(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(With Independent Accountants' Audit Report Thereon)

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(English Translation of Financial Report Originally Issued in Chinese)

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of

Pegatron Corporation

We have audited the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries (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 financial statements are the responsibility of the Group's management. Our responsibility is to express the audit report based on our audits. We did not audit the financial statements of certain consolidated subsidiaries with total assets representing 14.33% and 16.23% and net sales representing 4.50% and 7.16% of the related consolidated total as of and for the years ended December 31, 2015 and 2014, respectively. Also, we did not audit the long-term investments in other companies representing 0.05% and 0.15% of consolidated total assets as of December 31, 2015 and 2014, respectively, and the related investment loss thereon representing (0.11)% and (1.14)% of consolidated net income before tax for the years ended December 31, 2015 and 2014, respectively. The financial statements of these subsidiaries and investees accounted for under the equity method were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, were based solely on the reports of other auditors.

We conducted our audits in accordance with "Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014, and the results of their operations and their 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, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the non-consolidated financial statements of the Pegatron Corporation as of and for the years ended December 31, 2015 and 2014 and have issued modified unqualified audit report thereon.

CPA: Ulyos Maa
Securities and Futures Commission,
Ministry of Finance, R.O.C. regulation
(88) Tai-Tsai-Jung (6) No. 18311

March 17, 2016

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants' 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 accountants' report and financial statements shall prevail.

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
ASSETS				
Current Assets:				
Cash and cash equivalents (Note 6(1))	$ 102,561,346	22	107,688,632	24
Financial assets at fair value through profit or loss－current (Note 6(2))	4,732,661	1	5,746,322	1
Available-for-sale financial assets－current (Note 6(2))	857,820	-	1,083,436	-
Notes and accounts receivable, net (Notes 6(3), 6(28) and 7)	120,030,355	25	129,862,808	28
Other receivables, net (Notes 6(3) and 6(28))	27,694,719	6	14,873,148	3
Inventories (Note 6(4))	118,165,460	25	95,630,438	21
Non-current assets classified as held for sale, net (Notes 6(5) and 8)	-	-	493,740	-
Other financial assets－current (Notes 6(12) and 8)	785,779	-	2,187,887	1
Other current assets (Note 6(12))	15,575,204	3	12,036,315	3
	390,403,344	82	369,602,726	81
Non-current assets:				
Available-for-sale financial assets－noncurrent (Note 6(2))	961,584	-	1,480,281	-
Financial assets carried at cost－noncurrent (Note 6(2))	468,750	-	568,834	-
Investments accounted for using equity method (Note 6(6))	424,191	-	490,372	-
Property, plant and equipment (Notes 6(9) and 8)	71,037,778	15	72,898,284	16
Investment property, net (Note 6(10))	704,131	-	648,752	-
Intangible assets (Note 6(11))	1,555,087	-	1,601,259	-
Deferred tax assets (Note 6(19))	2,852,506	1	3,056,520	1
Prepayments on purchase of equipment	2,914,417	1	1,930,911	1
Other financial assets－noncurrent (Notes 6(12) and 8)	357,503	-	611,921	-
Long-term prepaid rents (Notes 6(17) and 8)	4,348,476	1	4,093,778	1
Other noncurrent assets (Note 6(12))	58,896	-	109,503	-
	85,683,319	18	87,490,415	19
TOTAL ASSETS	**$ 476,086,663**	**100**	**457,093,141**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONT'D)

DECEMBER 31, 2015 AND 2014

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2015		December 31, 2014	
LIABILITIES	**Amount**	**%**	**Amount**	**%**
Current Liabilities:				
Short-term loans (Note 6(13))	$ 45,467,083	9	27,180,563	6
Financial liabilities at fair value through profit or loss－current (Notes 6(2) and 6(15))	-	-	1,126,590	-
Notes and accounts payable (Note 7)	161,147,309	34	174,767,644	38
Accrued expenses	27,606,075	6	24,851,714	5
Other payables	6,792,896	1	7,488,338	2
Current income tax liabilities	7,847,931	2	5,919,270	1
Provisions－current (Note 6(16))	425,401	-	521,454	-
Deferred revenue	1,391,051	-	2,083,241	1
Bonds payable – current portion (Note 6(15))	-	-	1,808,230	-
Long-term loans payable－current portion (Note 6(14))	2,604,140	1	7,743,689	2
Other current liabilities	14,425,611	3	11,506,712	3
	267,707,497	56	264,997,445	58
Non-current liabilities:				
Long-term loans (Note 6(14))	12,306,749	3	13,949,222	3
Deferred tax liabilities (Note 6(19))	2,578,981	1	2,295,081	1
Other noncurrent liabilities (Note 6(18))	1,154,911	-	980,163	-
	16,040,641	4	17,224,466	4
Total Liabilities	283,748,138	60	282,221,911	62
Equity Attributable to Owners of the Parent Company (Note 6(20))				
Share capital	26,030,205	5	25,156,805	6
Capital surplus:				
Capital surplus, premium on capital stock	73,471,235	15	70,531,321	15
Capital surplus, others (Note 6(7))	5,501,139	1	3,764,399	1
	78,972,374	16	74,295,720	16
Retained earnings:				
Legal reserve	4,879,380	1	3,413,566	1
Unappropriated retained earnings	37,775,792	8	25,911,678	5
	42,655,172	9	29,325,244	6
Other equity interest:				
Exchange differences on translation of foreign financial statements	3,752,117	1	4,788,058	1
Unrealized gains on available-for-sale financial assets	211,234	-	177,810	-
Deferred compensation cost arising from issuance of restricted stock (Note 6(21))	(1,238,377)	-	(64,523)	-
	2,724,974	1	4,901,345	1
Treasury stock	(2,590)	-	(8,183)	-
Equity attributable to the parent Company	150,380,135	31	133,670,931	29
Non-controlling interests	41,958,390	9	41,200,299	9
Total Equity	192,338,525	40	174,871,230	38
TOTAL LIABILITIES AND EQUITY	**$ 476,086,663**	**100**	**457,093,141**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Years ended December 31			
	2015		2014	
	Amount	%	Amount	%
Operating revenues (Notes 6(24) and 7)	$ 1,218,853,846	100	1,022,705,728	100
Less: Sales returns and allowances	5,140,870	-	2,966,895	-
Net sales	1,213,712,976	100	1,019,738,833	100
Cost of sales (Notes 6(4), 6(17), 6(18) and 7)	1,138,437,983	94	960,283,391	94
Gross profit	75,274,993	6	59,455,442	6
Operating expenses (Notes 6(17), 6(18) and 7)				
Selling expenses	9,646,871	1	8,534,908	1
General and administrative expenses	11,280,211	1	10,264,751	1
Research and development expenses	14,673,367	1	12,335,198	1
	35,600,449	3	31,134,857	3
Results from operating activities	39,674,544	3	28,320,585	3
Non-operating income and expenses				
Other income (Note 6(26))	3,605,179	-	3,310,394	-
Other gains and losses (Notes 6(15) and 6(26))	(2,848,776)	-	(3,686,996)	-
Financial costs (Notes 6(15) and 6(26))	(852,951)	-	(1,090,080)	-
Share of loss of associates and joint ventures accounted for under equity method (Note 6(6))	(12,854)	-	(320,323)	-
Other losses	(379,128)	-	(271,493)	-
	(488,530)	-	(2,058,498)	-
Profit before tax	39,186,014	3	26,262,087	3
Income tax expense (Note 6(19))	(10,314,155)	1	(7,334,474)	1
Profit for the year	**28,871,859**	**2**	**18,927,613**	**2**
Other comprehensive income (Notes 6(20) and 6(27))				
Items that will not be reclassified to profit and loss				
Remeasurements effects on defined benefit plans	1,277	-	39,077	-
Income tax relating to components that will not reclassified	(1,085)	-	(3,751)	-
	192	-	35,326	-
Items which may be reclassified to profit and loss in subsequent periods				
Foreign currency translation differences－foreign operations	(1,191,862)	-	5,835,936	1
Unrealized (loss) gain on available-for-sale financial assets	(124,493)	-	397,057	-
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(24,066)	-	(33,122)	-
Income tax relating to components that may be reclassified to profit and loss in subsequent periods	611	-	21,143	-
	(1,339,810)	-	6,221,014	1
Other comprehensive income for the year, net of tax	(1,339,618)	-	6,256,340	1
Total comprehensive income for the year	**$ 27,532,241**	**2**	**25,183,953**	**3**
Profit attributable to				
Owners of the parent Company	$ 23,811,625	2	14,658,138	2
Non-controlling interests	5,060,234	-	4,269,475	-
	$ 28,871,859	**2**	**18,927,613**	**2**
Comprehensive income attributable to				
Owners of the parent Company	$ 22,809,542	2	19,604,022	2
Non-controlling interests	4,722,699	-	5,579,931	1
	$ 27,532,241	**2**	**25,183,953**	**3**
Earnings per share, net of tax (Note 6(23))				
Basic earnings per share	**$**	**9.23**		**6.24**
Diluted earnings per share	**$**	**9.10**		**6.17**

