TATUNG CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2015 AND 2014

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

Report of Independent Auditors

English Translation of a Report Originally Issued in Chinese

The Board of Directors and Shareholders
Tatung Co., Ltd.

We have audited the accompanying parent company only balance sheets of Tatung Co., Ltd. (“the Company”) as of December 31, 2015 and 2014, the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These parent company only financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits. Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other auditors. Our audit insofar as it related to the investments amounted to NT$5,610,127 thousand and NT$6,255,066 thousand, which represented 8% and 9% of the total assets as of December 31, 2015 and 2014, respectively; and the related share of profits (losses) of subsidiaries, associates and joint ventures of NT$207,718 thousand and NT$289,860 thousand which represented (7)% and 87% of the income (loss) before income tax for the years ended December 31, 2015 and 2014, respectively; and the related share of other comprehensive income (loss) of subsidiaries, associates and joint ventures of NT$565 thousand and NT$235,359 thousand, which represented 0% and 25% of the total comprehensive income (loss) for the years ended December 31, 2015 and 2014, respectively; are based solely on the reports of the other auditors.

We conducted our audits in accordance with “Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China, which require that we plan and perform the audit to obtain reasonable assurance about whether the parent company only financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent company only financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall parent company only financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Tatung Co., Ltd. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended December 31, 2015 and 2014, were in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

Ernst & Young
Taipei, Taiwan
Republic of China
March 23, 2016

Notice to Readers

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

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2015 and December 31, 2014

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2015		December 31, 2014	
Contents	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6	$2,205,980	3	$2,805,241	4
Financial assets at fair value through profit or loss, current	4,6	24,200	-	67,040	-
Available-for-sale financial assets, current	4,6	382,528	1	483,365	1
Financial assets in held-to-maturity, current	4,6	20,000	-	-	-
Financial assets carried at cost, current	4,6	29,238	-	29,238	-
Debt instrument investments for which no active market exists, current	4,6,8	3,170,899	4	94,263	-
Notes receivable, net	4,6	296,180	-	356,041	-
Notes receivable - related parties, net	4,6,7	1,775	-	28,141	-
Accounts receivable, net	4,6	2,448,480	4	2,819,050	4
Accounts receivable - related parties, net	4,6,7	1,996,509	3	2,104,888	3
Construction receivables	4,6,7	853,901	1	2,005,968	3
Other receivables	4	29,605	-	36,119	-
Other receivables - related parties	4,7	1,224,455	2	1,340,352	2
Current tax assets		12,942	-	20,818	-
Inventories	4,6	4,042,959	6	4,340,991	6
Prepayments	7	349,352	1	574,326	1
Total current assets		17,089,003	25	17,105,841	24
Non-current assets					
Available-for-sale financial assets, non-current	4,6	12,284	-	56,241	-
Financial assets in held-to-maturity, non-current	4,6	-	-	20,000	-
Financial assets carried at cost, non-current	4,6	300	-	300	-
Debt instrument investments for which no active market exists, non-current	4,6	30,770	-	-	-
Investments accounted for under the equity method	4,6,8	44,776,579	66	47,822,114	68
Property, plant and equipment	4,6,8	3,060,707	4	2,701,758	4
Intangible assets	4,6	72,033	-	101,370	-
Deferred tax assets	4,6	510,064	1	512,959	1
Other non-current assets	6	228,983	-	237,058	-
Deposit-out		219,228	-	206,026	-
Long-term receivables	4,6	124,000	-	282,504	-
Long-term receivables - related parties	4,6,7	3,007,680	4	2,387,576	3
Total non-current assets		52,042,628	75	54,327,906	76
Total assets		$69,131,631	100	$71,433,747	100

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2015 and December 31, 2014

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		December 31, 2015		December 31, 2014	
Contents	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	6,8	$5,524,603	8	$6,539,705	9
Short-term notes and bills payable	6	549,759	1	599,744	1
Financial liabilities at fair value through profit or loss, current	4,6	807	-	14,400	-
Accounts payable		2,986,747	5	4,279,958	6
Accounts payable - related parties	7	285,616	-	401,944	1
Other payables		1,366,453	2	1,114,153	2
Other payables - related parties	7	49,205	-	142,648	-
Provision, current	4,6	45,146	-	91,916	-
Advanced receipts		187,293	-	349,365	-
Current portion of long-term loans	6,8	3,321,520	5	1,885,579	3
Other current liabilities - others		27,378	-	32,790	-
Total current liabilities		14,344,527	21	15,452,202	22
Non-current liabilities					
Long-term loans	6,8	17,932,259	26	16,184,097	23
Deferred tax liabilities	4,6	288,748	-	271,643	-
Long-term deferred revenues	4	85,000	-	-	-
Net defined benefit liability	4,6	2,592,851	4	2,892,333	4
Deposits in		4,270	-	2,454	-
Deferred credit for investments accounted for under the equity method	4,6	3,284,820	5	2,264,431	3
Total non-current libilities		24,187,948	35	21,614,958	30
Total liabilities		38,532,475	56	37,067,160	52
Total equity					
Capital stock					
Common stock	6	23,395,367	34	23,395,367	33
Capital reserve	6	785,376	1	750,641	1
Retained earnings	6				
Legal Reserve		36,354	-	-	-
Special Reserve		10,047,053	14	9,975,000	14
Unappropriated earnings (Accumulated deficits)		(3,100,268)	(4)	160,587	-
Total retained earnings		6,983,139	10	10,135,587	14
Other equities	4				
Exchange differences on translation of foreign operation		8,114	-	329,756	-
Unrealized gain or loss on available-for-sale financial instruments		235,469	-	562,106	1
Non-current assets held for sale and equity directly associated		(1,439)	-	-	-
Total other equities		242,144	-	891,862	1
Treasury stock	4,6	(806,870)	(1)	(806,870)	(1)
Total equity		30,599,156	44	34,366,587	48
Total liabilities and equity		$69,131,631	100	$71,433,747	100

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Contents	Note	2015 Amount	2015 %	2014 Amount	2014 %
Operating revenues	4,6,7	$18,355,686	101	$21,386,157	100
Less: Sales returns	5,6	(153,989)	(1)	(59,420)	-
Less: Sales allowances	5,6	(50,593)	-	(31,271)	-
Net operating revenues		18,151,104	100	21,295,466	100
Operating cost	6,7	(16,569,601)	(91)	(19,448,727)	(91)
Gross profit		1,581,503	9	1,846,739	9
Unrealized gross profit		(66,148)	-	(113,661)	(1)
Realized gross profit		38,551	-	15,564	-
Net operating profit		1,553,906	9	1,748,642	8
Operating expenses	6				
Sales and marketing		(1,434,998)	(8)	(1,344,331)	(6)
General and administrative		(451,091)	(2)	(616,206)	(3)
Research and development		(634,151)	(4)	(662,830)	(3)
Total operating expense		(2,520,240)	(14)	(2,623,367)	(12)
Operating loss		(966,334)	(5)	(874,725)	(4)
Non-operating income and expense					
Other income	4,6,7	470,957	3	307,098	1
Other gains and (losses)	6,	(545,607)	(3)	(391,008)	(2)
Finance cost	4,6	(600,275)	(4)	(724,696)	(3)
Share of (losses) or profits of subsidiaries, associates and joint ventures	6	(1,432,357)	(8)	2,017,914	10
Total non-operating (expense) and income		(2,107,282)	(12)	1,209,308	6
(Loss) Income before income tax		(3,073,616)	(17)	334,583	2
Income tax benefit	4,5,6	(1,399)	-	28,956	-
Net (loss) income		(3,075,015)	(17)	363,539	2
Other comprehensive income (loss)	4,6				
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans		23,479	-	(16,539)	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method, not to be reclassified to profit or loss		(49,459)	-	19,813	-
To be reclassified to profit or loss in subsequent periods:					
Unrealized gain (loss) from available-for-sale financial assets		(143,924)	(1)	1,284	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method, to be reclassified to profit or loss		(506,039)	(3)	920,850	4
Total of other comprehensive income, net of income tax		(675,943)	(4)	925,408	4
Total comprehensive income (loss)		$(3,750,958)	(21)	$1,288,947	6
(Loss) Earnings per share	6				
Basic (loss) earnings per share (NT$)		$(1.35)		$0.16	
Diluted (loss) earnings per share (NT$)		$(1.35)		$0.16	

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			Other Capital Reserves				
Contents	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings/ (Accumulated deficits)	Exchange Differences on Translation of Foreign Operation	Unrealized Gain or Loss on Financial Instruments	Equity Related to Non-current Assets Held for Sale	Treasury Stock	Total
Balance as of January 1, 2014	$23,395,367	$767,970	$-	$15,894,690	$(5,919,690)	$(188,770)	$158,498	$-	$(806,870)	$33,301,195
Special reserve used to cover accoumulated defitcits	-	-	-	(5,919,690)	5,919,690	-	-	-	-	-
Net income in 2014	-	-	-	-	363,539	-	-	-	-	363,539
Other comprehensive income (loss) in 2014	-	-	-	-	3,274	518,526	403,608	-	-	925,408
Total comprehensive income (loss)	-	-	-	-	366,813	518,526	403,608	-	-	1,288,947
Change in subsidiaries' ownership	-	(17,329)	-	-	(206,226)	-	-	-	-	(223,555)
Balance as of December 31, 2014	$23,395,367	$750,641	$-	$9,975,000	$160,587	$329,756	$562,106	$-	$(806,870)	$34,366,587
Balance as of January 1, 2015	$23,395,367	$750,641	$-	$9,975,000	$160,587	$329,756	$562,106	$-	$(806,870)	$34,366,587
Legal reserve	-	-	36,354	-	(36,354)	-	-	-	-	-
Special reserve	-	-	-	124,233	(124,233)	-	-	-	-	-
Reversal of special reserve				(52,180)	52,180					-
Change in share of associates and joint ventures accounted for using the equity method	-	(747)	-	-	(49,175)	-	-	-	-	(49,922)
Net loss in 2015	-	-	-	-	(3,075,015)	-	-	-	-	(3,075,015)
Other comprehensive income (loss) in 2015	-	-	-	-	(25,980)	(321,665)	(326,859)	(1,439)	-	(675,943)
Total comprehensive income (loss)	-	-	-	-	(3,100,995)	(321,665)	(326,859)	(1,439)	-	(3,750,958)
Acquisition or disposal on subsidiary shares	-	-	-	-	(3,005)	23	222	-	-	(2,760)
Change in subsidiaries' ownership	-	35,482	-	-	727	-	-	-	-	36,209
Balance as of December 31, 2015	$23,395,367	$785,376	$36,354	$10,047,053	$(3,100,268)	$8,114	$235,469	$(1,439)	$(806,870)	$30,599,156

