,000 thousand. The issue period is three years from November 29, 2013 to November 29, 2016.

The coupon rate is 0%; therefore, no interest payment term was determined. Unless there is bond conversion and/or early redemption by the Group, the bonds will be redeemable at the option of bondholders after two years of the issuance at the principal amount, with interest compensation in cash.

Other bond terms and conditions are as follows: The conversion price is set based on the simple arithmetic mean of the closing prices of 1, 3, or 5 trading days prior to November 21, 2013, the conversion price setting date, times 101.70 %, the conversion premium rate. The conversion price will be adjusted for the effect of cash and stock dividends. On the issuance date, the conversion price was set at NT$85.40 per share. The conversion price was adjusted to NT$75.10 after distribution of dividend on July 22, 2015.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under capital surplus - option. The effective interest rate for the liability component was 2.15% per annum on initial recognition.

Proceeds from issue (less transaction costs of $5,000 thousand)	$ 295,000
Equity component	(18,759)
Liability component at the date of issue	276,241
Interest charged at 2.15% effective interest rate	5,548
Interest paid	-
Convertible bonds converted into common shares	(162,421)
Liability component at December 31, 2014	119,368
Interest charged at a 2.15% effective interest rate	3,302
Interest paid	-
Repayment of convertible bonds	(105,655)
Liability component at December 31, 2015	$ 17,015

b. For the year ended December 31, 2015, bondholders sold convertible bonds with par value of $108,700 thousand back to the Company. Because of exercised put option of convertible bonds, capital surplus - option decreased by $4,935 thousand, the discount on bonds payable decreased by $3,045 thousand, and the net value of financial assets and liabilities at fair value through profit or loss decreased by $6,305 thousand. The amortization of discount on bonds payable classified under interest expense was $3,302 thousand. For the year ended December 31, 2014, convertible bonds with par value of $174,100 thousand had been converted into ordinary shares, which represented share capital and capital surplus of $20,787 thousand and $152,962 thousand, respectively. In addition, because of exercised conversion option, capital surplus - option decreased by $7,904 thousand, the discount on bonds payable decreased by $11,679 thousand, and the financial liabilities at fair value through profit or loss decreased by $3,424 thousand. The amortization of discount on bonds payable classified under interest expense was $4,923 thousand.

c. At February 25, 2016, the Company redeemed the rest of convertible bonds with par value of $17,200 thousand.

19. TRADE PAYABLES

	December 31	
	2015	**2014**
Trade payables		
Operating	$ 528,820	$ 509,644

20. OTHER LIABILITIES

	December 31	
	2015	2014
Current		
Other payables		
Payable for purchase of equipment	$ 52,296	$ 90,206
Commissions	19,065	19,533
Salaries and bonus (including bonus to employees and remuneration to directors and supervisors)	167,438	228,145
Processing fee	172,055	288,705
Import/export (customs) expense	3,826	3,718
Social security payments (Mainland China)	38,962	39,074
Others	54,782	99,105
	$ 508,424	$ 768,486
Other liabilities		
Receipts in advance	$ 4,236	$ 3,107
Others	17,476	23,723
	$ 21,712	$ 26,830
Non-current		
Other liabilities		
Guarantee deposits received	$ 5,014	$ 2,090

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company and CDE Corp. have a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company and CDE Corp. make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group in China are members of state-managed retirement benefit plans operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2015	2014
Number of shares authorized (in thousands)	100,000	100,000
Share capital authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	69,676	69,676
Share capital issued	$ 696,758	$ 696,758

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

For the year ended December 31, 2015, the Company's convertible bonds with par value amounting $108,700 thousand were sold back to the Company.

For the year ended December 31, 2014, the Company's convertible bonds with par value amounting $174,100 thousand had been converted into total 2,079 thousand ordinary shares.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares) may be distributed as cash dividends, or may be transferred to share capital once a year within a certain percentage of the Company's paid-in capital when the Company has no deficit.

The capital surplus arising from investments accounted for using equity method, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company should first pay income tax, offset its prior years' losses, and appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the reserve equals to the Company's paid-in capital. A special reserve may be appropriated in accordance with relevant laws or a resolution approved at the shareholders' meeting. The board of directors then proposes the following appropriations from the remaining distributable earnings and presents this proposal for approval at the shareholders' meeting:

1) Remuneration to directors and supervisors - should be paid by cash and not exceed 3% of the current earnings remainder;

2) Bonus to employees - should be between 3% and 15% of the current earnings remainder. The bonus to employees is allowed to share with employees within the Group under the conditions set by board of directors;

3) The bonus to shareholders that were proposed by the board of directors after considering the remaining under the above items (1) to (2) plus the reversal of special reserve and the unappropriated retained earnings of previous years.

