FocalTech Systems Co., Ltd. and Subsidiaries

(Formerly Orise Technology Co., Ltd.)

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
FocalTech Systems Co., Ltd.

We have audited the accompanying consolidated balance sheets of FocalTech Systems Co., Ltd. (formerly Orise Technology Co., Ltd.; the "Company") and subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

As described in Note 1 to the consolidated financial statements, FocalTech System Co., Ltd. (formerly Orise Technology Co., Ltd.) issued 275,857,526 shares to acquire FocalTech Corporation, Ltd. on January 2, 2015. This acquisition was comprehensively considered as a reverse acquisition, and the consolidated financial statements issued by the Company referred to in the first paragraph were prepared by treating FocalTech Corporation, Ltd. as the acquirer and the Company as the acquiree.

We have also audited the parent company only financial statements of FocalTech Systems Co., Ltd. as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified opinion.

Deloitte & Touche

March 18, 2016

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

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

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

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

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,690,441	11	$ 1,725,308	21
Financial assets at fair value through profit or loss - current (Note 7)	129,120	1	-	-
Trade receivables, net (Note 8)	1,587,586	10	48,591	1
Inventories (Note 9)	2,543,876	17	826,380	10
Other financial assets (Note 10)	5,287,856	35	5,199,327	64
Other current assets	152,767	1	80,268	1
Total current assets	11,391,646	75	7,879,874	97
NON-CURRENT ASSETS				
Financial assets measured at cost (Note 11)	49,238	-	47,475	1
Property, plant and equipment (Note 14)	148,188	1	139,390	2
Goodwill (Notes 4, 15 and 28)	3,237,268	21	-	-
Other intangible assets (Notes 4 and 16)	172,819	1	18,105	-
Deferred income tax assets (Notes 4 and 25)	154,154	1	9,921	-
Other non-current assets (Note 33)	57,743	1	19,644	-
Total non-current assets	3,819,410	25	234,535	3
TOTAL	$ 15,211,056	100	$ 8,114,409	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 269,775	2	$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	47,818	-	-	-
Trade payables (Note 19)	974,714	7	222,902	3
Other payables (Note 20)	980,385	7	649,838	8
Current tax liabilities (Notes 4 and 25)	3,254	-	13,030	-
Current portion of bonds payable (Notes 4 and 18)	956,772	6	-	-
Other current liabilities	42,521	-	20,132	-
Total current liabilities	3,275,239	22	905,902	11
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 25)	190,372	1	149,243	2
Net defined benefit liabilities - non-current (Notes 4 and 21)	48,168	-	-	-
Guarantee deposits received	114,110	1	-	-
Other non-current liabilities	10,400	-	-	-
Total non-current liabilities	363,050	2	149,243	2
Total liabilities	3,638,289	24	1,055,145	13
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 27)				
Share capital				
Ordinary shares	2,933,299	19	2,758,575	34
Capital surplus				
Additional paid-in capital	6,362,250	42	2,372,113	29
Treasury shares	236	-	236	-
Employee share options	103,350	-	110,543	2
Employee restricted shares	115,999	1	103,375	1
Employee share options - expired	10,806	-	10,782	-
Total capital surplus	6,592,641	43	2,597,049	32
Retained earnings				
Legal reserve	141,463	1	127,018	2
Undistributed earnings	1,358,815	9	1,253,875	15
Total retained earnings	1,500,278	10	1,380,893	17
Other equity				
Exchange differences from translating the financial statements of foreign operations	609,523	4	432,277	5
Unearned employee compensation	(62,974)	-	(109,530)	(1)
Total other equity	546,549	4	322,747	4
Total equity	11,572,767	76	7,059,264	87
TOTAL	$ 15,211,056	100	$ 8,114,409	100

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

(With Deloitte & Touche auditors' report dated March 18, 2016)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

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

	2015		2014	
	Amount	**%**	**Amount**	**%**
REVENUE (Note 23)	$ 11,479,739	100	$ 4,522,834	100
COSTS OF SALES (Notes 9 and 24)	(9,512,645)	(83)	(2,931,909)	(65)
GROSS PROFIT	1,967,094	17	1,590,925	35
OPERATING EXPENSES (Notes 21, 24, 27 and 32)				
Selling and marketing expenses	(458,293)	(4)	(175,350)	(4)
General and administrative expenses	(343,753)	(3)	(224,818)	(5)
Research and development expenses	(1,300,977)	(11)	(489,578)	(10)
Total operating expenses	(2,103,023)	(18)	(889,746)	(19)
OPERATING INCOME (LOSS)	(135,929)	(1)	701,179	16
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 24)	(17,533)	-	-	-
Impairment loss recognized on investment accounted by using the equity method (Note 13)	-	-	(83,000)	(2)
Interest income	94,849	1	96,864	2
Gain on financial assets and liabilities at fair value through profit or loss (Notes 18 and 31)	233,196	2	-	-
Other gains and losses, net (Note 24)	84,232	-	48,218	1
Impairment loss	-	-	(45,459)	(1)
Total non-operating income and expenses	394,744	3	16,623	-
INCOME BEFORE INCOME TAX	258,815	2	717,802	16
INCOME TAX EXPENSE (Notes 4 and 25)	(5,875)	-	(53,090)	(1)
NET INCOME	252,940	2	664,712	15

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

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

	2015		2014	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (4,284)	-	$ -	-
Income tax related to items that will not be reclassified subsequently to profit or loss	728	-	-	-
	(3,556)	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translating the financial statements of foreign operations	177,246	2	384,594	8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 426,630	4	$ 1,049,306	23
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 252,940	2	$ 664,712	15
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 426,230	4	$ 1,049,306	23
EARNINGS PER SHARE (Note 26)				
Basic	$0.67		$2.47	
Diluted	$0.07		$2.36	

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

(With Deloitte & Touche auditors’ report dated March 18, 2016) (Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

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

	Share Capital	Capital Surplus						Retained Earnings		Other Equity		
	Ordinary Shares	Additional Paid-in Capital	Employee Share Options	Treasury Shares	Employee Restricted Shares	Employee Share Options - Expired	Total	Legal Reserve	Undistributed Earnings	Exchange Differences From Translating the Financial Statement of Foreign Operations	Unearned Employee Compensation	Total Equity
BALANCE, JANUARY 1, 2014	$ 2,644,316	$ 2,294,634	$ 138,748	$ 236	$ -	$ 10,782	$ 2,444,400	$ 283	$ 1,269,898	$ 47,683	$ -	$ 6,406,580
Appropriation of 2013 earnings												
Legal reserve	-	-	-	-	-	-	-	126,735	(126,735)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(554,000)	-	-	(554,000)
Compensation cost of employee share options (Notes 22 and 27)	-	-	55,570	-	-	-	55,570	-	-	-	-	55,570
Issue of employee restricted shares	37,968	-	-	-	102,751	-	102,751	-	-	-	(133,995)	6,724
Cancellation of employee restricted shares	(624)	-	-	-	624	-	624	-	-	-	-	-
Issue of ordinary shares under employee share options (Notes 22 and 27)	76,915	77,479	(83,775)	-	-	-	(6,296)	-	-	-	-	70,619
Net income for the year ended December 31, 2014	-	-	-	-	-	-	-	-	664,712	-	-	664,712
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	-	-	-	384,594	-	384,594
Compensation cost of employee restricted shares	-	-	-	-	-	-	-	-	-	-	24,465	24,465
BALANCE, DECEMBER 31, 2014	2,758,575	2,372,113	110,543	236	103,375	10,782	2,597,049	127,018	1,253,875	432,277	(109,530)	7,059,264
Appropriation of 2014 earnings												
Legal reserve	-	-	-	-	-	-	-	14,445	(14,445)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(130,005)	-	-	(130,005)
Dividend returned for unvested employee restricted shares	-	-	-	-	-	-	-	-	6	-	-	6
Changes in capital surplus for the reverse acquisition of the Company	1,400,495	3,891,821	16,277	-	54,583	-	3,962,681	-	-	-	(13,216)	5,349,960
Compensation cost of employee share options (Notes 22 and 27)	-	-	19,514	-	-	-	19,514	-	-	-	-	19,514
Cancellation of employee restricted shares (Notes 22 and 27)	(8,496)	6,630	-	-	(1,045)	-	5,585	-	-	-	2,952	41
Issue of ordinary shares under employee share options (Notes 22 and 27)	31,746	50,772	(42,960)	-	-	-	7,812	-	-	-	-	39,558
Net income for the year ended December 31, 2015	-	-	-	-	-	-	-	-	252,940	-	-	252,940
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	-	(3,556)	177,246	-	173,690
Capital reduction by cash	(1,249,021)	-	-	-	-	-	-	-	-	-	-	(1,249,021)
Employee share options expired (Notes 22 and 27)	-	-	(24)	-	-	24	-	-	-	-	-	-
Employee restricted shares vested (Notes 22 and 27)	-	40,914	-	-	(40,914)	-	-	-	-	-	-	-
Compensation cost of employee restricted shares (Notes 22 and 27)	-	-	-	-	-	-	-	-	-	-	56,820	56,820
BALANCE, DECEMBER 31, 2015	$ 2,933,299	$ 6,362,250	$ 103,350	$ 236	$ 115,999	$ 10,806	$ 6,592,641	$ 141,463	$ 1,358,815	$ 609,523	$ (62,974)	$ 11,572,767

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

(With Deloitte & Touche auditors' report dated March 18, 2016)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

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

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operation	$ 258,815	$ 717,802
Adjustments for:		
Depreciation expenses	69,520	44,459
Amortization expenses	41,639	22,443
Gain on financial assets and liabilities at fair value through profit or loss	(233,196)	-
Finance costs	17,533	-
Interest income	(94,849)	(96,864)
Compensation cost of employee share options	19,514	55,570
Compensation cost of employee restricted shares	56,820	24,465
Impairment loss recognized on investment accounted for using equity method	-	83,000
Loss on disposal of property, plant and equipment	-	2,618
Gain on disposal of investment	(167)	-
Impairment loss recognized on financial assets	-	45,459
Write-down of inventories	34,912	-
Reversal of write-down inventories	-	(50,156)
Net loss (gain) on foreign currency exchange	17,649	(1,909)
Loss on disposal of inventory	-	25,549
Changes in operating assets and liabilities		
Trade receivables	575,745	(27,460)
Inventories	149,341	46,234
Other current assets	25,425	(29,276)
Trade payables	(396,726)	81,428
Other payables	95,350	(57,047)
Other current liabilities	57,017	(67,408)
Net defined benefit liabilities	(533)	-
Cash generated from operations	693,809	818,907
Interest paid	(2,778)	-
Income tax paid	(47,063)	(6,257)
Net cash generated from operating activities	643,968	812,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(130,620)	-
Purchase of available-for-sale financial assets	(188,000)	-
Proceeds of sale of available-for-sale financial assets	188,033	-
Purchase of held-to-maturity financial assets	(31,585)	-
Proceeds of sale of held-to-maturity financial assets	32,818	-
Acquisition of investment accounted for using equity method	-	(83,000)
Payments for property, plant and equipment	(47,627)	(93,451)
Payments for intangible assets	(28,251)	(2,478)