English Translations of Financial Statements Originally Issued in Chinese

TATUNG CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	January 1 to December 31, 2015	January 1 to December 31, 2014
Contents	Amount	Amount
Cash flows from operating activities:		
Net (loss) income before income tax	$(3,073,616)	$334,583
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	489,343	455,341
Amortization expense	62,351	53,420
Allowance for long-term receivables	200,108	308,864
(Income) loss from financial asset or financial liability at fair value through profit or loss	10,449	(69,637)
Finance costs	600,275	724,696
Interest income	(42,669)	(41,400)
Dividends income	(26,864)	(42,283)
Share of profit or loss of subsidiaries, associates and joint ventures	1,432,357	(2,017,914)
Gain on disposal of property, plant and equipment	(12,783)	(2,236)
Gain on disposal of investments	(105,070)	(41,777)
Unrealized gains or losses	27,597	98,097
Changes in assets and liabilities from operating activities:		
Notes receivable	59,861	(2,843)
Notes receivable - related parties	26,366	(24,679)
Accounts receivable	370,570	(60,397)
Accounts receivable - related parties	(115,379)	(598,124)
Construction receivables	1,152,067	337,031
Other receivables	6,514	(16,285)
Other receivables - related parties	(272,280)	(191,528)
Inventory	298,032	(174,027)
Prepayments	172,805	(212,605)
Financial assets at fair value through profit or loss	19,153	49,567
Transfer of inventory into property, plant and equipment	1,582	78,289
Other non-current assets	(70,936)	(20,114)
Long-term receivables	(41,604)	(66,776)
Long-term receivables - related parties	(14,098)	990,295
Accounts payable	(1,293,211)	460,547
Accounts payable - related parties	(116,328)	(312,321)
Other payables	259,371	(88,770)
Other payables - related parties	(93,443)	92,007
Provision, current	(46,770)	(39,736)
Advanced receipts	(162,072)	160,285
Other current liabilities - others	(5,412)	(2,623)
Net defined benefit liability	(276,003)	(243,756)
Long-term deferred revenues	85,000	-
Cash used in operations	(494,737)	(126,809)
Interest received	42,669	41,400
Dividend received	2,408,790	1,855,145
Interest paid	(607,346)	(684,001)
Income taxes return (paid)	1,830	(584)
Net cash provided by operating activities	1,351,206	1,085,151

	January 1 to December 31, 2015	January 1 to December 31, 2014
Contents	Amount	Amount
Cash flows from investing activities：		
Disposal of available-for-sale financial assets	9,693	43,594
Acquisition of investment in debt security with no active market	(3,107,406)	-
Disposal of investment in debt security with no active market	-	1,079,855
Disposal of financial assets carried at cost	23	-
Acquisition of investments accounted for under the equity method	(137,034)	-
Disposal of investments accounted for under the equity method	16,156	-
Cash returns from capital reduction of investments accounted for under the equity method	-	545,349
Acquisition of property, plant and equipment	(909,285)	(1,092,374)
Disposal of property, plant and equipment	72,194	15,627
Increase in deposit-out	(13,202)	-
Decrease in deposit-out	-	6,586
Deacrease in other receivables-related parties	30,576	164,394
Acquisition of intangible assets	(33,014)	(71,690)
Net cash (used in) generated from investing activities	(4,071,299)	691,341
Cash flows from financing asitivities ：		
Increase in short-term loans	-	762,478
Decrease in short-term loans	(1,015,102)	-
Increase in short-term notes and bills payable	550,015	600,158
Decrease in short-term notes and bills payable	(600,000)	(630,000)
Repayment for bonds	-	(4,372,470)
Proceeds from long-term loans	7,319,822	7,015,161
Repayment for long-term loans	(4,135,719)	(6,140,282)
Increase in deposits-in	1,816	663
Net cash generated from (used in) financing asitivities	2,120,832	(2,764,292)
Effects of exchange rate changes on cash and cash equivalents	-	-
Net decrease in cash and cash equivalents	(599,261)	(987,800)
Cash and cash equivalents at the beginning of periods	2,805,241	3,793,041
Cash and cash equivalents at the end of periods	$2,205,980	$2,805,241

TATUNG CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

1. Organization operations

Established in 1918, Tatung Company (the “Company”) was incorporated under the Company Act of the Republic of China (“R.O.C.”) and underwent reorganization in 1939. The total capital at that time was Taiwan Yuan $180,000, later increased to Taiwan Yuan $20,000,000 after several capital injections. After the reformation of monetary system in 1949, the total capital was converted to the equivalent of New Taiwan dollars (“NTD”) 200,000. As of December 31, 2015, the issued capital and registered was NTD23,395,367 thousand. The main activities of the Company are as follows:

(1) The design, manufacture, sale, installation, network system, automation system, lease, maintenance service, import, export and agency of the following products:

①Steel manufacturing machinery ②Industrial appliances
③Household appliances ④Refrigerator
⑤Air conditioners ⑥Metal processing machinery
⑦Electronic products ⑧Wire and cable
⑨Chemical industry ⑩Cookware
⑪Wood-made products ⑫Plastic products
⑬Office equipment ⑭Audio products
⑮Precision meter ⑯Transmission equipment
⑰Transportation facilities ⑱Healthcare products
⑲Microbe fermentation ⑳Construction
㉑Furniture ㉒Solar wafers
㉓Water treatment engineering ㉔Telecommunication equipment
㉕Parking facilities ㉖Automation machinery
㉗Semiconductor ㉘Real estate development and leasing

(2) Magazine publishing

(3) Customs brokerage

(4) General import/export (excluding permitted business)

(5) Development and leasing (excluding construction industry) of industrial parks on behalf of the competent authority.

The investment plans should be resolved by the Board of Directors, but the total amount of investment is not limited to the amount provided by Article 13 of Company Act, which states that the total amount of investment shall not exceed 40% of the amount of its own paid-in capital.

The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on February 9, 1962. The Company's registered office and the main business location is at No. 22, Zhongshan North Road, Section 3, Taipei, Republic of China (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2015 and 2014 were authorized for issue in accordance with a resolution of the board of directors' meeting on March 23, 2016.

3. Newly issued or revised standards and interpretations

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

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

IAS 19 *Employee Benefits*

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

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

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

(c) The revised IAS 19 required more disclosure; please refer to Note 6 for more details.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 *Disclosure of Interests in Other Entities* sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements, for example, summarized financial information about the associate or disclosure on subsidiaries with material non-controlling interests. Please refer to Note 6 for more details.

IFRS 13 *Fair Value Measurements*

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

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

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

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

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

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

(2) Standards or interpretations issued by IASB but not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue are listed below.

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

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

(b) *IFRIC 21 "Levies"*

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

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

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

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

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

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

IFRS 2 "Share-based Payment"

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

IFRS 3 "Business Combinations"

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

IFRS 8 "Operating Segments"

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

IFRS 13 "Fair Value Measurement"

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

IAS 16 "Property, Plant and Equipment"

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

IAS 24 "Related Party Disclosures"

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

IAS 38 "Intangible Assets"

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

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

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

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

IFRS 3 "Business Combinations"

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

IFRS 13 "Fair Value Measurement"

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

IAS 40 "Investment Property"

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

(g) *IFRS 14 "Regulatory Deferral Accounts"*

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

(h) *IFRS 11 "Joint Arrangements" (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 "Business Combinations", and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after January 1, 2016.

(i) *IAS 16"Property, Plant and Equipment and IAS 38 "Intangible Assets" — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after January 1, 2016.

(j) *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation
The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

(k) *IAS 16"Property, Plant and Equipment and IAS 41 "Agriculture"* — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after January 1, 2016.

(l) *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018.

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

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

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

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

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated *Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

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

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

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

IFRS 7 "Financial Instruments: Disclosures"

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

IAS 19 "Employee Benefits"

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

IAS 34 "Interim Financial Reporting"

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

(p) *Disclosure Initiative – Amendment to IAS 1 "Presentation of Financial Statements" (Amendment):*

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

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

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

(r) *IFRS 16“Leases”*

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

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

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (a), (c) ~(f), (i)~(j), (l)~(t), it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

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

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The parent company only expressed in Thousands of New Taiwan Dollars.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the financial statements are measured by the functional currency.

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

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

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset. If the differences are regarded as an adjustment to interest costs, which will be capitalized and take as part of the cost of the borrowing.

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

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

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

(4) Translation of financial statements in foreign currency

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

The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

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

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

(5) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. The Company holds the asset primarily for the purpose of trading;
C. The Company expects to realize the asset within twelve months after the reporting period;
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle
B. The Company holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

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

Available-for-sale financial assets

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

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

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) a breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(d) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired;
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred;
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Once the financial asset, are derecognized entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 Financial Instruments: Recognition and Measurement.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

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

(a) it eliminates or significantly reduces a measurement or recognition inconsistency or
(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

C. Offsetting of financial instruments

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

(8) Derivative financial instrument

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - purchase cost on weighted average cost formula

Work in progress and finished goods - cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(11) Construction contract

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognized only to the extent of contract costs.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately.

(12) Investments accounted for using the equity method

The Company's investment in its subsidiaries is presented as investments accounted for using the equity method and adjusted by necessary measurements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements.

These adjustments resulted from considering the different treatments of investments in subsidiaries under IFRS 10 Consolidated Financial Statements and under IFRS applied to different entity level. These investments may be debited or credited using the equity method, as share of profits (losses) of subsidiaries, associates and joint ventures, or share of other comprehensive income (loss) of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

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

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

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

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

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

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal

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

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

(13) Property, plant and equipment

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

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

Buildings	3～50 year
Machinery and equipment	3～20 year
Transportation equipment	3～10 year
Office equipment	3～10 year
Leased assets	3～50 year
Leasehold improvements	The shorter of lease terms or economic useful lives
Other equipment	2～10 year

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

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

(14) Leases

Company as a lessee

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

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

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating lease is recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Intangible assets

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

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

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

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

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

Research and development costs

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

A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
B. Its intention to complete and its ability to use or sell the asset
C. How the asset will generate future economic benefits
D. The availability of resources to complete the asset
E. The ability to measure reliably the expenditure during development

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

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 years).

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

	Computer software
Useful lives	Finite
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

(16) Impairment of non-financial assets

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

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

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

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

(17) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

<u>Maintenance warranties</u>

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgment and other known factors.

(18) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(19) Revenue recognition

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

Sale of goods

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

A. the significant risks and rewards of ownership of the goods have passed to the buyer;
B. neither continuing managerial involvement nor effective control over the goods sold have been retained;
C. the amount of revenue can be measured reliably;
D. it is probable that the economic benefits associated with the transaction will flow to the entity;
E. the costs incurred in respect of the transaction can be measured reliably.

Rendering of Services

Revenue from Information systems integration services is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Company’s right to receive the payment is established.

Rent Income

Rental income from operating lease is accounted by straight-line basis on the period of lease.

(20) Borrowing costs

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

(21) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(22) Post-employment benefits

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

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognized expenses for the defined contribution plan in the period in which the contribution becomes due.

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

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

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

The post-employment benefit plan cost in interim periods adopts the post-employment benefit plan cost ratio of the previous year. The base of the calculation starts from the beginning of the year to and ends at the period end. In addition, the effect of significant market fluctuations, significant deductions, payback or other significant one-time events is adjusted and disclosed.

(23) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

The income tax expense in interim periods is accrued and disclosed using the tax rate applicable to the total income in the corresponding year. Namely, the estimated effective interest rate is applied to the interim pre-tax income.

5. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(3) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(4) Revenue recognition - sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue.

(5) Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets as of December 31, 2015.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31, 2015	As of December 31, 2014
Cash on hand & demand deposits	$47,099	$48,590
Cash in banks	2,153,193	2,219,255
Time deposits	-	531,018
Cash in transit	5,688	6,378
Total	$2,205,980	$2,805,241

(2) Financial assets at fair value through profit or loss, current

	As of December 31, 2015	As of December 31, 2014
Held for trading:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	$4,479	$67,040
Subtotal	4,479	67,040
Non-derivative financial assets		
Open-end funds	19,721	-
Subtotal	19,721	-
Total	$24,200	$67,040

Held for trading financial assets were not pledged.

(3) Available-for-sale financial assets

	As of December 31, 2015	As of December 31, 2014
Stocks	$394,812	$539,606
Current	$382,528	$483,365
Non-current	12,284	56,241
Total	$394,812	$539,606

Financial assets available for sale were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(4) Held-to-maturity financial assets

	As of December 31,	
	2015	2014
Bonds	$20,000	$20,000
Current	$20,000	$-
Non-current	-	20,000
Total	$20,000	$20,000

Financial assets held-to-maturity were not pledged.