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

(English Translations of Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to Owners of the Parent Company															
	Share capital				Retained earnings				Other adjustments to equity							
	Common stock	Advance receipts for share capital	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated	Total	Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost	Total	Treasury stock	Owners of the parent company	Non-controlling interests	Total equity
Balance, January 1, 2014	$ 23,204,345	7,210	23,211,555	63,175,819	2,458,117	3,280,485	15,405,350	21,143,952	(48,637)	79,871	(241,370)	(210,136)	(17,396)	107,303,794	36,751,385	144,055,179
Profit for the year	-	-	-	-	-	-	14,658,138	14,658,138	-	-	-	-	-	14,658,138	4,269,475	18,927,613
Other comprehensive income for the period	-	-	-	-	-	-	11,250	11,250	4,836,695	97,939	-	4,934,634	-	4,945,884	1,310,456	6,256,340
Total comprehensive income for the period	-	-	-	-	-	-	14,669,388	14,669,388	4,836,695	97,939	-	4,934,634	-	19,604,022	5,579,931	25,183,953
Appropriation and distribution of retained earnings																
Legal reserve	-	-	-	-	955,449	-	(955,449)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(3,280,485)	3,280,485	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(6,497,217)	(6,497,217)	-	-	-	-	-	(6,497,217)	-	(6,497,217)
Conversion of convertible bonds	377,318	1,472,500	1,849,818	8,507,771	-	-	-	-	-	-	-	-	-	10,357,589	-	10,357,589
Disposal of the Company's share by its subsidiary recognized as treasury share transaction	-	-	-	9,629	-	-	-	-	-	-	-	-	10,503	20,132	-	20,132
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	2,266,315	-	-	-	-	-	-	-	-	-	2,266,315	(2,266,315)	-
Changes in ownership interest in subsidiaries	-	-	-	16,721	-	-	-	-	-	-	-	-	-	16,721	(16,721)	-
Share-based payments	104,890	(2,010)	102,880	266,598	-	-	-	-	-	-	-	-	-	369,478	-	369,478
Expiration of restricted shares of stock issued to employees	(7,448)	-	(7,448)	8,738	-	-	-	-	-	-	-	-	(1,290)	-	-	-
Compensation cost arising from restricted shares of stock	-	-	-	44,129	-	-	9,121	9,121	-	-	176,847	176,847	-	230,097	-	230,097
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,152,019	1,152,019
Balance, December 31, 2014	23,679,105	1,477,700	25,156,805	74,295,720	3,413,566	-	25,911,678	29,325,244	4,788,058	177,810	(64,523)	4,901,345	(8,183)	133,670,931	41,200,299	174,871,230
Profit for the year	-	-	-	-	-	-	23,811,625	23,811,625	-	-	-	-	-	23,811,625	5,060,234	28,871,859
Other comprehensive income for the period	-	-	-	-	-	-	434	434	(1,035,941)	33,424	-	(1,002,517)	-	(1,002,083)	(337,535)	(1,339,618)
Total comprehensive income for the period	-	-	-	-	-	-	23,812,059	23,812,059	(1,035,941)	33,424	-	(1,002,517)	-	22,809,542	4,722,699	27,532,241
Appropriation and distribution of retained earnings																
Legal reserve	-	-	-	-	1,465,814	-	(1,465,814)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(10,509,621)	(10,509,621)	-	-	-	-	-	(10,509,621)	-	(10,509,621)
Conversion of convertible bonds	1,946,748	(1,472,500)	474,248	2,679,408	-	-	-	-	-	-	-	-	-	3,153,656	-	3,153,656
Disposal of the Company's share by its subsidiary recognized as treasury share transaction	-	-	-	12,029	-	-	-	-	-	-	-	-	6,113	18,142	-	18,142
Changes in ownership interest in subsidiaries	-	-	-	8,885	-	-	-	-	-	-	-	-	-	8,885	(8,885)	-
Share-based payments	13,800	(5,200)	8,600	26,488	-	-	-	-	-	-	-	-	-	35,088	-	35,088
Expiration of restricted shares of stock issued to employees	(6,228)	-	(6,228)	6,748	-	-	-	-	-	-	-	-	(520)	-	-	-
Compensation cost arising from restricted shares of stock	396,780	-	396,780	1,943,096	-	-	27,490	27,490	-	-	(1,173,854)	(1,173,854)	-	1,193,512	-	1,193,512
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,955,723)	(3,955,723)
Balance, December 31, 2015	**$ 26,030,205**	**-**	**26,030,205**	**78,972,374**	**4,879,380**	**-**	**37,775,792**	**42,655,172**	**3,752,117**	**211,234**	**(1,238,377)**	**2,724,974**	**(2,590)**	**150,380,135**	**41,958,390**	**192,338,525**

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

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2015	**2014**
Cash flows from operating activities:		
Profit before tax	$ 39,186,014	26,262,087
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	13,471,400	13,562,092
Amortization	223,479	200,322
(Reversal of) Allowance for uncollectable accounts	(80,476)	109,221
Net loss on financial assets or liabilities at fair value through profit or loss	200,625	4,304,477
Interest expense	672,266	868,009
Interest income	(1,396,275)	(1,778,928)
Dividends received	(97,677)	(87,166)
Compensation cost arising from employee stock options	941,827	297,826
(Loss) Gain on foreign currency exchange of bonds payable	(13,748)	517,134
Amortization of issuance costs on bonds payable	254	13,782
Share of loss of associates and joint ventures accounted for under equity method	12,854	320,323
Loss on foreign currency exchange on long-term loans	115,907	725,719
Loss on disposal of property, plant and equipment	200,197	351,566
Property, plant and equipment charged to expenses	17,511	15,199
Gains on disposals of other assets	-	(9,422)
Gains on disposal of non-current assets classified as held for sale	(402,661)	(61,740)
Gain on disposal of investments	(397,657)	(225,501)
(Reversal of) Impairment loss	(134,852)	578,759
Long-term prepaid rent charged to expenses	95,425	84,083
	13,428,399	19,785,755
Change in operating assets and liabilities		
Change in operating assets		
Decrease in financial assets reported at fair value through profit or loss	1,052,032	1,312,092
Decrease (increase) in notes and accounts receivable	9,912,717	(25,934,337)
Decrease (increase) in other receivables	(12,875,512)	14,424,266
Decrease (increase) in inventories	(22,535,022)	7,968,434
Decrease (increase) in other financial assets	1,402,108	(350,950)
Increase in other current assets	(3,613,244)	(5,831,149)
Decrease (increase) in other noncurrent assets	50,607	(37,372)
Total changes in operating assets	(26,606,314)	(8,449,016)
Change in operating liabilities		
Decrease in financial liabilities reported at fair value through profit or loss	(8,937)	(170,706)
Increase (decrease) in notes and accounts payable	(13,620,335)	16,094,114
Increase in accured expense	2,551,506	5,692,301
Increase (decrease) in other payables	(389,408)	350,266
Decrease in deferred revenue	(611,895)	(2,630,445)
Increase (decrease) in provisions－current	(96,053)	70,552
Increase (decrease) in other current liabilities	2,907,337	(3,465,616)
Increase (decrease) in other non-current liabilities	94,645	(148,064)
Total changes in operating liabilities	(9,173,140)	15,792,402
Net changes in operating assets and liabilities	(35,779,454)	7,343,386
Total changes in operating assets and liabilities	(22,351,055)	27,129,141
Cash provided by operating activities	16,834,959	53,391,228
Interest received	1,425,566	1,754,649
Dividend received	139,496	127,316
Interest paid	(806,348)	(788,850)
Income taxes paid	(7,621,888)	(4,918,362)
Net cash provided by operating activities	**9,971,785**	**49,565,981**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
Cash flows from investing activities	**2015**	**2014**
Acquisition of available-for-sale financial assets	-	(634,599)
Proceeds from disposal of available-for-sale financial assets	935,224	226,274
Acquisition of financial assets at cost	(15,450)	(158,461)
Proceeds from disposal of financial assets at cost	200,584	227,642
Proceeds from capital reduction of financial assets at cost	-	7,497
Acquisition of investments accounted for using equity method	(10,000)	(30,180)
Proceeds from capital reduction of investments accounted for using equity method	161,086	-
Proceeds from disposal of non-current assets classified as held for sale	603,037	432,240
Acquisition of property, plant and equipment	(11,461,700)	(7,570,382)
Proceeds from disposal of property, plant and equipment	594,520	788,056
Proceeds from disposal of other assets	-	27,570
Acquisition of intangible assets	(143,249)	(84,967)
Decrease in other financial assets	254,418	624,167
Increase in prepayments on purchase of equipment	(3,415,970)	(2,830,092)
Increase in long-term prepaid rents	(455,788)	(342,270)
Net cash used in investing activities	**(12,753,288)**	**(9,317,505)**
Cash flows from financing activities		
Increase in short-term loans	18,286,520	4,166,085
Decrease in short-term notes and bills payable	-	(79,978)
Proceeds from long-term loans	16,636,681	21,173,983
Repayments of long-term loans	(23,539,410)	(29,822,575)
Dividends paid	(12,840,060)	(10,129,957)
Reduction of cash capital	(1,664,408)	-
Employee stock options	39,794	373,592
Acquisition of treasury shares	(32,885)	-
Proceeds from sale of treasury shares	46,521	51,620
Proceeds from issuance of restricted stock	396,780	220,000
Retrieve of restricted stock	(26,254)	(4,099)
Disposal of ownership interests in subsidiaries (without losing control)	-	4,291,730
Change in non-controlling interests	3,520	189,946
Net cash used in financing activities	**(2,693,201)**	**(9,569,653)**
Effect of exchange rate fluctuations on cash held	**347,418**	**2,748,503**
Net increase (decrease) in cash and cash equivalents	**(5,127,286)**	**33,427,326**
Cash and cash equivalents, beginning of the year	**107,688,632**	**74,261,306**
Cash and cash equivalents, end of the year	**$ 102,561,346**	**107,688,632**

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

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 AND 2014

(Amounts Expressed in Thousands of New Taiwan Dollars,

Except for Per Share Information and Unless Otherwise Stated)

1. COMPANY HISTORY

Pegatron Corporation (the "Company") was established on June 27, 2007. The Company's registered office address is located at 5F., No.76, Ligong St., Beitou District, Taipei City 112, Taiwan. In order to enhance competitiveness and boost productivity, the Company resolved to absorb the OEM business from ASUSTek Computer Inc. on January 1, 2008 as part of the Company's business restructuring. On April 1, 2008, ASUSALPHA Computer Inc. was merged with the Company. The main activities of the Company are to produce, design and sell OEM business. In January 2010, pursuant to the resolutions of the respective board of directors, the Company merged with Pegatron International Investment Co., Ltd., effective June 10, 2010. As the surviving entity from this merger, the Company applied for initial public offering (IPO) to TSEC. The Company's shares were listed on TSEC on June 24, 2010.

In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged with its subsidiary, UNIHAN CORPORATION, pursuant to the resolutions of the board of directors in November, 2013.

The consolidated financial statements of the Company as of and for the years ended December 31, 2015 and 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 17, 2016.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

(1) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC")

The Group has adopted the 2013 version of the IFRS endorsed by the FSC (excluding IFRS 9 Financial instruments) in preparing the consolidated financial statements starting 2015.