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

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

	2015	2014
Cash inflow from acquisition of the Company (Note 28)	$ 717,370	$ -
Decrease in other financial assets	101,183	584,382
Increase in other non-current assets	(35,298)	(3,378)
Interest received	81,435	92,148
Net cash generated from investing activities	659,458	494,223
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(54,327)	-
Increase in guarantee deposits received	45,274	-
Cash dividends	(130,005)	(554,000)
Capital reduction by cash	(1,248,440)	-
Proceeds from issuance ordinary shares under employee share options	39,558	70,619
Proceeds from issuance employee restricted shares	-	6,724
Payments for cancellation of employee restricted shares	(1,671)	(130)
Proceeds from dividend returned by unvested employee restricted shares	6	-
Net cash used in financing activities	(1,349,605)	(476,787)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	11,312	68,773
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,867)	898,859
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,725,308	826,449
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,690,441	$ 1,725,308

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

(With Deloitte & Touche auditors’ report dated March 18, 2016) (Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

(Formerly Orise Technology Co., Ltd.)

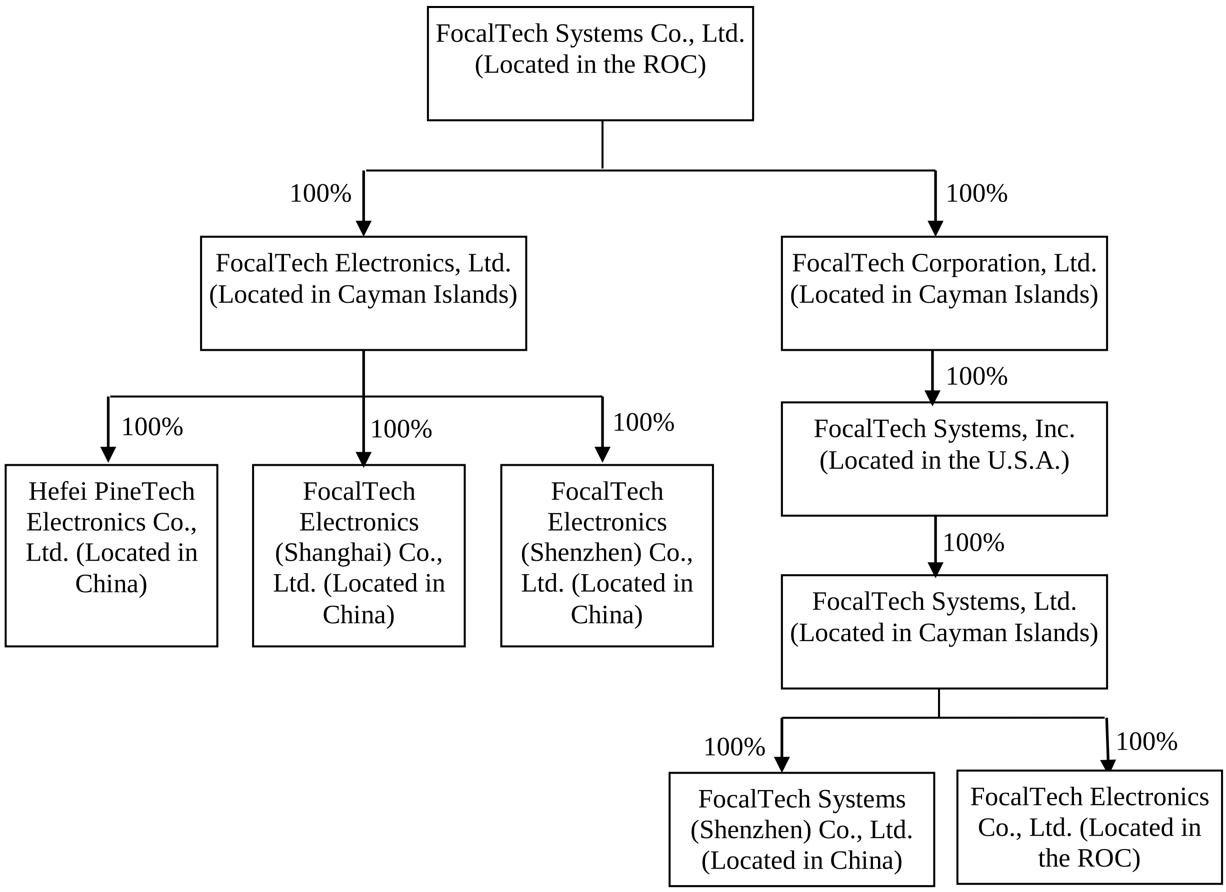
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

FocalTech Systems Co., Ltd. (the “FocalTech” or the “Company”) was incorporated in the Republic of China (“ROC”) in January 2006 and moved to Hsinchu Science Park in April of the same year. The Company was formerly known as Orise Technology Co., Ltd. and renamed on January 17, 2015. The Company is mainly engaged in research, development, design, and sale of LCD Drive IC, and also provision of the related hardware and software application design, manufacturing, repairs and consulting service.

The shareholders’ meeting of the Company resolved to acquire FocalTech Corporation, Ltd. (A F-listed company in Taiwan) through a share swap, under which each share of FocalTech Corporation Ltd. was swapped into 4.8 newly issued shares of the Company, with the reference date of the acquisition and share swap on January 2, 2015. According to the acquisition structure, Orise Holding (Cayman) Inc., the 100% owned subsidiary by the Company, was dissolved after the merger with FocalTech Corporation, Ltd. and FocalTech Corporation, Ltd. was the surviving company, and the Company issued new shares to the shareholders of FocalTech Corporation, Ltd. and FocalTech Corporation, Ltd. became a 100% owned subsidiary by the Company. This Acquisition was comprehensively considered as a reverse acquisition, where FocalTech Corporation, Ltd. was treated as the acquirer and the Company as the acquiree. In addition, the shares of FocalTech Corporation, Ltd. was delisted on January 2, 2015, approved by the Taiwan Stock Exchange.

The Company’s investment structure was as follow:



FocalTech Corporation, Ltd., the parent company of FocalTech Systems, Inc., was incorporated in the British Cayman Islands in July 2012. FocalTech Systems, Inc. was incorporated in the U.S.A. in October 2005. FocalTech Systems, Ltd., the 100% owned subsidiary by FocalTech Systems, Inc., was incorporated in the British Cayman Islands in October 2005. Both of FocalTech Electronics Co., Ltd. (incorporated in the ROC in June 2006) and FocalTech Systems (Shenzhen) Co., Ltd. (incorporated in China in April 2006) were the 100% owned subsidiaries by FocalTech Systems, Ltd.

The Company incorporated Focal Electronics, Ltd. in August 2014, and invested FocalTech Electronics (Shanghai) Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd. in China through FocalTech Electronics, Ltd., FocalTech Electronics (Shanghai) Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd. were approved by Investment Commission, MOEA and completed incorporation in September 2014 and October 2014, respectively, and were engaged in sale of IC and development of IC, respectively.

Hefei PineTech Electronics Co., Ltd. was treated as a subsidiary by control in substance, due to its main operation decision are approved by the Company.

The Company's shares have been listed on the Taiwan Stock Exchange ("TSE") since July 2007.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 26, 2016.

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

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

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company and its subsidiary (collectively, the "Group") should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

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

   1) IFRS 10 "Consolidated Financial Statements"

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

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

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive.

3) IFRS 13 “Fair Value Measurement”

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

The fair value measurements under IFRS 13 were applied prospectively from January 1, 2015. Refer to Note 31 for related disclosures.

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

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

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurement of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences from translating the financial statement of foreign operations and share of the other comprehensive income (except the share of the remeasurement of the defined benefit plans) of associates accounted for using equity method. However, the application of the above amendments did not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under previous IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurement of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in previous IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

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

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

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

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

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

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

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

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

   The impairment of financial assets

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

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

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

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

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

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

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

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

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

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

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

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

6) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

7) Annual Improvements to IFRSs: 2012-2014 Cycle

   Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

8) IFRS 16 “Leases”

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

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

Furthermore, the Company translated the consolidated financial statements from presented by US dollar into presented by New Taiwan dollars. Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

See Note 12 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

In a reverse acquisition, the accounting acquirer usually issues no consideration for the acquiree. Instead, the accounting acquiree usually issues its equity shares to the owners of the accounting acquirer. Accordingly, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage equity interest in the consolidated entities that results from the reverse acquisition. The fair value of the number of equity interests calculated in that way can be used as the fair value of consideration transferred in exchange for the acquiree.

In a reverse acquisition in which the acquirer and the acquiree exchange only equity interests, if the acquisition-date fair value of the equity interests in the acquiree is more reliably measurable than the acquisition-date fair value of the acquirer's transferred equity interests, the acquirer should determine the amount of goodwill by using the acquisition-date fair value of the acquiree's equity interests instead of the acquisition-date fair value of the equity interests transferred.

In the consolidated financial statements prepared for reverse acquisitions, the assets, liabilities and retained earnings of the legal subsidiary are recognized and measured at their pre-acquisition carrying amounts; the assets and liabilities of the legal parent are recognized and measured at their fair value. The amount recognized as total equity interest in the consolidated stockholders' equity is determined by adding that of the legal subsidiary immediately before the business combination and the fair value of consideration transferred.

The consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but are described as a continuation of the financial statements of the legal subsidiary (accounting acquirer), with the accounting acquirer's legal capital adjusted retroactively to reflect the legal capital of the legal parent (the accounting acquiree). The legal capital of comparative information is also retroactively adjusted to reflect the legal capital of the legal parent.

f. Foreign currencies

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

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

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

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

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

g. Inventories

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

h. Property, plant and equipment

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

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

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

i. Goodwill

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Residual values of intangible assets with finite useful lives are usually zero, except those expected to be disposed of before expiry of useful lives.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Fair value is determined in the manner described in Note 31.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss (incorporates/does not incorporate) any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31.

ii. Loans and receivables

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

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The conversion options component of convertible bonds issued by the Group that will be settled other than by exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's equity instruments is classified as derivative financial liabilities.

