Pou Chen Corporation

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

Deloitte.
勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan, R.O.C.

Tel : +886 (2) 2545-9988
Fax: +886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pou Chen Corporation

We have audited the accompanying balance sheets of Pou Chen Corporation (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the financial statements based on financial statements audited by other auditors. Our opinion, insofar as it relates to Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2015 and 2014, the carrying value of the investments was 5.97% ($5,846,585 thousand) and 8.44% ($8,471,915 thousand) of the total assets, respectively. For the years ended December 31, 2015 and 2014, the share of profit of the associate was 33.58% ($3,693,799 thousand) and 37.70% ($3,576,296 thousand) of the income before income tax, respectively.

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 regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and their financial performance and their cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Deloitte & Touche

March 24, 2016

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

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

POU CHEN CORPORATION

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)	$ 604,593	1	$ 1,650,263	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	43,064	-	1,377	-
Available-for-sale financial assets - current (Notes 4 and 8)	4,119,079	4	4,362,146	4
Debt investments with no active market - current (Notes 4 and 9)	394,605	-	1,344,855	1
Notes receivable (Notes 4 and 10)	11,217	-	16,365	-
Notes receivable from related parties (Notes 4, 10 and 29)	17	-	53	-
Accounts receivable (Notes 4 and 10)	27,060	-	43,221	-
Accounts receivable from related parties (Notes 4, 10 and 29)	1,502,510	2	1,723,353	2
Other receivables (Notes 4 and 10)	211,402	-	204,280	-
Inventories (Notes 4 and 11)	66,454	-	107,506	-
Other current assets (Notes 4 and 12)	56,620	-	62,542	-
Total current assets	7,036,621	7	9,515,961	9
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 13)	61,000	-	61,000	-
Investments accounted for using equity method (Notes 4 and 14)	84,366,961	86	84,378,013	84
Property, plant and equipment (Notes 4 and 15)	4,187,849	5	4,103,169	4
Investment properties (Notes 4 and 16)	2,029,185	2	2,082,475	2
Deferred tax assets (Notes 4 and 24)	106,469	-	130,149	1
Other non-current assets (Notes 4 and 12)	85,962	-	61,205	-
Total non-current assets	90,837,426	93	90,816,011	91
TOTAL	$ 97,874,047	100	$ 100,331,972	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 4,706,500	5	$ 6,470,000	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	48,714	-	38,039	-
Notes payable (Notes 4 and 18)	19,607	-	36,540	-
Notes payable to related parties (Notes 4, 18 and 29)	15,080	-	36,515	-
Accounts payable (Notes 4 and 18)	1,425,749	2	1,474,657	2
Accounts payable to related parties (Notes 4, 18 and 29)	67,934	-	112,508	-
Other payables (Note 19)	1,293,256	1	1,242,161	1
Current tax liabilities (Notes 4 and 24)	1,377,602	1	712,559	1
Current portion of long-term borrowings (Note 17)	4,748,053	5	3,500,000	4
Other current liabilities	69,425	-	56,558	-
Total current liabilities	13,771,920	14	13,679,537	14
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	12,241,510	12	13,480,801	13
Deferred tax liabilities (Notes 4 and 24)	730,588	1	724,630	1
Accrued pension liabilities (Notes 4 and 20)	1,842,453	2	1,714,985	2
Other non-current liabilities	17,463	-	17,800	-
Total non-current liabilities	14,832,014	15	15,938,216	16
Total liabilities	28,603,934	29	29,617,753	30
EQUITY (Notes 4 and 21)				
Share capital				
Common share	29,467,872	30	29,441,372	29
Capital surplus	4,631,708	5	4,627,549	5
Retained earnings				
Legal reserve	10,260,048	10	9,398,498	9
Special reserve	5,608,553	6	9,180,047	9
Unappropriated earnings	31,207,526	32	23,675,306	24
Total retained earnings	47,076,127	48	42,253,851	42
Other equity	(11,905,594)	(12)	(5,608,553)	(6)
Total equity	69,270,113	71	70,714,219	70
TOTAL	$ 97,874,047	100	$ 100,331,972	100

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

(With Deloitte & Touche audit report dated March 24, 2016)

POU CHEN CORPORATION

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, 22 and 29)	$ 12,748,522	100	$ 12,661,506	100
OPERATING COSTS (Notes 23 and 29)	9,004,039	71	9,187,671	72
GROSS PROFIT	3,744,483	29	3,473,835	28
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	(169)	-	(1,986)	-
REALIZED GROSS PROFIT	3,744,314	29	3,471,849	28
OPERATING EXPENSES (Notes 20 and 23)				
Selling and marketing expenses	73,442	1	95,093	1
General and administrative expenses	2,210,180	17	2,121,439	17
Research and development expenses	1,012,032	8	1,054,909	8
Total operating expenses	3,295,654	26	3,271,441	26
PROFIT FROM OPERATIONS	448,660	3	200,408	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	556,477	4	548,400	4
Other gains and losses (Note 23)	348,997	3	160,908	1
Finance costs (Note 23)	(358,074)	(3)	(356,442)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 14)	10,002,754	79	8,932,107	71
Total non-operating income and expenses	10,550,154	83	9,284,973	73
PROFIT BEFORE INCOME TAX	10,998,814	86	9,485,381	75
INCOME TAX EXPENSE (Notes 4 and 24)	(1,467,456)	(11)	(869,875)	(7)
NET INCOME	9,531,358	75	8,615,506	68
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss arising from defined benefit plans (Note 20)	(216,694)	(2)	(179,710)	(1)
Share of the other comprehensive loss of subsidiaries and associates	(76,182)	-	(9,994)	-

(Continued)

POU CHEN CORPORATION

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**	**%**
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	$ (567,431)	(5)	$ (111,077)	(1)
Share of the other comprehensive (loss) income of subsidiaries and associates	(5,729,610)	(45)	3,682,571	29
Other comprehensive (loss) income for the year, net of income tax	(6,589,917)	(52)	3,381,790	27
TOTAL COMPREHENSIVE INCOME	$ 2,941,441	23	$ 11,997,296	95
EARNINGS PER SHARE (Note 25)				
Basic	$ 3.24		$ 2.93	
Diluted	$ 3.14		$ 2.85	

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

(With Deloitte & Touche audit report dated March 24, 2016) (Concluded)