The new standards and amendments issued by the International Accounting Standards Board ("IASB") were as follows:

New standards and amendments	Effective date per IASB
· Amended IFRS 1 "*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*"	July 1, 2010
· Amended IFRS 1 "*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*"	July 1, 2011
· Amended IFRS 1 "*Government Loans* "	January 1, 2013
· Amended IFRS 7 "*Disclosure — Transfers of Financial Assets*"	July 1, 2011
· Amended IFRS 7 "*Disclosure — Offsetting Financial Assets and Financial Liabilities*"	January 1, 2013
· IFRS 10 *Consolidated Financial Statements*	January 1, 2013 (Investment Entities amendments, effective 1 January 2014.)
· IFRS 11 *Joint Arrangements*	January 1, 2013
· IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013
· IFRS 13 *Fair Value Measurement*	January 1, 2013
· Amended IAS 1 "*Presentation of Items of Other Comprehensive Income*"	July 1, 2012
· Amended IAS 12 "*Deferred Tax: Recovery of Underlying Assets*"	January 1, 2012
· Amended IAS 19 "*Employee Benefits* "	January 1, 2013
· Amended IAS 27 "*Separate Financial Statements*"	January 1, 2013
· Amended IAS 32 "*Offsetting Financial Assets and Financial Liabilities*"	January 1, 2014
· IFRIC 20 — *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013

The Group has assessed that the 2013 version of the IFRS endorsed by the Financial Supervisory Commissions R.O.C. did not have significant impact on the consolidated financial statements except for the following standards and amendments:

A. IFRS 12 Disclosure of Interests in Other Entities

The Group has increased its disclosures on its interests in subsidiaries, and associates in accordance with this standard.

B. IFRS 13 Fair Value Measurement

This standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. Under this standard, the Group has increased its disclosures on the measurement of fair value and postponed the adoption of the standard regarding fair value measurement during the transition period of IFRS 13.

Comparative information need not be disclosed for periods before initial application. Despite the postponing of the adoption of the standard, there is no significant impact on the disclosures of the consolidated financial assets and liabilities.

C. Amendments to IAS 1 Presentation of Financial Statements

Under these amendments, the other comprehensive income section is required to present line items classified by their nature, and grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to these two groups of items of other comprehensive is also required. The Group has changed the presentation of comprehensive income statement along with its comparison periods in accordance with the standard.

D. Amendments to IAS 19 Defined Benefit Plans:

The amendments to IAS 19 require the Group to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis.

An entity is required to recognize termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs, and not just when the termination of employment happens. This standard also increases the requirement for disclosures of defined benefit plans.

The Group has changed its valuation and presentation of accrued pension liabilities, pension cost and actuarial gains or losses in accordance with this standard.

(2) **Impact of IFRS issued by the IASB but not yet endorsed by the FSC**

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows:

New standards and amendments	Effective date per IASB
· IFRS 9 *Financial Instruments*	January 1, 2018
· Amended IAS 28 and IFRS 10 "*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*"	Undecided
· Amended IFRS 10, 12 and IAS 28 "*Investment Entities: Applying the Consolidation Exception* "	January 1, 2016
· Amended 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
· Amended IAS 1 " *Disclosure Initiative*"	January 1, 2016
· Amended IAS 7 " *Disclosure Initiative*"	January 1, 2017

New standards and amendments	Effective date per IASB
· Amended IAS 12 "*Recognition of Deferred Tax Assets for Unrealised Losses*"	January 1, 2017
· Amended IAS 16 and IAS 38 "*Clarification of Acceptable Methods of Depreciation and Amortization*"	January 1, 2016
· Amended IAS 16 and IAS 41 "*Agriculture：Bearer Plants*"	January 1, 2016
· Amended IAS 19 "*Defined Benefit Plans: Employee Contributions*"	July 1, 2014
· Amended IAS 27 "*Equity method in separate financial statements*"	January 1, 2016
· Amended IAS 36 "*Recoverable Amount Disclosures for Non-Financial Assets*"	January 1, 2014
· Amended IAS 39 "*Novation of Derivatives and Continuation of Hedge Accounting*"	January 1, 2014
· 2010–2012 & 2011–2013 Annual Improvements Cycles	July 1, 2014
· 2012–2014 Annual Improvements Cycles	January 1, 2016
· Amended IFRIC 21 "*Levies*"	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on the financial position and the results of operations. Related impact will be disclosed following the completion of its assessments.

4. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements unless otherwise specified.

(1) Statement of compliance

The accompanying consolidated annual financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations), International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as "IFRS endorsed by the FSC").

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

(a) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;

(b) Available-for-sale financial assets are measured at fair value;

(c) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

(d) The net defined benefit liability (assets) is recognized as the present value of the defined benefit obligation less the fair value of plan assets and the effect of the asset ceiling.

B. Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. Acquisition of non-controlling interests

Acquisition of non-controlling interests is accounted for as an equity transaction with owners. Under the aforesaid transaction, goodwill is not recognized.

C. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

D. Business combination under common control

A business combination under common control is a transaction in which all of the combining entities are ultimately controlled by the same party, both before and after the combination, and the control is not transitory. These combinations often occur in re-organize group activities in which the direct ownership of subsidiaries changes but the ultimate parent remains the same. Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the group obtains the ownership interest. Assets and liabilities are recognized upon consolidation at their carrying amount in the consolidated financial statements of owners of the Company.

E. Losing control

When the Group loses control of a subsidiary it derecognizes the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

F. List of subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
THE COMPANY AND ASUSPOWER INVESTMENT	ABILITY ENTERPRISE CO., LTD. (Ability (TW))	Selling computer peripherals, office automation equipment, digital cameras, retailing and wholesaling, of food products and leasing	11.72%	11.68%	Note A
Ability (TW)	ABILITY ENTERPRISE (BVI) CO., LTD. (ABILITY)	Investing activities	100.00%	100.00%	Note A
Ability (TW)	ACTION PIONEER INTERNATIONAL LTD.	Trading activities	100.00%	100.00%	Note A
Ability (TW)	VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	Selling computer peripherals, digital cameras and electronic components	100.00%	100.00%	Note A
Ability (TW)	VIEWQUEST TECHNOLOGIES (BVI) INC. (VQ(BVI))	Manufacturing and trading computer peripherals, digital cameras and electronic components	100.00%	100.00%	Note A
Ability (TW)	Ability International Investment Co., Ltd.(ABILITY INVESTMENT)	Investing activities	100.00%	100.00%	Note A
Ability (TW)	E-PIN OPTICAL INDUSTRY CO., LTD.(E-PIN)	Selling electronic components of optical products	53.01%	53.01%	Note A
ABILITY	Ability Technology (Dongguan) Co., Ltd.	Manufacturing and selling digital cameras	100.00%	100.00%	Note A
ABILITY	Jiujiang Viewquest Electronics Inc.	Manufacturing and selling digital cameras	100.00%	100.00%	Note A
VQ(BVI)	VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.	Manufacturing and selling digital cameras	100.00%	100.00%	Note A
E-PIN	E-PIN OPTICAL INDUSTRY CO., LTD.	Trading activities	100.00%	100.00%	Note A
E-PIN	E-PIN OPTICAL INDUSTRY (M.) SDN. BHD.	Manufacturing precision lenses	100.00%	100.00%	Note A
E-PIN	ALL VISION TECHNOLOGY SDN. BHD.	Manufacturing precision lenses	100.00%	100.00%	Note A
E-PIN	ALL VISION HOLDING LTD. (AV)	Investing activities	100.00%	100.00%	Note A
AV	EVERLIGHT DEVELOPMENT CORPORATION (ED)	Investing activities	100.00%	100.00%	Note A
AV	E-SKY HOLDING LTD. (ES)	Investing activities	73.04%	73.04%	Note A
ED	NANJING CHANGMING PHOTOELECTRIC TECHNOLOGY CO., LTD.	Manufacturing and developing precision optical lenses	55.45%	55.45%	Note A

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
ES	ZHONGSHAN SANXIN PRECISION INDUSTRY CO., LTD.	Manufacturing and developing precision optical lenses	100.00%	100.00%	Note A
ES	NANJING E-PIN OPTOTECH CO., LTD.	Manufacturing and developing precision optical lenses	72.22%	72.22%	Note A
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00%	100.00%	
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00%	100.00%	
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00%	100.00%	
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00%	100.00%	
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00%	100.00%	
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless steel computer cases	100.00%	100.00%	
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00%	100.00%	
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00%	100.00%	
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products.	100.00%	100.00%	
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZURE WAVE TECHNOLOGIES, INC. (AZURE WAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	38.08%	38.08%	Notes A
AZURE WAVE	EMINENT STAR CO., LTD. (EMINENT)	Investing activities	100.00%	100.00%	Note A
EMINENT	JADE TECHNOLOGIES LIMITED (JADE)	Investing activities	100.00%	100.00%	Note A
EMINENT、JADE	AZUREWAVE TECHNOLOGY (SHENZHEN) CO., LTD.	Designing, researching and selling computer products	- %	100.00%	Notes A and B
AZURE WAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00%	100.00%	Note A
AZURE WAVE	AZWAVE HOLDING (SAMOA) INC. (AZWAVE SAMOA)	Investing activities	100.00%	100.00%	Note A

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
AZURE WAVE	AZUREWAVE TECHNOLOGY (USA) INC.	Developing market	100.00%	100.00%	Note A
AZURE WAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00%	100.00%	Note A
AZWAVE SAMOA	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and selling computer products	100.00%	100.00%	Note A
AZWAVE SAMOA	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00%	100.00%	Note A
AZWAVE SAMOA	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00%	100.00%	Note A
THE COMPANY	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00%	100.00%	
AMA PRECISION	AMA HOLDINGS LIMITED (AMA)	Investing activities	100.00%	100.00%	
AMA	EXTECH LTD.	Trading electronic parts	90.51%	90.51%	
EXTECH LTD.	GRANDTECH PRECISION (TONGZHOU) CO., LTD.	Manufacturing, developing and selling electronic parts	100.00%	100.00%	
AMA	TOPTEK PRECISION INDUSTRY(SUZHOU) CO., LTD.	Manufacturing and selling new electronic parts and premium hardware	100.00%	100.00%	
THE COMPANY	PEGATRON HOLLAND HOLDING B.V.(PHH)	Investing activities	100.00%	100.00%	
PHH	PEGATRON CZECH S.R.O.	Installing, repairing and selling electronic products	100.00%	100.00%	
PHH	Pegatron Service Holland B.V.	Sales and repair service center in Europe	100.00%	100.00%	
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00%	100.00%	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00%	100.00%	
POWTEK	POWTEK (SHANGHAI) CO., LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00%	100.00%	
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00%	100.00%	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00%	100.00%	
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	
PIOTEK HOLDING	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00%	100.00%	
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00%	100.00%	
ASLINK	PEGAGLOBE (KUNSHAN) CO.,LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00%	100.00%	
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00%	100.00%	
DIGITEK	DIGITEK (CHONGQING) CO., LTD.	Manufacturing, developing, and selling GPS, computer electronic devices, and after-sales services	100.00%	100.00%	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00%	100.00%	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00%	100.00%	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00%	100.00%	
PROTEK	PROTEK (SHANGHAI) CO., LTD.	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00%	100.00%	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00%	100.00%	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	100.00%	100.00%	
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	58.65%	58.65%	
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Manufacturing and selling database storage and processing equipments	100.00%	100.00%	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00%	100.00%	
ASIAROCK	CalRock Holdings, LLC.	Office building leasing	100.00%	100.00%	
ASROCK	Leader Insight Holdings Ltd. (Leader)	Investing and holding activities	100.00%	100.00%	
Leader	Firstplace International Ltd. (Firstplace)	Investing and holding activities	100.00%	100.00%	
Firstplace	ASROCK America., Inc.	Selling database service and trading electronic components	100.00%	100.00%	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	69.40%	70.63%	Note C
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing electronic components, and providing business management consultant service	39.04%	39.00%	Note A
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00%	100.00%	Note A
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	54.87%	54.87%	Note A
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION (PEGAVISION)	Investing activities	100.00%	100.00%	Note A
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00%	- %	Notes A and D
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00%	100.00%	Note A
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00%	100.00%	Note A
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00%	100.00%	Note A