The Company's dividend policy will consider its operating environment, the sufficiency of its cash for future expansion, and its long-term financial plan and the shareholders' cash flow requirements in determining the stock or cash dividends to be paid. For a steady profitability, a healthy financial structure, and the stability of earnings per share, the Company stipulated a dividend policy that at least 10% of income after tax may be distributed as cash dividends or stock dividends, and cash dividends should not be lower than 10% of total bonus to shareholders.

In accordance with the 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 had been proposed by the Company's board of directors on January 28, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 16, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to employee benefits expense in Note 23(5).

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the Financial Supervisory Commission and the directive entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Under Article 237 of Company Law, a company should appropriate 10% of net income to legal reserve. Legal reserve should be appropriated until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations from the earnings for 2014 and 2013 were approved in the shareholders' meetings on June 17, 2015 and June 13, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	Year Ended December 31		**Year Ended December 31**	
	2014	**2013**	**2014**	**2013**
Legal reserve	$ 50,851	$ 51,956	$ -	$ -
Special reserve (reversal)	(23,109)	-	-	-
Cash dividends	299,606	306,442	4.3	4.5

The appropriations of earnings for 2015 had been proposed by the Company's board of directors on March 10, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 17,562	$ -
Cash dividends	104,514	1.5

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held on June 16, 2016.

d. Special reserves

	December 31	
	2015	**2014**
Under Article 41 Section 1 of Securities and Exchange Act	$ -	$ 23,109
First-time adoption of IFRSs	7,778	7,778
	$ 7,778	$ 30,887

e. Others equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of year	$ 69,330	$ (8,403)
Exchange differences arising on translating the financial statements of foreign operations	(22,974)	93,656
Income tax related to gains arising on translating the financial statements of foreign operations	3,906	(15,923)
Balance, end of year	$ 50,262	$ 69,330

f. Non-controlling interests

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of year	$ 34,176	$ 39,549
Attributable to non-controlling interests:		
Share of losses for the year	(11,058)	(5,373)
Balance, end of year	$ 23,118	$ 34,176

23. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

The components of net income as follows:

a. Other income

	For the Year Ended December 31	
	2015	**2014**
Interest income		
Bank deposits	$ 6,138	$ 9,717
Dividend income	8,663	-
Others	15,373	12,017
	$ 30,174	$ 21,734

b. Other gains and losses

	For the Year Ended December 31	
	2015	**2014**
(Loss) gain on disposal of property, plant and equipment	$ (2,081)	$ 827
Net gain (loss) arising on financial assets designated as at FVTPL	21,176	(34,435)
Net gain arising on financial liabilities designated as at FVTPL	-	12,613
Net foreign exchange gain	31,623	27,226
Others	(1,743)	(3,267)
	$ 48,975	$ 2,964

c. Finance costs

	For the Year Ended December 31	
	2015	2014
Interest on bank loans	$ 9,328	$ 10,460
Interest on convertible bonds	3,302	4,923
	$ 12,630	$ 15,383

d. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 206,956	$ 166,950
Intangible assets	11,824	11,760
Other assets - deferred expense payments	56,865	50,768
	$ 275,645	$ 229,478
An analysis of deprecation by function		
Operating costs	$ 174,084	$ 146,062
Operating expenses	32,872	20,888
	$ 206,956	$ 166,950
An analysis of amortization by function		
Operating costs	$ 39,325	$ 39,898
Operating expenses	29,364	22,630
	$ 68,689	$ 62,528

e. Employee benefits expense

	For the Year Ended December 31	
	2015	2014
Post-employment benefits (Note 21)		
Defined contribution plans	$ 50,430	$ 32,683
Other employee benefits	1,127,146	1,139,950
Total employee benefits expense	$ 1,177,576	$ 1,172,633
An analysis of employee benefits expense by function		
Operating costs	$ 845,473	$ 826,691
Operating expenses	332,103	345,942
	$ 1,177,576	$ 1,172,633