On initial recognition, the derivative financial liabilities component of the convertible bonds is recognized at fair value, and the initial carrying amount of the component of non-derivative financial liabilities is determined by deducting the amount of derivative financial liabilities from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liabilities component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liabilities component is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the derivative financial liabilities component and the non-derivative financial liabilities component in proportion to their relative fair values. Transaction costs relating to the derivative financial liabilities component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liabilities component are included in the carrying amount of the liability component.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

2) Interest income

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

o. Leasing

When the Group are a lessor of an operation lease, the lease payments are recognized as an expense on a straight-line basis over the lease term.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements

1) Equity-settled share-based payment arrangements granted to employee

The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

When the Group issues employee restricted shares, other equity - unearned employee compensation are recognized on the grant date, with a corresponding increase in capital surplus - employee restricted shares. If employee restricted shares are granted for consideration, and should be returned, they are recognized as payables. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in capital surplus - employee restricted shares.

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

2) Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Company of its equity instruments to the employees of a subsidiary under equity-settled share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options and employee restricted shares.

3) Modifications to the acquirer’s equity-settled share-based payment arrangements

When the terms and conditions on which equity instruments were granted are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition. In addition, the Group recognizes the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees; if the Group modifies the terms or conditions of the equity instrument in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employees, the Group nevertheless continues to account for the services received as consideration for the equity instruments granted as if that modification had not occurred.

If the modification increases the fair value of the equity instruments granted or increases the number of equity instruments granted, the Group includes the incremental fair value granted or the fair value of the additional equity instruments granted, measured at the date of the modification, in the measurement of the amount recognized for services received.

The incremental fair value granted or the fair value of the additional equity instruments granted is difference between the fair value of the modified equity and that of the original instrument, both estimated as at the date of modification. If the modification occurs during the vesting period, the incremental fair value granted or the fair value of the additional equity instruments granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

4) Share-based payment arrangements of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with the market-based measure at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognized as remuneration cost for post-combination service.

When the outstanding equity-settled acquiree awards are not exchanged with replacement awards, the acquiree awards are measured at their market-based measure. If the acquiree awards have vested by the acquisition date, they are included as part of the non-controlling interest. However, the unvested awards are allocated to the non-controlling interest based on the ratio as stated above. The balance is recognized as remuneration cost for post-combination service.

r. Taxation

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

1) Current tax

FocalTech Systems Co., Ltd., FocalTech Systems (Shenzhen) Co., Ltd., FocalTech Electronics Co., Ltd., FocalTech Electronics (Shanghai) Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd., recognize income tax expense according to the local tax laws and regulations, respectively.

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

As of December 31, 2015 and 2014, no deferred tax asset has been recognized on temporary differences for the subsidiaries of $21,975 thousand and $17,409 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available.

As of December 31, 2015 and 2014, no deferred tax liabilities has been recognized on earnings of the subsidiaries of $4,392,962 thousand and $3,839,923 thousand, respectively, due to the dividend policy of the subsidiaries was approved by the Company, the reversal of temporary differences of earning of the subsidiaries would be control and it’s probable that the temporary differences will not reverse in the foreseeable future.

b. Impairment of goodwill

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

c. Estimated impairment of trade receivables

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

d. Fair value measurements and valuation processes

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

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to quoted prices of similar instruments in active markets and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 31.

e. Write-down of inventory

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

f. Share-based payment

The employee share options were measured based on the best estimate of the number of vested options and the fair value of each option granted at the grant date. Changes in the estimate of the vested options and employee turnover rate may have a material impact on the amount of the expenses.

g. Impairment of investment in the associate

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

h. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash on hand	$ 3,269	$ 1,600
Checking accounts and demand deposits	1,419,835	353,309
Cash equivalent (investments with original maturities less than three months)	267,337	1,370,399
	$ 1,690,441	$ 1,725,308

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2015	**2014**
Demand deposits	0.001%-0.35%	0.001%-0.35%
Time deposits	0.3%-6.5%	0.34%-3.5%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	**2014**
Financial assets at FVTPL - current		
Financial assets designated as at FVTPL		
Credit-linked structured note	$ 129,120	$ -
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Options attached to the convertible bonds	$ 47,818	$ -

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	**2014**
Trade receivables		
Trade receivables	$ 1,699,191	$ 48,591
Less: Allowance for impairment loss	(111,605)	-
	$ 1,587,586	$ 48,591

The average credit period on sales of goods was 60-120 days. No interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

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

	December 31	
	2015	**2014**
Less than 60 days	$ 20,488	$ -
61-180 days	711	-
More than 180 days	13,534	-
	$ 34,733	$ -

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

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2014	$ -	$ -	$ -
Impairment losses recognized on receivables	191	-	191
Foreign exchange translation	2	-	2
Impairment losses reversed	(193)	-	(193)
Balance at December 31, 2014	$ -	$ -	$ -
Balance at January 1, 2015	$ -	$ -	$ -
Business combination (US$3,400 thousand)	107,610	-	107,610
Foreign exchange translation	3,995	-	3,995
Balance at December 31, 2015	$ 111,605	$	$ 111,605

Wintek Corporation announced the following material information on October 13, 2014. Due to loss of continuous operation, the board of directors of Wintek Corporation approved to apply for court's ratification for reorganization and emergency disposal in accordance with the relevant rules of the Company Act. As of December 31, 2015, the Group recognized allowance of doubtful trade receivables against Wintek Corporation of $111,605 thousand.

9. INVENTORIES

	December 31	
	2015	2014
Finished goods	$ 791,208	$ 407,923
Work in progress	622,755	391,103
Raw materials and supplies	1,129,913	27,354
	$ 2,543,876	$ 826,380

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was $9,512,645 thousand and $2,931,909 thousand, respectively. The cost of goods sold included inventory write-downs of $34,912 thousand and reversal of inventory write-downs of $50,156 thousand. Previous write-downs were reversed as a result of turnovers of slow-moving inventories.

10. OTHER FINANCIAL ASSETS

	December 31	
	2015	2014
Time deposits with original maturities more than three months (a)	$ 5,157,869	$ 5,199,327
Repurchase bonds (b)	129,987	-
	$ 5,287,856	$ 5,199,327

a. As of December 31, 2015 and 2014, the market rate intervals of time deposits with original maturities more than three months were 0.62%-4.0% and 0.87%-7.10%, respectively.

b. The Group bought US$4,000 thousands of 183-day repurchase bonds at a discount with a coupon rate of 0% and an effective rate of 0.7428%.

11. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	2014
Foreign unlisted preferred shares	$ 49,238	$ 47,475

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

The Group recognized impairment losses on financial assets of $0 thousand and $45,459 thousand in 2015 and 2014, respectively.

Financial assets measured at cost were not pledged as collateral.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2015	Proportion of Ownership December 31 2014
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Investment activity	100%	-
	FocalTech Electronics, Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	-
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	Investment activity	100%	100%
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%
FocalTech Systems, Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	100%	100%
	FocalTech Electronics Co., Ltd.	Import and export of integrated circuits	100%	100%
FocalTech Electronics, Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	100%	-
	FocalTech Electronics (Shenzhen) Co., Ltd.	Design and research of integrated circuits	100%	-
	Hefei PineTech Electronics Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	a	-

a. The Group has the power to appoint and remove the majority of the board of directors that has the power to direct its relevant activities of Hefei PineTech Electronics Co., Ltd.; therefore, Hefei PineTech Electronics Co., Ltd. is identified as a subsidiary of the Group.

13. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

	December 31		Proportion of Ownership December 31	
	2015	2014	2015	2014
Domintech Co., Ltd.	$ -	$ -	36.2%	36.2%

FocalTech Systems, Ltd. and FocalTech Electronics Co., Ltd. participated in the capital increases of Domintech Co., Ltd. in March 2014 and November 2014, respectively, and subscribed 8,300 thousands ordinary shares in total, amounting to 83,000 thousand with 36.2% ownership. The board of directors of Domintech Co., Ltd. resolved to file bankruptcy, and the Group recognized impairment losses for all the carrying amount of the investment accordingly.

The investments accounted for the using equity method and the share of the losses and the comprehensive loss recognized by the Group was based on the unaudited financial statements.

As of December 31, 2015, Domintech Co., Ltd. has been declared bankrupt by the count.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Development Equipment	Office Equipment	Information Equipment	Transportation Equipment	Leasehold Improvements	Photomask Equipment	Machinery Equipment	Construction in Progress	Total
Cost										
Balance at January 1, 2014	$ -	$ 20,214	$ 9,669	$ 28,599	$ 1,738	$ 28,539	$ 67,988	$ -	$ -	$ 156,747
Reclassification	-	2,251	(578)	578	-	-	(2,251)	-	-	-
Additions	37,600	5,473	2,184	6,750	-	5,530	35,914	-	-	93,451
Disposal	-	(182)	(251)	(5,369)	-	(6,482)	-	-	-	(12,284)
Effect of foreign currency exchange differences	-	794	392	1,500	101	880	5,684	-	-	9,351
Balance at December 31, 2014	$ 37,600	$ 28,550	$ 11,416	$ 32,058	$ 1,839	$ 28,467	$ 107,335	$ -	$ -	$ 247,265
Accumulated depreciation										
Balance at January 1, 2014	$ -	$ 11,056	$ 4,486	$ 15,044	$ 495	$ 7,998	$ 29,205	$ -	$ -	$ 68,284
Reclassification	-	266	(142)	142	-	-	(266)	-	-	-
Depreciation	348	4,370	1,451	3,338	316	9,699	24,937	-	-	44,459
Disposal	-	(479)	(508)	(5,946)	-	(2,733)	-	-	-	(9,666)
Effect of foreign currency exchange differences	-	400	221	685	44	554	2,894	-	-	4,798
Balance at December 31, 2014	$ 348	$ 15,613	$ 5,508	$ 13,263	$ 855	$ 15,518	$ 56,770	$ -	$ -	$ 107,875
Carrying amounts at January 1, 2014	$ -	$ 9,158	$ 5,183	$ 13,555	$ 1,243	$ 20,541	$ 38,783	$ -	$ -	$ 88,463
Carrying amounts at December 31, 2014	$ 37,252	$ 12,937	$ 5,908	$ 18,795	$ 984	$ 12,949	$ 50,565	$ -	$ -	$ 139,390
Cost										
Balance at January 1, 2015	$ 37,600	$ 28,550	$ 11,416	$ 32,058	$ 1,839	$ 28,467	$ 107,335	$ -	$ -	$ 247,265
Acquisitions through business combinations	-	14,893	304	-	-	30	-	11,567	2,492	29,286
Reclassification	-	-	-	-	-	2,492	-	-	(2,492)	-
Additions	-	26,644	2,725	6,059	-	11,734	-	1,600	-	48,762
Effect of foreign currency exchange differences	-	(286)	(187)	(674)	(42)	(361)	3,707	-	-	2,157
Balance at December 31, 2015	$ 37,600	$ 69,801	$ 14,258	$ 37,443	$ 1,797	$ 42,362	$ 111,042	$ 13,167	$ -	$ 327,470
Accumulated depreciation										
Balance at January 1, 2015	$ 348	$ 15,613	$ 5,508	$ 13,263	$ 855	$ 15,518	$ 56,770	$ -	$ -	$ 107,875
Depreciation	836	18,199	1,833	5,249	326	12,580	26,329	4,168	-	69,520
Effect of foreign currency exchange differences	-	(133)	(98)	(307)	(22)	(284)	2,731	-	-	1,887
Balance at December 31, 2015	$ 1,184	$ 33,679	$ 7,243	$ 18,205	$ 1,159	$ 27,814	$ 85,830	$ 4,168	$ -	$ 179,282
Carrying amounts at January 1, 2015	$ 37,252	$ 12,937	$ 5,908	$ 18,795	$ 984	$ 12,949	$ 50,565	$ -	$ -	$ 139,390
Carrying amounts at December 31, 2015	$ 36,416	$ 36,122	$ 7,015	$ 19,238	$ 638	$ 14,548	$ 25,212	$ 8,999	$ -	$ 148,188