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00%	100.00%	Note A
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00%	100.00%	Note A
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00%	100.00%	Note A
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00%	100.00%	
ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	60.73%	60.73%	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00%	100.00%	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, manufacturing and selling electronic components and providing after-sales services , idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services , idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	
RIH LI	RI-MING (SHANGHAI) CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services , idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Designing, manufacturing and selling electronic components and providing after-sales services , idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services , idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
RIH LI	KAI JIA COMPUTER ACCESSORY CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned product.	100.00%	- %	Note E
CASETEK CAYMAN	RIH KUAN METAL CORPORATION (RIH KUAN)	Selling iron and aluminum products	100.00%	100.00%	
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00%	100.00%	
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00%	100.00%	
UNITED	KAI HE COMPUTER ACCESSORY（SUZHOU）CO., LTD (KAI HE)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned product.	100.00%	100.00%	Note F
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00%	100.00%	
ASUS INVESTMENT	ASFLY TRAVEL SERVICE LIMITED	Travel agency	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00%	100.00%	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.(PCBR)	Maintenance service	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	56.52%	56.52%	
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00%	100.00%	
Lumens Optics	Lumens Digital Image Inc.(SAMOA) (Lumens)	Investing activities	100.00%	100.00%	
Lumens	Lumens (Suzhou) Digital Image Inc.	Developing, manufacturing and selling projectors, projection screens and related products, and providing after-sales service	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio		
			2015.12.31	2014.12.31	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd.	Sales and logistics center in Singapore	100.00%	100.00%	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00%	100.00%	
The Company	PEGATRON USA, INC.	Sales and repair service center in North America	100.00%	100.00%	

Note A: As of December 31, 2015, AZURE WAVE TECHNOLOGY CORP., ABILITY ENTERPRISE CO., LTD. and KINSUS INTERCONNECT TECHNOLOGY CORP., were included in the consolidated financial statements even if the Group held 38.08%, 11.72% and 39.04%, respectively, or less than 50% of their total issued shares because the Group has acquired more than 50% of voting shares of each of these entities and has the ability to excise control over their respective board of directors.

Note B: It was liquidated in November 2015.

Note C: In January 2015, ASRock Rack Incorporation increased its capital by cash. As the Group did not increase its investment based on its original share holding ratio, the Group's share holding ratio in ASRock Rack Incorporation decreased to 69.40%.

Note D: In the second quarter of 2015, PEGAVISION CORPORATION established and invested JPY 9,900 thousand in exchange for a 100% equity ownership in PEGAVISION JAPAN INC..

Note E: It was established in the second quarter of 2015.

Note F: On July 29, 2015, KAI HE COMPUTER ACCESSORY（SUZHOU）CO., LTD changed its name to the current name from AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.

G. Subsidiaries excluded from consolidation: None.

(4) Foreign currency

A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following accounts which are recognized in other comprehensive income:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when:

A. It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle;
B. It is held primarily for the purpose of trading;
C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. It is expected to be settled within the Group's normal operating cycle;
B. It is held primarily for the purpose of trading;
C. The liability is due to be settled within twelve months after the reporting period; or
D. It 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 issuing equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash comprise cash balances and call deposits with maturities within three months. Cash equivalents are assets that are readily convertible into cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose, readily convertible to a known amount of cash and have an insignificant risk of change in value.

(7) Financial instruments

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

A. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is held-for-trading or is designated as such on initial recognition. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

- Performance of the financial asset is evaluated on a fair value basis.
- Hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets classified under this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

(b) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income of profit or loss.

Interest income from investment in bond security is recognized in profit or loss, under other income.

(c) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. At initial recognition, held-to-maturity financial assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is recognized into profit or loss, under "other income." A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(d) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, under other income.

In accordance with Statement of International Accounting Standards No. 39 "Financial instruments Accounting for Transfers of Financial Assets and Extinguishments of Liabilities," a transfer of financial assets or a portion of a financial asset in which the transferor surrenders control over those financial assets is regarded as a sale to the extent that consideration in the transferred assets is received in exchange. The rights to accounts receivable are derecognized after deducting the estimated charges or losses in commercial dispute when all of the following conditions are met.

i. The rights to accounts receivable have been isolated from the transferor as they are put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.

ii. Each transferee has the right to pledge or exchange the rights to the accounts receivable, and no condition prevents the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

iii. The transferor does not maintain effective control over the rights to the accounts receivable claims through either:

- An agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity, or
- The ability to unilaterally cause the holder to return specific rights to the accounts receivable.

Accounts receivable which are assigned but no receipt yet of cash advances are accounted for as other accounts receivable.

(e) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate.

Such impairment loss is not reversible in subsequent periods.

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed against profit or loss.

Impairment losses and recoveries are recognized in profit or loss, under "other gains and losses, net."

(f) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is reclassified to profit or loss, under "other gains and losses, net."

On partial derecognition of a financial assets, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available-for-sale financial assets is reclassified to profit or loss, under "other gains and losses, net."

B. Financial liabilities and equity instruments

(a) Classification of debt or equity instruments

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments issued are recognized based on amount of consideration received less the direct issuance cost.

Compound financial instruments issued by the Group comprise convertible bonds payable that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

At initial recognition, the liability component of a compound financial instrument is recognized at fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under non-operating income and expense. On conversion, financial liability is reclassified to equity, without recognizing any gain or loss.

(b) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, the Group designates financial liabilities, as at fair value through profit or loss under one of the following situations:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on different basis;

ii. Performance of the financial liabilities is evaluated on a fair value basis;

iii. Hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, under "non-operating income and expenses."

Financial liabilities at fair value through profit or loss is measured at cost if it sells borrowed unquoted equity investment whose fair value cannot be reliably measured and if it is to be delivered to the obligator of the equity investment. This type of financial instrument is classified as financial liabilities measured at cost.

Financial guarantee contract and loan commitments are classified as financial liabilities at fair value through profit or loss, any gains and losses thereon are recognized in profit or loss.

(c) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under finance cost.

(d) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in "non-operating income and expenses."

(e) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(f) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to pay on due date in accordance with the original or modified terms of a debt instrument.

At initial recognition, a financial guarantee contracts not classified as financial liabilities at fair value through profit or loss by the Company is recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at the higher of (a) the amount of contractual obligation determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

C. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value; and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, under “non-operating income and expenses.”

When a derivative is designated as a hedging instrument, the timing for recognizing gain or loss is determined based on the nature of the hedging relationship. When the result of the valuation at fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Derivatives linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of unquoted equity instruments, are classified as financial assets, which are measured at amortized cost. These derivatives are classified as financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and are accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and that the host contract is measured at fair value through profit or loss.

The Group designates its hedging instrument, including derivatives, embedded derivatives, and non-derivative instrument for a hedge of a foreign currency risk, as fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risk of firm commitments are treated as a fair value hedge.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, and whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

(a) Fair value hedge

Changes in the fair value of a hedging instruments designated and qualified as fair value hedges are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Hedged financial instruments using an effective interest rate is amortized to profit or loss when hedge accounting is discontinued over the period to maturity.

(b) Cash flow hedge

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in equity, under effective portion of cash flow hedge gain (loss). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, under "non-operating income and expenses."

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income.

For a cash flow hedge of a forecasted transaction recognized as a non-financial assets or liabilities, the amount accumulated in other equity – effective portion of cash flow hedge gain (loss) in other comprehensive income is reclassified to the initial cost of the non-financial asset or liability.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The replacement cost of raw material is its net realizable value.

(9) Non-current assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are reclassified as held-for-sale or distribution. Immediately before classification as held-for-sale or distribution, the assets, or components of a disposal group, are re-assessed for impairment in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then the remaining balance of impairment loss is apportioned to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which are assessed for impairment in accordance with the Group's accounting policies. Impairment losses on initial classification of noncurrent assets held-for-sale or distribution and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held-for-sale or distribution, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(10) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group's share of the profit or loss and other comprehensive income of investments accounted for using equity method are included, after adjustments to align the said investees' accounting policies with those of the Group, in the consolidated financial statements from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(11) Interests in Joint Ventures

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Group and other joint venture partners to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from both joint venture partners. The Group uses equity method to account for the interest in jointly controlled entity.

(12) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Depreciation is provided over the estimated economic lives using the straight-line method. Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of investment properties are as follows:

Buildings	20-60 years

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(13) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss, under other gains and losses.

B. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

C. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

D. Depreciation

Depreciation is calculated on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	3-60 years
Machinery	1-20 years
Instrument equipment	1-5 years
Office and other equipment	2-20 years
Miscellaneous equipment	1-25 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectation of useful life differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

(14) Leased assets

A. Lessor

Leased asset under finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. Finance income is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

B. Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value and the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are accounted for operating leases and the lease assets are not recognized in the Group's consolidated balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rent is recognized as expense in the periods in which they are incurred.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease, which involves the following two criteria:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset.

At inception or on reassessment of the arrangement, if an arrangement contains a lease, that lease is classified as a finance lease or an operating lease. The Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate. If the Group concludes for an operating lease that it is impracticable to separate the payment reliably, then treat all payments under the arrangement as lease payments, and disclose the situation accordingly.

Prepaid lease payments represent land use rights under operating lease arrangement and are expensed equally over 38 to 67 years.

(15) Intangible assets

A. Goodwill

(a) Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets.

(b) Measurement

Goodwill is measured at its cost less impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill, which kind of investment of impairment losses are recognized as a part of the carrying amount of the investment, not associated to goodwill and any other assets.