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates 3%-15% and no higher than 3%, 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 $52,000 thousand and $13,000 thousand, respectively, representing 3%-15% and no higher than 3%, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates 3%-15% and no higher than 3%, 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 $16,000 thousand and $4,800 thousand, respectively, representing 6.6% and 1.98%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by the Company's board of directors on March 10, 2016 and are subject to the resolution and adoption of the amendments to the Company's Articles of Incorporation by the shareholders in their meeting to be held on June 16, 2016, and, in addition, a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 17, 2015 and June 13, 2014, respectively, were as follows:

	For the Year Ended December 31			
	2014		2013	
	Cash Dividends	**Share Dividends**	**Cash Dividends**	**Share Dividends**
Bonus to employees	$ 52,000	$ -	$ 56,000	$ -
Remuneration to directors and supervisors	13,000	-	14,000	-

The amounts of bonus to employees and remuneration to directors and supervisors approved in the shareholders' meetings on June 17, 2015 and June 13, 2014 are consisted with the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013.

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

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2015	**2014**
Current tax		
Current year	$ 53,631	$ 122,436
Income tax expense of unappropriated earnings	15,805	16,116
Prior years	1,374	(2,524)
	70,810	136,028
Deferred tax		
Current year	2,186	(3,613)
Income tax expense recognized in profit or loss	$ 72,996	$ 132,415

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2015	**2014**
Profit before tax from continuing operations	$ 237,553	$ 635,549
Income tax expense calculated at the statutory rate	40,384	108,043
Nondeductible expenses in determining taxable income	11,478	(2,156)
Income tax on unappropriated earnings	15,805	16,116
Effect of different tax rate of group entities operating in other jurisdictions	(5,114)	12,936
Adjustments for prior years' tax	1,374	(2,524)
Unrecognized loss carryforwards/deductible temporary differences	9,069	-
Income tax expense recognized in profit or loss	$ 72,996	$ 132,415

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2016 appropriations of 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**
Current tax	$ -	$ -
Deferred tax		
In respect of current year:		
Translation of foreign operations	3,906	(15,923)
Total income tax recognized in other comprehensive income	$ 3,906	$ (15,923)

c. Current tax liabilities

	December 31	
	2015	**2014**
Current tax liabilities		
Income tax payable	$ 12,956	$ 71,110

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 Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for impairment loss on receivables	$ -	$ 697	$ -	$ 697
Unrealized loss on inventories	291	131	-	422
Financial assets measured at cost	66	-	-	66
Share of profit or loss of associates and joint ventures accounted for using equity method	1,653	1,879	-	3,532
	2,010	2,707	-	4,717
Operating loss carryforward	6,460	(6,460)	-	-
	$ 8,470	$ (3,753)	$ -	$ 4,717
Deferred tax liability				
Temporary differences				
Unrealized exchange gains and losses	$ 2,192	$ (1,567)	$ -	$ 625
Exchange differences on translation of foreign operations	15,793	-	(3,906)	11,887
	$ 17,985	$ (1,567)	$ (3,906)	$ 12,512

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for impairment loss on receivables	$ 71	$ 220	$ -	$ 291
Share of profit or loss of associates and joint ventures accounted for using equity method	739	914	-	1,653
Financial assets measured at cost	66	-	-	66
Exchange differences on translation of foreign operations	130	-	(130)	-
	1,006	1,134	(130)	2,010
Operating loss carryforward	4,258	2,202	-	6,460
	$ 5,264	$ 3,336	$ (130)	$ 8,470
Deferred tax liability				
Temporary differences				
Unrealized exchange gains and losses	$ 2,469	$ (277)	$ -	$ 2,192
Exchange differences on translation of foreign operations	-	-	15,793	15,793
	$ 2,469	$ (277)	$ 15,793	$ 17,985

e. Deductible temporary differences, unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2015	Tax	December 31, 2014	Tax
Loss carryforwards				
Expire in 2021	$ 4,597	$ 781	$ -	$ -
Expire in 2022	8,985	1,527	-	-
Expire in 2023	11,100	1,887	-	-
Expire in 2024	12,510	2,127	-	-
Expire in 2025	16,075	2,733	-	-
	$ 53,267	$ 9,055	$ -	$ -
Deductible temporary differences	$ 81	$ 14	$ -	$ -

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

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities were recognized amounted to $118,338 thousand and $108,667 thousand, respectively.