(5) Financial assets measured at cost

	As of December 31,	
	2015	2014
Stocks	$29,538	$29,538
Current	$29,238	$29,238
Non-current	300	300
Total	$29,538	$29,538

The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

(6) Debt instrument investments for which no active market exists

	As of December 31,	
	2015	2014
Cash in banks	$20,000	$20,000
Time deposits	3,181,669	74,263
Total	$3,201,669	$94,263

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

	As of December 31,	
	2015	2014
Current	$3,170,899	$94,263
Non-current	30,770	-
Total	$3,201,669	$94,263

Please refer to Note 8 for more details on debt instrument investments for which no active market exists that were pledged as collateral.

(7) Notes receivable and notes receivable-related parties

	As of December 31,	
	2015	2014
Notes receivables arising from operating activities	$296,180	$356,041
Less: allowance for doubtful debts	-	-
Subtotal	296,180	356,041
Notes receivables-related parties	1,775	28,141
Less: allowance for doubtful debts	-	-
Subtotal	1,775	28,141
Total	$297,955	$384,182

Notes receivables were not pledged.

(8) Accounts receivable and accounts receivable-related parties

	As of December 31,	
	2015	2014
Accounts receivable	$1,990,697	$2,429,861
Less: allowance for doubtful debts	(85,577)	(162,059)
Net	1,905,120	2,267,802
Installment accounts receivable	544,311	552,599
Less: unrealized interest revenue – trade receivables from installment sales	(951)	(1,351)
Less：allowance for doubtful debts	-	-
Net	543,360	551,248
Subtotal	2,448,480	2,819,050
Accounts receivable-related parties	2,000,244	2,106,138
Less: allowance for doubtful debts	(129)	(737)
Less: unrealized interest revenue – trade receivables from installment sales	(3,606)	(513)
Net	1,996,509	2,104,888
Total	$4,444,989	$4,923,938

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The expected recovery of the accounts receivables from installment sales is as follows:

	As of December 31,	
	2015	2014
Not later than one year	$189,385	$240,979
Later than one year and not later than two years	182,871	145,357
Later than two years	172,055	166,263
	$544,311	$552,599

Accounts receivables were not pledged.

Accounts receivable are generally on 30-180 day terms. The movements in the provision for impairment of accounts receivable and accounts receivable-related parties are as follows:

	Individually impaired	Collectively impaired	Total
As of January 1, 2015	$20,135	$142,661	$162,796
Charge (reversal) for the current period	-	(77,090)	(77,090)
As of December 31, 2015	$20,135	$65,571	$85,706
As of January 1, 2014	$20,135	$152,707	$172,842
Charge (reversal) for the current period	-	(10,046)	(10,046)
As of December 31, 2014	$20,135	$142,661	$162,796

Impairment loss that was individually determined for the years ended December 31, 2015 and 2014 arose due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Company did not hold any collateral for such trade receivables.

Ageing analysis of account receivables and account receivables-related parties that were past due as of the balance sheet date but not impaired is as follows:

	Neither past	Past due but not impaired			
As of	due nor impaired	1 to 6 months	6 months to 1 year	More than 1 year	Total
December 31, 2015	$4,038,859	$395,926	$211	$9,993	$4,444,989
December 31, 2014	4,372,615	447,755	103,521	47	4,923,938

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(9) Construction receivables (including from related parties)

	As of December 31, 2015	As of December 31, 2014
Accumulated cost incurred	$4,801,735	$4,815,931
Accumulated recognized project profit (loss)	320,775	628,153
Accumulated amount of construction progress	(4,268,609)	(3,438,116)
Construction receivables	$853,901	$2,005,968

As of December 31, 2015

Items	Contract proceeds	Contract costs incurred	Accumulated recognized total project profit(loss)	Percentage of completion	Amounts billed based on construction progress	Construction contracts receivable
Percentage of completion method						
Category A	$82,700	$67,012	$7,045	25%~100%	$52,703	$21,354
Category B	174,979	136,933	9,905	0%~100%	42,760	104,078
Category C	6,512,992	4,597,790	303,825	0%~100%	4,173,146	728,469
Total	$6,770,671	$4,801,735	$320,775		$4,268,609	$853,901

As of December 31, 2014

Items	Contract proceeds	Contract costs incurred	Accumulated recognized total project profit(loss)	Percentage of completion	Amounts billed based on construction progress	Construction contracts receivable
Percentage of completion method						
Category A	$830,002	$558,011	$221,371	0~100%	$528,210	$251,172
Category B	775,970	584,740	58,026	70~100%	309,847	332,919
Category C	5,899,007	3,652,699	338,660	20~100%	2,600,059	1,391,300
Category D	40,000	20,481	10,096	76%	-	30,577
Total	$7,544,979	$4,815,931	$628,153		$3,438,116	$2,005,968

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(10) Inventory

A. The details of inventories are as follows:

	As of December 31,	
	2015	2014
Raw materials	$715,286	$805,178
Work in progress	1,445,113	1,344,560
Finished good	1,421,222	1,580,253
Inventories in transit	33,469	53,293
Construction in progress	427,869	557,707
Total	$4,042,959	$4,340,991

The cost of inventories recognized in expenses amounted to NTD 16,569,601 thousand and NTD 19,448,727 thousand, including the recognition of allowance for inventory valuation losses of NTD 246,508 thousand and NTD 71,929 thousand for the years ended December 31, 2015 and 2014, respectively.

Inventories were not pledged.

(11) Investments accounted for using the equity method

A. The following table lists the investments accounted for using the equity method of the Company:

	As of December 31,			
	2015		2014	
Name of investee company	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investment in subsidiaries:				
Listed companies				
Chunghwa Picture Tubes, Ltd.	$(644,343)	8.46	$143,705	8.46
Tatung System Technologies Inc.	493,761	53.60	526,060	53.60
Forward Electronics Co., Ltd.	122,290	12.05	147,848	12.05
San Chih Semiconductor Co., Ltd.	1,218,386	43.18	1,736,885	43.18
Tatung Fine Chemicals Co.	243,270	48.27	275,319	48.27
Subtotal	1,433,364		2,829,817	

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

	December 31, 2015		December 31, 2014	
Name of investee company	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Non-public companies				
Taiwan Telecommunication Industry Co., Ltd.	$(765,665)	100.00	$(731,863)	100.00
Central Research Technology Co.	60,001	100.00	63,359	100.00
Tatung Consumer Products (Taiwan) Co., Ltd.	(677,127)	99.10	(478,842)	99.10
Tatung Sm-Cyclo Co., Ltd.	171,759	85.33	169,568	85.33
Shang-Chih Asset Development Co.	31,350,588	100.00	31,974,880	100.00
Chunghwa Electronic Investment Co., Ltd.	697,193	93.27	1,668,042	93.27
Tatung Die Casting Co.	41,867	51.00	38,996	51.00
Tatung (Thailand) Co., Ltd.	344,002	100.00	378,587	100.00
Tatung Company of Japan, Inc.	594,834	100.00	576,711	100.00
Tatung Electronics(S) Pte. Ltd.	58,849	90.00	63,672	90.00
Tatung Wire & Cable (Thailand) Co., Ltd.	74,218	100.00	79,294	100.00
Tatung Singapore Information Co., Ltd.	71,499	100.00	(37,035)	100.00
Tatung Electric (Singapore) Pte. Ltd.	865,023	100.00	917,143	100.00
Tatung Co. of America Inc.	139,447	50.00	148,765	50.00
Tatung Mexico S.A de C.V.	272,135	100.00	343,828	100.00
Tatung Science and Technology Inc.	8,371	100.00	9,045	100.00
Tatung Electric Company of America, Inc.	196,587	100.00	191,714	100.00
Tatung Netherlands B.V.	(125,852)	100.00	(125,852)	100.00
Tatung (U.K.)Ltd. (Note 1)	-	-	(221,130)	100.00
TATUNG CZECH s.r.o	33,342	100.00	64,067	100.00
Tatung Medical Healthcare Technologies Co., Ltd. (Note 2)	197,160	95.02	179,763	95.41
Toes Opto-Mechatronics Co.	106,848	85.00	143,458	85.00
Tisnet Technology Inc. (Note 3)	-	-	10,041	18.35
Tatung Vietnam Co. Ltd.	(207,910)	100.00	(140,675)	100.00
Tatung Electric Technology (Vietnam) Co., Ltd.	53,034	100.00	72,169	100.00
Shang Chih Investment Co., Ltd.	461,971	95.83	577,840	95.83
Chih Sheng Investment Co., Ltd.	824,686	100.00	1,179,879	100.00
Taipei Industry Corporation (Note 4)	19	0.0026	-	-
Tatung Forever Energy Co., Ltd. (Note 5)	99,841	100.00	-	-
Tatung Global Strategy Investment And Trading (BVI) Inc.	(863,923)	100.00	(525,875)	100.00
Absolute Alpha Limited	20,573	100.00	21,008	100.00
Subtotal	34,103,370		36,610,557	

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

	December 31, 2015		December 31, 2014	
Name of investee company	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investment in associates:				
Listed companies				
Elitegroup Computer System Co., Ltd.	$4,543,168	27.35	$5,017,072	27.38
Non-public companies				
Tatung-Okuma Co., Ltd.	956,486	49.00	867,278	49.00
Kuender & Co., Ltd.	439,824	50.00	219,572	50.00
Hsieh Chih Industrial Library Publishing Co.	901	6.91	877	6.91
Chung-Tai Technology Development Engineering Co.	14,646	22.00	15,669	22.00
Lansong International Co., Ltd.	-	98.33	-	98.33
Tatung Telecom Corporation	-	-	(3,159)	35.00
Subtotal	5,955,025		6,117,309	
The balance of the investment accounted for using equity method	41,491,759		45,557,683	
Add: the credit balance of the investment accounted for using equity method	3,284,820		2,264,431	
Total	$44,776,579		$47,822,114	

B. Investments in subsidiaries:

Investments in subsidiaries were presented as investments accounted for using the equity method and adjusted by necessary measurements.

Note 1: Tatung (U.K.) Ltd. was liquidated in December, 2015.

Note 2: The Company did not participate in the capital injections of Tatung Medical Healthcare Technologies Co., Ltd. in August, 2015. Therefore, the shareholding percentage has dropped to 95.02%.

Note 3: The board of directors of Tatung System Technologies Inc. resolved to purchase all of the shares of Tisnet Technology Inc. held by the Company on May 26, 2015.

Note 4: On May 7, 2015, the board of directors of Taipei Industry Corporation resolved to issue new shares through capital injection. The capital injection was majorly invested by Shan-Chih Asset Development Co. and the remaining shares are purchased by the Company.

Note 5: The Company invested NTD 100,000 thousand in February 2015 to establish Tatung Forever Energy Co., Ltd., holding 100% of its shares.

For the years ended December 31, 2015 and 2014, the Company received dividends from investing in subsidiaries and associates using the equity method were amounting to NTD 2,381,926 thousand and 1,812,862 thousand, respectively.

Please refer to Note 8 on investment in subsidiaries that were pledged as collateral.

C. Investments in associates:

a. Information on the material associate of the Company:

Company name: Elitegroup Computer Systems Co., Ltd.

Nature of the relationship with the associate: Elitegroup Computer Systems Co., Ltd. is in the business of manufacturing and selling related products in the Company’s industry chain. The Company invested in Elitegroup Computer Systems Co., Ltd. for the purpose of upstream/downstream integration.

Principal place of business (country of incorporation): Taiwan

Fair value of the investment in the associate when there is a quoted market price for the investment: Elitegroup Computer Systems Co., Ltd. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Elitegroup Computer Systems Co., Ltd. was NT$3,087,627 thousand and NT$4,063,469 thousand, as of December 31, 2015 and 2014, respectively.