B. Other Intangible Assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

D. Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Computer software cost	1-10 years
Trademark rights	5 years
Customer relationship	3 years
Technology	3 years
Intangible assets in development	5 years

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each financial year-end. Any change thereof is accounted for as a change in accounting estimate.

(16) Impairment – Non-derivative financial assets

The Group assesses non-derivative financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount.

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(17) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(18) Treasury stock

Repurchased shares are recognized as treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares are accounted for as Capital Reserve – Treasury Shares Transactions. Losses on disposal of treasury shares are offset against existing capital reserve arising from similar types of treasury shares. If the capital reserve is insufficient, such losses are charged to retained earnings. The carrying amount of treasury shares is calculated using the weighted average method for different types of repurchase.

If treasury shares are cancelled, Capital Reserve – Share Premiums and Share Capital are debited proportionately. Gains on cancellation of treasury shares are charged to capital reserves arising from similar types of treasury shares. Losses on cancellation of treasury shares are offset against existing capital reserves arising from similar types of treasury shares. If capital reserve is insufficient such losses are charged to retained earnings.

Company shares that are owned by the Company's subsidiaries are treated as treasury stock.

(19) Revenue

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

B. Service

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(20) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on (market yields of high quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(21) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any change in the fair value of the liability is recognized as personnel expenses in profit or loss.

(22) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

A. Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).

B. Temporary differences arising from equity investments on subsidiaries or joint ventures, where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. if the entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

(a) levied by the same taxing authority; or

(b) levied by different taxing authorities, but where each such authority intend to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation; or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for unused tax losses available for carry-forward, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits and deductible temporary differences are also re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized.

(23) Business combination

Goodwill is measured at the consideration transferred less amounts of the identifiable assets acquired and the liabilities assumed (generally at fair value) at the acquisition date. If the amounts of net assets acquired or liabilities assumed exceeds the acquisition price, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the access.

If the business combination achieved in batches, non-controlling equity interest is measured either at fair value at acquisition-date or at the share of the acquirer's identifiable net assets in each acquisition.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is re-measured and the resulting gain or loss, if any, is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All transaction costs relating to business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

Business combinations under common control are accounted for in the non-consolidated accounts prospectively from the date the Group acquires the ownership interest. Assets and liabilities of the merged entities are recognized at their carrying amount in the non-consolidated financial statements.

(24) Government grant

A government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

A grant relating to assets is presented as deferred income. If a grant is related to depreciable assets, the grant is recognized over the useful life of the assets and for a grant related to a non-depreciable asset, the grant is credited to income over the same period over which the cost is charged to income.

(25) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible notes and employee stock options.

(26) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

5. MAJOR SOURCES OF SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the consolidated annual financial statements in conformity with IFRS endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continuously reviews the estimates and basic assumptions. Changes in accounting estimates are recognized in the period of change.

Information on critical judgments in applying accounting policies that have the most significant effect to the amounts recognized in the consolidated financial statements is included in the following notes:

(1) Note 6(10), Classification of investment property

(2) Note 6(17), Lease classification

Information on assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in the following notes:

(1) Note 6(28), Accounts receivable impairment evaluation

(1) Note 6(4), Measurement of inventories.

(2) Note 6(28), Fair value measurement of financial assets carried at cost

(3) Notes 6(9), 6(10) and 6(11), Key assumptions used in discounted cash flow projections

(4) Note 6(19), Realizability of deferred tax assets

6. EXPLANATIONS TO SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand	$ 37,507	33,098
Cash in banks	47,415,722	39,460,679
Time deposits	55,108,117	68,112,565
Cash equivalents-RP Bonds	-	82,290
	$ 102,561,346	**107,688,632**

A. The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(12) and 8 for details.

B. Refer to Note 6(28) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(2) Investment in financial assets and liabilities

A. The components of financial assets and liabilities were as follows:

		December 31, 2015	December 31, 2014
Financial assets at fair value through profit or loss－current:			
Held-for-trading			
Shares of stock of listed companies	$	246,679	129,191
Beneficiary certificates		4,485,982	5,570,992
Corporate bonds		-	46,139
	$	**4,732,661**	**5,746,322**
Available-for-sale financial assets － current:			
Shares of stock of overseas listed companies	$	**857,820**	**1,083,436**
Available-for-sale financial assets －noncurrent:			
Shares of stock of listed companies	$	765,744	1,238,361
Equity securities － common stock		195,840	241,920
	$	**961,584**	**1,480,281**
Financial assets carried at cost － noncurrent:			
Equity securities – common stock	$	263,118	363,202
Equity securities – preferred stock		205,632	205,632
	$	**468,750**	**568,834**
Financial liabilities at fair value through profit or loss－current:			
Held-for-trading			
Option exchange (long call)	$	-	8,937
Designated as at fair value through profit or loss			
Overseas convertible bonds – conversion Option		-	256,763
Valuation adjustments		-	860,890
		-	1,117,653
	$	-	**1,126,590**

(a) For the years ended December 31, 2015 and 2014, the Group recognized a net loss on financial assets and liabilities reported at fair value through profit of $200,625 and $4,304,477, respectively.

(b) For the years ended December 31, 2015 and 2014, the unrealized gain (loss) on available-for-sale financial assets amounted to $(124,493) and $397,057, respectively.

(c) Considering that the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined, the Group management believes the fair value cannot be measured reliably. Therefore, the aforementioned investments held by the Group are measured at amortized cost less impairment at each reporting date. The Group evaluated the carrying value and the recoverable amount of the investments and recognized impairment loss of $11,247 and $130 for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, the Group had accumulated impairment loss of $266,188 and $394,725, respectively.

(d) The convertible bond issued by the Group was treated as a compound financial instrument, for which the liability and equity components were accounted for separately. The call and put option embedded in bonds payable were separated from bonds payable, and were recognized as "Financial liabilities at fair value through profit or loss." For the years ended December 31, 2015 and 2014, the Group recognized a loss on financial liability reported at fair value through profit or loss of $238,997 and $4,172,368, respectively. Please refer to Note 6(15) for detail.

(e) Refer to Note 6(26) for further discussion on gains and losses on disposal of investments.

(f) Refer to Note 6(28) for the Group's information on financial instruments risk management.

(g) As of December 31, 2015 and 2014, the aforesaid financial assets were not pledged as collateral.

B. Fair value sensitivity analysis

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

	For the years ended December 31			
	2015		2014	
	After-Tax Comprehensive Income	After-Tax Profit (Loss)	After-Tax Comprehensive Income	After-Tax Profit (Loss)
Increase 3%	$ 54,582	141,980	76,912	172,390
Decrease 3%	$ (54,582)	(141,980)	(76,912)	(172,390)

C. Foreign equity investments

Significant foreign equity investments at the end of the each period were as follows:

(Unit: Foreign currency/NTD in Thousands)

	December 31, 2015			December 31, 2014		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
USD	$ 28,121	32.825	923,072	26,851	31.650	849,834
CNY	58,849	5.0550	297,482	110,769	5.1724	572,943

D. Derivative not used for hedging

The Group uses derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating, investing and financing activities. Based on this policy, the Group holds derivative financial instruments for hedging purposes.

Transactions that do not qualify for hedge accounting are presented as held-for-trading financial assets and financial liabilities:

Financial Assets

As of December 31, 2015 and 2014, there was no unsettled derivative financial asset.

Financial Liabilities	**December 31, 2014**		
	Notional Principal (thousands)		**Contract Period**
Derivative financial instruments not used for hedging			
Option exchange (long call)	**USD**	**2,000**	2014.01~2015.03

As of December 31, 2015, there was no unsettled derivative financial liability.

(3) Notes and accounts receivable and other receivables, net

		December 31, 2015	**December 31, 2014**
Notes receivable	$	170,001	211,918
Accounts receivable		121,973,316	131,843,496
Other receivables		27,709,682	14,888,670
Less: Allowance for impairment		(2,127,925)	(2,208,128)
	$	**147,725,074**	**144,735,956**

A. Refer to Note 6(28) for the Group's notes receivable, accounts receivable and other receivables exposure to credit risk and currency risk, and the impairment evaluation of notes receivable, accounts receivable and other receivables.

B. As of December 31, 2015 and 2014, the Company sold its accounts receivable without recourse as follows:

December 31, 2015

Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Collateral**	**Significant Factoring Terms**	**Derecognition Amount**
SMBC	**$ -**	**USD 300,000,000**	**USD -**	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	**$ -**
ANZ(Note)	**$ 23,524,575**	**USD 1,400,000,000**	**USD -**	None	"	**$ 23,524,575**

December 31, 2014

Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Collateral	Significant Factoring Terms	Derecognition Amount
SMBC	$ -	USD 300,000,000	USD -	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	$ -
ANZ(Note)	$ 41,145,000	USD 1,300,000,000	USD 894,000,000	None	"	$ 41,145,000

Note: In October 2015 and 2014, the Company signed a one year joint accounts receivable factoring agreement with ANZ Bank and six other banks where each bank will factor on pro-rata basis.

For the years ended December 31, 2015 and 2014, the Company recognized a loss of $159,497 and $202,998, respectively, from the factoring of accounts receivable, which was accounted under financial costs in the statement of comprehensive income. Also, the difference of $23,524,575 and $12,849,900 between the carrying value of factored accounts receivable and the amount advanced was accounted under other receivables as of December 31, 2015 and 2014, respectively.

C. As of December 31, 2015 and 2014, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

December 31, 2015

Purchaser	Assignment Facility	Factoring Line (thousands)	Advanced Amount	Collateral	Significant Factoring Terms	Derecognition Amount
Mega International Commercial Bank	$ 251,600	USD 30,000	$ -	None	The accounts receivable factoring is without recourse.	$ 251,600

December 31, 2014

Purchaser	Assignment Facility	Factoring Line (thousands)	Advanced Amount	Collateral	Significant Factoring Terms	Derecognition Amount
Mega International Commercial Bank	$ 509,292	USD 30,000	$ 153,968	None	The accounts receivable factoring is without recourse.	$ 509,292

(4) Inventories

		December 31, 2015	December 31, 2014
Merchandise	$	1,551,835	1,765,647
Finished goods		67,260,261	47,946,981
Work in process		20,917,494	13,953,394
Raw materials		35,083,914	37,736,580
Subtotal		124,813,504	101,402,602
Less: Allowance for inventory market decline and obsolescence		(6,648,044)	(5,772,164)
Total	$	**118,165,460**	**95,630,438**

For the years ended December 31, 2015 and 2014, the components of cost of goods sold were as follows:

		For the Years Ended December 31	
		2015	2014
Cost of goods sold	$	1,099,548,746	943,951,359
(Reversal of) Provision on inventory market price decline		863,182	(30,048)
Loss on disposal of inventory		37,215,635	15,346,725
Unallocated manufacturing overhead		819,130	950,685
(Gain) Loss on physical inventory		(8,710)	64,670
	$	**1,138,437,983**	**960,283,391**

For the year ended December 31, 2014, the conditions that previously caused inventories to be written down below cost had disappeared due to the disposal of related inventories, so that the related allowance for loss on decline in the value of inventories was reversed, which resulted in a reversal gain on inventory valuation allowance.