g. Integrated income tax

	December 31	
	2015	**2014**
Unappropriated earnings		
Generated on and after January 1, 1998	$ 920,109	$ 1,071,842
Imputation credits accounts	$ 189,929	$ 143,626

The creditable ratios for the distribution of the earnings of 2015 and 2014 were 21.32% and 19.56%, respectively.

h. Income tax assessments

The Company's tax returns through 2013 have been assessed by the tax authorities, and there is no lawsuit or claim regarding tax assessments.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2015	**2014**
Basic earnings per share	$ 2.52	$ 7.38
Diluted earnings per share	$ 2.45	$ 7.02

The earnings and weighted average number of ordinary shares outstanding that were used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2015	**2014**
Net profit for the year	$ 175,615	$ 508,507
Profit for the year attributable to owners of the Company	$ 175,615	$ 508,507
Effect of potentially dilutive ordinary shares:		
Convertible bonds	2,740	4,086
Earnings used in the computation of diluted earnings per share	$ 178,355	$ 512,593

Shares

Unit: Thousand Shares

	For the Year Ended December 31	
	2015	**2014**
Weighted average number of ordinary shares in computation of basic earnings per share	69,676	68,922
Effect of potentially dilutive ordinary shares:		
Convertible bonds	1,569	2,305
Employee share option	1,586	1,841
Weighted average number of ordinary shares used in the computation of diluted earnings per share	72,831	73,068

If the Group offers employees bonuses or compensation in cash or shares, the Group will assume the entire amount of the bonus or compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares will 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.

26. NON-CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

As of December 31, 2015 and 2014, the amounts unpaid for acquiring property, plant and equipment were $52,296 thousand and $90,206 thousand, respectively, which were included in other payables.

For the years ended December 31, 2015 and 2014, the amounts of convertible bonds converted into ordinary shares were zero and $174,100 thousand, respectively.

27. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to lease of plants and business premises with lease term between 3 to 10 years.

As of December 31, 2015 and 2014, the Group had paid $13,503 thousand and $7,471 thousand, respectively, as refundable deposits for these operating leases.

The future minimum lease payments for non-cancelable operating lease commitments were as follows:

	December 31	
	2015	**2014**
1 year	$ 23,835	$ 30,839
More than 1 year to 5 years	80,094	49,173
More than 5 years	34,584	15,924
	$ 138,513	$ 95,936

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

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

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, the Group balances the overall capotal structure by adjusting the amount of dividends paid to shareholders, the number of new shares issued or repurchased, the amount of new debt issued, or existing debt redeemed.

29. FINANCIAL INSTRUMENTS

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

1) Except as detailed in the following table, the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair value.

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ 17,015	$ 17,159	$ 119,368	$ 118,653

2) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities at				
Financial liabilities measured at amortized cost				
Convertible bonds	$ -	$ -	$ 17,159	$ 17,159

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at amortized cost				
Convertible bonds	$ -	$ -	$ 118,653	$ 118,653

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

1) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	$ -	$ -	$ 89,608	$ 89,608

December 31, 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic unlisted securities	$ -	$ -	$ 49,608	$ 49,608
Financial liabilities at FVTPL				
Convertible options	$ -	$ -	$ 6,486	$ 6,486
Currency exchange option contract	-	-	1,646	1,646
	$ -	$ -	$ 8,132	$ 8,132

There were no transfers between Level 1 and Level 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2015

	Currency Exchange Option Contract	Convertible Options	Total
Financial liabilities at FVTPL			
Balance at January 1, 2015	$ 1,646	$ 6,486	$ 8,132
Recognized in profit or loss (included in other gains and losses)			
Realized	(1,673)	-	(1,673)
Unrealized	-	(181)	(181)
Additions	27	-	27
Repayments	-	(6,305)	(6,305)
Balance at December 31, 2015	$ -	$ -	$ -

For the year ended December 31, 2014

	Currency Exchange Option Contract	Convertible Options	Total
Financial liabilities at FVTPL			
Balance at January 1, 2014	$ (3,710)	$ 6,414	$ 2,704
Recognized in profit or loss (included in other gains and losses)			
Realized	29,293	-	29,293
Unrealized	1,646	3,496	5,142
Repayments/settlements	(25,583)	-	(25,583)
Conversion	-	(3,424)	(3,424)
Balance at December 31, 2014	$ 1,646	$ 6,486	$ 8,132

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

   a) The fair values of unlisted equity securities were determined using valuation technique.