POU CHEN CORPORATION

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

			Retained Earnings			Other Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Income on Available-for-sale Financial Assets	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2014	$ 29,441,372	$ 4,366,099	$ 8,336,553	$ 4,435,090	$ 24,000,543	$ 20,776	$ (9,200,823)	$ (188,728)	$ 61,210,882
Appropriation of 2013 earnings (Note 21)									
Legal reserve	-	-	1,061,945	-	(1,061,945)	-	-	-	-
Special reserve	-	-	-	4,744,957	(4,744,957)	-	-	-	-
Cash dividends	-	-	-	-	(2,944,137)	-	-	-	(2,944,137)
	-	-	1,061,945	4,744,957	(8,751,039)	-	-	-	(2,944,137)
Net income for the year ended December 31, 2014	-	-	-	-	8,615,506	-	-	-	8,615,506
Other comprehensive (loss) income for the year ended December 31, 2014	-	-	-	-	(189,704)	3,324,973	246,521	-	3,381,790
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	8,425,802	3,324,973	246,521	-	11,997,296
Treasury shares resold by subsidiaries (Note 21)	-	218,295	-	-	-	-	-	188,728	407,023
Share of changes in net assets of associates (Notes 4 and 21)	-	4,685	-	-	-	-	-	-	4,685
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 21)	-	38,470	-	-	-	-	-	-	38,470
Change in equity for the year ended December 31, 2014	-	261,450	1,061,945	4,744,957	(325,237)	3,324,973	246,521	188,728	9,503,337
BALANCE AT DECEMBER 31, 2014	29,441,372	4,627,549	9,398,498	9,180,047	23,675,306	3,345,749	(8,954,302)	-	70,714,219
Appropriation of 2014 earnings (Note 21)									
Legal reserve	-	-	861,550	-	(861,550)	-	-	-	-
Special reserve	-	-	-	(3,571,494)	3,571,494	-	-	-	-
Cash dividends	-	-	-	-	(4,416,206)	-	-	-	(4,416,206)
	-	-	861,550	(3,571,494)	(1,706,262)	-	-	-	(4,416,206)
Net income for the year ended December 31, 2015	-	-	-	-	9,531,358	-	-	-	9,531,358
Other comprehensive (loss) income for the year ended December 31, 2015	-	-	-	-	(292,876)	1,675,137	(7,972,178)	-	(6,589,917)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	9,238,482	1,675,137	(7,972,178)	-	2,941,441
Execution of employee share options (Notes 21 and 26)	26,500	21,200	-	-	-	-	-	-	47,700
Share of changes in net assets of associates (Notes 4 and 21)	-	624	-	-	-	-	-	-	624
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 21)	-	(18,814)	-	-	-	-	-	-	(18,814)
Change in percentage of ownership interest in subsidiaries (Notes 4 and 21)	-	1,149	-	-	-	-	-	-	1,149
Change in equity for the year ended December 31, 2015	26,500	4,159	861,550	(3,571,494)	7,532,220	1,675,137	(7,972,178)	-	(1,444,106)
BALANCE AT DECEMBER 31, 2015	$ 29,467,872	$ 4,631,708	$ 10,260,048	$ 5,608,553	$ 31,207,526	$ 5,020,886	$(16,926,480)	$ -	$ 69,270,113

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

(With Deloitte & Touche audit report dated March 24, 2016)

POU CHEN CORPORATION

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	$ 10,998,814	$ 9,485,381
Adjustments for:		
Depreciation expenses	226,736	230,591
Net (gain) loss on fair value change of financial instruments at fair value through profit or loss	(67,625)	30,991
Finance costs	358,074	356,442
Interest income	(50,840)	(62,718)
Dividend income	(251,886)	(199,970)
Share of the profit of subsidiaries and associates	(10,002,754)	(8,932,107)
Net loss (gain) on disposal of property, plant and equipment	1,564	(5,745)
Net (gain) loss on disposal of available-for-sale financial assets	(22,758)	4
Unrealized gain on the transactions with subsidiaries	169	1,986
Changes in operating assets and liabilities		
Financial instruments held for trading	36,613	1,562
Notes receivable	5,148	(1,927)
Notes receivable from related parties	36	12
Accounts receivable	16,161	18,806
Accounts receivable from related parties	220,843	(282,282)
Other receivables	(5,173)	23,595
Inventories	41,052	12,125
Other current assets	5,923	(32,583)
Other operating assets	(3,671)	(17,718)
Notes payable	(16,933)	24,741
Notes payable to related parties	(21,435)	(2,289)
Accounts payable	(48,908)	361,900
Accounts payable to related parties	(44,574)	9,833
Other payables	13,882	313,676
Other current liabilities	12,867	24,691
Accrued pension liabilities	(89,226)	922
Cash generated from operations	1,312,099	1,359,919
Interest paid	(354,943)	(344,070)
Income tax paid	(772,775)	(1,260,271)
Net cash generated from (used in) operating activities	184,381	(244,422)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(329,458)	-
Proceeds on sale of available-for-sale financial assets	27,852	6
Acquisition of debt investments with no active market	(1,255,170)	(3,275,428)
Proceeds on sale of debt investments with no active market	2,205,420	2,832,914
Acquisition of financial assets measured at cost	-	(1,000)
Acquisition of subsidiaries	(480,118)	(323)
Proceeds from capital return of associates	-	226,116
Acquisition of property, plant and equipment	(153,083)	(95,312)

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POU CHEN CORPORATION

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

	2015	2014
Proceeds from disposal of property, plant and equipment	$ 4,742	$ 36,104
Increase in refundable deposits	(974)	-
Decrease in refundable deposits	-	5,027
Increase in prepayments for equipment	(88,617)	(34,901)
Interest received	48,891	61,440
Dividend received	4,922,807	3,843,390
Net cash generated from investing activities	4,902,292	3,598,033
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	150,000
Repayments of short-term borrowings	(1,763,500)	-
Proceeds from long-term borrowings	4,750,000	-
Repayments of long-term borrowings	(4,750,000)	-
Cash dividend	(4,416,206)	(2,944,137)
Decrease in guarantee deposits	(337)	(597)
Execution of employee share options	47,700	-
Net cash used in financing activities	(6,132,343)	(2,794,734)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,045,670)	558,877
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,650,263	1,091,386
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 604,593	$ 1,650,263

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

(With Deloitte & Touche audit report dated March 24, 2016) (Concluded)

1. GENERAL INFORMATION

Pou Chen Corporation (the "Company") is located in Changhwa County; the business activities include manufacturing and sales of various kinds of shoes, and import and export of related products and materials. The Company also invests significantly in shoes and electronics industries to diversify its business operation. The Company invested in Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") and other footwear - related companies through Wealthplus Holdings Limited ("Wealthplus"). Yue Yuen and Pou Sheng International (Holdings) Limited ("Pou Sheng"), a subsidiary of Yue Yuen, are listed on Hong Kong Exchange and Clearing Limited.

In January 1990, the Company started to trade its stocks on the Taiwan Stock Exchange.

The financial statements are presented in New Taiwan dollars, the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 24, 2016.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDED 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 on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

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

   1) Annual Improvements to IFRSs: 2009-2011 Cycle

      Several standards, including IAS 16 "Property, Plant and Equipment" and IAS 32 "Financial Instruments: Presentation," were amended in this annual improvement.

      The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

      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".

2) Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendment to IFRS 7 requires disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

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

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the disclosure requirements in IFRS 12 are more extensive than in the previous standards.