As of December 31, 2015 and 2014, the aforesaid inventories were not pledged as collateral.

(5) Non-current assets classified as held for sale (net)

		December 31, 2015	December 31, 2014
Investments accounted for using equity method.	$	-	388,901
Property, plant, and equipment		-	104,839
	$	**-**	**493,740**

A. On February 16, 2015, Casetek Holdings sold its equity ownership in Indeed Holdings Limited for $431,211 to non-related parties. As of December 31, 2014, the investments in Indeed Holdings Limited were accounted under non-current assets classified as held for sale. The transfer of equity ownership was completed in May 2015. A disposal gain of $335,878 has been recognized thereon.

B. In December 2014, Ability (TW) and its subsidiaries sold part of the land and property of E-PIN's office in Taipei for $158,280 in a sale-lease back arrangement. In February 2015, the process for the transfer of title of ownership to these assets was completed, when the payment for the assets sold is received, as required under the sales contract. In December 2014, Ability (TW) also sold its E-PIN's equipments in Nanjing for $16,529 to a non-related party. The process for the transfer of title of ownership to those non-current assets has been completed during the reporting period. A disposal gain of $66,783 has been recognized thereon.

C. In January 2014, ASLINK sold its ownership of ASAP TECHNOLOGY (JIANGXI) CO., LTD. for $432,240 and recognized a gain on disposal of investments of $61,740.

D. Information for the Group's non-current assets held for sale pledged as securities for debt, please refer to Note 8.

(6) Investments accounted for using equity method

A. The Group's financial information for investments in individually insignificant associates accounted for using equity method at reporting date was as follows. These financial information are included in the consolidated financial statements.

		December 31, 2015	December 31, 2014
Individually insignificant associates	**$**	**424,191**	**490,372**

		For the Years Ended December 31	
		2015	2014
The Group's share of profit (loss) of the associates			
Loss for the year	$	(12,854)	(320,323)
Other comprehensive income		(24,066)	(33,122)
Total comprehensive income	**$**	**(36,920)**	**(353,445)**

B. As of December 31, 2015 and 2014, the aforesaid investments accounted for using equity method were not pledged as collateral.

(7) Disposal of investments without losing control

In March 2014, the Group sold 7.45% equity ownership of CASETEK CAYMAN for $4,192,863.

The effect of changes in equity of subsidiaries which also resulted in changes in equity of the parent company was as follows:

		December 31 , 2014
Received from non-controlling interests	$	4,192,863
Carrying amount of subsidiaries disposed		1,972,382
Capital surplus — difference between consideration and carrying amount of subsidiaries disposed	**$**	**2,220,481**

(8) Subsidiaries that have material non-controlling interest

Subsidiaries that have material non-controlling interest were as follows:

Subsidiaries	Country of registration	Equity Ownership of non-controlling interest December 31, 2015	Equity Ownership of non-controlling interest December 31, 2014
KINSUS and its subsidiaries	Taiwan	60.96%	61.00%
ABILITY and its subsidiaries	Taiwan	88.28%	88.32%
ASROCK and its subsidiaries	Taiwan	41.35%	41.35%
CASETEK HOLDINGS LIMITED (CAYMAN)	Taiwan/ Cayman	39.27%	39.27%

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Company and its subsidiaries as at acquisition date. Intra-group transactions were not eliminated in this information.

A. Information regarding KINSUS and its subsidiaries

		December 31, 2015	December 31, 2014
Current assets	$	23,471,368	23,471,268
Non-current assets		19,167,364	17,580,406
Current liabilities		(10,318,448)	(10,103,181)
Non-current liabilities		(1,492,483)	(895,719)
Net assets	**$**	**30,827,801**	**30,052,774**
Non-controlling interest	**$**	**17,777,750**	**17,101,272**

		For the Years Ended December 31	
		2015	2014
Operating revenue	$	**23,061,311**	**24,943,834**
Net income for the period	$	2,729,526	3,490,233
Other comprehensive loss (income)		(137,614)	301,864
Comprehensive income	$	**2,591,912**	**3,792,097**
Net income attribute to non-controlling interest	$	**1,809,591**	**2,219,299**
Comprehensive income attribute to non-controlling interest	$	**1,767,315**	**2,327,490**
Cash flows from operating activities	$	6,938,575	6,887,088
Cash flows from investing activities		(4,961,460)	(3,331,389)
Cash flows from financing activities		(783,229)	(1,790,348)
Net increase in cash and cash equivalents	$	**1,193,886**	**1,765,351**

B. Information regarding ABILITY and its subsidiaries

		December 31, 2015	December 31, 2014
Current assets	$	8,795,084	10,987,220
Non-current assets		5,222,319	5,878,525
Current liabilities		(5,180,123)	(6,752,002)
Non-current liabilities		(102,557)	(253,420)
Net assets	$	**8,734,723**	**9,860,323**
Non-controlling interest	$	**7,745,320**	**8,724,907**

		For the Years Ended December 31	
		2015	2014
Operating revenue	$	**19,254,208**	**24,180,166**
Net income for the period	$	867,444	170,989
Other comprehensive loss (income)		(150,734)	625,124
Comprehensive income	$	**716,710**	**796,113**
Net income attribute to non-controlling interest	$	**788,449**	**156,455**
Comprehensive income attribute to non-controlling interest	$	**655,092**	**709,318**
Cash flows from operating activities	$	989,459	2,092,987
Cash flows from investing activities		290,330	(526,631)
Cash flows from financing activities		(2,366,148)	(1,144,835)
Net increase (decrease) in cash and cash equivalents	$	**(1,086,359)**	**421,521**

C. Information regarding ASROCK and its Subsidiaries

		December 31, 2015	December 31, 2014
Current assets	$	7,812,156	7,068,735
Non-current assets		319,077	616,067
Current liabilities		(2,244,410)	(1,696,510)
Non-current liabilities		(30,284)	(25,436)
Net assets	**$**	**5,856,539**	**5,962,856**
Non-controlling interest	**$**	**2,425,260**	**2,486,755**

		For the Years Ended December 31	
		2015	2014
Operating revenue	**$**	**7,217,149**	**8,906,989**
Net income for the period	$	206,131	488,206
Other comprehensive income		144,199	228,649
Comprehensive income	**$**	**350,330**	**716,855**
Net income attributed to non-controlling interest	**$**	**65,427**	**189,945**
Comprehensive income attributed to non-controlling interest	**$**	**125,804**	**284,360**
Cash flows from operating activities	$	1,305,366	(839,730)
Cash flows from investing activities		1,980,973	212,948
Cash flows from financing activities		(460,137)	(1,101,639)
Net increase (decrease) in cash and cash equivalents	**$**	**2,826,202**	**(1,728,421)**

D. Information regarding CASETEK HOLDINGS LIMITED(CAYMAN)

		December 31, 2015	December 31, 2014
Current assets	$	28,893,035	27,834,791
Non-current assets		19,927,861	18,428,539
Current liabilities		(15,581,629)	(15,318,710)
Non-current liabilities		(2,237,693)	(2,595,094)
Net assets	**$**	**31,001,574**	**28,349,526**
Non-controlling interest	**$**	**12,173,078**	**11,131,725**

		For the Years Ended December 31	
		2015	2014
Operating revenue	$	**38,614,914**	**34,520,346**
Net income for the period	$	5,635,891	4,923,649
Other comprehensive income		(537,953)	1,477,490
Comprehensive income	$	**5,097,938**	**6,401,139**
Net income attributed to non-controlling interest	$	**2,212,989**	**1,872,716**
Comprehensive income attributed to non-controlling interest	$	**2,001,754**	**2,393,580**
Cash flows from operating activities	$	10,819,513	7,257,467
Cash flows from investing activities		(5,513,822)	(1,364,183)
Cash flows from financing activities		(3,554,164)	(2,761,581)
Net increase in cash and cash equivalents	$	**1,751,527**	**3,131,703**

(9) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2015 and 2014 were as follows:

		Land	Buildings	Machinery and equipment	Instrument equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:								
Balance on January 1, 2015	$	5,567,180	41,446,276	58,742,688	1,670,643	25,178,826	2,982,725	135,588,338
Additions		10,766	662,997	2,724,897	77,359	1,987,509	5,768,819	11,232,347
Disposals and obsolescence		(179,496)	(1,142,042)	(4,026,148)	(157,911)	(2,177,467)	-	(7,683,064)
Reclassifications		191,374	1,173,279	2,518,969	-	949,097	(2,516,768)	2,315,951
Effect of movements in exchange rates		(9,602)	(827,673)	(989,963)	(30,278)	(495,058)	(69,883)	(2,422,457)
Balance on December 31, 2015	**$**	**5,580,222**	**41,312,837**	**58,970,443**	**1,559,813**	**25,442,907**	**6,164,893**	**139,031,115**
Balance on January 1, 2014	$	5,233,683	39,286,047	57,553,035	1,630,519	25,400,015	598,580	129,701,879
Additions		279,687	1,012,587	2,279,112	99,891	2,559,811	2,696,435	8,927,523
Disposals and obsolescence		-	(665,747)	(4,961,661)	(133,654)	(4,655,914)	-	(10,416,976)
Reclassifications		57,590	36,486	1,355,818	-	867,455	(334,401)	1,982,948
Effect of movements in exchange rates		(3,780)	1,776,903	2,516,384	73,887	1,007,459	22,111	5,392,964
Balance on December 31, 2014	**$**	**5,567,180**	**41,446,276**	**58,742,688**	**1,670,643**	**25,178,826**	**2,982,725**	**135,588,338**
Depreciation and impairment loss：								
Balance on January 1, 2015	$	50,054	11,823,017	33,554,418	1,026,774	16,235,791	-	62,690,054
Depreciation for the period		-	2,556,168	6,614,194	292,840	3,996,928	-	13,460,130
(Reversal of) Impairment loss		(50,054)	(2)	(120,249)	(79)	482	-	(169,902)
Reclassifications		-	(4,220)	106,359	-	(146,758)	-	(44,619)
Disposals and obsolescence		-	(1,039,963)	(3,684,264)	(153,693)	(2,010,427)	-	(6,888,347)
Effect of movements in exchange rates		-	(251,021)	(450,474)	(20,758)	(331,726)	-	(1,053,979)
Balance on December 31, 2015	**$**	-	**13,083,979**	**36,019,984**	**1,145,084**	**17,744,290**	-	**67,993,337**