Reconciliation of the associate’s summarized financial information presented to the carrying amount of the Group’s interest in the associate:

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The summarized financial information of the associate is as follows:

	As of December,	
	2015	2014
Current assets	$19,240,314	$24,728,602
Non-current assets	7,003,961	7,744,389
Current liabilities	(11,158,840)	(15,644,972)
Non-current liabilities	(631,634)	(610,010)
Equity	14,453,801	16,218,009
Proportion of the Company's ownership	27.35%	27.38%
Subtotal	3,953,115	4,440,491
Goodwill	614,638	614,638
Other adjustments	(24,585)	(38,057)
Carrying amount of the investment	$4,543,168	$5,017,072

	For the years ended	
	2015	2014
Operating revenue	$48,386,567	$55,895,307
Profit from continuing operations	1,111,205	1,302,128
Other comprehensive income	(95,198)	470,897
Total comprehensive income	1,016,007	1,773,025

b. Except the associate mentioned above, other associates were not individually material. The aggregate financial information based on Company's share of other associates was as follows:

	For the years ended	
	2015	2014
Profit from continuing operations	$24,046	$149,182
Other comprehensive income, net of income tax	-	-
Total comprehensive income	24,046	149,182

c. The associates had no contingent liabilities or capital commitments as of December 31, 2015 and 2014, nor did the associates provide collaterals.

d. The investments in associates of the Company were not pledged as collateral.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(12) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2015	$632,051	$6,095,510	$425,545	$60,666	$351,739	$1,612,001	$537,484	$9,714,996
Additions	50	373,115	23,027	4,301	53,257	176,743	278,792	909,285
Disposals	(427)	(112,726)	(27,617)	(3,459)	(931)	(156,535)	(90)	(301,785)
Other changes (Note)	810	375,501	(20,092)	-	9,430	(118,544)	(245,081)	2,024
As of December 31, 2015	$632,484	$6,731,400	$400,863	$61,508	$413,495	$1,513,665	$571,105	$10,324,520
As of January 1, 2014	$608,016	$5,988,542	$390,295	$64,543	$269,176	$1,557,109	$213,963	$9,091,644
Additions	19,895	434,573	8,884	1,545	84,670	67,980	474,828	1,092,375
Disposals	-	(334,207)	(26,830)	(5,422)	(1,174)	(21,929)	(1,406)	(390,968)
Other changes (Note)	4,140	6,602	53,196	-	(933)	8,841	(149,901)	(78,055)
As of December 31, 2014	$632,051	$6,095,510	$425,545	$60,666	$351,739	$1,612,001	$537,484	$9,714,996
Depreciation and impairment:								
As of January 1, 2015	$(450,895)	$(4,679,832)	$(308,537)	$(55,084)	$(152,687)	$(1,366,203)	$-	$(7,013,238)
Depreciation	(16,620)	(284,998)	(55,001)	(2,435)	(58,256)	(72,033)	-	(489,343)
Disposals	426	87,676	27,534	3,431	763	122,544	-	242,374
Other changes (Note)	-	(10,763)	10,763	-	-	(3,606)	-	(3,606)
As of December 31, 2015	$(467,089)	$(4,887,917)	$(325,241)	$(54,088)	$(210,180)	$(1,319,298)	$-	$(7,263,813)
As of January 1, 2014	$(435,556)	$(4,718,041)	$(303,368)	$(58,201)	$(104,481)	$(1,315,592)	$-	$(6,935,239)
Depreciation	(15,339)	(282,741)	(32,143)	(2,296)	(49,380)	(73,442)	-	(455,341)
Disposals	-	322,523	26,538	5,426	1,174	21,922	-	377,583
Other changes (Note)	-	(1,573)	436	(13)	-	909	-	(241)
As of December 31, 2014	$(450,895)	$(4,679,832)	$(308,537)	$(55,084)	$(152,687)	$(1,366,203)	$-	$(7,013,238)
Net carrying amount as of:								
December 31, 2015	$165,395	$1,843,483	$75,622	$7,420	$203,315	$194,367	$571,105	$3,060,707
December 31, 2014	$181,156	$1,415,678	$117,008	$5,582	$199,052	$245,798	$537,484	$2,701,758

(Note: Including transfer from advance payments of equipment and reclassification.)

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

No borrowing costs were capitalized as property, plant and equipment for the years ended December 31, 2015 and 2014.

Components of buildings, including main building structure, electronic engineering, electrical engineering, fire engineering, air conditioning units and elevators, are depreciated by their own respective useful lives.

Please refer to Note 8 for more details on property, plant and equipment that were pledged as collateral.

B. Assets related to Tatung University are described as follows:

As of December 31, 2015, the carrying amount of Hsin-She-Gong Building ("the Building") was NTD 145,051 thousand. As of the audit report date of these consolidated financial statements, the ownership registration was still in progress, however, pursuant to R.O.C. Civil Code, the ownership of the Building belongs to the Company.

Execution of specific development plan for the Building
Hsin-She-Gong Building is located within the Company's premises. The overall development plan involved the registration of land use change and urban planning, thus the long-term plans are still in the communication and planning stage. Hsin-She-Gong Building will continue to be used as it is. In addition, the Company had conducted building safety inspections and fire inspections according to the relevant laws in order to maintain the safety and the optimum utilization of the Building.

(13) Intangible assets

Computer software cost

	Cost	Amortization and impairment	Net book value
As of January 1, 2015	$213,856	$(112,486)	$101,370
Addition	33,014	-	33,014
Disposals	(11,387)	11,387	-
Amortization	-	(62,351)	(62,351)
As of December 31, 2015	$235,483	$(163,450)	$72,033
As of January 1, 2014	$154,393	$(71,293)	$83,100
Addition	71,690	-	71,690
Disposals	(12,227)	12,227	-
Amortization	-	(53,420)	(53,420)
As of December 31, 2014	$213,856	$(112,486)	$101,370

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31,	
	2015	2014
Operating costs	$1,520	$61
Operating expense	$60,831	$53,359

(14) Other non-current assets

	As of December 31,	
	2015	2014
Advance payments in equipment	$42,691	$70,529
Other non-current assets - other	186,292	166,529
Total	$228,983	$237,058

With respect to the above other non-current assets – other, part of the lands and land prepayment in the amount of NTD 70,073 thousand and NTD 4,669 thousand were held temporarily under third parties' name because of regulatory requirements or other reasons as of December 31, 2015 and 2014. In order to secure the Company's right over the lands, the Company has adopted relevant security measures, including having the lands pledged to the Company.

(15) Long-term receivables-net

	As of December 31,	
	2015	2014
Tatung InfoComm Co., Ltd.	$632,972	$591,368
Less: allowance for doubtful debts	(508,972)	(308,864)
Net	$124,000	$282,504

On March 30, 2012, the Company entered into a share purchase contract with Vee Telecom Multimedia Co., Ltd. Under the contract, the Company would sell all of its shares of its subsidiary, Tatung InfoComm Co., Ltd., to Vee Telecom Multimedia Co., Ltd. Moreover, the Company's financing to Tatung InfoComm Co., Ltd in the amount of NTD 557,980 thousand would be repaid by Tatung InfoComm Co., Ltd. However, Tatung InfoComm co., Ltd. was not able to repay the Company as contracted. In addition to taking measures to secure creditor rights, the Company evaluated the financial condition of Tatung InfoComm co., Ltd. and the likelihood to recover, to recognize allowance for bad debts.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(16) Short-term loans

	Interest Rates (%)	As of December 31, 2015	As of December 31, 2014
Unsecured bank loans	1.88%-2.77%	$3,228,000	$3,830,111
L/C loans	0.91%-2.69%	1,189,573	1,601,786
Short-term loans in foreign currency	1.12%-2.51%	1,088,766	1,089,389
Subtotal		5,506,339	6,521,286
Due to employees	0.17%	18,264	18,419
Total		$5,524,603	$6,539,705

The Company's unused short-term lines of credits amounted to NTD 3,679,348 thousand and NTD 3,556,449 thousand, as of December 31, 2015 and 2014, respectively.

(17) Short-term notes and bills payable

Guarantors	Interest Rates (%)	As of December 31, 2015	As of December 31, 2014
Unsecured domestic bills payable	0.85%-1.17%	$550,000	$600,000
Less: Unamortized discount		(241)	(256)
Net		$549,759	$599,744

(18) Financial liabilities at fair value through profit or loss - current

	As of December 31, 2015	As of December 31, 2014
Held for trading:		
Derivatives not designated as hedging Instruments		
Foreign currency option	$807	$14,400
Total	$807	$14,400

(19) Long-term deferred revenue

	As of December 31, 2015	As of December 31, 2014
Non-current deferred revenue	$85,000	$-

The non-current deferred revenue is generated from unearned rent from operating lease.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(20) Long-term loans

Details of long-term loans as of December 31, 2015 and 2014 are as follows:

	As of December 31,		Interest rate	
Lenders	2015	2014	(%)(Note)	Maturity date and terms of repayment
Secured Long-term loans from King's Town Bank	$800,000	$135,000	0.81	Effective from December 30, 2015 to December 30, 2017. The principal will be repaid upon maturity.
Secured long-Term loans from Bank of Taiwan	150,000	300,000	2.30	Effective from August 4, 2011 to July 28, 2016. The first repayment date is 2 years after the date of this agreement effective and interest is paid monthly. Principal is repaid in 6 semi-annually payments.
Secured Long-term loans from Bank SinoPac	96,749	57,466	1.94~2.94	Effective from July 9, 2014 to July 9, 2023. Since the first use date, principal is repaid in 36 quarterly payments.
Secured Long-term loans from Bank SinoPac	317,208	-	1.94~2.94	Effective from April 27, 2015 to April 27, 2027. Since the first use date, principal is repaid in 48 quarterly payments.
Unsecured long-term loans from Bank SinoPac	500,000	-	2.00	Effective from December 31, 2015 to December 31, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Bank SinoPac	-	10,590	2.45~2.85	Effective from July 9, 2014 to July 9, 2017. Since the first use date, principal is repaid in 36 quarterly payments.
Unsecured long-term loans from Mega International Commercial Bank	1,200,000	1,400,000	2.53~2.60	Effective from January 11, 2015 to January 11, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Taishin International Bank	200,000	200,000	2.68	Effective from December 25, 2015 to December 25, 2017. The principal will be repaid upon maturity.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Lenders	As of December 31, 2015	As of December 31, 2014	Interest rate (%)(Note)	Maturity date and terms of repayment
Unsecured long-term loans from Taishin International Bank	3,000,000	-	1.80	Effective from December 29, 2015 to December 30, 2019. The 1st repayment of principal is in 6 months after first draw. The remaining principal is repaid in 8 semi-annual payments. The credit will be decreased by 12.5% in each repayment.
Unsecured long-term loans from Chang Hwa Bank	800,000	800,000	2.27~2.34	Effective from December 21, 2015 to December 21, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Hua Nan Bank	1,740,000	1,840,000	1.80	Effective from May 22, 2015 to May 22, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Taiwan Cooperative Bank	1,300,000	1,300,000	2.28~2.35	Effective from December 1, 2015 to December 1, 2017. The principal will be repaid upon maturity.
Unsecured long-term loans from Far Eastern International	962,684	961,056	2.15~2.19	Effective from December 10, 2015 to December 10, 2018. The principal will be repaid upon maturity.
The Export-Import Bank Of the ROC	60,000	180,000	2.41~2.50	Effective from December 10, 2013 to May 13, 2016. The 1st repayment of principal is in 6 months after first draw. The remaining principal is repaid in 5 semi-annually payments. The last repayment is no longer than 2 year and 6 months after execution date of the loan agreement.
Unsecured long-term loans from EnTie Commercial Bank	200,000	-	2.75	Effective from November 24, 2015 to November 24, 2017. Since the first use date, principal is repaid in 10 quarterly payments.
Secured Syndicated loans from Taishin International Bank	4,400,000	4,400,000	2.63~2.84	Effective from June 13, 2014 to June 13, 2018. The 1st repayment of principal is in 36 months after first draw. The remaining principal is repaid in 3 semi-annually payments. The 1st and 2nd repayments will be both at 20% and the remaining 60% will be repaid in the 3rd repayment.
Secured Syndicated loans from First Bank	2,200,000	2,750,000	2.63	Effective from September 16, 2013 to September 16, 2018. The 1st repayment of principal is in 18 months after first draw. The remaining principal is repaid in 4 semi-annually repayments. The 1st to 3rd payments will be 10% and the remaining 70% will be repaid in the 4th repayment.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Lenders	As of December 31, 2015	As of December 31, 2014	Interest rate (%)(Note)	Maturity date and terms of repayment
Secured Syndicated loans from Bank SinoPac	1,000,000	700,000	2.64	Effective from September 30, 2015 to September 30, 2017. The 1st repayment of principal is in 18 months after first draw. The remaining principal is repaid in 3 quarterly payments. The 1st and 2nd repayments will decrease the credit by 30% each, and the remaining 40% will be repaid in the 3rd repayment.
Secured Syndicated loans from Bank of Taiwan	800,000	800,000	2.49	Effective from March 31, 2014 to March 31, 2017. The 1st repayment of principal is in 24 months after first draw. The remaining principal is repaid in 2 semi-annually payments. The 1st and 2nd repayments will decrease the credit by 20% each, and the remaining 60% will be repaid in the 3rd repayment.
Secured Syndicated loans from Bank of Taiwan	480,000	800,000	2.49	Effective from March 31, 2014 to March 31, 2017. Only one withdraw is allowed. The loan should be withdraw in the first six months of the effective period. The credit period should be twelve months after withdraw. The 1st repayment of principal is in 12 months after first draw. The remaining principal is repaid in 5 semi-annually payments.
Hua Nan Bank L/C loans (USD)	197,806	300,835	1.80~2.27	Principal is repaid in 180 days after first draw. The maturity date is June 28, 2016.
Hua Nan Bank L/C loans (EUR)	-	30,771	1.53~1.66	Principal is repaid in 180 days after first draw. The maturity date is June 21, 2016.
Hua Nan Bank L/C loans (SEK)	4,184	4,390	5.40~5.80	Principal is repaid in 180 days after first draw. The maturity date is June 28, 2016.
Chang Hwa Bank L/C loans (USD)	169,640	348,301	1.48~1.94	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Chang Hwa Bank L/C loans (EUR)	67,960	15,004	1.02~1.22	Principal is repaid in 180 days after first draw. The duration of the loan is two years.
Mega Bank L/C loans (USD)	369,378	487,779	2.11~2.91	Principal is repaid in 180 days after first draw. The maturity date is June 19, 2016.
Hua Nan Bank secured loans in a foreign currency (USD)	179,116	47,365	1.69~2.28	Principal is repaid in 180 days after first draw. The maturity date is June 8, 2016.
Chang Hwa Bank secured loans in a foreign currency (USD)	37,339	44,641	1.50~1.94	Principal is repaid in 180 days after first draw. The duration of the loan is two years.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Lenders	As of December 31, 2015	As of December 31, 2014	Interest rate (%)(Note)	Maturity date and terms of repayment
Mega Bank secured loans in a foreign currency (USD)	61,153	199,995	2.33~2.38	Principal is repaid in 180 days after first draw. The maturity date is June 14, 2016.
Two-year loans due to stockholders and employees	17,453	17,801		
Subtotal	21,310,670	18,130,994		
Less: unamortized issuing cost	(56,891)	(61,318)		
	21,253,779	18,069,676		
Less: current portion	(3,321,520)	(1,885,579)		
Total	$17,932,259	$16,184,097		

(Note: Interest rates are rounded off to the second decimal place.)

Shan-Chih Asset Development Co. guaranteed the Company's long-term loans. As of December 31, 2015 and 2014, the balance of guarantees was NTD 12,950,000 thousand and NTD 10,600,000 thousand, respectively; the Company's Chairman, W.S. Lin, guaranteed some of the Company's bank loans.

For the years ended December 31, 2015 and 2014, certain long term loans of the Company included debt covenants requiring minimum levels of liquidity ratio, liability to equity ratio, and net assets value. For the years ended December 31, 2015 and 2014, the Company did not breach any such covenants, therefore there was no immediate repayment of the loans triggered by breach of covenants.

Please refer to Note 8 for assets pledged as collateral for long-term loans.

(21) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2015 and 2014 were NTD 73,404 thousand and NTD 76,494 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandates, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NTD 25,981 thousand to its defined benefit plan during the 12 months beginning after December 31, 2015.

As of December 31, 2015 and 2014, the maturity year of the defined benefit plan is 2016.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

	For the years ended December 31,	
	2015	2014
Current period service costs	$19,831	$20,300
Interest income or expense	21,732	24,003
Payments from the plan	(58)	(625)
Total	$41,505	$43,678

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

	As of		
	2015.12.31	2014.12.31	2014.1.1
Defined benefit obligation	$2,645,880	$2,897,540	$3,200,459
Plan assets at fair value	(55,639)	(7,707)	(83,410)
Subtotal	2,590,241	2,889,833	3,117,049
Other	2,610	2,500	2,502
Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets	$2,592,851	$2,892,333	$3,119,551

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2014	$3,200,459	$(83,410)	$3,117,049
Current period service costs	20,300	-	20,300
Net interest expense (income)	24,003	(625)	23,378
Subtotal	3,244,762	(84,035)	3,160,727
Remeasurements of the net defined benefit liability (asset):			
Experience adjustments	17,608	-	17,608
Return on plan assets	-	(1,069)	(1,069)
Subtotal	17,608	(1,069)	16,539
Payments from the plan	(364,830)	364,830	-
Contributions by employer	-	(287,433)	(287,433)
As of December 31, 2014	2,897,540	(7,707)	2,889,833
Current period service costs	19,831	-	19,831
Net interest expense (income)	21,731	(58)	21,673
Subtotal	2,939,102	(7,765)	2,931,337
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	7,000	-	7,000
Experience adjustments	(28,953)	-	(28,953)
Return on plan assets	-	(1,526)	(1,526)
Subtotal	(21,953)	(1,526)	(23,479)
Payments from the plan	(271,269)	271,269	-
Contributions by employer	-	(317,617)	(317,617)
As of December 31, 2015	$2,645,880	$(55,639)	$2,590,241

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

	As of December 31, 2015	As of December 31, 2014
Discount rate	0.50%	0.75%
Expected rate of salary increases	1.00%	1.00%

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

	Effect on the defined benefit obligation 2015		2014	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$7,000	$-	$-
Discount rate decrease by 0.25%	7,169	-		-

The sensitivity analyses above are based on a change in the actuarial assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(22) Provisions, current

	Maintenance warranties
As of January 1, 2015	$91,916
Utilized	(46,770)
As of December 31, 2015	$45,146

As of December 31, 2015	$45,146
As of December 31, 2014	$91,916

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgment and other known factors.

(23) Equities

A. Common stock

As of December 31, 2015 and 2014, the Company's authorized capital were both NTD 100,000,000 thousand, and issued capital both were NTD 23,395,367 thousand, with a par value of NTD10 dollar. Each share is entitled to one voting right and the right to receive dividends.

B. Capital surplus

	As of December 31,	
	2015	2014
Share of changes in net assets of associates and joint ventures accounted for using the equity method	$680,241	$645,506
Other	105,135	105,135
Total	$785,376	$750,641

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

C. Treasury stock

As of December 31, 2015 and 2014 the Company's subsidiaries, CPT and its subsidiaries, and Chunghwa Electronics Investment Co., held 70,598 thousand shares and 333 thousand shares of the Company's stock. The stocks mentioned above were held for financing purpose before the amendments of the Company Act on November 12, 2001. As of December 31, 2015 and 2014, the carrying value of treasury shares is NTD 806,870 thousand.

D. Retained earnings and dividend policies:

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

(a) Payment of all taxes and dues
(b) Offset prior years' operation losses
(c) Appropriate 10% of the remaining amount after deducting items (a) and (b) as a legal reserve
(d) Appropriate or reverse special reserve in accordance with relevant laws or regulations
(e) Appropriate no more than 2% and no less than 1% of the remaining amount after deducting items (a), (b), (c) and (d) as directors' remuneration and employee's bonus, respectively
(f) After deducting items (a), (b), (c) and (d) above from the current year's earnings, the distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the stockholders' meeting. The distribution of earnings could not be less than 60% of the accumulated distributable earnings

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

The policy of dividend distribution should reflect factors such as the current operating results and fund requirements. However, at least 10% of the dividends must be paid in the form of cash.

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

When distributing earnings, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Jin-Guan-Zheng-Fa-Zi No. 1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2014, special reserves set aside for the first-time adoption of T-IFRS amounted to NTD 15,894,690 thousand. Furthermore, the Company resolved to offset its losses by using special reserve of NTD 5,919,690 thousand in the shareholders' meeting on June 6, 2014.

The Company resolved to recover the special reserve amounted to NTD 124,233 thousand in the shareholders' meeting on June 15, 2015.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

In the fourth quarter of 2015, the Company disposed related assets and reversed special reserves of NTD 52,180 thousand.

As of December 31, 2015 and 2014, special reserve set aside for the first-time adoption of T-IFRS amounted to NTD 10,047,053 and NTD 9,975,000 thousand, respectively.

Details of the 2014 Compensating deficits as approved by the shareholders' meeting on June 15, 2015 is as follows:

	Appropriation of earnings
	2014
Legal reserve	$36,354
Special reserve	124,233

Please refer to Note 6(26) for more details about provision for employees' bonuses and compensation for directors and supervisors.

(24) Operating revenue

	For the years ended December 31,	
	2015	2014
Sale of goods	$16,132,508	$18,594,738
Less: sales returns, discounts and allowances	(204,582)	(90,691)
Revenue arising from rendering of services	553,942	527,959
Construction contract revenue	1,032,739	1,803,181
Other operating revenues	636,497	460,279
Total	$18,151,104	$21,295,466

(25) Operating leases

Company as lessee

The Company has entered into commercial leases on land and plants. These leases have an average life of one year with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2015 and 2014 are as follows:

	As of December 31,	
	2015	2014
Not later than one year	$194,081	$184,616

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2015	2014
Minimum lease payments	$184,545	$216,798

(26) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2015 and 2014:

	2015			2014		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$1,003,231	$1,149,560	$2,152,791	$1,089,417	$1,218,054	$2,307,471
Labor and health insurance	92,273	111,068	203,341	100,325	115,448	215,773
Pension	45,670	69,239	114,909	51,573	68,599	120,172
Other employee benefits expense	40,364	7,544	47,908	46,643	10,074	56,717
Depreciation	419,689	69,654	489,343	396,793	58,548	455,341
Amortization	1,520	60,831	62,351	61	53,359	53,420

As of December 31, 2015 and 2014, the Company employed 3,406 and 3,535 employees, respectively.

The Company planned to propose in May 2016 to amend the Article of Incorporation in accordance with the addition of Article 235-1 of the Company Act announced on May 20, 2015. The amendment to the Articles of Incorporation will be resolved in the shareholders' meeting in 2016. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company suffered net loss after tax in 2015 and thus did not estimate employee compensation and remuneration for the directors and supervisors.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

As of December 31, 2014, there was unrecovered special reserves. Therefore, the Company did not estimate employee compensation and remuneration for the directors and supervisors.