4) 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 previous standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required only for financial instruments will be 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. Refer to Note 28 for related disclosures.

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

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

The Company retrospectively applied the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. The application of the above amendment 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.

6) Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendment to IAS 32 clarified the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendment clarified the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

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

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

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
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, 2017
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

1) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

2) 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.

3) IFRS 9 "Financial Instruments"

   <u>Recognition and measurement of financial assets</u>

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below:

   a) For the Company'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:

      i. 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;

      ii. 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 instrument is derecognized or reclassified the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

   b) Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company 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, contract assets arising from IFRS 15 "Revenue from Contracts with Customers" and certain written loan commitments. 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 Company 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.

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

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

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

5) 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" and a number of revenue-related interpretations.

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.

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.

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

7) 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 Company 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.

8) IFRS 16 “Leases”

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

   Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company 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. In the statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. In the 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 Company as lessor.

As of the date the financial statements were approved, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments 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.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and joint ventures. The amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements.

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; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

In preparing the parent company only financial statements of each individual 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 are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a 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 purposes of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign subsidiaries (in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign subsidiary and the Company loss of control over the subsidiary, all of the exchange differences accumulated in equity are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company. Investments in subsidiaries are accounted for by the equity method.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

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

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

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from upstream and downstream transactions with a subsidiary are eliminated in full.

g. Investments in an associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for by the equity method.

Under the equity method, the investment in associates are initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company’s share of equity of associates.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company’s proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company’s share of equity of associates. If the Company’s ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that the associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associates equals or exceeds its interest in that associates (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

At the date on which the Company ceases to have significant influence over the associates, any retained investment is measured at fair value. The difference between the previous carrying amount of the associates attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associates on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

h. Property, plant and equipment

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

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

j. Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets, 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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 on 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 the Company becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

1) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 28.

b) 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 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 Company’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 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 measured 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 profit or loss or other comprehensive income on financial assets.

c) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalent, debt investments with no active market) 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 subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) 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 measured at amortized cost, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, 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 measured 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 accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

3) Derecognition of financial assets

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

On 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.

Equity instruments

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 and deducted directly in 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.

Financial liabilities

1) Subsequent measurement

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. Fair value is determined in the manner described in Note 28.

2) 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, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risks and exchange rate risks, including exchange rate swap contracts, cross currency swap contracts, interest rate swap contracts and exchange rate options contracts.

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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. 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.

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. Sales returns are recognized at the time of sale based on the seller's reliable estimate future returns and based on past experience and other relevant factors.

1) Sale of goods

Sales of goods are recognized when goods are delivered and legal ownership has passed.

2) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) 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 Company 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 Company 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.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

n. 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.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

o. Taxation

Income tax expense represents the sum of the current tax liabilities and deferred tax liabilities.

1) Current tax

According to the Income Tax Law in the ROC, 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 in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward 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, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to 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 assets and liabilities 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, 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 Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management 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. Income taxes

As of December 31, 2015 and 2014, deferred tax liabilities recognized on taxable temporary differences associated with investments in subsidiaries were $641,729 thousand and $618,758 thousand, respectively. A reversal of deferred tax liabilities mainly depends on whether sufficient future profits in subsidiaries due to the unpredictability of future profit. In cases where the actual future profits of subsidiaries generated are less than expected, a material reversal of deferred tax liabilities may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of 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.

c. Fair value measurements and valuation process

If some of the Company's assets and liabilities measured at fair value have no quoted prices in active markets, the board of directors of the Company determines whether to engage third party qualified valuers or to self-determine the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Company or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly.

d. Useful lives of property, plant and impairment

The Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. The impairment of equipment is assessed 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 may lead to recognition of additional or reversal of impairment losses.

e. 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.

f. Impairment of investment in associate

The Company immediately recognizes impairment loss on its net investment in associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

g. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

h. Significant influence over associates

As described in Note 14, the Company holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Company has the power to appoint three out of the nine directors of Elitegroup Computer Systems Co., Ltd.; therefore, the Company is able to exercise significant influence over Elitegroup Computer Systems Co., Ltd.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash on hand	$ 2,014	$ 2,173
Checking accounts and demand deposits	602,579	1,263,288
Cash equivalent (time deposits with original maturities less than three months)	-	384,802
	$ 604,593	$ 1,650,263

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

	December 31	
	2015	**2014**
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 35,907	$ 1,377
Cross currency swap contracts (b)	7,157	-
	$ 43,064	$ 1,377
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 1,427	$ -
Interest rate swap contracts (b)	44,121	38,039
Exchange rate option contracts (d)	3,166	-
	$ 48,714	$ 38,039

a. At the end of the reporting period, outstanding exchange rate swap contracts not under hedge accounting were as follows:

December 31, 2015

Notional Amount	Maturity Date	Rate	Fair Value
US$ 48,000,000	2016.01.07	32.811	$ 6,349
US$ 11,600,000	2016.01.07	32.811	1,534
US$ 8,600,000	2016.01.07	32.811	1,138
US$ 30,000,000	2016.01.12	32.762	4,643

(Continued)

Notional Amount	Maturity Date	Rate	Fair Value
US$ 30,000,000	2016.01.12	32.727	$ 9,934
US$ 2,000,000	2016.01.12	32.727	662
US$ 26,000,000	2016.01.14	32.786	4,066
US$ 30,000,000	2016.01.14	32.786	4,691
RMB123,900,000	2016.03.14	4.959	93
RMB 50,000,000	2016.07.11	4.826	2,797
RMB 30,000,000	2016.03.11	4.997	(321)
RMB 45,000,000	2016.03.11	4.997	(648)
RMB 53,000,000	2016.03.14	4.968	(458)
			$ 34,480

(Concluded)

December 31, 2014

Notional Amount	Maturity Date	Rate	Fair Value
RMB 30,000,000	2015.01.09	5.044	$ 1,377

The Company entered into exchange rate swap contracts for the years ended December 31, 2015 and 2014 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

b. At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2015

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US$ 10,000,000	2016.03.16	32.506	0.79	$ 3,921
US$ 10,000,000	2016.05.27	32.520	0.78	3,236
				$ 7,157

The Company entered into cross-currency swap contracts for the years ended December 31, 2015 and 2014 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

c. At the end of the reporting period, outstanding interest rate swap contracts not under hedge accounting were as follows:

December 31, 2015

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
$ 437,500	2016.09.29	1.066	0.80956	$ (766)
437,500	2016.09.29	1.066	0.80956	(770)
350,000	2016.09.29	1.180	0.80956	(862)
350,000	2016.09.29	1.183	0.80956	(864)

(Continued)