   b) The fair values of derivatives - currency exchange option contracts are determined using option pricing models to estimate at FVTPL.

   c) The fair values of convertible options are determined using option pricing models to estimate at FVTPL.

c. Categories of financial instruments

	December 31	
	2015	2014
Financial assets		
Loans and receivables (1)	$ 1,553,955	$ 2,231,824
Available-for-sale financial assets (3)	89,608	49,608
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	-	8,132
Amortized cost (2)	1,653,655	1,725,318

1) The balances included cash and cash equivalents, notes receivable, trade and other receivables (including receivables from related parties, but excluding tax refund receivable), other assets - restricted assets and refundable deposits.

2) The balances included short-term loans, trade and other payables (except salaries and bonuses), bonds payable and guarantee deposit received.

3) The balances included financial assets measured at cost.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, financial assets (liabilities) at fair value through profit or loss, notes receivable, trade receivables, financial assets measured at cost, trade payables, borrowings and bonds payable.

Risks on the financial instruments include market risk (such as currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group assesses the net risk position of non-functional currency sales and purchases periodically and adjusts its non-functional cash position on the basis of its assessment.

Please reference Note 33 for both monetary assets and monetary liabilities held by the Group in non-functional currencies (including both monetary assets and monetary liabilities which were offset in the consolidated financial statements).

Sensitivity analysis

The Group was mainly exposed to the exchange movements in USD and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used in reporting foreign currency risk internally to key management 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 adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Sensitivity analysis includes trade receivables and payables to entities outside of the Group, and trade receivables and payables to its foreign operations. A positive number below indicates an increase in pretax profit and other equity associated with a 1% weakening of the New Taiwan dollars 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 other equity, and the balances below would be negative.

	US Dollar Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2015	**2014**	**2015**	**2014**
Profit or loss*	$ (361)	$ 2,185	$ 2,012	$ 1,631
Equity	-	-	-	-

* This was mainly attributable to the exposure on outstanding trade receivable and payable and unrealized forward exchange contract on a financial asset or financial liability at FVTPL in both USD and RMB, which were not hedged at the end of the reporting period.

The following table details the Group's sensitivity in the investment of currency exchange option contracts to a 1% increase and decrease in Renminbi (RMB) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency forward contracts, and their translation at the end of the reporting period was adjusted for a 1% change in foreign currency rates. The sensitivity analysis included the option contracts of the financial instruments at fair value through profit or loss held by the Company. A positive number below indicates an increase in profit and other equity associated with the 1% strengthening by the RMB against the relevant currency. For a 1% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on profit and other equity, and the balances below would be negative.

	Impact of 1% Increase in RMB For the Year Ended December 31		Impact of 1% Decrease in RMB For the Year Ended December 31	
	2015	**2014**	**2015**	**2014**
Profit or loss*	$ -	$ 1,577	$ -	$ (972)

* This refers to the unrealized currency exchange option contract on a financial asset or financial liability at fair value through profit or loss on the reporting date (Note 7).

b) Interest rate risk

The Group was exposed to interest rate risk because some Group entities borrowed funds from banks and issued convertible bonds at both fixed and floating interest rates.

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

	December 31	
	2015	**2014**
Fair value interest rate risk		
Financial assets	$ 15,100	$ 488,031
Financial liabilities	19,510	119,368
Cash flow interest rate risk		
Financial assets	376,441	540,111
Financial liabilities	759,325	553,875

<u>Sensitivity analysis</u>

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% 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 1% higher/lower and all other variables held constant, the Group's pretax profits for the years ended December 31, 2015 and 2014 would had (decreased) increased by $(3,829) thousand and $(138) thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings and 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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continues to monitor its credit exposure and the credit ratings of its counterparties. Credit exposure is controlled by setting a counterparty credit limit, which is approved and periodically reviewed by the risk management committee.

To minimize credit risk, management of the Group has delegated a team to be 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 Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Group's credit risk was significantly reduced.

The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of negative fluctuations in cash flows.