(27) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2015	2014
Dividend income	$26,864	$42,283
Interest income	42,669	41,400
Others	401,424	223,415
Total	$470,957	$307,098

B. Other gains and losses

	For the years ended December 31,	
	2015	2014
Gains on disposal of property, plant and equipment	$12,783	$2,236
Gains on disposal of investments	105,070	41,777
Foreign exchange (losses) gains, net	15,412	(63,732)
Gains (losses) on financial assets / financial liabilities at fair value through profit or loss	(10,449)	69,637
Excise tax dispute loss	(385,188)	-
Other gains and losses	(283,235)	(440,926)
Total	$(545,607)	$(391,008)

C. Finance costs

	For the years ended December 31,	
	2015	2014
Interest on borrowings from bank	$589,882	$626,416
Interest on bonds payable	-	98,280
Other	10,393	-
Total finance costs	$600,275	$724,696

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(28) Components of other comprehensive income

For the year ended December 31, 2015:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense) relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$23,479	$-	$23,479	$-	$23,479
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(49,459)	-	(49,459)	-	(49,459)
To be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from available-for-sale financial assets	(135,070)	(8,854)	(143,924)	-	(143,924)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(506,039)	-	(506,039)	-	(506,039)
Total of other comprehensive income	$(667,089)	$(8,854)	$(675,943)	$-	$(675,943)

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

For the year ended December 31, 2014:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(16,539)	$-	$(16,539)	$-	$(16,539)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	19,813	-	19,813	-	19,813
To be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from available-for-sale financial assets	42,673	(41,389)	1,284	-	1,284
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	920,850	-	920,850	-	920,850
Total of other comprehensive income	$966,797	$(41,389)	$925,408	$-	$925,408

The Company has accumulated a large amount of loss carry forward. Therefore, there was not significant deferred income tax effect resulted from other comprehensive income and changes in equity in 2015 and 2014, and thus the Company did not record related income tax.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(29) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2015	2014
Current income tax expense (income):		
Current income tax charge	$(24,647)	$(48,956)
Adjustments in respect of current income tax of prior periods	6,046	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	20,000	20,000
Total income tax expense (income)	$1,399	$(28,956)

There was not significant deferred income tax effect resulted from other comprehensive income and changes in equity in 2015 and 2014, and thus the Company did not record related income tax.

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

	For the years ended December 31,	
	2015	2014
Accounting profit (loss) before tax from continuing operations	$(3,073,616)	$334,583
Tax at the domestic rates applicable to profits in the country concerned	$(522,515)	$56,879
Tax effect of revenues exempt from taxation	142,954	(375,797)
Tax effect of expenses not deductible for tax purposes	64,846	10,524
Other	8,067	7,145
Tax effect of deferred tax assets/liabilities	326,648	321,249
Adjustments in respect of current income tax of prior periods	6,046	-
Income tax benefit from consolidated return system	(24,647)	(48,956)
Total income tax expense (income) recognized in profit or loss	$1,399	$(28,956)

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2015

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Ending balance
Temporary differences			
Deferred tax assets			
Investments accounted for using the equity method	$408,464	$16,234	$424,698
Unrealized intragroup profits and losses	19,322	(8,077)	11,245
Allowance for doubtful accounts	69,547	(3,101)	66,446
Other	15,626	(7,951)	7,675
Subtotal	512,959	(2,895)	510,064
Deferred tax liabilities			
Investments accounted for using the equity method	(145,918)	15,320	$(130,598)
Unrealized gain on foreign exchange	(122,308)	(32,425)	(154,733)
Reserve for land revaluation	(3,417)	-	(3,417)
Subtotal	(271,643)	(17,105)	(288,748)
Deferred tax income/ (expense)		$(20,000)	
Net deferred tax assets/(liabilities)	$241,316		$221,316
Reflected in balance sheet as follows:			
Deferred tax assets	$512,959		$510,064
Deferred tax liabilities	$(271,643)		$(288,748)

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

For the year ended December 31, 2014

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Ending balance
Temporary differences			
Deferred tax assets			
Investments accounted for using the equity method	$422,895	$(14,431)	$408,464
Unrealized intragroup profits and losses	2,646	16,676	19,322
Allowance for doubtful accounts	76,436	(6,889)	69,547
Other	223	15,403	15,626
Subtotal	502,200	10,759	512,959
Deferred tax liabilities			
Investments accounted for using the equity method	(92,179)	$(53,739)	$(145,918)
Unrealized gain on foreign exchange	(145,288)	22,980	(122,308)
Reserve for land revaluation	(3,417)	-	(3,417)
Subtotal	(240,884)	(30,759)	(271,643)
Deferred tax income/ (expense)		$(20,000)	
Net deferred tax assets/(liabilities)	$261,316		$241,316
Reflected in balance sheet as follows:			
Deferred tax assets	$502,200		$512,959
Deferred tax liabilities	$(240,884)		$(271,643)

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

Year	Tax losses for the period	Unused tax losses as of December 31, 2015	Unused tax losses as of December 31, 2014	Expiration year
2015	$2,862,935	$1,880,683	$-	2025
2014	822,903	506,008	-	2024
2013	1,307,119	1,197,171	898,127	2023
2012	247,968	-	89,910	2022
2010	2,041,023	1,781,104	1,595,932	2020
2009	1,782,046	1,627,157	1,733,441	2019
2007	895,593	767,227	731,828	2017
2006	2,963,700	2,846,965	2,822,308	2016
		$10,606,315	$7,871,546	

Unrecognized deferred tax assets

As of December 31, 2015 and 2014, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NTD 3,896,585 thousand, and NTD 4,123,467 thousand, respectively.

Imputation credit information

	As of December 31,	
	2015	2014
Balances of imputation credit amounts	$1,443,132	$1,315,767

The actual creditable ratio for 2015 and 2014 were both 0%.

The Company’s earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

The assessment of income tax returns

As of December 31, 2015, the R.O.C. income tax authorities have assessed the income tax returns of the Company through 2012 (2011 has not assessed and approved).

(30) Earnings per share

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

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

	For the years ended	
	2015	2014
Basic and diluted earnings (loss) per share:		
Net income (loss) (in thousands of NTD)	$(3,075,015)	$363,539
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share (in thousands)	$2,268,605	2,268,605
Basic and diluted earnings (loss) per share	$(1.35)	$0.16

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

There have been no other transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the issuance date of the financial statements.

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7. Related party transactions

Significant related party transactions

(1) Sales (including leasing revenue)

	For the years ended 2015	For the years ended 2014
Subsidiaries	$5,667,922	$6,225,977
Entity with joint control or significant influence over the Company	1,826	1,519
Associates	11,936	38,757
Other related parties	137	615
Total	$5,681,821	$6,266,868

The sales price to related parties was determined through mutual agreement based on market conditions. The collection terms for domestic related parties were 90 days, equivalent to those for domestic third parties; the collection terms for foreign related parties were 30-180 days, equivalent to these for foreign third parties.

(2) Purchase

	For the years ended 2015	For the years ended 2014
Subsidiaries	$1,691,564	$1,518,737
Entity with joint control or significant influence over the Company	239	782
Associates	19,701	96,775
Total	$1,711,504	$1,616,294

The purchase price from related parties was determined through mutual agreement based on market conditions. The payment terms to related parties and third parties for domestic purchases were both net 30-150 days, while the terms for overseas purchases were both net 30-120 days.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(3) Notes receivable– related parties

	As of December 31, 2015	As of December 31, 2014
Subsidiaries	$1,775	$28,141

(4) Accounts receivable – related parties

	As of December 31, 2015	As of December 31, 2014
Subsidiaries	$1,997,302	$2,090,113
Entity with joint control or significant influence over the Company	33	64
Associates	2,909	15,961
Subtotal	2,000,244	2,106,138
Less: allowance for doubtful accounts	(129)	(737)
Unrealized interest revenue – trade receivables from instalment sales	(3,606)	(513)
Net	$1,996,509	$2,104,888

(5) Construction receivables

	As of December 31, 2015	As of December 31, 2014
Subsidiaries	$469,318	$412,279
Associates	-	30,557
Total	$469,318	$442,836

(6) Others receivable – related parties (current or non-current)

	As of December 31, 2015	As of December 31, 2014
Loans receivable(Note)	$1,446,344	$1,410,965
Reclassified from accounts receivable due to over-due:		
Subsidiaries	2,864,128	2,388,072
Entity with joint control or significant influence over the Company	5	30
Associates	9,491	47,871
Subtotal	4,319,968	3,846,938
Less: allowance for doubtful accounts	(87,833)	(119,010)
Net	4,232,135	3,727,928
Non-current portion (Reclassified as non-current assets)	(3,007,680)	(2,387,576)
Current portion	$1,224,455	$1,340,352

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Note:

Loans receivable details are as below:

December 31, 2015

Name of related parties	2015 Maximum balance	Balance as of December 31, 2015	Interest rates	Interest revenue
Tatung Vietnam Co. Ltd.	$546,700	$546,700	2%	$10,570
Tatung Global Strategy Investment and Trading (BVI) Inc.	$899,644	$899,644	2%	$17,394

December 31, 2014

Name of related parties	2014 Maximum balance	Balance as of December 31, 2014	Interest rates	Interest revenue
Tatung Vietnam Co. Ltd.	$543,525	$543,525	2%	$10,223
Tatung Global Strategy Investment and Trading (BVI) Inc.	$867,440	$867,440	2%	$16,598

(7) Prepayments

	As of December 31, 2015	As of December 31, 2014
Subsidiaries	$17,464	$69,988

(8) Accounts payable – related parties

	As of December 31, 2015	As of December 31, 2014
Subsidiaries	$279,157	$50
Entity with joint control or significant influence over the Company	-	400,361
Associates	6,459	1,533
Total	$285,616	$401,944

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(9) Other payable– related parties

	As of December 31,	
	2015	2014
Subsidiaries	$43,324	$140,005
Entity with joint control or significant influence over the Company	621	461
Associates	5,210	2,111
Other related parties	50	71
Total	$49,205	$142,648

(10) Acquisition of property, plant and equipment and intangible assets

	Acquisition proceeds	
	2015	2014
Subsidiaries	$339,664	$326,793
Associates	5,647	2,679
Total	$345,311	$329,472

(11) Plants and office leased – related parties

	For the years ended	
	2015	2014
Subsidiaries	$-	$7,911
Associates	-	1,850
Total	$-	$9,761

There were no significant differences in terms of rental between related parties and arm's length transactions.

(12) Compensation of key management personnel

	For the years ended	
	2015	2014
Short-term employee benefits	$38,370	$35,236
Post-employment benefits	282	282
Other long-term employee benefits	-	-
Termination benefits	-	-
share-based payment awards	-	-
Total	$38,652	$35,518

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(13) Operating expense－rent expenditure

	For the years ended	
	2015	2014
Subsidiaries	$184,545	$216,798

There were no significant differences in terms of rental between related parties and arm's length transactions.

(14) Notes endorsement and guarantee

The balances of guarantees that the Company provided for related parties as of December 31, 2015, and 2014 were as follows:

Name of related parties	Purpose	December 31, 2015
Tatung Company of Japan, Inc.	Pledged for financing	NTD 1,772,400 thousand
Chunghwa Picture Tubes, Ltd.	Pledged for financing	NTD 3,000,000 thousand

Name of related parties	Purpose	December 31, 2014
Tatung Company of Japan, Inc.	Pledged for financing	NTD 2,040,000 thousand

Please refer to Note 6(20) for more details of the subsidiary's endorsement for the Company.

(15) Please refer to Note 6(12) for more details of utilization of Hsin-De-Hui Building and Shan-Chih Hall by Tatung University.