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
$ 350,000	2016.09.29	1.183	0.80956	$ (866)
350,000	2016.09.29	1.183	0.80956	(761)
250,000	2016.09.29	0.967	0.80956	(287)
350,000	2016.09.29	0.990	0.80956	(452)
350,000	2016.09.29	0.990	0.80956	(475)
300,000	2016.09.29	0.990	0.80956	(385)
500,000	2018.06.01	1.340	0.80767	(5,126)
900,000	2018.06.01	1.310	0.80767	(8,638)
600,000	2018.06.01	1.310	0.80767	(5,810)
500,000	2018.06.01	1.290	0.80767	(4,672)
500,000	2018.06.01	1.278	0.80767	(4,521)
300,000	2018.06.01	1.265	0.80767	(2,645)
500,000	2018.06.01	1.280	0.80767	(4,493)
200,000	2018.06.01	1.260	0.80767	(1,728)
				$ (44,121)

(Concluded)

December 31, 2014

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
$ 600,000	2018.06.01	1.310	0.89100	$ (4,221)
500,000	2018.06.01	1.340	0.89100	(3,926)
875,000	2016.09.29	1.066	0.88800	(1,344)
700,000	2016.09.29	1.180	0.88800	(1,961)
500,000	2016.09.29	0.967	0.88800	(219)
700,000	2016.09.29	0.990	0.88800	(487)
900,000	2018.06.01	1.310	0.89100	(6,241)
500,000	2018.06.01	1.278	0.89100	(3,034)
300,000	2018.06.01	1.265	0.89100	(1,715)
700,000	2016.09.29	1.183	0.88800	(1,881)
700,000	2016.09.29	0.990	0.88800	(382)
500,000	2018.06.01	1.290	0.89100	(3,195)
875,000	2016.09.29	1.066	0.88800	(1,209)
700,000	2016.09.29	1.183	0.88800	(1,874)
600,000	2016.09.29	0.990	0.88800	(324)
700,000	2016.09.29	1.183	0.88800	(1,899)
500,000	2018.06.01	1.280	0.89100	(3,026)
200,000	2018.06.01	1.260	0.89100	(1,101)
				$ (38,039)

The Company entered into interest rate swap contracts for the years ended December 31, 2015 and 2014 to manage exposures to interest rate fluctuations.

d. At the end of the reporting period, outstanding exchange rate option contracts not under hedge accounting were as follows:

December 31, 2015

Notional Amount	Type	Buy/Sale	Premium Amount	Fair Value
US$ 30,000,000	Put	Sell	$ 2,357	$ (3,166)

The Company entered into exchange rate option contracts for the year ended December 31, 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2015	2014
Domestic investments		
Listed shares	$ 4,119,079	$ 4,362,146

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET- CURRENT

	December 31	
	2015	2014
Time deposits with original maturity more than three months	$ 394,605	$ 1,344,855

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2015	2014
Notes receivable (including related parties)		
Notes receivable - operating	$ 11,202	$ 16,353
Notes receivable - non-operating	32	65
Less: Allowance for doubtful accounts	-	-
	$ 11,234	$ 16,418
Accounts receivable (including related parties)		
Accounts receivable	$ 1,529,570	$ 1,766,574
Less: Allowance for doubtful accounts	-	-
	$ 1,529,570	$ 1,766,574

(Continued)

	December 31	
	2015	2014
Other receivables		
Tax refund receivables	$ 72,022	$ 69,539
Others	139,380	134,741
Less: Allowance for doubtful accounts	-	-
	$ 211,402	$ 204,280

(Concluded)

In determining the recoverability of accounts receivable, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful account was recognized based on past due of the reporting period and past default experience.

a. Notes receivable

The notes receivable balances at December 31, 2015 and 2014 were not past due.

b. Accounts receivable

The aging analysis of the accounts receivable as at December 31, 2015 and 2014 were as follows:

December 31, 2015

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	$ 1,169,720	$ -	$ -	$ -	$ 1,169,720
31-90 days	359,850	-	-	-	359,850
More than 91 days	-	-	-	-	-
	$ 1,529,570	$ -	$ -	$ -	$ 1,529,570

December 31, 2014

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	$ 1,153,330	$ -	$ -	$ -	$ 1,153,330
31-90 days	600,928	-	-	-	600,928
More than 91 days	-	-	12,316	-	12,316
	$ 1,754,258	$ -	$ 12,316	$ -	$ 1,766,574

The above aging schedule was based on the invoice date.

11. INVENTORIES

	December 31	
	2015	2014
Raw materials	$ 36,647	$ 64,076
Supplies	188	311
Work in progress	1,011	1,047
Finished goods	15,566	33,054
Merchandise	13,042	9,018
	$ 66,454	$ 107,506

a. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was $9,004,039 thousand and $9,187,671 thousand, respectively.

b. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 included inventory write-downs of $10,000 thousand.

12. OTHER ASSETS

	December 31	
	2015	2014
Current		
Prepayments	$ 44,261	$ 54,138
Supplies inventory	1,594	1,430
Temporary payments	3,576	3,934
Value-added tax retained	7,189	3,040
	$ 56,620	$ 62,542
Non-current		
Prepayments	$ 35,263	$ 31,590
Prepayments for equipment	39,735	19,623
Refundable deposits	7,095	6,121
Others	3,869	3,871
	$ 85,962	$ 61,205

13. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2015	2014
Domestic shares		
Unlisted shares	$ 61,000	$ 61,000
Classified according to measurement categories		
Available-for-sale financial assets	$ 61,000	$ 61,000

Management believed that the above investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	**2014**
Investments in subsidiaries	$ 76,715,802	$ 73,883,204
Investments in associates	7,651,159	10,494,809
	$ 84,366,961	$ 84,378,013

a. Investments in subsidiaries

	December 31	
	2015	**2014**
Unlisted companies	$ 76,715,802	$ 73,883,204

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

	December 31	
Name of Subsidiary	**2015**	**2014**
Wealthplus Holdings Limited	100.00%	100.00%
Win Fortune Investments Limited	100.00%	100.00%
Windsor Entertainment Co., Ltd.	100.00%	100.00%
Pou Shine Investments Co., Ltd.	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	100.00%	96.32%
Barits Development Corporation	99.49%	99.47%
Pou Yuen Technology Co., Ltd.	97.82%	97.82%
Pou Yii Development Co., Ltd.	15.00%	15.00%
Wang Yi Construction Co., Ltd.	7.82%	7.82%

1) The Company holds less than 50% interest in Pou Yii and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yii and Wang Yi; therefore, the Company has control over Pou Yii and Wang Yi.

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

b. Investments in associates

	December 31	
	2015	2014
Material associates		
Ruen Chen Investment Holding Co., Ltd.	$ 5,846,585	$ 8,471,915
Associates that are not individually material	1,804,574	2,022,894
	$ 7,651,159	$ 10,494,809

1) Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	**2015**	**2014**
Ruen Chen Investment Holding Co., Ltd.	20%	20%

The summarized financial information below represents amounts shown in the material associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Ruen Chen Investment Holding Co., Ltd.