Property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	45 years
Development equipment	3-5 years
Office equipment	3-5 years
Information equipment	3-5 years
Transportation equipment	5 years
Leasehold improvements	1-5 years
Photomask equipment	3 years
Machinery equipment	4 years

Property, plant and equipment were not been pledged as collateral.

15. GOODWILL

	For the Year Ended December 31	
	2015	2014
Cost		
Acquisition through business combination	$ 3,237,268	$ -

16. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
Cost					
Balance at January 1, 2014	$ 46,799	$ 21,054	$ 257	$ -	$ 68,110
Reclassification	(2,037)	2,037	-	-	-
Additions	-	2,478	-	-	2,478
Effect of foreign currency exchange differences	2,807	1,435	15	-	4,257
Balance at December 31, 2014	$ 47,569	$ 27,004	$ 272	$ -	$ 74,845
Accumulated amortization					
Balance at January 1, 2014	$ 19,845	$ 11,362	$ 187	$ -	$ 31,394
Reclassification	(736)	736	-	-	-
Amortization expense	14,432	7,974	37	-	22,443
Effect of foreign currency exchange differences	1,837	1,053	13	-	2,903
Balance at December 31, 2014	$ 35,378	$ 21,125	$ 237	$ -	$ 56,740
Carrying amounts at January 1, 2014	$ 26,954	$ 9,692	$ 70	$ -	$ 36,716
Carrying amounts at December 31, 2014	$ 12,191	$ 5,879	$ 35	$ -	$ 18,105
Cost					
Balance at January 1, 2015	$ 47,569	$ 27,004	$ 272	$ -	$ 74,845
Acquisitions through business combinations	9,826	6,900	76,478	74,000	167,204
Additions	3,520	24,731	-	-	28,251
Effect of foreign currency exchange differences	1,826	1,732	(6)	-	3,552
Balance at December 31, 2015	$ 62,741	$ 60,367	$ 76,744	$ 74,000	$ 273,852
Accumulated amortization					
Balance at January 1, 2015	$ 35,378	$ 21,125	$ 237	$ -	$ 56,740
Amortization expense	13,673	12,746	7,820	7,400	41,639
Effect of foreign currency exchange differences	1,624	1,036	(6)	-	2,654
Balance at December 31, 2015	$ 50,675	$ 34,907	$ 8,051	$ 7,400	$ 101,033
Carrying amounts at January 1, 2015	$ 12,191	$ 5,879	$ 35	$ -	$ 18,105
Carrying amounts at December 31, 2015	$ 12,066	$ 25,460	$ 68,693	$ 66,600	$ 172,819

Other intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Licenses and franchises	3-5 years
Software	1-5 years
Patents	7-10 years
Trademark	10 years

17. BORROWINGS

	December 31	
	2015	2014
Unsecured bank loans		
Amount	$ 269,775	$ -
Annual interest rate	1.25%-1.62%	-

18. BONDS PAYABLE

	December 31	
	2015	2014
Domestic 1st unsecured convertible bonds	$ 996,200	$ -
Less: Discounts on bonds payable	(39,428)	-
Less: Current portion	(956,772)	-
	$ -	$ -

To enhance working capital, the Company issued the 1st unsecured convertible bonds on June 17, 2013, with a five-year maturity and zero coupon rate, aggregate principal amount of $1,000,000 thousand. The bondholder may request for conversion at conversion price (NT$57.03 per share at the time of issuance, adjusted pursuant to the determined formula as regulated in the Bond Issuance and Conversion Plan; as of December 31, 2015, the conversion price per share was NT$49.46) during the conversion period from July 18, 2013 to June 7, 2017, except the book closure periods for stock dividends, cash dividends, cash injection, and capital reduction, or request for buy-back at coupon value plus 3.3% premium after June 17, 2016. From July 19, 2013 to May 5, 2018, if the closing price of the Company’s share exceeded 30% of the conversion price for 30 consecutive days on TSE or the outstanding amount was less than the 10 % of the insurance amount, the Company may redeem the remaining bonds in accordance with the agreed formula. The Company shall redeem the remaining bonds in full at the maturity date, June 17, 2018.

The fair value of the convertible bonds was reassessed at the reference date of the acquisition, and the conversion options attached to the convertible bonds, was reclassified as a derivative financial liability due to the convertible bonds were to be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company’s own equity instruments. The fair value of the reference day of the acquisition was as follows：

	January 2, 2015
Bonds payable	$ 941,210
Options attached to the convertible bonds (including conversion and redemption)	283,121

19. TRADE PAYABLES

	December 31	
	2015	2014
Trade payables	$ 974,714	$ 222,902

The average credit period on purchases was 15-60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	December 31	
	2015	2014
Payable for rebates	$ 438,250	$ 302,231
Payable for salaries and bonus	388,586	205,884
Payable for labor, health and social insurance	16,164	12,765
Reserve for litigations	94,317	98,472
Payable for professional services and others	43,068	30,486
	$ 980,385	$ 649,838

21. RETIREMENT BENEFIT

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$ 63,441	$ -
Fair value of plan assets	(15,273)	-
Net defined benefit liability	$ 48,168	$ -

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 2, 2015	$ 57,814	$ (13,397)	$ 44,417
Service cost			
Current service cost	114	-	114
Net interest expense (income)	1,156	(281)	875
Recognized in profit or loss	1,270	(281)	989
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(73)	(73)
Actuarial loss - changes in financial assumptions	2,620	-	2,620
Actuarial loss - experience adjustments	1,737	-	1,737
Recognized in other comprehensive income	4,357	(73)	4,284
Contributions from the employer	-	(1,522)	(1,522)
Balance at December 31, 2015	$ 63,441	$ (15,273)	$ 48,168

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

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

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

	December 31	
	2015	2014
Discount rate	1.75%	-
Expected rate of salary increase	4.50%	-

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

	December 31	
	2015	2014
Discount rate		
0.25% increase	$ (2,606)	$ -
0.25% decrease	$ 2,739	$ -
Expected rate of salary increase		
1% increase	$ 11,423	$ -
1% decrease	$ (9,598)	$ -

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

	December 31	
	2015	2014
The expected contributions to the plan for the next year	$ 1,407	$ -
The average duration of the defined benefit obligation	18 years	-

22. EQUITY

	December 31	
	2015	2014
Share capital		
Ordinary shares	$ 2,933,299	$ 2,758,575
Capital surplus	6,592,641	2,597,049
Retained earnings	1,500,278	1,380,893
Others equity items	546,549	322,747
	$ 11,572,767	$ 7,059,264

a. Share capital

Ordinary shares (NT$10 par value per share)

	December 31	
	2015	2014
Numbers of shares authorized (in thousands)	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000
Number of shares issued and fully paid (in thousands)	293,330	275,858
Shares issued	$ 2,933,299	$ 2,758,575

The Company acquired FocalTech Corporation, Ltd. through a share swap on January 2, 2015 (the acquisition date). The Company issued new shares to exchange 100% of the ownership of FocalTech Corporation, Ltd., each share of FocalTech Corporation, Ltd. swapped into 4.8 shares of the Company; the Company issued 275,858 thousand shares with a par value $10, amounting to $2,758,575 thousand. Since the acquisition was identified as a reverse acquisition, the share capital was retroactively adjusted as the original capital of the Company $1,400,495 thousand in addition to newly issued shares of $2,758,575 thousand, resulting in $4,159,070 thousand.

On March 5, 2015, the board of directors of the Company resolved to reduce 124,902 thousand of shares by cash, amounting to $1,249,021 thousand of capital. Based on the capital of $4,179,262 thousand before capital reduction, the capital was reduced approximately at 30%. The capital reduction was resolved by the shareholder's meeting on June 10, 2015 and approved by the Financial Supervisory Commission on August 26, 2015; the capital reduction date at September 23, 2015 was resolved by the board of director on September 2, 2015 and the registration was completed on October 8, 2015.

b. Capital surplus

1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of ordinary shares, conversion of bonds and treasury stock transaction) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) The capital surplus from employee share options may not be used for any purposes, while those from the expiration or the redemption of convertible bonds may be used to offset a deficit.

3) The capital surplus from investment accounted for using equity method and employee restricted shares may not be used for any purposes.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, in the allocation of the net profits for each fiscal year, the Company should first offset its deficits in previous years and then set aside a legal reserve at 10% of the remaining profits until the accumulated legal capital reserve equals total capital. After deducting the legal reserve and any special reserve as required by laws or related regulations, the following appropriations are made sequentially from the balance of the undistributed earnings:

1) Dividends to the shareholders at 6% of ordinary share capital.

2) Remuneration to directors at 1.5% and employees bonus not less than 1% of the balance after 6% dividend deduction.

3) The undistributed earnings from previous years and the current year net income after all the deductions above could be available for dividend distribution. The cash portion should be equal or more than 10% of the total dividends. It is allowed not to distribute any cash dividend if the cash amount per share is less than NT$0.5.

If a deduction to shareholders' equity was accumulated in the previous year or occurred in the current year, for which the current year's earnings were not sufficient for appropriation of special reserve, the same amount of special reserve shall be made from the previous years' accumulated undistributed earnings and appropriated before distribution of earnings.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on February 26, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 22, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to Note 24(d).