8. Assets pledged as collateral

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

	Carrying amounts as of December 31,		
	2015	2014	Purpose of pledge
Machines and other Equipment	$458,972	$554,300	Long-term loans
Investment in debt instrument investments with no active market exists	3,201,669	94,263	Construction security deposit and long-term loans
Investments accounted for under the equity method	4,100,025	982,196	Long-term loans and commodity tax controversy
Total	$7,760,666	$1,630,759	

9. Commitments and contingencies

(1) Legal claim contingency

A. King Pro Group ("King Pro") and Ka Hung Exhibition Co., Ltd. ("Ka Hung") contracted with the Company as subcontractors to construct part of the Talin Power Plant, for which tender the Company contracted with Kai Yuan Construction Co., Ltd. However, King Pro and Ka Hung failed to complete the construction upon deadline and both parties claimed to terminate the contract. King Pro and Ka Hung claimed that the Company had not paid construction examination fees, prepayments and advances and filed an action against the Company to claim NTD 23,610 thousand. The Court scheduled a preliminary proceeding on April 19, 2016. In addition, the Company filed for provisional seizure against King Pro and Ka Hung on March 21, 2016 and planned to claim indemnities resulted from advances and contract termination after receiving the ruling of the provisional seizure.

B. United Aerotech System Corporation filed a legal action against the Company on January 6, 2010, claiming payments of consultant fees amounted to NTD 1.49 million. The court of first and second instance ruled in favor of the Company but United Aerotech System Corporation appealed. United Aerotech System Corporation claimed a higher amount of NTD2 million in the oral arguments. This case is now in the remand second instance and the result of the trial is uncertain. United Aerotech System Corporation did not file an action against the remaining balance, and both courts in the first and second instance found the evidence supporting the claim in the amount of NTD 60 million to be invalid. United Aerotech System Corporation filed a legal action of third instance on March 29, 2014. The Company received remand judgment from the Supreme Court on November 5, 2014 and the next court session will be March 24, 2016.

C. The Company engaged in a construction project with Taiwan Railways Administration, MOTC ("Taiwan Railways"). Taiwan Railways failed to complete the inspection process after the construction was finished. The Company has filed an action against Taiwan Railways to claim payments of NTD 233,888 thousand in January 2013. On October 16, 2014, the action was settled and both parties agreed to inspect the construction quality with qualified tools from March 17 to 26, 2015. On April 20, 2015, Taiwan Railways decided that the rails the Company exchanged the first time were unqualified. On July 3, 2015, Taiwan Railways notified the Company for the second exchange according to the purchase agreement. On November 3, 2015, the Company received a notice from Taiwan Railways agreeing to change suppliers and had contracted with the new suppliers. The new suppliers had finished manufacturing the products and the new rails had arrived in Taiwan on January 11, 2016 and had been delivered to five stations. However two of these stations, Dadu and Fugang, did not receive the rails due to causes attributable to Taiwan Railways. The Company is still negotiating with Taiwan Railways for the delivery process.

D. Yung Loong Engineering Corp. (Yung Loong) engaged in a construction project, “BI-HAI machinery installing project”, with the Company, however, Yung Loong claimed that the Company’s power generation set was defective and caused delay in the construction. Therefore, Yung Loong claimed payment of NTD 56,997 thousand from the Company. After failing a mediation on July 22, 2014, the action is pending at the court of first instance. On January 25, 2016, Yung Loong requested for an appraisal for the items in dispute on court and currently the items are appraised by Taiwan Professional Electrical Engineers Association.

E. Compal Electronics, Inc. (“Compal”) made a public announcement on March 29, 2013 to request the Company to purchase the CPT shares held by Compal and it filed for arbitration to the Arbitration Association of the Republic of China. The Company received the arbitration appeal submitted by Compal from the Association on April 3, 2013. An arbitration tribunal was formed on August 20, 2013.

The Company received the arbitration award 102-Chung-Sheng-He-Zi No. 25 Arbitration Judgment, from the Arbitration Association of the Republic of China on May 19, 2014. The main context is as follows:

① The counterparty (“the Company”) shall make a payment to the petitioner (“Compal”) for NTD 2,118,607 thousand. The first payment of NTD 718,607 thousand shall be paid within a month after the arbitration award is delivered to the counterparty. The second payment of NTD 700,000 thousand shall be paid within four months after the arbitration award is delivered to the counterparty. The third payment of NTD 700,000 thousand shall be paid within seven months after the arbitration award is delivered to the counterparty. In addition, the Company shall pay the interest at an annual rate of 5% from April 3, 2013 to full repayment day.
② Petitioner shall deliver the private shares for the corresponding payment for 374,274,704 shares, 364,583,334 shares and 364,583,333 shares.
③ Other claims from Compal are dismissed
④ Two thirds of the arbitration fees shall be borne by the petitioner while the rest is borne by the counterparty.

The Company issued requests to Compal for acknowledging the payments (i.e., NTD718,607 thousand, NTD700,000 thousand and NTD700,000 thousand) and meanwhile delivering the corresponding numbers of shares (374,274,704 shares, 364,583,334 shares and 364,583,333 shares) on June 17, 2014, September 12, 2014 and December 14, 2014. However, as of the financial statement date, Compal neither accepted the payment nor handed over the shares. In addition, Compal has filed an action at Taiwan Taipei District Court to compulsory enforce the the arbitration mentioned above. On July 31, 2014, the Company had received 2014 Zhong-Zhi-Zi No. 3 Civil Judgment, which granted the compulsory enforcement of the arbitration award on July 28, 2014. The Company has not received the order of the compulsory enforcement from

Taiwan Taipei District Court.

On June 13, 2014, Compal has filed an action at Taiwan Taipei District Court to revoke the unfavorable part of the arbitration award. The case was ruled by Taiwan Taipei District Court in 2014 Zhong-Zhi-Zi No. 4 Civil Judgment which revoked Compal's filing and demanded Compal to pay all the litigation costs. Compal appealed and the case was handled by their attorneys. The case is ruled by Taiwan High Court and the oral arguments had been ended on March 8, 2016. The judgment will be made on March 29, 2016.

(2) Others

A. The promissory notes issued by the Company to secure bank loans, construction performance bond and tariff guarantee amounted to NTD 9,743,634 thousand.

B. The Company's unused letters of credit for importing raw materials and machinery amounted to NTD 88,218 thousand, USD 10,030 thousand, EUR 1,171 thousand, SEK 498 thousand.

C. Performance bond issued by financial institutions amounted to NTD 1,480,043 thousand and USD 65 thousand.

D. The Company applied to Mega International Commercial Bank and Bank of Taiwan for a credit line to be issued for Tatung Co., of Japan, Inc. The promissory notes amounted to NTD 972,400 thousand and NTD 800,000 thousand. The Company applied to Industrial Bank of Taiwan, Fubon Bank and Far Eastern Commercial Bank for a credit lines to be issued for CPT. The promissory notes of credit amounted to NTD 1,000,000 thousand, NTD 500,000 thousand and NTD 1,500,000 thousand, respectively.

E. The Company promised to supervise the operation and management of CPT and take suitable measures to assist CPT in acquiring funds in order to maintain its normal operations.

10. Significant disaster loss

None.

11. Significant subsequent events

On February 16, 2016, the board of directors of the Company resolved to invest in Chunghwa Picture Tubes (Labuan) Ltd. for NTD 968,560 thousand.

On March 23, 2016, the Company's board of directors resolved to purchase the secured corporate bonds of Chunghwa Picture Tubes (Bermuda) Ltd. for USD 250,000 thousand.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

12. Others

(1) Categories of financial instruments

Financial assets

	As of December 31, 2015	As of December 31, 2014
Financial assets at fair value through profit or loss:		
Held for trading	$24,200	$67,040
Subtotal	24,200	67,040
Available-for-sale financial assets (including $29,538 reported as financial assets measured at cost) (including the non-current portion)	424,350	569,144
Held-to-maturity financial assets	20,000	20,000
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand and demand deposit)	2,158,881	2,756,651
Debt instrument investments with no active market exists	3,201,669	94,263
Notes receivable (including related parties)	297,955	384,182
Accounts receivable (including related parties)(including the construction receivable)	5,298,890	6,929,906
Other receivables (including related parties)(including the non - current portion)	4,385,740	4,046,551
Other non - current assets－deposits-out	219,228	206,026
subtotal	15,562,363	14,417,579
Total	$16,030,913	$15,073,763

Financial liabilities

	As of December 31, 2015	As of December 31, 2014
Financial liabilities at amortized cost:		
Short-term loan	$5,524,603	$6,539,705
Short-term notes and bills payable	549,759	599,744
Payables (including related parties)	4,688,021	5,938,703
Loan (including the current portion)	21,253,779	18,069,676
Deposits in	4,270	2,454
Subtotal	32,020,432	31,150,282
Financial liabilities at fair value through profit or loss:		
Held-for-trading	807	14,400
Total	$32,021,239	$31,164,682

(2) Financial risk management objectives and policies

The Company's risk management objectives are to manage market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk preference.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

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

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

Foreign currency risk

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

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

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

The information of the sensitivity analysis is as follows:

A. When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2015 and 2014 will increase (decrease) by NTD 13,875 thousand and NTD 29,187 thousand respectively.

B. When NTD appreciates or depreciates against JPY by 1%, the profit for the years ended December 31, 2015 and 2014 would will increase (decrease) by NTD 2,434 thousand and NTD 116 thousand respectively.

<u>Interest rate risk</u>

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the balance sheet date, a change of 10 basis points of interest rate could cause the profit for the years ended December 31, 2015 and 2014 to increase/decrease by NTD 14,910 thousand and NTD 14,036 thousand, respectively.

Equity price risk

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

At the balance sheet date, a decrease of 1% in the price of the listed equity securities classified under available-for-sale could have an impact of NTD 2,647 thousand and NTD 4,834 thousand on the Company's equity for the years ended December 31, 2015 and 2014, respectively.

(4) Credit risk management

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

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

As of December 31, 2015 and 2014, amounts receivables from top ten customers represented 55.82% and 40.23% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
December 31, 2015					
Loans (including contracted interests)	$9,932,700	$16,535,101	$813,774	$-	$27,281,575
Short-term notes and bills payable	550,000	-	-	-	550,000
Payables (including relates parties)	4,688,021	-	-	-	4,688,021
Deposit-in	4,270	-	-	-	4,270
December 31, 2014					
Loans (including contracted interests)	$9,904,365	$12,500,164	$2,706,836	$-	$25,111,365
Short-term notes and bills payable	600,000	-	-	-	600,000
Payables (including relates parties)	5,938,703	-	-	-	5,938,703
Deposit-in	2,454	-	-	-	2,454

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Derivative financial instruments

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
December 31, 2015					
Flow-in	$24,200	$-	$-	$-	$24,200
Flow-out	(807)	-	-	-	(807)
Net	$23,393	$-	$-	$-	$23,393
December 31, 2014					
Flow-in	$67,040	$-	$-	$-	$67,040
Flow-out	(14,400)	-	-	-	(14,400)
Net	$52,640	$-	$-	$-	$52,640

The above tables about the disclosures of derivative financial instruments used the undiscounted net cash flow.

(6) Fair value of financial instruments

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

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

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

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

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

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

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

B. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.8 for fair value measurement hierarchy for financial instruments of the Company.

(7) Derivative financial instruments

The Company's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at December 31, 2015 and 2014 is as follows:

Forward exchange contracts

Forward foreign exchange contracts to manage exposure part partial transactions, but not designated as hedging instruments:

December 31, 2015

	Currency	Period	Amount (thousands)
Buying currency exchange forward	Buy USD sell NTD	April 2015-February 2016	USD 9,300

December 31, 2014

	Currency	Period	Amount (thousands)
Buying currency exchange forward	Buy USD sell NTD	January 2015-August 2015	USD 50,000

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Exchange options

December 31, 2015

The following table refers to the related conditions with regard to the Company's unamortized exchange options on December 31, 2015.