	December 31	
	2015	2014
Assets	$ 3,192,737,851	$ 2,845,485,896
Liabilities	(3,152,391,615)	(2,790,298,128)
Non-controlling interests	(10,816,750)	(12,531,631)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 29,529,486	$ 42,656,137
Proportion of the Company	20%	20%
Equity attributable to the Company	$ 5,905,897	$ 8,531,227
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 5,846,585	$ 8,471,915

	For the Year Ended December 31	
	2015	2014
Operating revenue	$ 567,236,107	$ 510,773,474
Net income	$ 20,343,103	$ 19,868,877
Other comprehensive (loss) income	(35,214,398)	2,640,221
Total comprehensive (loss) income	$ (14,871,295)	$ 22,509,098

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights December 31 2015	2014
Elitegroup Computer Systems Co., Ltd.	12.57%	12.58%
Techview International Technology Inc.	30.00%	30.00%

a) The summarized financial information below represents amounts shown in the associates that are not individually material which financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	For the Year Ended December 31 2015	2014
The Company's share of:		
Net income	$ 144,057	$ 169,432
Other comprehensive (loss) income	(12,545)	6,326
Total comprehensive income	$ 131,512	$ 175,758

b) The Company holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Company has the power to appoint three out of the nine directors of Elitegroup Computer Systems Co., Ltd.; therefore, the Company is able to exercise significant influence over Elitegroup Computer Systems Co., Ltd.

c) Fair values (Level 1) of investments in associates that are not individually material with available published price quotation are summarized as follows:

	December 31 2015	2014
Elitegroup Computer Systems Co., Ltd.	$ 1,418,856	$ 1,867,284

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2014	$ 1,636,068	$ 4,001,892	$ 511,590	$ 212,998	$ 355,762	$ 69,992	$ 4,398	$ 6,792,700
Additions	-	28,359	56,603	4,841	17,576	1,894	11,980	121,253
Disposals	-	(4,344)	(104,353)	(32,771)	(25,188)	(2,256)	-	(168,912)
Transfer from prepayments for equipment	-	-	12,897	15,238	-	-	-	28,135
Transfer from (to) investment property	15,645	(10,266)	-	-	-	-	-	5,379
Reclassified	-	14,981	-	-	-	-	(14,981)	-
Balance at December 31, 2014	$ 1,651,713	$ 4,030,622	$ 476,737	$ 200,306	$ 348,150	$ 69,630	$ 1,397	$ 6,778,555

(Continued)

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation								
Balance at January 1, 2014	$ -	$ 1,696,591	$ 395,850	$ 172,288	$ 320,300	$ 62,548	$ -	$ 2,647,577
Disposals	-	(1,079)	(79,278)	(31,056)	(24,948)	(2,192)	-	(138,553)
Depreciation expense	-	107,548	32,715	14,298	20,160	3,111	-	177,832
Transfer to investment property	-	(11,470)	-	-	-	-	-	(11,470)
Balance at December 31, 2014	$ -	$ 1,791,590	$ 349,287	$ 155,530	$ 315,512	$ 63,467	$ -	$ 2,675,386
Carrying amounts at January 1, 2014	$ 1,636,068	$ 2,305,301	$ 115,740	$ 40,710	$ 35,462	$ 7,444	$ 4,398	$ 4,145,123
Carrying amounts at December 31, 2014	$ 1,651,713	$ 2,239,032	$ 127,450	$ 44,776	$ 32,638	$ 6,163	$ 1,397	$ 4,103,169
Cost								
Balance at January 1, 2015	$ 1,651,713	$ 4,030,622	$ 476,737	$ 200,306	$ 348,150	$ 69,630	$ 1,397	$ 6,778,555
Additions	-	44,902	46,056	4,188	20,709	7,823	72,249	195,927
Disposals	-	(101,739)	(35,952)	(20,662)	(24,208)	(1,008)	-	(183,569)
Transfer from prepayments for equipment	25,423	1,882	27,645	2,600	195	4,520	6,240	68,505
Reclassified	-	44,921	(168)	-	17	151	(44,921)	-
Balance at December 31, 2015	$ 1,677,136	$ 4,020,588	$ 514,318	$ 186,432	$ 344,863	$ 81,116	$ 34,965	$ 6,859,418
Accumulated depreciation								
Balance at January 1, 2015	$ -	$ 1,791,590	$ 349,287	$ 155,530	$ 315,512	$ 63,467	$ -	$ 2,675,386
Disposals	-	(98,625)	(34,374)	(19,075)	(24,189)	(1,000)	-	(177,263)
Depreciation expense	-	108,713	32,715	12,495	16,428	3,095	-	173,446
Balance at December 31, 2015	$ -	$ 1,801,678	$ 347,628	$ 148,950	$ 307,751	$ 65,562	$ -	$ 2,671,569
Carrying amounts at January 1, 2015	$ 1,651,713	$ 2,239,032	$ 127,450	$ 44,776	$ 32,638	$ 6,163	$ 1,397	$ 4,103,169
Carrying amounts at December 31, 2015	$ 1,677,136	$ 2,218,910	$ 166,690	$ 37,482	$ 37,112	$ 15,554	$ 34,965	$ 4,187,849

(Concluded)

a. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings and improvements	
Main buildings	55 years
Elevators	15 years
Machinery and equipment	5-12 years
Transportation equipment	5 years
Office equipment	3-7 years
Other equipment	3-10 years

b. The Company has three parcels of land located in Changhwa County with carrying value of $56,102 thousand. Due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property.

16. INVESTMENT PROPERTIES

	2015	2014
Cost		
Balance at January 1	$ 2,542,722	$ 2,548,101
Transfer to property plant and equipment	-	(5,379)
Balance at December 31	$ 2,542,722	$ 2,542,722
Accumulated depreciation and impairment		
Balance at January 1	$ 460,247	$ 396,018
Depreciation expense	53,290	52,759
Transfer from property plant and equipment	-	11,470
Balance at December 31	$ 513,537	$ 460,247
Carrying amounts at January 1	$ 2,082,475	$ 2,152,083
Carrying amounts at December 31	$ 2,029,185	$ 2,082,475

a. The above items of investment properties are depreciated on a straight-line method over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings	
Factories and main business buildings	55 years
Elevator equipment	15 years

b. The fair value valuation was performed by independent qualified professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

	December 31	
	2015	2014
Investment property	$ 2,973,648	$ 2,973,648

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2015	2014
Unsecured borrowings		
Credit borrowings	$ 4,706,500	$ 6,470,000

The range of effective interest rate on bank borrowings was 0.89%-1.15% and 0.89%-1.20% per annum as of December 31, 2015 and 2014, respectively.

b. Long-term borrowings

	December 31	
	2015	2014
Unsecured borrowings		
Bank loans	$ 17,000,000	$ 17,000,000
Less: Long-term expenses for syndication loan	(10,437)	(19,199)
Less: Current portion	(4,748,053)	(3,500,000)
	$ 12,241,510	$ 13,480,801

The range of effective interest rate on bank borrowings was 1.38%-1.60% and 1.46%-1.59%, per annum as of December 31, 2015 and 2014, respectively.

18. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2015	2014
Notes payable (including related parties)		
Operating	$ 34,327	$ 70,846
Non-operating	360	2,209
	$ 34,687	$ 73,055
Accounts payable (including related parties)	$ 1,493,683	$ 1,587,165

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	December 31	
	2015	2014
Payable for salaries	$ 225,978	$ 217,080
Payable for purchase of property, plant and equipment	77,088	34,244
Compensation due to directors and supervisors	101,736	169,882
Employee compensation payable	575,784	504,171
Interest payable	26,402	32,033
Payable for annual leave	65,536	59,227
Others	220,732	225,524
	$ 1,293,256	$ 1,242,161

20. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

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

Defined Benefit Plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$ 1,868,076	$ 1,725,694
Fair value of plan assets	(25,623)	(10,709)
Net defined benefit liability	$ 1,842,453	$ 1,714,985

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	$ 1,708,531	$ (174,178)	$ 1,534,353
Service cost	22,364	-	22,364
Net interest expense (income)	28,587	(2,288)	26,299
Recognized in profit or loss	50,951	(2,288)	48,663
Remeasurement			
Actuarial loss (gain) - experience adjustments	181,310	(1,600)	179,710
Recognized in other comprehensive income (loss)	181,310	(1,600)	179,710
Contributions from the employer	-	(47,741)	(47,741)
Benefits paid	(215,098)	215,098	-
Balance at December 31, 2014	$ 1,725,694	$ (10,709)	$ 1,714,985

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 1,725,694	$ (10,709)	$ 1,714,985
Service cost	20,631	-	20,631
Net interest expense (income)	28,450	(446)	28,004
Recognized in profit or loss	49,081	(446)	48,635
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,479)	(1,479)
Actuarial loss - changes in demographic assumptions	72,628	-	72,628
Actuarial loss - changes in financial assumptions	60,173	-	60,173
Actuarial loss - experience adjustments	85,372	-	85,372
Recognized in other comprehensive income (loss)	218,173	(1,479)	216,694
Contributions from the employer	-	(137,861)	(137,861)
Benefits paid	(124,872)	124,872	-
Balance at December 31, 2015	$ 1,868,076	$ (25,623)	$ 1,842,453

(Concluded)

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

	For the Year Ended December 31	
	2015	2014
Operating costs	$ 154	$ 427
Selling and marketing expenses	41	40
General and administrative expenses	37,335	36,345
Research and development expenses	11,105	11,851
	$ 48,635	$ 48,663

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	**2014**
Discount rate(s)	1.375%	1.750%
Expected rate(s) of salary increase	2.000%	2.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	$ (43,788)
0.25% decrease	$ 45,412
Expected rate(s) of salary increase	
0.25% increase	$ 43,812
0.25% decrease	$ (42,460)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	**2014**
The expected contributions to the plan for the next year	$ 388,956	$ 229,502
The average duration of the defined benefit obligation	9.5 years	8.8 years

21. EQUITY

a. Share capital

	December 31	
	2015	**2014**
Numbers of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,946,787	2,944,137
Shares issued	$ 29,467,872	$ 29,441,372

The Company's employee share options were exercised for 2,650 thousand shares (amounted to $26,500 thousand) during the year ended December 31, 2015.

b. Capital surplus

	December 31	
	2015	2014
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Recognized from issuance of common shares	$ 848,603	$ 827,403
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	484,759	503,573
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	20,937	19,788
May not be used for any purpose		
Recognized from share of changes in net assets of associates	5,309	4,685
	$ 4,631,708	$ 4,627,549

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus are recognized from share of changes in equities of subsidiaries that resulted from equity transactions, or from share of changes in capital surplus of subsidiaries accounted by using equity method when there was no actual disposal or acquisition of subsidiaries.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, the annual net profits should be appropriated as follows:

1) For paying taxes.

2) For offsetting deficits.

3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.

4) Any remaining profits after the appropriations mentioned above plus prior years' accumulated unapproriated earnings may be partially or fully retained or distributed as dividends to shareholders as proposed according to stock ownership proportion.

Profits may be distributed after taking into consideration financial, business and operational factors. The distribution of profits shall be proposed by the board of directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company would adjust the ratio and amounts of distribution of profits.

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 December 25, 2015 and March 24, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 23.

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and 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 of earnings for 2014 and 2013 approved in the stockholders' meetings on June 12, 2015 and June 17, 2014, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2014	**For Year 2013**	**For Year 2014**	**For Year 2013**
Legal reserve	$ 861,550	$ 1,061,945	$ -	$ -
(Reversal) special reserve	(3,571,494)	4,744,957	-	-
Cash dividends	4,416,206	2,944,137	1.50	1.00

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2015	**2014**
Balance at January 1	$ 3,345,749	$ 20,776
Exchange differences arising on translation of foreign subsidiaries and associates	1,675,137	3,324,973
Balance at December 31	$ 5,020,886	$ 3,345,749

2) Unrealized gain or loss on available-for-sale financial assets

	For the Year Ended December 31	
	2015	**2014**
Balance at January 1	$ (8,954,302)	$ (9,200,823)
Unrealized loss on available-for-sale financial assets	(567,431)	(111,077)
Unrealized (loss) gain on available-for-sale financial assets of subsidiaries and associates	(7,404,747)	357,598
Balance at December 31	$ (16,926,480)	$ (8,954,302)

e. Treasury shares

The changes in treasury shares were summarized as follows:

	Beginning of Year	Addition	Reduction	End of Year
For the year ended December 31, 2014				
Shares held by subsidiaries	9,934,059	-	(9,934,059)	-

The Company's shares held by its subsidiaries were deducted total consideration of 9,934,059 shares which were sold by Pou Shine Investments Co., Ltd. and other companies during the year ended December 31, 2014. And the profit of $218,295 thousand was recognized as capital surplus from treasury shares transactions.