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

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

The appropriations of earnings for 2014 and 2013 have been approved in the shareholders' meetings on June 10, 2015 and June 30, 2014, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2014	2013	2014	2013
Legal reserve	$ 14,445	$ 126,735		
Cash dividends	130,005	554,000	$ 0.3123	$ 10

The appropriations of earnings for 2015 had been proposed by the Company's board of directors on February 26, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 23,582	
Cash dividends	212,240	$0.722

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held on June 22, 2016.

23. REVENUE

	For the Year Ended December 31	
	2015	2014
IC for portable devices	$ 11,464,209	$ 4,522,834
Others	15,530	-
	$ 11,479,739	$ 4,522,834

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Net foreign exchange gains	$ 55,545	$ 8,300
Gain on disposal of available-for-sale financial assets	33	-
Gain on disposal of held-to-maturity financial assets	134	-
Loss on disposal of property, plant and equipment	-	(2,618)
Compensation income	28,139	40,823
Others	381	1,713
	$ 84,232	$ 48,218

b. Finance costs

	For the Year Ended December 31	
	2015	2014
Interest on convertible bonds	$ 15,562	$ -
Interest on bank loans	1,861	-
Interest on deposits	110	-
	$ 17,533	$ -

c. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 69,520	$ 44,459
Intangible assets	41,639	22,443
	$ 111,159	$ 66,902
An analysis of deprecation by function		
Operating expenses	$ 80,130	$ 43,125
Operating costs	31,029	23,777
	$ 111,159	$ 66,902

d. Employee benefits expense

	For the Year Ended December 31	
	2015	2014
Post-employment benefits		
Defined contribution plans	$ 26,824	$ 5,346
Defined benefit plans (see Note 21)	989	-
Share-based payments	76,334	80,035
Salaries	1,191,520	510,439
Labor and health Insurance	93,168	54,503
Other employee benefits	35,147	14,467
Total employee benefits expense	$ 1,423,982	$ 664,790
An analysis of employee benefits expense by function		
Operating costs	$ 82,411	$ 44,505
Operating expenses	1,341,571	620,285
	$ 1,423,982	$ 664,790

The bonus to employee of the Company was estimated at a certain percentage of the net profit, due to the earning of 2014 was less than the dividend of shareholder at 6% of ordinary share capital under the Company's Articles of Incorporation, the Company did not recognize the bonus to employee and remuneration to directors for 2014.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors at the rates no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors were $51,049 thousand and $635 thousand, respectively, representing 1% and 1.5%, respectively, of the base net profit. The employees' compensation and remuneration to directors in cash for the year ended December 31, 2015 have been approved by the Company's board of directors on February 26, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on June 22, 2016.

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

The bonuses to employees and remuneration to directors for 2014 and 2013 which have been approved in the shareholders' meetings on June 10, 2015 and June 30, 2014, respectively, were as follows:

	For the Year Ended December 31			
	2014 (Note)		2013	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Bonus to employees	$ -	$ -	$ 73,388	$ -
Remuneration of directors	-	-	3,648	-

Note: The bonuses to employees and remuneration to directors for 2014 which have been approved in the shareholders' meetings on June 10, 2015, which was distributed by the FocalTech Systems, Co., Ltd. (formerly Orise Technology Co., Ltd.)

There was no difference between the amounts of the bonus to employees and the remuneration to directors (proposed by the board of directors and) approved in the shareholders' meetings on June 10, 2015 and June 30, 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

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

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2015	2014
Foreign exchange gains	$ 342,035	$ 18,413
Foreign exchange losses	(286,490)	(10,113)
	$ 55,545	$ 8,300

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense (income) recognized in profit or loss

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current year	$ 12,389	$ 26,807
Adjustments for prior years	(3,788)	929
	8,601	27,736
Deferred tax		
In respect of the current year	3,323	33,645
Effect of foreign currency exchange differences	(6,049)	(8,291)
	(2,726)	25,354
Income tax expense recognized in profit or loss	$ 5,875	$ 53,090

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

	For the Year Ended December 31	
	2015	2014
Profit before tax from continuing operations	$ 258,815	$ 717,802
Income tax expense calculated at the statutory rate	$ 25,998	$ 11,091
Loss from the long-term investments	7,781	-
Nondeductible expenses in determining taxable income	11,009	14,371
Tax-exempt income	(40,007)	-
Tax effect of earnings to be distributed by subsidiaries	14,856	24,695
Unrecognized deductible temporary differences	(2,770)	-
Reversal of temporary differences	(13,010)	-
Unrecognized loss carryforwards	5,906	2,219
Adjustments for prior years' tax	(3,788)	929
Others	(100)	(215)
Income tax expense recognized in profit or loss	$ 5,875	$ 53,090

FocalTech Systems Ltd. and FocalTech Electronics, Ltd. are exempted from taxation under local tax regulation.

For other group entities, the applicable tax rate were as follow:

1) FocalTech Corporation, Ltd. and FocalTech System, Inc.: 35%

2) The Company and FocalTech Electronics Co., Ltd.: 17%

3) FocalTech Electronics (Shenzhen) Co., Ltd., FocalTech Electronics (Shanghai) Co., Ltd., FocalTech Systems (Shenzhen) Co., Ltd., and Hefei PineTech Electronics Co., Ltd.: 25%

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

	Opening Balance	Acquisitions through Business Combina-tions	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax assets						
Obsolete of inventory	$ -	$ 117,104	$ (14,544)	$ -	$ -	$ 102,560
Tax losses	-	-	19,177	-	(123)	19,054
Allowance for receivables	-	4,872	5,659	-	-	10,531
Property, plant and equipment	-	12,630	(3,500)	-	-	9,130
Employee share option	8,954	-	(1,860)	-	-	7,094
Loss of associates	1,360	-	-	-	-	1,360
Other payables	-	(1,123)	2,058	-	-	935
Defined benefit obligation	-	-	-	728	-	728
Convertible bonds	-	421	(48)	-	-	373
Financial liabilities at FVTPL	-	808	(808)	-	-	-
Foreign exchange gains	(393)	(5,370)	5,763	-	-	-
Others	-	-	2,389	-	-	2,389
	$ 9,921	$ 129,342	$ 14,286	$ 728	$ (123)	$ 154,154
Deferred tax liabilities						
Investment income recognized from foreign investees	$ 149,243	$ -	$ 14,856	$ -	$ 6,049	$ 170,148
Intangible assets	-	23,520	(5,880)	-	-	17,640
Unrealized foreign exchange gains	-	-	2,584	-	-	2,584
	$ 149,243	$ 23,520	$ 11,560	$ -	$ 6,049	$ 190,372

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Other (Note)	Closing Balance
Deferred tax assets					
Employee share option	$ 10,521	$ (1,567)	$ -	$ -	$ 8,954
Losses of Associates	-	1,360	-	-	1,360
Unrealized foreign exchange gain and loss	59	(452)	-	-	(393)
Tax losses	8,888	-	38	(8,926)	-
	$ 19,468	$ (659)	$ 38	$ (8,926)	$ 9,921
Deferred tax liabilities					
Investment income recognized from foreign investees	$ 116,257	$ 24,695	$ 8,291	$ -	$ 149,243

Note: The other movement was adjustment of prior year of $923 thousand and loss carryforward used of $8,003 thousand.

c. Information about unused loss carry-forward and tax-exemption.

Loss carryforwards as of December 31, 2015 comprised of:

Unused Amount	Expiry Year
$ 14,839	2010
34,744	2025
3,984	2026
753	2027
2,558	2028
1,963	2029
5,729	2030
9,044	2031
16,740	2033
23,681	2034
20,957	2035
$ 134,992	

As of December 31, 2015, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Expansion of 3rd capital increase	2012-2016

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

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were $4,392,962 thousand and $3,839,923 thousand, respectively.

e. Integrated income tax

	December 31	
	2015	2014
Imputation credit accounts	$ 62,742	$ 67,050

Creditable ratio for distribution of earning for 2015 was estimated as 4.68%.

f. Income tax assessments

The Company and FocalTech Electronics Co., Ltd.'s tax returns through 2013 and undistributed earnings through 2012 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2015	**2014**
Basic earnings per share	$ 0.67	$ 2.47
Diluted earnings per share	$ 0.07	$ 2.36

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2015	**2014**
Earnings used in the computation of basic earnings per share	$ 252,940	$ 664,712
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds after tax	12,917	-
Gain on valuation of convertible bonds	(235,303)	-
Earnings used in the computation of diluted earnings per share	$ 30,554	$ 664,712

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares):

	For the Year Ended December 31	
	2015	**2014**
Weighted average number of ordinary shares in computation of basic earnings per share	379,400	269,246
Effect of potentially dilutive ordinary shares:		
Convertible bonds	20,141	-
Employee share option	6,651	11,120
Employees' compensation or bonus issue to employees	1,495	930
Employee restricted shares	203	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	407,890	281,296

If the Group is able to select the settlement of the compensation or bonus paid to employees in cash or shares, the weighted average number of outstanding shares used in the computation of diluted earnings per share should include the diluting effect assuming the entire amount of the compensation or bonus settled in shares until the final number of shares distributed to employees is resolved in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan in 2015

As approved by the FSC on July 6, 2015, the Company granted 2,800,000 options to qualified employees of the Company and its subsidiaries. Each option entitles the holder to subscribe for one ordinary shares of the Company at $10 per share, and 2,800,000 shares of ordinary shares ($10 par value) were required for this plan. The options granted are valid for 10 years and exercisable at 50% after the second anniversary from the grant date and at 25% each year thereafter. For any subsequent changes in the Company's capital surplus, such as issuance of shares in cash, earnings and capital surplus, consolidation, spin-off, share split, and issuance of global depositary receipts, the exercise price is adjusted accordingly.