(Amount: thousands)

Counterparty bank	Foreign exchange rate	Foreign exchange rate on the date of settlement FX	Term of settlement
A	USD/JPY	FX < 120.5	Executing price at 120.5 to buy USD 1,000
A	USD/JPY	FX > 124	Executing price at 124 to sell USD 1,000
A	USD/TWD	FX < 32.28	Executing price at 32.28 to buy USD 1,000
A	USD/TWD	FX < 32.4	Executing price at 32.4 to buy USD 1,000
B	USD/JPY	FX < 120.5	Executing price at 120.5 to buy USD 1,000
B	USD/JPY	FX < 120.8	Executing price at 120.8 to buy USD 1,000
B	USD/JPY	FX > 124.5	Executing price at 124.5 to sell USD 1,000
B	USD/TWD	FX < 32.39	Executing price at 32.39 to buy USD 1,000
B	USD/TWD	FX < 32.4	Executing price at 32.4 to buy USD 1,000
C	USD/TWD	FX < 32.45	Executing price at 32.45 to buy USD 1,000
D	USD/TWD	FX < 31.6	Executing price at 31.6 to buy USD 1,000
D	USD/TWD	FX < 32.47	Executing price at 32.47 to buy USD 1,000
D	USD/TWD	FX < 32.3	Executing price at 32.3 to buy USD 1,000
E	USD/TWD	FX < 31.55	Executing price at 31.55 to buy USD 1,000

As of December 31, 2015, foreign exchange options contracts that had settled amounted to USD 233,800 thousand, EUR 500 thousand, and the remaining unsettled contracts amounted to USD 14,000 thousand, with a fair value of NTD 807 thousand (including royalties amounted to NTD 1,645 thousand and unrealized loss amounted to NTD 838 thousand), recognized as financial liabilities carried at fair value through profit or loss - current.

December 31, 2014

The following table refers to the related conditions with regard to the Company's unamortized exchange options on December 31, 2014.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(Amount: thousands)

Counterparty bank	Foreign exchange rate	Foreign exchange rate on the date of settlement FX	Term of settlement
A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
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A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
A	USD/JPY	FX > 108.50	Executing price at 108.50 to sell USD 400
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	103.5 > FX > 108.5	Executing price at 108.50 to sell USD 200
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Counterparty bank	Foreign exchange rate	Foreign exchange rate on the date of settlement FX	Term of settlement
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	FX < 100.00	Executing price at 100.00 to buy USD 400
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
A	USD/JPY	100 > FX > 103.5	Executing price at 100.00 to buy USD 200
B	USD/NTD	FX < 29.520	Executing price at 29.520 to buy USD 1,000
B	USD/NTD	FX < 29.550	Executing price at 29.550 to buy USD 1,000
C	USD/NTD	FX < 29.880	Executing price at 29.880 to buy USD 1,000
C	USD/NTD	FX < 29.890	Executing price at 29.890 to buy USD 1,000
D	USD/NTD	FX < 29.530	Executing price at 29.530 to buy USD 1,000
D	USD/NTD	FX < 30.23	Executing price at 30.230 to buy USD 1,000
D	USD/NTD	FX < 30.150	Executing price at 30.150 to buy USD 1,000
D	USD/NTD	FX < 29.890	Executing price at 29.890 to buy USD 1,000
D	USD/NTD	FX < 29.970	Executing price at 29.970 to buy USD 1,000
D	USD/NTD	FX < 30.900	Executing price at 30.900 to buy USD 1,500
E	USD/NTD	FX < 29.550	Executing price at 29.550 to buy USD 1,000
E	USD/NTD	FX < 29.590	Executing price at 29.590 to buy USD 1,000
E	USD/NTD	FX < 29.950	Executing price at 29.950 to buy USD 1,000
E	USD/NTD	FX < 29.940	Executing price at 29.940 to buy USD 1,000
E	USD/NTD	FX < 30.050	Executing price at 30.050 to buy USD 1,000
E	USD/NTD	FX < 30.950	Executing price at 30.950 to buy USD 1,200
F	USD/NTD	FX < 29.500	Executing price at 29.500 to buy USD 500
G	USD/JPY	FX < 116.8	Executing price at 116.800 to buy USD 1,000

As of December 31, 2014, foreign exchange options contracts that have been settled amounted to USD 583,100 thousand, EUR 38,000 thousand and JPY 30,990 thousand, and the remaining unsettled contracts amounted to USD 27,400 thousand, with a fair value of NTD 14,400 thousand (including royalties amounted to NTD 1,541 thousand and unrealized loss amounted to NTD 12,859 thousand), recognized as financial liabilities carried at fair value through profit or loss - current.

The counterparties of the aforementioned derivative transactions are reputable financial institutions with good credit ratings, the credit risk is not so high.

The forward foreign exchange contracts aim at hedging the exchange rate risk of net assets or net liabilities with cash inflows or outflows upon maturity. The company also has sufficient working capital so there’s no significant cash flow risk.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(b) Fair value measurement hierarchy of the Group's assets and liabilities

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

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Forward exchange contracts	$-	$4,479	$-	$4,479
Open-end funds	-	19,721	-	19,721
Available-for-sale financial assets:				
Share	264,747	-	130,065	394,812
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Forward exchange contracts	-	807	-	807

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Forward exchange contracts	$-	$67,040	$-	$67,040
Available-for-sale financial assets:				
Share	370,652	-	168,954	539,606
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Exchange options	-	14,400	-	14,400

Transfers between Level 1 and Level 2 during the period

There were no transfers between Level 1 and 2 for the years ended December 31, 2015 and 2014.

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

	Measurement at fair value through income/loss		Available-for-sale	
	Capital-guaranteed financial product	Derivative	Share	Total
January 1, 2015	$-	$-	$168,954	$168,954
Total income (loss) recognized, 2015:				
Recognized in other comprehensive income, 2015	-	-	(38,889)	(38,889)
December 31, 2015	$-	$-	$130,065	$130,065
January 1, 2014	$-	$-	$147,244	$147,244
Total income (loss) recognized, 2014:				
Recognized in other comprehensive income, 2014	-	-	21,710	21,710
December 31, 2014	$-	$-	$168,954	$168,954

Information on significant unobservable inputs to valuation

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

As at December 31, 2015

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale					
Shares	Market approach	discount for lack of marketability	25%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company’s equity by NTD 1,301 thousand

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

As at December 31, 2014

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Available-for-sale Shares	Market approach	discount for lack of marketability	N/A	N/A	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by NTD 562 thousand

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

The Company's Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As at December 31, 2015

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method(please refer to Note 6(11))	$3,087,627	$-	$-	$3,087,627

As at December 31, 2014

Not applicable

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(9) Significant assets and liabilities denominated in foreign currencies

The exchange rates used to translate assets and liabilities denominated in foreign currencies are disclosed as follows:

Foreign currency-dollar, NTD-thousands

		As of December 31, 2015		
		Foreign currency	Exchange rate	NTD
Financial Assets -				
Monetary items				
	USD	$67,359,960	32.82500	$2,211,091
	JPY	77,205,051	0.27270	21,054
	EUR	187,610	35.88000	6,731
	RMB	878,400	5.05498	4,440
	CHF	650	33.18500	22
Non-Monetary items				
	USD	10,835,357	32.82500	355,671
	RMB	185,267,068	5.05498	936,521
	THB	457,270,741	0.91460	418,220
	JPY	2,181,277,220	0.27270	594,834
	SGD	2,531,153	23.25000	58,849
	MXN	122,769,010	1.88788	231,773
	CZK	25,117,754	1.32742	33,342
	VND	(106,079,612,416)	0.00146	(154,876)
Financial Liabilities -				
Monetary items				
	USD	109,629,346	32.82500	$3,598,583
	JPY	968,737,194	0.27270	264,175
	EUR	2,841,231	35.88000	101,943
	CZK	8,440	1.32742	11
	CHF	26,540	33.18500	881
	RMB	40,623	5.05498	205
	GBP	5,996	48.67000	292
	SEK	1,073,053	3.91000	4,196
	HKD	16,859	4.23500	71
	THB	7,438,070	0.91460	6,803

(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

		As of December 31, 2014		
		Foreign currency	Exchange rate	NTD
Financial Assets -				
Monetary items				
	USD	$62,442,924	31.65000	$1,976,319
	JPY	70,526,699	0.26460	18,661
	EUR	85,212	38.47000	3,278
	RMB	4,238,634	5.17241	21,924
	CHF	7,974	31.97500	255
Non-Monetary items				
	USD	11,288,593	31.65000	357,284
	RMB	170,154,342	5.17241	880,108
	THB	555,506,699	0.96700	537,175
	JPY	2,179,556,003	0.26460	576,711
	SGD	2,659,634	23.94000	63,672
	MXN	94,717,929	2.14812	203,465
	CZK	46,173,708	1.38753	64,067
	VND	(46,270,668,507)	0.00148	(68,481)
Financial Liabilities -				
Monetary items				
	USD	154,662,345	31.65000	4,895,063
	JPY	114,422,543	0.26460	30,276
	EUR	1,306,074	38.47000	50,245
	CZK	8,440	1.38753	12
	CHF	38,000	31.97500	1,215
	RMB	192,047	5.17241	993
	GBP	3,687	49.27000	182
	SEK	1,073,500	4.09000	4,391

(10) Capital management

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

(11) On December 7, 2015, Taiwan Supreme Court revoked the judgment made by Taiwan High Court on the Nature Worldwide Technology Co., case and remanded the case to the Taiwan High Court. Chairman Lin has appointed an attorney to assist him in the legal issues of the judgment and he hopes the court can discover the truth that he is innocent. The Company's operations, finance and business were not affected by the case and will continue as usual.

13. Other disclosure

(1) Information at significant transactions:

A. Financing provided to others: refer to Attachment 1.

B. Endorsement/Guarantee provided to others: refer to Attachment 2.

C. Securities held: refer to Attachment 3.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: none.

E. Acquisition of real estate in the amount exceeding the lower of NTD300 million or 20 percent of capital stock: none.

F. Disposal of real estate up to the amount exceeding the lower of NTD300 million or 20% of capital stock: none

G. Related party transactions for purchases and sales amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 7.

H. Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of capital stock: refer to Attachment 8.

I. Engaging in derivative transactions: refer to Note 6 and Note 12 in the parent company only financial statements.

J. Intercompany Relationships and Significant Intercompany Transactions: refer to Attachment 12.

(2) Information on investees:

A. Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: refer to Attachment 10.

B. Of the investee company who directly or indirectly has control, the following information is disclosed:

(a) Financing provided to others: refer to Attachment 1.

(b) Endorsement/Guarantee provided to others: refer to Attachment 2.

(c) Securities held: refer to Attachment 3.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD 300 million or 20% of the capital stock: refer to Attachment 4.

(e) Acquisition of real estate in the amount exceeding the lower of NTD 300 million or 20% of capital stock: refer to Attachment 5.

(f) Disposal of real estate up to the amount exceeding the lower of NTD 300 million or 20% of capital stock: refer to Attachment 6.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NTD 100 million or 20% of capital stock: refer to Attachment 7.

(h) Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20% of capital stock: refer to Attachment 8.

(i) Engaging in derivative transactions: Attachment 9.

C. Information on investments in mainland China:

(a) The investee company name, main business, paid-in capital, investment, capital outflow, ownership, investment gains and losses, ending balance of investment, repatriation of investment income and have to go to the mainland investment limit scenario: refer to Attachment 11.

(b) with the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as follows:

i. Ending balance and percentage, purchase amount and percentage of related payables: refer to Attachment 7.
ii. Sales amount and percentage of the balance and percentage of the related receivables: refer to Attachment 7.
iii. Gains and loss on the transaction amount of property: None.
iv. Endorsement guarantees or collateral ending balance and purpose: refer to Attachment 2.
v. The highest balance of financing, the total ending balance, and interest rate range and current total interest: refer to Attachment 1.
vi. Other transactions that have a significant impact on the profit or loss or financial position of the current period, such as the provision of services or received, etc.: refer to Attachment 7.