22. REVENUE

	For the Year Ended December 31	
	2015	2014
Revenue from the products	$ 11,073,855	$ 11,195,078
Revenue from the rendering of services	1,674,667	1,466,428
	$ 12,748,522	$ 12,661,506

23. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2015	2014
Rental income (Note 29)		
Rental income from operating lease		
Investment properties	$ 119,455	$ 120,626
Others	21,497	24,363
	140,952	144,989
Interest income		
Cash in bank	18,925	6,807
Debt investment with no active market	31,915	55,911
	50,840	62,718
Dividend income	251,886	199,970
Others	112,799	140,723
	$ 556,477	$ 548,400

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Net (loss) gain on disposal of property, plant and equipment	$ (1,564)	$ 5,745
Net foreign exchange gain	327,109	243,523
Net gain (loss) on disposal of available-for-sale financial assets	22,758	(4)
Net gain (loss) arising on financial assets designated as at FVTPL	55,258	(7,225)
Net gain (loss) arising on financial liabilities designated as at FVTPL	12,367	(23,766)
Others	(66,931)	(57,365)
	$ 348,997	$ 160,908

c. Finance costs

	For the Year Ended December 31	
	2015	2014
Interest on bank borrowings	$ 330,476	$ 337,190
Interest on short-term bills payable	-	883
Other interest expense	27,598	18,369
	$ 358,074	$ 356,442

d. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 173,446	$ 177,832
Investment properties	53,290	52,759
	$ 226,736	$ 230,591
An analysis of depreciation by function		
Operating costs	$ 7,201	$ 12,655
Operating expenses	166,245	165,177
Non-operating expenses	53,290	52,759
	$ 226,736	$ 230,591

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2015	2014
Direct operating expenses from investment properties that generated rental income	$ 65,442	$ 65,348
Direct operating expenses from investment properties that did not generated rental income	65	66
	$ 65,507	$ 65,414

f. Employee benefits expense

	2015			2014		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	$ -	$ 11,043	$ 11,043	$ -	$ 37,806	$ 37,806
Others	18,247	2,185,793	2,204,040	37,546	2,262,665	2,300,211
	18,247	2,196,836	2,215,083	37,546	2,300,471	2,338,017
Labor and health insurance	2,120	198,544	200,664	4,320	178,135	182,455
Post-employment benefit						
Defined contribution plans	794	79,661	80,455	1,238	71,970	73,208
Defined benefit plans	154	48,481	48,635	426	48,237	48,663
	948	128,142	129,090	1,664	120,207	121,871
Other employee benefits	924	66,100	67,024	1,756	42,662	44,418
Total employee benefits expense	$ 22,239	$ 2,589,622	$ 2,611,861	$ 45,286	$ 2,641,475	$ 2,686,761

As of December 31, 2015 and 2014, there were 3,273 and 3,164 employees, respectively, in the Company.

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates 1%-5% 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 $334,667 thousand and $169,882 thousand, respectively, representing 3.0% and 1.5%, respectively, of the base net income.

In compliance with the Company Act as amended in May 2015, the Company proposed to amend its Articles of Incorporation on December 31, 2015 and March 24, 2016 and stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates 1%-5% 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 $203,472 thousand and $101,736 thousand, respectively, representing 1.8% and 0.9%, respectively, of the base net profit. The bonus to employees and remuneration to directors and supervisors for the year ended December 31, 2015 have been proposed by the Company's board of directors on March 24, 2016 and are subject to the resolution of the shareholders' meeting to be held on June 15, 2016.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual 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 financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 had been approved in the stockholders' meetings on June 12, 2015 and June 17, 2014, respectively; the amounts were as follows:

	For the Year Ended December 31			
	2014		2013	
	Cash Dividend	Share Dividend	Cash Dividend	Share Dividend
Bonus to employees	$ 334,667	$ -	$ 142,211	$ -
Remuneration to directors and supervisors	169,882	-	72,188	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 12, 2015 and June 17, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information about the bonus to employees, directors and supervisors approved in the meetings of the Company's shareholders 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		
In respect of the current year	$ 733,679	$ 678,378
Income tax expense of unappropriated earnings	671,954	175,344
	1,405,633	853,722
Deferred tax	55,156	2,902
Adjustments for prior years' income tax	6,667	13,251
Income tax expense recognized in profit or loss	$ 1,467,456	$ 869,875

A reconciliation of accounting profit and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2015	2014
Income before income tax	$ 10,998,814	$ 9,485,381
Income tax expense calculated at the statutory rate	1,869,798	1,612,515
Tax effect of adjusting items		
Tax-exempt income	(1,094,125)	(933,696)
Others	(41,994)	(441)
Income tax on unappropriated earnings	671,954	175,344
Current tax	1,405,633	853,722
Deferred tax	6,667	13,251
Adjustments for prior years' income tax	55,156	2,902
Income tax expense recognized in profit or loss	$ 1,467,456	$ 869,875

The applicable tax rate used by the Company is the corporate tax rate of 17%.

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

b. Deferred tax assets and liabilities

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

	December 31 2015	December 31 2014
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ 103,245	$ 118,414
Others	3,224	11,735
	$ 106,469	$ 130,149
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ 641,729	$ 618,758
Land value increment tax	86,547	86,547
Others	2,312	19,325
	$ 730,588	$ 724,630

c. Integrated income tax

	December 31 2015	December 31 2014
Unappropriated earnings		
Generated before January 1, 1998	$ 221,425	$ 221,425
Generated on and after January 1, 1998	30,986,101	23,453,881
	$ 31,207,526	$ 23,675,306
Imputation credits account	$ 2,267,446	$ 1,526,476

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Creditable ratio for distribution of earnings	11.76%	9.22%

d. Income tax assessments

The tax returns of the Company through 2013 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	**2014**
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 9,531,358	$ 8,615,506
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of common shares in computation of basic earnings per share	2,945,021	2,944,137
Effect of potentially dilutive common shares:		
Employee share options	88,469	72,619
Bonus to employee	6,269	10,507
Weighted average number of common shares used in the computation of diluted earnings per share	3,039,759	3,027,263
Earnings per share (in dollars)		
Basic earnings per share	$3.24	$2.93
Diluted earnings per share	$3.14	$2.85

Since the Company offered to settle the bonuses paid to employees by cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

As at November 6, 2007, the Company has issued 125,500,000 units of employee share options to the employees with an exercise price of $29.80 dollars per share. Each of the aforementioned individual employee share options is granted the right to purchase one newly issued common share. If the Company resolved to increase additional capital stock through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee share options granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee share options were $18.00 and 145,790,178 units, respectively, as of December 31, 2015.

Information about employee share options for the years ended December 31, 2015 and 2014 was as follows:

	For the Year Ended December 31			
	2015		2014	
Employee Share Options	Number of Shares Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT$)	Number of Shares Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT$)
Balance at January 1	148,441	$ 18.70	148,441	$ 19.20
Options exercised	(2,650)	18.00	-	-
Balance at December 31	145,791	18.00	148,441	18.70
Exercisable options at December 31	145,791	18.00	148,441	18.70

Information about outstanding employee share options as of December 31, 2015 and 2014 was as follows:

	December 31	
	2015	2014
Exercise price (NT$)	$18.00	$18.70
Weighted-average remaining contractual life (years)	1.85 years	2.85 years

27. CAPITAL MANAGEMENT

The Company's capital management policy is to ensure the Company has sufficient financial resources and operating plans to balance the working capital, capital expenditure, research and development expenditure, repayment of debt and dividends paid to shareholders within twelve months.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Financial assets and financial liabilities of their fair values cannot be reliably measured are as follows:

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Debt investment with no active market	$ 394,605	$ 394,605	$ 1,344,855	$ 1,344,855
Financial assets measured at cost	61,000	-	61,000	-
Other loans and receivables	2,363,894	2,363,894	3,643,656	3,643,656

(Continued)

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bank borrowings	$ 21,696,063	$ 21,696,063	$ 23,450,801	$ 23,450,801
Other financial liabilities measured at amortized cost	2,839,089	2,839,089	2,920,181	2,920,181

(Concluded)

The above fair value measurement at Level 3 fair value.