		Land	Buildings	Machinery and equipment	Instrument equipment	Other facilities	Construction in progress	Total
Balance on January 1, 2014	$	50,054	9,377,785	30,038,405	793,144	15,525,837	-	55,785,225
Depreciation for the period		-	2,606,679	6,386,944	315,470	4,242,620	-	13,551,713
(Reversal of) Impairment loss		-	25	203,033	(29)	43,036	-	246,065
Reclassifications		-	(39,624)	(321,775)	-	83,809	-	(277,590)
Disposals and obsolescence		-	(593,276)	(4,204,004)	(127,092)	(4,352,982)	-	(9,277,354)
Effect of movements in exchange rates		-	471,428	1,451,815	45,281	693,471	-	2,661,995
Balance on December 31, 2014	**$**	**50,054**	**11,823,017**	**33,554,418**	**1,026,774**	**16,235,791**	**-**	**62,690,054**
Carrying amounts：								
Balance on December 31, 2015	**$**	**5,580,222**	**28,228,858**	**22,950,459**	**414,729**	**7,698,617**	**6,164,893**	**71,037,778**
Balance on December 31, 2014	**$**	**5,517,126**	**29,623,259**	**25,188,270**	**643,869**	**8,943,035**	**2,982,725**	**72,898,284**

A. Based on the results of its evaluation of the recoverability of property, plant and equipment, the Group recognized impairment loss (reversal gain) as follows:

		For the Years Ended December 31	
		2015	**2014**
Impairment loss (reversal gain)	**$**	**(169,902)**	**246,065**

B. CASTEK CAYMAN and its subsidiaries had moved part of their operation and personnel from KAI HE COMPUTER ACCESSORY（SUZHOU）CO., LTD to the factory of RI-TENG in Shanghai, China in order to align their resources with the requirements of their major client. CASETEK CAYMAN and its subsidiaries conducted the impairment testing for the production line of KAI HE COMPUTER ACCESSORY（SUZHOU）CO., LTD, an impairment loss on related equipments of $338,653 was recognized for the year ended December 31, 2014, and impairment loss on damaged equipments of $14,257 and $4,367 were recognized for the years ended December 31 2015 and 2014, respectively, by KAI HE COMPUTER ACCESSORY（SUZHOU）CO., LTD.. In 2015, CASETEK CAYMAN and its subsidiaries retested the impairment of the production line and the result thereof disclosed an excess of $127,157 in the recoverable amount of the production line over its carrying value, which was recognized as reversal gain.

C. In 2014, Ability (TW) and its subsidiaries filed an application to the Ministry of Economic for the purchase of land and property in New Taipei industrial park, which were previously rented by Ability (TW) and its subsidiaries. The acquisition cost for the land and the property amounted to $14,784 and $58,292, respectively. The compensation of $16,603 from the Government for the rental payment is charged to profit or loss. In 2014, Ability (TW) and its subsidiaries have reclassified part of their property, plant and equipment into non-current assets classified as held for sale. Please refer to Note 6(5) for further details.

D. KINSUS INTERCONNECT TECHNOLOGY CORP. completed a series of farm land purchases covering a total land area of 36,287.15 square meters in the name of KINSUS's chairman instead of KINSUS, due to the restriction imposed by the local government.

E. In September 2015, a fire accident occurred at RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.. The equipment loss and the related repair cost arising from this accident amounted to RMB 16,198 thousand (NTD 82,534), which was recognized in its books by RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD..

F. Please refer to Note 6(26) for details of the capitalization of interest expenses and gain and loss on disposal of property, plant and equipment.

G. Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

(10) Investment property

		Land	Buildings	Total
Cost or deemed cost:				
Balance as of January 1, 2015	$	281,945	539,483	821,428
Reclassifications		-	72,341	72,341
Effect of movement in exchange rate		-	(1,571)	(1,571)
Balance as of December 31, 2015	**$**	**281,945**	**610,253**	**892,198**
Balance as of January 1, 2014	$	281,945	539,483	821,428
Balance as of December 31, 2014	**$**	**281,945**	**539,483**	**821,428**
Depreciation and impairment loss：				
Balance as of January 1, 2015	$	9,617	163,059	172,676
Depreciation for the period		-	11,270	11,270
Reclassifications		-	4,220	4,220
Effect of movement in exchange rate		-	(99)	(99)
Balance as of December 31, 2015	**$**	**9,617**	**178,450**	**188,067**
Balance as of January 1, 2014	$	9,617	152,680	162,297
Depreciation for the period		-	10,379	10,379
Balance as of December 31, 2014	**$**	**9,617**	**163,059**	**172,676**
Carrying amounts：				
Balance as of December 31, 2015	**$**	**272,328**	**431,803**	**704,131**
Balance as of December 31, 2014	**$**	**272,328**	**376,424**	**648,752**

A. Rental income and direct operating expenses arising from investment property that generate rental income were as follows:

		For the Years Ended December 31	
		2015	2014
Rental income	**$**	**31,685**	**29,020**
Direct operating expenses arising from investment property that generate rental income	**$**	**11,270**	**10,379**

B. As of December 31, 2015 and 2014 the fair value of investment property of the Group was $1,166,415 and $1,036,455, respectively. The fair value of investment property was evaluated based on the recent market transaction on arm's length terms.

C. As of December 31, 2015 and 2014, the aforesaid investment properties were not pledged as collateral.

(11) Intangible assets

The movements in the costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2015 and 2014 were as follows:

	Goodwill	Customer relationship	Technology	Others	Total
Costs:					
Balance on January 1, 2015	$ 1,943,538	380,175	813,972	909,737	4,047,422
Additions	-	-	-	143,249	143,249
Disposals	-	(380,175)	(813,972)	(87,819)	(1,281,966)
Reclassifications	-	-	-	3,172	3,172
Effect of movement in exchange rate	41,036	-	-	18,331	59,367
Balance on December 31, 2015	**$ 1,984,574**	-	-	**986,670**	**2,971,244**
Balance on January 1, 2014	$ 1,882,028	358,013	766,522	1,191,013	4,197,576
Additions	-	-	-	84,967	84,967
Disposals	(2,926)	-	-	(404,827)	(407,753)
Reclassifications	-	-	-	1,127	1,127
Effect of movement in exchange rate	64,436	22,162	47,450	37,457	171,505
Balance on December 31, 2014	**$ 1,943,538**	**380,175**	**813,972**	**909,737**	**4,047,422**
Amortization and Impairment Loss:					
Balance on January 1, 2015	$ 671,792	380,175	813,972	580,224	2,446,163
Amortization for the period	-	-	-	223,479	223,479
Disposals	-	(380,175)	(813,972)	(87,819)	(1,281,966)
Reclassifications	-	-	-	10,656	10,656
Effect of movement in exchange rate	-	-	-	17,825	17,825
Balance on December 31, 2015	**$ 671,792**	-	-	**744,365**	**1,416,157**
Balance on January 1, 2014	$ 342,154	358,013	766,522	761,055	2,227,744
Amortization for the period	-	-	-	200,322	200,322
Impairment loss	332,564	-	-	-	332,564
Disposals	(2,926)	-	-	(404,827)	(407,753)
Reclassifications	-	-	-	(298)	(298)
Effect of movement in exchange rate	-	22,162	47,450	23,972	93,584
Balance on December 31, 2014	**$ 671,792**	**380,175**	**813,972**	**580,224**	**2,446,163**
Carrying amounts:					
Balance on December 31, 2015	**$ 1,312,782**	-	-	**242,305**	**1,555,087**
Balance on December 31, 2014	**$ 1,271,746**	-	-	**329,513**	**1,601,259**

A. The amortization of intangible assets were respectively recognized in the statement of comprehensive income as follows:

	For the Years Ended December 31	
	2015	**2014**
Operating costs	$ 30,094	29,509
Operating expenses	193,385	170,813
	$ 223,479	**200,322**

B. Goodwill impairment

For the purpose of impairment testing, goodwill was allocated to the Group's cash-generating units, such as facilities, consumer electronic and others, as follows:

		December 31, 2015	December 31, 2014
Mechanics	$	1,100,733	1,061,332
Consumer electronic		210,527	208,892
Others		1,522	1,522
	$	**1,312,782**	**1,271,746**

At the end of each reporting period, the Group assess whether there is any indication of impairment loss on goodwill. In 2015 and 2014, impairment loss recognized on good will amounted to $0 and $332,564, respectively. The key assumptions used in determining the value in use by each cash-generating unit were as follows:

(a) The recoverable amount of the metal casing factory cash-generating unit was based on value in use. Key assumptions used in calculating the recoverable amount were as follows:

i. Management had projected cash flow based on a five-year financial budget which was extrapolated from historical operating results and future operating plan.

ii. Pre-tax discount rate used in calculating the value in use was determined from weighted average cost of capital (WACC) of the Company.

(b) The recoverable amount of the digital camera cash-generating unit was based on value in use. Key assumptions used in calculating the recoverable amount were as follows:

i. Cash flow estimation was based on past experience, actual operating results and a five-year operating plan.

ii. Projected revenue and gross profit ratio were extrapolated from management's forecast based on past operating results and future marketing development trends.

iii. Pre-tax discount rate used in calculating the value in use was determined from weighted average cost of capital (WACC) of the Company.

C. For the years ended December 31, 2015 and 2014, the Group has not noted any indication of potential impairment loss based on the impairment testing performed.

(12) Other financial assets and other assets

Other current and noncurrent assets were as follows:

		December 31, 2015	December 31, 2014
Other financial assets－current	$	785,779	2,187,887
Other financial assets－noncurrent		357,503	611,921
Other current assets		15,575,204	12,036,315
Other noncurrent assets		58,896	109,503
	$	**16,777,382**	**14,945,626**

A. Other financial assets are assets that do not qualify as cash and cash equivalents which consisted of time deposits, restricted time deposits and guarantee deposit paid. Please refer to Note 8 for details.