To the Group, bank loan is an important resource for liquidity. Please refer to below section (c) to see more information about unused amount of financing facilities at December 31, 2015 and 2014.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table shows the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up on the basis of undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2015

	On Demand or Less than 1 Month	**1-3 Months**	**Over 3 Months to 1 Year**	**Over 1 Year to 5 Years**
Non-derivative financial liabilities				
Short-term borrowings	$ 689,450	$ 72,590	$ -	$ -
Trade payables	212,563	316,257	-	-

(Continued)

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Other payables	$ 182,293	$ 158,693	$ -	$ -
Bonds payable	17,200	-	-	-
Guarantee deposit received	-	-	-	5,014
	$ 1,101,506	$ 547,540	$ -	$ 5,014

(Concluded)

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Non-derivative financial liabilities				
Short-term borrowings	$ 554,399	$ -	$ -	$ -
Trade payables	192,236	317,408	-	-
Other payables	206,907	333,434	-	-
Bonds payable	-	-	125,900	-
Guarantee deposit received	-	-	-	2,090
	$ 953,542	$ 650,842	$ 125,900	$ 2,090

The amounts included above for variable interest rate instruments for non-derivative financial liabilities was subject to change if actual changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table shows the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years
Gross settled				
Currency exchange option contracts				
Inflows	$ 93,304	$ -	$ -	$ -
Outflows	(94,950)	-	-	-
	$ (1,646)	$ -	$ -	$ -

c) Financing facilities

	December 31	
	2015	2014
Bank loan facilities (reviewed annually)		
Amount used	$ 761,820	$ 553,875
Amount unused	1,018,580	980,675
	$ 1,780,400	$ 1,534,550

30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and the other related parties are disclosed below.

a. Sales of goods

		For the Year Ended December 31	
Line Items	**Related Party Categories**	**2015**	**2014**
Sales	Associates	$ 35,590	$ 185,965

The selling prices to related parties were not comparable with those in the market. The selling prices and terms were based on contracts. The collection terms to related parties were open account 60 days. The collection terms to third parties were open account between 30 and 120 days by T/T.

b. Accounts receivable from related parties (excluding loans to related parties)

		December 31	
Line Items	**Related Party Categories**	**2015**	**2014**
Accounts receivable from related parties	Associates	$ -	$ 58,276

No guarantee for outstanding receivables from related parties had been collected. There was also no allowance for impairment loss for these receivables.

c. Non-operating transactions

	Other Revenue	
	For the Year Ended December 31	
Related Parties Types	**2015**	**2014**
Associate	$ -	$ 1,618

d. Compensation of key management personnel

The remunerations of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	$ 41,805	$ 41,805
Post-employment benefits	508	508
	$ 42,313	$ 42,313

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral for sales tax of imported inventory and society insurance provident fund schemes of reserve account:

	December 31	
	2015	2014
Other financial assets - current		
Demand deposits - restricted	$ -	$ 3,157
Time deposits - restricted	100	2,586
	$ 100	$ 5,743
Other financial assets - non-current		
Time deposits - restricted	$ -	$ 10,445

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

a. Significant commitments

Unrecognized commitments were as follows:

	December 31	
	2015	2014
Acquisition of property, plant and equipment		
RMB	$ 9,104	$ 1,440
NTD	$ 10,800	$ 243

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 33,134	32.8250 (USD:NTD)	$ 1,087,639
USD	19,655	6.4936 (USD:RMB)	645,156
RMB	25,766	0.1539 (RMB:USD)	130,249
RMB	17,167	5.0550 (RMB:NTD)	86,776
Financial liabilities			
Monetary items			
USD	39,051	32.8250 (USD:NTD)	1,281,865
USD	14,838	6.4936 (USD:RMB)	487,032
RMB	3,130	0.1539 (RMB:USD)	15,823

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 40,506	31.65 (USD:NTD)	$ 1,282,009
USD	17,034	6.1190 (USD:RMB)	539,131
RMB	3,476	0.1634 (RMB:USD)	17,981
RMB	29,852	5.1724 (RMB:NTD)	154,403
Financial liabilities			
Monetary items			
USD	33,838	31.65 (USD:NTD)	1,070,963
USD	16,799	6.1190 (USD:RMB)	531,704
RMB	1,790	0.1634 (RMB:USD)	9,259

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	31.7390 (USD:NTD)	$ 3,605	30.3056 (USD:NTD)	$ 10,307
USD	6.2272 (USD:RMB)	(8,476)	6.1424 (USD:RMB)	49
RMB	0.1605 (RMB:USD)	(2,754)	0.1628 (RMB:USD)	19
RMB	5.0968 (RMB:NTD)	59	4.9338 (RMB:NTD)	3,350
		$ (7,566)		$ 13,725