2) Fair value of financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices in active market for identical assets or liabilities.

	December 31	
	2015	2014
Financial assets		
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	$ 4,119,079	$ 4,362,146

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

	December 31	
	2015	2014
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ 43,064	$ 1,377
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	48,714	38,039

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and financial liabilities are determined as follows:

a) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices (includes listed bonds). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.

b) The fair value of derivative instruments were calculated using quoted prices. When such prices were not available, a valuation method was used and the estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31	
	2015	**2014**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 43,064	$ 1,377
Loans and receivables (Note 1)	2,758,499	4,988,511
Available-for-sale financial assets	4,119,079	4,362,146
Financial assets measured at cost	61,000	61,000
Investments accounted for using equity method	84,366,961	84,378,013
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	48,714	38,039
Amortized cost (Note 2)	24,535,152	26,370,982

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, receivables, payables and borrowings. The Company's treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include exchange rate risk, interest rate risk, credit risk and liquidity risk.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts and other derivate instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to 5% increase (decrease) in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit with New Taiwan dollars strengthened (weakened) 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	For the Year Ended December 31	
	2015	**2014**
USD	$ (73,315)	$ (150,271)
RMB	(20,208)	(87,805)

b) Interest rate risk

The Company was exposed to interest rate risk because it borrowed funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

The carrying amounts of the Company's financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2015	**2014**
Cash flow interest rate risk		
Financial liabilities	$ 21,696,063	$ 23,450,801

Sensitivity analysis

The sensitivity analyses below were based on the Company's 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 period. If 1% increase in interest rate would cause the Company to increase its cash-out by $216,961 thousand and $234,508 thousand during the years ended December 31, 2015 and 2014, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at December 31, 2015 and 2014 would have decrease by $55,379 thousand and $62,294 thousand, respectively.

2) Credit risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached the contracts. The risk includes centralization of credit risk, components, contracts figure, and its accounts receivable. Besides, the Company requires significant clients to provide guarantees or other rights to reduce credit risk of the Company effectively.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the Company had available unutilized short-term bank borrowing facilities set out in (c) below.

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

The tables had been drawn up based on the undiscounted cash flows of financial liabilities included both interest and principal from the earliest date on which the Company can be required to pay.

December 31, 2015

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 701,928	$ 899,297	$ 1,237,866	$ -	$ -
Variable interest rate liabilities	1.40	1,427,800	2,498,700	5,530,000	8,250,000	-
Fixed interest rate liabilities	1.58	-	-	-	4,000,000	-
		$ 2,129,728	$ 3,397,997	$ 6,767,866	$ 12,250,000	$ -

December 31, 2014

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 828,258	$ 1,091,136	$ 982,987	$ -	$ -
Variable interest rate liabilities	1.39	-	-	9,970,000	13,500,000	-
		$ 828,258	$ 1,091,136	$ 10,952,987	$ 13,500,000	$ -

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

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

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments. 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, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contract	$ -	$ 1,427	$ -	$ -	$ -
Interest rate swaps contracts	-	-	6,488	37,633	-
Exchange rate option contract	3,166	-	-	-	-
	$ 3,166	$ 1,427	$ 6,488	$ 37,633	$ -

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swaps contracts	$ -	$ -	$ -	$ 38,039	$ -

c) Financing facilities

	December 31	
	2015	2014
Unsecured bank facility and reviewed annually:		
Amount used	$ 21,716,250	$ 23,475,383
Amount unused	15,485,767	10,702,097
	$ 37,202,017	$ 34,177,480

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating revenue

Account Items	Related Parties Categories	For the Year Ended December 31 2015	2014
Sales and service revenue	Subsidiaries	$ 12,422,701	$ 12,266,409
	Associates	68,298	76,597
		$ 12,490,999	$ 12,343,006

Sales to related parties have prices and receivable terms that have no significant differences with non-related parties.

The Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

1) For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.

2) For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier's invoice amounts.

3) For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier's invoice amounts.

b. Purchases

Related Parties Categories	For the Year Ended December 31 2015	2014
Subsidiaries	$ 3,770	$ 40,524
Associates	785,943	880,642
	$ 789,713	$ 921,166

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

c. Rental income

Related Parties Categories	For the Year Ended December 31 2015	2014
Subsidiaries	$ 119,379	$ 124,133
Associates	2,531	1,021
Others	3,147	1,295
	$ 125,057	$ 126,449

d. Receivables from related parties

Related Parties Categories	December 31 2015	December 31 2014
Subsidiaries	$ 1,497,662	$ 1,717,324
Associates	4,865	6,082
	$ 1,502,527	$ 1,723,406

e. Payables to related parties

Related Parties Categories	December 31 2015	December 31 2014
Subsidiaries	$ 364	$ 4,379
Associates	82,650	144,644
	$ 83,014	$ 149,023

f. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Short-term employee benefits	$ 139,377	$ 221,381
Post-employment benefits	1,750	2,018
	$ 141,127	$ 223,399

The remuneration of directors and key management personnel was determined by the remuneration committee having regard to the performance of individuals and market trends.

30. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

a. Outstanding letters of credit of the Company at the end of reporting period were as follows:

(Units: In Thousands of Foreign Currencies)

	December 31 2015	December 31 2014
USD	$ -	$ 67,392

b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provides shares of Yue Yuen in the custody during the period from June 27, 2011 to June 27, 2021. The Company will not disposal or do encumbrance to the shares of Wealthplus which is equal to the shares of Yue Yuen during the trust period.

c. Because of the Company's investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd., the Company received a request by the FSC for the Company to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.

d. The Company entered into project agreements with the Institute for Information Industry ("III"). According to the project agreements, the Company has to provide promissory notes and bank guarantee to III as guarantee.

31. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies/ In Thousands of New Taiwan Dollars

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 65,743	32.825	$ 2,158,010
RMB	80,831	4.995	403,752
Non-monetary items			
USD	1,224	32.825	40,175
RMB	578	4.995	2,889
Financial liabilities			
Monetary items			
USD	21,066	32.825	691,485
Non-monetary items			
USD	96	32.825	3,166

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 95,882	31.650	$ 3,034,677
RMB	344,064	5.092	1,751,975
Non-monetary items			
RMB	270	5.092	1,377
Financial liabilities			
Monetary items			
USD	895	31.650	28,317