Information on employee share options in 2015 was as follows:

	For the Year Ended December 31, 2015	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance at January 1	-	$ -
Options granted	2,800,000	10.0
Options forfeited	(112,000)	-
Balance at December 31	2,688,000	12.7
Weighted-average fair value of options granted ($)	$ 16.60	

Information about outstanding options was as follows:

Range of Exercise Price (NT$)	**Weighted-average Remaining Contractual Life (Years)**
December 31, 2015	**December 31, 2015**
$12.7	9.67

Options granted in 2015 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	September 2, 2015
Grant-date share price ($)	$24.40
Exercise price ($)	$10
Expected volatility	43.71%
Expected life (years)	10 years
Expected dividend yield	-
Risk-free interest rate	0.84%-0.92%

b. Employee share option plan in 2013

As approved by the FSC on July 11, 2013, the Company issued 2,000,000 options at a price lower the market price to qualified employees of the Company and its subsidiaries, amounting to $20,000 thousand in total. Each option entitles the holder to subscribe for one ordinary shares of the Company at $10 per share and to exercise at a price not lower than 50% of the closing price at the issue date of the options, and 2,000,000 shares of ordinary shares ($10 par value) were required for this plan. The options granted are valid for 6 years and exercisable at 50% after the second anniversary from the grant date and at 25% each year thereafter. For any subsequent changes in the Company's capital surplus, such as issuance of shares in cash, earnings and capital surplus, consolidation, spin-off, share split, and issuance of global depositary receipts, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31, 2015	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance at January 1	1,744,000	$ 27.60
Options forfeited	(154,500)	29.30
Options exercised	(9,500)	27.60
Options expired	(1,500)	27.60
Balance at December 31	1,578,500	39.40
Options exercisable, end of year	823,000	39.40
Weighted-average fair value of options granted ($)	$ 16.60	

Information about outstanding options as of December 31, 2015 was as follows:

Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
December 31, 2015	**December 31, 2015**
$39.40	3.5

Options granted in 2013 were priced using the Black-Scholes pricing model and the inputs to the model, which were re-priced at January 2, 2015, the reference date of the acquisition, and the inputs to the model for re-pricing were as follows:

	September 2, 2015
Grant-date share price ($)	$38.6
Exercise price ($)	$27.6
Expected volatility	45.97%
Expected life (years)	6 years
Expected dividend yield	-
Risk-free interest rate	0.72%-0.89%

c. Employee share option plan in 2006

The board of directors of FocalTech System, Inc. resolved to grant 3,950,600 options in February 2006, and resolved additional 1,000,000 options (only for buy-back of treasury socks and re-issuance for share options), 2,500,000 options, 2,300,000 options and 600,000 options in March 2007, July 2010, February 2012 and October 2012, respectively. As of December 31, 2012, 10,350,000 options were available for grant, including 1,000,000 options for reissuance options for treasury stocks, and each option entitled the holder to subscribe for one ordinary share of FocalTech System, Inc. and could be granted to employees and directors of the Company and subsidiaries and engaged consultants.

Due to reconstruction of the Group, FocalTech Systems, Inc. transferred all the rights and obligations of the share options to FocalTech Corporation, Ltd. on December 31, 2012.

For attracting and retaining talented personnel as well as enhancing attachment and belongingness of employees, the board of directors resolved additional 1,000,000 options, 650,000 options, and 600,000 options to be granted in January 2013, March 2013 and April 2013, respectively.

Exercise price of the share options was confirmed according to the resolution of the board of directors, and the exercise price and the number of options granted were adjusted by the subsequent changes in ordinary shares defined in the share option plan.

Due to FocalTech Corporation, Ltd. planned initial public offering, the employee share option plan in 1996 was terminated by the resolution of the board of directors on June 24, 2013. The options granted before the termination were still effective.

The options granted are valid for 10 years; except certain active employees may exercise the options earlier and leave employees extend the exercisable period of the options, the vesting conditions were as follows:

1) 25% of the options granted are exercisable after the secondary anniversary from the grant date, and 12.5% of the options granted become exercisable each half year thereafter, the vesting period amounting to 4 years in total; or

2) The options granted reach exercisable according to the condition of performance achievement.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2015		2014	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (US$)
Balance at January 1	2,434,079	$ 70.19	4,625,595	$ 2.19
Options granted	11,683,576	14.37	-	-
Options forfeited	(1,779,600)	17.37	(589,125)	2.52
Options exercised	(3,165,082)	12.42	(1,602,391)	1.46
Balance at December 31	6,738,924	18.61	2,434,079	2.22
Options exercisable, end of year	3,423,929	16.01	484,080	1.99

Information about outstanding options was as follows:

Range of Exercise Price		Weighted-average Remaining Contractual Life (Years)	
December 31		December 31	
2015 (NT$)	2014 (US$)	2015	2014
$ 1.82	$0.23	4.32	5.32
2.07	0.25	5.05	5.81
2.22	0.26	5.32	6.05
2.39	0.28	5.57	6.32
3.14	0.30	5.81	6.57

(Continued)

Range of Exercise Price		Weighted-average Remaining Contractual Life (Years)	
December 31		December 31	
2015 (NT$)	2014 (US$)	2015	2014
4.37	0.40	6.11	6.81
5.53	0.55	6.34	7.11
14.25	0.70	6.11	7.34
17.95	0.90	6.82	7.57
25.52	2.27	7.13	7.82
29.47	3.23	7.27	8.12
33.42	4.84	7.48	8.08
38.29	3.73	7.08	8.27
	4.23		8.48

(Concluded)

As FocalTech Corporation, Ltd. acquired the Company in a reverse acquisition, the rights and obligations of the option plan were transferred to the Company. According to the requirements of the agreement of the acquisition and share swap, the adjusted number of shares for which each option entitles the holder to subscribe the Company's ordinary shares was 4.8 times the original number of the shares of FocalTech Corporation, Ltd. for which each option entitled the holder to subscribe, and the adjusted exercise price was the original exercise price divided by the share swap rate. No incremental compensation cost was recognized at the acquisition date.

Compensation cost recognized was $19,514 thousand and $55,570 thousand for the years ended December 31, 2015 and 2014.

d. Employee restricted shares plan in 2013

On June 18, 2013, the meeting of the Company's shareholders approved an employee restricted shares plan with a total amount of $10,000 thousand, consisting of 1,000 thousand shares, $10 par per share and issue price at $0 (free of payments). It was applied to the FSC and effective on August 15, 2013.

The grant date and issue date was October 3, 2013 as approved by the board of directors on the same day to issue employee restricted shares with a total amount of $9,820 thousand. The fair value of each share at the grant date was $46.6. The employee restricted shares plan was remeasured at January 2 2015, the reverse acquisition date at $38 per share, the closest opening price.

Provided that the employees who acquired restricted shares keep active until the end of the vesting period, obey the service principles, and never violate the labor contracts, working principles or employee management rules, the vesting conditions were as follows:

1) The second anniversary from the grant date, 20% of acquired shares.

2) The third anniversary from the grant date, 30% of acquired shares.

3) The fourth anniversary from the grant date, 50% of acquired shares.

The restrictions on the rights of the employees who acquired the restricted shares but have not meet the vesting conditions were as follows:

1) The employees cannot sell, pledge, transfer, donate, or in any way dispose of these shares.

2) The Company enters into a trust agreement with a trust and custodian institution on behalf of the employees, and the institution exercises the rights in shareholders' meeting, in accordance with the agreement, such as attendance, proposing, speaking and voting.

3) The employees holding these shares are still entitled to receive cash and dividends in share and participating in capital increase in cash.

4) For the employees who meet vesting conditions in the periods, including the book closure periods for stock dividends, cash dividends, or cash injection, required by Article 165 item 3 of the Company Act, or due to other circumstances, the removal of restrictions and the delivery of the shares are ceased.

If an employee fails to meet the vesting conditions, the Company will recall and cancel his/her restricted shares.

e. Employee restricted shares plan in 2014

On February 24, 2014, the board of directors of FocalTech Corporation, Ltd. approved an employee restricted shares plan with a total amount of $8,000 thousand, consisting of 800,000 shares, $10 par per share, to apply for issuance at one times or several times for one year since the resolution date.

The Chairman decided August 20, 2014 as the record date of issuance, authorized by the board of directors of FocalTech Corporation, Ltd. on August 1, 2014. The restricted shares issued amounted to $3,854 thousand, consisting of 385,350 shares and issue price at $10 per share. August 1, 2014 and August 20, 2014 were the grant date and the issue date, respectively, and the fair value of each share at the grant date was $247.5.

The Chairman decided November 7, 2014 as the record date of issuance, authorized by the board of directors of FocalTech Corporation, Ltd. on October 31, 2014. The restricted shares issued amounted to $4,057 thousand, consisting of 405,650 shares and issue price at $10 per share. October 31, 2014 and November 7, 2014 were the grant date and the issue date, respectively, and the fair value of each share at the grant date was $173.

According to the employee restricted shares plan, one third of the restricted are vested when the employees who acquired the restricted shares continue working in FocalTech Corporation, Ltd. every anniversary since the grant date.

The restrictions on the rights of the employees who acquired the restricted shares but have not meet the vesting conditions were as follows;

1) The employees cannot sell, pledge, transfer, donate, or in any way dispose of these shares.

2) The Company enters into a trust agreement with a trust and custodian institution on behalf of the employees, and the institution exercises the rights in the shareholders' meeting, in accordance with the agreement, such as attendance, proposing, speaking and voting.

3) The same restrictions were applied to the cash dividends and stock dividends (appropriated from earnings or capital surplus) derived from the restricted shares not vested and related dividends.

If an employee fail to meeting the vesting conditions, FocalTech Corporation, Ltd. will buy back at the original issue price and cancel his/her restricted shares.

As FocalTech Corporation, Ltd. acquired the Company in a reverse acquisition, the rights and obligations of the restricted shares plan were also transferred to the Company. No incremental compensation cost was recognized at the reference date of the acquisition.

Compensation cost recognized was $56,820 thousand and $24,465 thousand for the years ended December 31, 2015 and 2014.

28. BUSINESS COMBINATIONS

a. The Company as acquiree

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
FocalTech Systems Co., Ltd. (the Company)	Development, manufacture and sale of wafer for consumer electronic	January 2, 2015	100

The acquisition was for long-term development strategy, integration of resources and enhancement of competitiveness, in order to increase sales and profit and create more values.

b. Considerations transferred

	The Company
Acquired 100% ownership interest in FocalTech Corporation, Ltd. by issuing equity instruments	$ 5,321,880
Non-controlling interests (the options and restricted shares granted by the Company)	28,080
	$ 5,349,960

c. Fair value of assets acquired and liabilities assumed at the date of acquisition

	The Company
Current assets	
Cash and cash equivalents	$ 717,370
Trade and other receivables	2,177,210
Inventories	1,871,832
Others	53,948
Non-current assets	
Fixed assets	29,286
Intangible assets	167,204
Deferred tax assets	129,342
Others	3,339
Current liabilities	
Short-term borrowings	(316,500)
Trade and other payables	(1,344,710)
Others	(5,524)
Non-current liabilities	
Financial liabilities at fair value through profit and loss	(283,121)
Bonds payable	(941,210)
Deferred tax liabilities	(23,520)
Others	(122,254)
	$ 2,112,692

d. Non-controlling interests

For the outstanding share options and employee restricted shares granted by the Company to its employees, replacement awards were measured based on market prices at the reference date of the acquisition. The significant assumptions used in determining the market-value measurement were set out in Note 27.

1) Replacement award that is part of consideration transferred

	The Company
Share options	$ 16,277
Employee restricted shares	11,803
	$ 28,080

2) Replacement award attributable to post-combination services

	The Company
Share options	$ 13,062
Employee restricted shares (recognized in the capital surplus-employee restricted shares at the acquisition date)	13,216
	$ 26,278

e. Goodwill arising on acquisition

	The Company
Consideration transferred	$ 5,321,880
Plus: Non-controlling interests (share options and employee restricted shares granted by the Company)	28,080
Less: Fair value of identifiable net assets acquired	(2,112, 692)
Goodwill arising on acquisition	$ 3,237,268

Goodwill from the acquisition of the Company arose from the control premium and other intangible assets. In addition, the consideration paid for the acquisition included the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the Company. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	January 2, 2015 to December 31, 2015
Revenue	$ 7,230,043
Net income	$ 1,620

29. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Company and its subsidiaries have lease contracts relate to office, plant and part of office equipment, above contracts would be expired before March 2018.

The lease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2015	**2014**
lease payment	$ 65,764	$ 39,217

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2015	**2014**
Not later than 1 year	$ 44,645	$ 25,743
Later than 1 year and not later than 5 years	9,959	3,384
	$ 54,604	$ 29,127

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance.

As the strategy of the Group's capital structure management, the Group sets its target market share according to the industry scale, the growth of the industry and the product development. The Group estimates the required capacity and plant and equipment and the responding capital expenditure to reach such capacity. Furthermore, the Group calculates working capitals and cash demands on the basis of the industry characteristics to make a comprehensive plan for long-term development. Finally, the Group evaluates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management reviews capital structures periodically and considers the possible costs and risks of different capital structures. Generally, the Group adopted prudent capital management strategy.

The capital structure of the Group consists of net debt (loans net of cash and cash equivalent) and equity (comprising issued capital, capital surplus, retained earnings and other equity).

The Group was not restricted to other external capital requirements.

31. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities not measured of fair value approximate their fair values or cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured note	$ -	$ -	$ 129,120	$ 129,120
Financial liabilities at FVTPL				
Options attached to the convertible bonds	$ -	$ -	$ 47,818	$ 47,818

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

For the year ended December 31, 2015

	Derivatives
Financial assets at FVTPL	
Balance at January 1, 2015	$ -
Purchases	130,620
Recognized in profit or loss (included in other gains and losses - unrealized)	(2,107)
Exchange differences	607
Balance at December 31, 2015	$ 129,120
Financial liabilities	
Balance at January 1, 2015	$ -
Acquisition from business combination	283,121
Recognized in profit or loss (included in other gains and losses - unrealized)	(235,303)
Balance at December 31, 2015	$ 47,818

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

a) Structured Note

Financial Instruments	Valuation Techniques and Inputs
Credit-Linked Note	The fair value provided by the Bank in accordance with the pricing model and/or assumptions of the current and future market conditions, the size and liquidity of the investment and the actual and potential hedging transactions after a reasonable review.

b) Options attached to the convertible bonds

The convertible bond was valuation by the binomial pricing model to Convertible Bonds, the fair value was measured based on the valuation date, duration, the price of the Company's stock, conversion price, volatility, risk-free interest, risk discount and liquidity risk. The Company obtained the external financial instrument valuation report, the estimation and assumptions used in the valuation report are consistent the information that the market participants used to estimate and assume in the pricing of financial instrument.

The valuation inputs applied as follow:

	December 31, 2015
Volatility	47.56%
Risk-free interest	0.4569%
Risk discount rate	1.2490%
Liquidity risk	5.74%

4) Sensitivity analysis of the options attached to the convertible bonds.

a) Foreign currency risk

The convertible bond was denominated at NT dollar, recognized the fair value through profit or loss which would not subject to exchange rate fluctuation.

b) Interest rate risk

If interest rates had been 10 or 20 basis points higher/lower and all other variables were held constant, the gain (loss) on each face value of $100,000 of the financial liabilities at FVTPL for the years ended December 31, 2015 and 2014 would decrease/increase by $(110), $(250), $130 and $250, respectively.

c) Share price risk

If price had been 7% or 10% higher/lower and all other variables were held constant, the gain (loss) on each face value of $100,000 of the financial liabilities at FVTPL for the years ended December 31, 2015 and 2014 would decrease/increase by $(1,350), $(1,850), $1,260 and $1,710, respectively.

d) Volatility

If volatility had been 1% or 5% higher/lower and all other variables were held constant, the gain (loss) on each face value of $100,000 of the financial liabilities at FVTPL for the years ended December 31, 2015 and 2014 would decrease/increase by $(130), $(770), $150 and $1,210, respectively.

c. Categories of financial instruments

	December 31	
	2015	2014
Financial assets		
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	$ 129,120	$ -
Available-for-sale financial assets (1)	49,238	47,475
Loans and receivables (2)	8,606,718	6,981,100
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	47,818	-
Amortized cost (3)	3,295,756	875,291

1) The balances included the carrying amount of available-for-sale financial assets measured at cost.

2) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other financial assets and guarantee deposits (included in other non-current assets).

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, bonds payable and deposits received.

d. Financial risk management objectives and policies

The Group’s major financial instruments include cash and cash equivalents, trade receivable, other financial assets, financial assets measured at cost, borrowings, trade and other payables, bonds payable. The Group’s Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The board of directors is solely responsible for established and monitored the framework of risk management of the Group, the board of directors authorized the chairman develop and monitored the risk management policy of the Company with the operation center of the Group, and regularly reported the situation to the board of directors.

The Group’s financial risk management policies are developed for identifying and analyzing the financial risks to the Group, evaluating the impacts of the financial risks, and executing the financial-risk aversion policies. The financial risk management are periodically reviewed to reflect changes to the market and the operations. Through the internal controls, such as training and setting up managing requirements and procedures, the Group is engaged in developing a disciplined and constructive control environment, in order to have all employees understand own responsibilities.

The Group’s board of directors monitors the management on managing the compliance to the financial risk management policies and procedures and reviews the appropriateness of risk management structure. To assist the board of directors, the internal auditors perform period and exceptional reviews on the controls and procedures of financial risk management and report the result of reviews to the board of directors.

The risk exposure, the targets, policies and procedures of evaluating and managing risks were disclosed as follow.

1) Market risk

The Group did not have financial instruments which involve material market risk due to price variations; thus, the market risk was immaterial.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency with the Group entity at the end of the reporting period are shown in Note 34.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an decrease in pre-tax profit and other equity associated with New Taiwan dollars strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2015	**2014**	**2015**	**2014**
Profit or loss/equity	$ 114,506 (i)	$ 7,766 (i)	$ 23,084 (ii)	$ 42,897 (ii)

i. This was mainly attributable to the exposure outstanding on USD time deposits, trade receivables, trade, other payables, other current assets and other current liability.

ii. This was mainly attributable to the exposure to outstanding RMB time deposits.

b) Interest rate risk

The Group was exposed to interest risk arising from fixed rate time deposits, financial assets designated at FVTPL and other financial assets, and floating-rate demand deposits. The time deposits and financial assets designated at FVTPL were at fixed interest rates, and other financial assets were mainly at fixed rates or at guaranteed minimal interest rates and carried at amortized costs, and, therefore, the variations to interest rates did not affect future cash flows.

The carrying amount of the Group's financial assets with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2015	**2014**
Fair value interest rate risk		
Financial assets	$ 5,684,313	$ 6,569,726
Cash flow interest rate risk		
Financial assets	$ 1,419,835	$ 353,309

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the assets outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2015 and 2014 would decrease/increase by $2,946 thousand and $733 thousand, respectively.

2) Credit risk

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

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

The credit risk on liquid funds and derivatives was limited because the counterparties are banks and entities with high credit ratings.

The Group's concentration of credit risk was related to the five largest client of trade receivables. Ongoing credit evaluation is performed on the financial condition of trade receivables.

As of December 31, 2015, the Group's five largest customers took 66% of total trade receivables, the remaining transactions with a large number of unrelated customers, thus, no significant concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, bank loans are a significant resource of liquidity for the Group.

As of December 31, 2015 and 2014, the Group had available unutilized short-term bank loan facilities of $3,171,475 thousand and $0 thousand, respectively.

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

The Group's remaining contractual maturity for its non-derivative financial liabilities was based on the undiscounted cash flows, including interest and principal cash flow, of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2015

	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities		
Fixed interest rate liabilities	$ 270,058	$ 1,026,385
Non-interest bearing	1,955,099	114,110
	$ 2,225,157	$ 1,140,495

b) Financing facilities

	December 31, 2015
Unsecured bank overdraft facility, reviewed annually:	
Amount used	$ 269,775
Amount unused	3,171,475
	$ 3,441,250

32. TRANSACTIONS WITH RELATED PARTIES

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

b. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Long-term employee benefits	$ 18,403	$ 5,176
Short-term employee benefits	42,142	39,221
Post-employment benefits	762	357
Share-based payments	9,429	9,075
	$ 70,736	$ 53,829

The remuneration of directors and key executives was determined by the remuneration committee based on the performance and market trends.

33. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank borrowings:

	December 31	
	2015	2014
Pledge deposits (classified as other non-current assets)	$ 4,000	$ 4,000

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2015

	Foreign Currencies	Exchange Rate (To Its Relevant Functional Currency)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 64,896	0.0305 (USD:NTD)	$ 2,838,274
USD	1,041	0.1540 (USD:RMB)	34,218
RMB	91,688	6.4936 (RMB:USD)	461,679
Financial liabilities			
Monetary items			
USD	25,355	0.0305 (USD:NTD)	123,666
USD	13,974	0.1540 (USD:RMB)	458,710

December 31, 2014

	Foreign Currencies	Exchange Rate (To Its Relevant Functional Currency)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 2,839	0.0320 (USD:NTD)	$ 89,842
USD	2,069	0.1634 (USD:RMB)	65,479
RMB	166,119	6.1190 (RMB:USD)	857,948

35. SEGMENT INFORMATION

a. Operating segments

Segment information is provided to those who allocate resources and assesse segment performance separately. The Company's operation focuses on the selling and developing portable device related IC under a single operation unit. Thus, the information of operating segment should not be disclosed individually.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2015	2014
IC for portable devices	$ 11,464,209	$ 4,522,834
Others	15,530	-
	$ 11,479,739	$ 4,522,834

c. Geographical information

The Group operates in two principal geographical areas -China and Taiwan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2015	2014	2015	2014
China	$ 9,517,266	$ 4,025,207	$ 117,371	$ 114,900
Taiwan	1,025,506	440,125	244,470	62,117
Others	936,967	57,502	-	-
	$ 11,479,739	$ 4,522,834	$ 361,841	$ 177,017

The Group's revenue was classified by location of receivable. Non-current assets which comprise property, plant and equipment, other intangible assets and guarantee deposits, exclude financial asset measured at cost, deferred tax assets and other non-current assets.

d. Information about major customers

Single customers contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2015	2014
Custom A	$ 1,400,079	$ 1,515,881
Custom B and subsidiaries	1,175,199	1,169,622
Custom C and subsidiaries	1,122,452	818,112

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	FocalTech Systems Co., Ltd.	FocalTech Systems, Ltd.	Subsidiary	$ 2,306,932	$ 984,750 (US$ 30,000)	$ 984,750 (US$ 30,000)	$ 88,729	$ -	8.54	$ 5,767,331	Y	N	N	FocalTech Systems Co., Ltd. guaranteed US$30,000 thousands for purchase materials, the amount were shared by FocalTech Electronics, Ltd. and FocalTech Systems, Ltd.
		FocalTech Electronics, Ltd.	Subsidiary	2,306,932	2,297,750 (US$ 70,000)	2,297,750 (US$ 70,000)	231,515	-	19.92	5,767,331	Y	N	N	
1	FocalTech Systems, Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Subsidiary	5,767,331	656,500 (US$ 20,000)	656,500 (US$ 20,000)	-	656,500	10.67	5,767,331	Y	N	Y	

Note 1: The Company and its subsidiaries are numbered as follows:

a. “0” for the Company.
b. Subsidiaries are numbered from “1”.

Note 2: Limits on endorsement/guarantee:

a. The total amount of endorsements and/or guarantees made by the Company for a company who has business relationship with the Company shall not exceed the total trading amount between the Company and such endorsee/guarantee company in the most recent year and 20% of the Company’s the net worth. The trading amount depends on sales or purchases between the Company and such endorsee/guarantee company which is higher.

b. The aggregate amount of endorsements and/or guarantees made by the Company shall not exceed 50% of the Company’s the net worth. The amount of endorsements and/or guarantees for a single company shall not exceed 20% of the Company’s the net worth and 50% of such endorsee/guarantee company’s net worth.

c. The total amount of endorsements and/or guarantees made by a subsidiary shall not exceed 50% of its net worth. The total amount of endorsements and/or guarantees made by a subsidiary for a single company shall not exceed 20% of its net worth and 50% of such endorsee/guarantee company’s net worth. The total amount of endorsements and/or guarantees among subsidiaries that the Company directly and indirectly owns 100% of the voting shares shall not exceed 50% of the Company’s net worth. The total amount of endorsements and/or guarantees between companies that the Company directly and indirectly owns more than 90% of the voting shares shall not exceed 10% of the Company’s net worth.

d. The aggregate amount of endorsements and/or guarantees made by the Company and its subsidiaries shall not exceed 50% of net worth on the Company’s last financial statement. The amount of f endorsements and/or guarantees made by the Company and its subsidiaries for a single company shall not exceed 20% of net worth on the Company’s last financial report that with independent auditors’ report. The net worth are depends on the Company’s last audited/reviewed financial report. The Company’s financial reports are prepared according to the International Financial Reporting Standards, “net worth” in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Note 3: At exchange rate on December 31, 2015, US$1= NT$32.825.

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

(Formerly Orise Technology Co., Ltd.)

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
FocalTech Systems, Ltd.	Stock							
	MCUBE, INC.	-	Financial assets measured at cost	1,057,492	$ 49,238 (US$ 1,500)	2.84% (Note 1)	$ 49,238 (US$ 1,500)	
	Bonds							
	BNP Credit Linked Bonds	-	Financial assets at fair value through profit or loss - current	-	129,120 (US$ 3,934)	-	129,120 (US$ 3,934)	
	CITIC Securities Repurchase Agreement Bonds	-	Other financial assets	-	129,987 (US$ 3,960)	-	129,987 (US$ 3,960)	

Note 1: Percentage of ownership is calculated by the preferred stock shares divined by the outstanding preferred stock shares.

Note 2: See Tables 4 and 5 for the information of investments in subsidiaries and associates.

Note 3: At exchange rate on December 31, 2015, US$1= NT$32.825.

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
(Formerly Orise Technology Co., Ltd.)

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 3)	Transactions Details			
				Financial Statement Accounts	Amount (Note 4)	Payment Terms	% to Total Sales or Assets
0	FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	1	Payable to related parties	$ 309	Note 2	-
				Operating costs	1,631	Note 2	0.01
		FocalTech Systems, Ltd.	1	Advancement from related parties	88,618	Note 2	0.58
				Operating revenue	279,970	Note 2	2.44
1	FocalTech Electronics, Ltd.	FocalTech Electronics Co., Ltd.	2	Payable to related parties	924	Note 2	0.01
				Research and development expenses	12,303	Note 2	0.11
		FocalTech Systems (Shenzhen) Co., Ltd.	2	Prepayment to related parties	211,441	Note 2	1.39
				Research and development expenses	335,117	Note 2	2.92
2	FocalTech Systems, Ltd.	FocalTech Electronics Co., Ltd.	2	Payable to related parties	7,571	Note 2	0.05
				Operating costs	17,580	Note 2	0.15
				Research and development expenses	97,649	Note 2	0.85
		FocalTech Systems (Shenzhen) Co., Ltd.	2	Prepayment to related parties	234,534	Note 2	1.54
				Research and development expenses	236,997	Note 2	2.06
		Hefei PineTech Electronics Co., Ltd.	2	Research and development expenses	2,703	Note 2	0.02
				Payable to related parties	2,703	Note 2	0.02

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

a. “0” for the Company.
b. Subsidiaries are numbered from “1”.

Note 2: The intercompany transactions are service of management, researching and developing, other transactions with the related parties were determined in accordance with mutual agreements when there were no similar transactions with third parties.

Note 3: Related party transactions are divided into three categories as follows:

a. The Company to subsidiaries or Subsidiaries to the Company.
b. Subsidiaries to subsidiaries.

Note 4: The amount was eliminated upon consolidation.

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

(Formerly Orise Technology Co., Ltd.)

INFORMATION ON INVESTEES (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2015 (Note 2)	December 31, 2014 (Note 3)	Shares (Thousands)	%	Carrying Amount			
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Cayman Islands	Investment activity	$ 7,059,264	$ -	5,491	100.0	$ 6,170,228 (US$ 187,974)	$ 404,816 (US$ 12,754)	$ 404,816 (US$ 12,754)	Subsidiary
	FocalTech Electronics, Ltd.	Cayman Islands	Researching, developing, manufacture and selling of integrated circuits	495,658 (US$ 15,100)	-	3	100.0	45,270 (US$ 1,379)	(433,466) (US$ -13,657)	(433,466) (US$ -13,657)	Subsidiary
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	USA	Investment activity	3,357,763 (US$ 102,293)	3,237,569 (US$ 102,293)	100	100.0	6,005,733 (US$ 182,962)	408,640 (US$ 12,875)	408,640 (US$ 12,875)	Subsidiary
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Cayman Islands	Researching, developing, manufacture and selling of integrated circuits	766,466 (US$ 23,350)	739,028 (US$ 23,350)	2	100.0	6,125,333 (US$ 186,606)	439,936 (US$ 13,861)	439,936 (US$ 13,861)	Subsidiary
FocalTech Systems, Ltd.	FocalTech Electronics Co., Ltd.	Taiwan	Importing and Exporting of integrated circuits	50,000	50,000	5,000	100.0	222,312 (US$ 6,773)	13,633 (US$ 430)	13,633 (US$ 430)	Subsidiary
	Domintech Co., Ltd.	Taiwan	Manufacturing and selling of electronic parts	75,000	75,000	7,500	32.7	-	-	-	Associate (Note 4)
FocalTech Electronics Co., Ltd.	Domintech Co., Ltd.	Taiwan	Manufacturing and selling of electronic parts	8,000	8,000	800	3.5	-	-	-	Associate (Note 4)

Note 1: See Table 5 for the information on investment in mainland china.

Note 2: At exchange rate on December 31, 2015, US$1= NT$32.825.

Note 3: At exchange rate on December 31, 2014, US$1= NT$31.65.

Note 4: FocalTech Systems, Ltd. and FocalTech Electronics Co., Ltd. have recognized 100% impairment in FY2014.

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

(Formerly Orise Technology Co., Ltd.)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015	Note
					Outflow	Inflow							
FocalTech Electronics (Shanghai) Co., Ltd.	Selling of integrated circuits	$ 32,825 (US$ 1,000)	(Note 3)	$ -	$ 32,825 (US$ 1,000)	$ -	$ 32,825 (US$ 1,000)	$ (44,689) (US$ -1,408)	100	$ (44,689) (US$ -1,408)	$ (13,345) (US$ -407)	$ -	
FocalTech Electronics (Shenzhen) Co., Ltd.	Researching and developing of integrated circuits	32,825 (US$ 1,000)	(Note 3)	-	32,825 (US$ 1,000)	-	32,825 (US$ 1,000)	(196) (US$ -6)	100	(196) (US$ -6)	30,726 (US$ 936)	-	
FocalTech Systems (Shenzhen) Co., Ltd.	Researching and developing of integrated circuits	722,150 (US$ 22,000)	(Note 4)	-	-	-	-	10,457 (US$ 329)	100	10,457 (US$ 329)	739,944 (US$ 22,542)	-	
Hefei PineTech Electronics Co., Ltd.	Researching, developing, manufacture and selling of integrated circuits	15,165 (RMB 3,000)	(Note 5)	-	-	-	-	(602) (US$ -19)	-	(602) (US$ -19)	14,568 (US$ 444)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$65,650 (US$2,000)	$919,568 (US$29,933)	$6,943,660

Note 1: At exchange rate on December 31, 2015, US$1= NT$32.825, RMB1= NT$5.0550.

Note 2: At exchange rate of average rate of the year ended December 31, 2015, US$1= NT$31.739.

Note 3: It is established through a holding company registered in a third region.

Note 4: It is established by the investment of overseas parent company, the funds are not remitted from Taiwan.

Note 5: It is obtained by the substantial control of the Company’s operation, the funds are not remitted from Taiwan.