B. Other current assets consisted of temporary payments, current tax asset and others.

C. Other noncurrent assets consisted of long-term prepaid expenses and others.

(13) Short-term loans

		December 31, 2015	December 31, 2014
Unsecured bank loans	$	45,467,083	27,171,068
Secured bank loans		-	9,495
Total	**$**	**45,467,083**	**27,180,563**
Unused credit line	**$**	**47,331,135**	**57,757,891**
Interest rate		**0.70%~2.03%**	**0.60%~5.06%**

Please refer to Note 8 for details of the related assets pledged as collateral.

(14) Long -term loans

	December 31, 2015		
	Currency		**Amount**
Secured bank loans	NTD	$	305,034
Unsecured bank loans	NTD		12,553,330
Unsecured bank loans	USD		2,065,325
			14,923,689
Less：Fees			(12,800)
Less：Current portion			(2,604,140)
Total		**$**	**12,306,749**
Unused credit line		**$**	**12,145,250**
Interest rate			**1.02%~2.19%**
Expiration			**2016.1~2020.12**

	December 31, 2014		
	Currency		Amount
Secured bank loans	NTD	$	740,200
Unsecured bank loans	NTD		12,784,324
Unsecured bank loans	USD		8,185,987
			21,710,511
Less：Fees			(17,600)
Less：Current portion			(7,743,689)
Total		**$**	**13,949,222**
Unused credit line		**$**	**6,796,950**
Interest rate			**0.72%~1.80%**
Expiration			**2013.11~2019.1**

A. Securities for bank loans

(a) Please refer to Note 8 for details of the related assets pledged as collateral.

(b) CASETEK CAYMAN's subsidiaries obtained a long-term loan from DBS and Mega International Commercial Bank. CASETEK CAYMAN is the endorsement guarantee provider for the long-term loan obtained from Mega International Commercial Bank.

B. Loan covenants

(a) On October 25, 2010, the Company signed a syndicated loan agreement with a total credit line of USD 400,000 thousand. According to the Company's credit loan facility agreement with the banks, during the loan repayment periods, the Company must comply with certain financial covenants based on its audited annual and reviewed semi-annual consolidated financial statements (June 30 and December 31) as follows:

i. Current ratio (current assets/current liabilities): should not be less than 100%.

ii. Debt ratio ((total liabilities + contingent liabilities)/tangible net assets): should not be higher than 50%.

iii. Interest coverage ratio (EBITDA/interest expenses): should not be less than 400%.

iv. Tangible net assets (stockholders' equity (including minority shareholders) - intangible assets): should not be less than $90,000,000.

v. Factoring line of accounts receivable factoring/ net book value of accounts receivable before derecognition: less than 50%

If the aforesaid covenants are breached, the syndicate banks will, depending on the circumstances, based on the majority decision of the syndicate banks to either suspend the subsequent credit usage or demand an immediate repayment.

This syndicated loan agreement was due in November, 2015. The Company was in compliance with the above financial covenants as of December 31, 2014.

(b) On August 1, 2013, the Company signed a syndicated loan agreement with a total credit line of $12,000,000. According to the agreement, the Company must comply with the following financial covenants:

i. Current ratio (current assets/current liabilities): should not be less than 100%.

ii. Debt ratio ((total liabilities + contingent liabilities)/tangible net assets): should not be higher than 80%.

iii. Tangible net assets (stockholders' equity (including minority shareholders) - intangible assets): should not be less than $90,000,000.

iv. Interest coverage ratio (EBITDA/interest expenses): should not be less than 400%.

Compliance with the aforesaid financial covenants is determined on the reviewed quarterly consolidated financial statements (March 31, June 30 and September 30) and audited annual (December 31) stand alone and consolidated financial statements of the Group.

If the aforesaid covenants are breached, the syndicate banks will, depending on the circumstances, based on the majority decision of the syndicate banks to either suspend the subsequent credit usage or demand an immediate repayment.

The Company was in compliance with the above financial covenants as of December 31, 2015 and 2014.

(c) On January 30, 2015, CASETEK CAYMAN signed a USD 300,000 thousand worth of credit facility in the form of credit loan with multiple banks. According to the credit loan facility agreements, during the loan repayment periods, CASETEK CAYMAN must comply with certain financial covenants, such as current ratio, debt ratio, interest coverage ratio and tangible net assets, based on its audited annual consolidated financial statements (December 31).

i. Current ratio (Current assets/Current liabilities): Not less than 100%.

ii. Total liabilities【Total liabilities (including contingent liability, but excluding those of non-controlling interests)/Total assets less intangible Assets】: Less than 100%.

iii. Interest coverage ratio【 (Profit before tax + depreciation + amortization + interest expenses)/ interest expenses 】: Not lower than five.

iv. Tangible net assets (Total assets - total liabilities - intangible assets): Not lower than $15,000,000.

The compliance with the aforesaid covenants will be examined annually based on the audited CASETEK CAYMAN annual consolidated financial statements.

CASETEK CAYMAN was in compliance with the above financial covenants as of December 31, 2015.

(15) Bonds payable

A. The Company's overseas unsecured convertible bonds were as follows:

		December 31, 2015	December 31, 2014
Convertible bonds issued	$	8,874,000	8,874,000
Unamortized discounted on bonds payable		-	(120,577)
Accumulated amount of converted bonds		(8,874,000)	(7,069,620)
Bonds payable, end of the year		-	1,683,803
Foreign currency valuation, end of the year		-	124,427
Bonds payable, net		-	1,808,230
Less: current portion of bonds payable		-	(1,808,230)
	$	-	-
Embedded derivative –conversion options, accounted under financial liabilities at fair value through profit or loss	$	-	**1,117,653**

		For the Years Ended December 31	
		2015	2014
Embedded derivative –conversion options, accounted under other gains and losses	$	**238,997**	**4,172,368**
Interest expense	$	**(65,389)**	**39,852**

The put option of the bonds payable is exercisable at three years after the first day of issue (February 6, 2015). Bonds payable of $1,808,230 as of December 31, 2014, was classified as current liabilities for those convertible bonds whose holders bear the right to require for bond redemption within a year. Those bonds payable which are not expected to be settled within twelve months after the redemption period were reclassified as noncurrent liabilities.

As of February 28, 2015, all of the convertible bonds issued in 2012 have been converted into shares. Please refer to Note 6(20) for the information on capital surplus – conversion of convertible bonds generated from the conversion.

B. The offering information on the unsecured convertible bonds were as follows:

Item	1st overseas unsecured convertible bonds issued in 2012
1. Offering amount	USD 300 million with each unit valued at USD 200 thousand.
2. Issue date	February 6, 2012
3. Listing place	Singapore Exchange Securities Trading Limited (the "SGX-ST")
4. Interest	The Bonds will not bear any interest.
5. Issue period	5 years, commencing from February 6, 2012 and matured on February 6, 2017.
6. Settlement	Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Company on Maturity Date at an amount equal to the principal amount of the Bonds with a yield-to-maturity of 1.5% per annum, calculated on semi-annual basis.
7. Redemption at the option of the Company	(1) The Company may redeem the Bonds, in whole but not in part, at the early redemption amount at any time on or after February 6, 2015 if the closing price of the common shares on TWSE (translated into U.S. Dollars at the fixing rate at 11:00 a.m. Taipei time as quoted by Taipei Forex Inc.) on each trading day during a period of 20 consecutive trading dates exceeds at least 125% of the quotient of the early redemption amount divided by the number of shares to be issued upon conversion of USD 200,000 principal amount of Bonds on the applicable trading day based on the conversion price then in effect (translated into U.S. Dollars at the fixed exchange rate of NT$29.761 = USD 1.00). (2) If more than 90% in principal amount of the Bonds originally outstanding has been redeemed, repurchased and cancelled or converted, the Company has the right to redeem all but not portion of the principal amount of such Holder's Bonds at the early redemption amount equal to the principal amount of the Bonds with a yield-to-maturity of 1.5% per annum, calculated on semi-annual basis. (3) The Bonds may be redeemed, in whole but not in part, if the affect of change in the tax laws of ROC will increase the Company's tax liability, interest expense or related cost from the Bonds. Holders may elect not to have their bonds redeemed with no entitlement to any additional amount of reimbursement of additional tax.
8. Redemption at the option of the Holder	(1) Each Holder has the right to require the Company to redeem all or any portion of the principal amount of such Holder's Bonds on February 6, 2015 at a redemption price equal to the principal amount of the Bonds with a yield-to-maturity of 1.5% per annum, calculated on semi-annual basis.

Item	1st overseas unsecured convertible bonds issued in 2012
	(2) In the event that the Company's common shares ceased to be listed or admitted to trading on the TWSE, each Holder has the right to require the Company to redeem all or any portion of the principal amount of such Holder's Bonds at the early redemption amount equal to the principal amount of the Bonds with a yield-to-maturity of 1.5% per annum, calculated on semi-annual basis. (3) In the event of change of control occurs with respect to the Company, each Holder has the right to require the Company to redeem all or any portion of the principal amount of such Holder's Bonds at the early redemption amount.
9. Conversion	(1) Conversion period Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, each Holder of the Bonds will have the right at any time during the conversion period commencing March 18, 2012 (the 41st day following the Closing Date) and ending at the close of business on January 27, 2017 (the 10th day prior to the Maturity Date), to convert their bonds. (2) Conversion price The conversion price was NT$42.11 per share which was 112% of the closing price reported by the TWSE in respect of the Common Shares of the Company on January 30, 2012. However, upon the issuance of restricted Company shares of stock to employees, the conversion price has been adjusted to NT$40.11 per share effective October 7, 2013. The conversion price has been adjusted to NT$38.28 per share effective September 15, 2014 due to the distribution of cash dividends in 2014. (3) Conversion to common shares Upon conversion, the number of common shares converted is calculated by the issuance price (translated at a fixed exchange rate applicable on conversion of Bonds of NT$29.761 = USD 1.00) divided by the conversion price on the conversion date.

(16) Provisions

	Warranties	Allowance for sales returns and discounts	Total
Balance on January 1, 2015	$ 235,959	285,495	521,454
Provisions made during the year	-	107,583	107,583
Provisions used during the year	(178)	(47,423)	(47,601)
Provisions reversed during the year	(3,790)	(150,618)	(154,408)
Effect of movements in exchange rates	1,452	(3,079)	(1,627)
Balance on December 31, 2015	**$ 233,443**	**191,958**	**425,401**
Balance on January 1, 2014	$ 232,666	218,236	450,902
Provisions made during the year	1,015	339,790	340,805
Provisions used during the year	-	(197,474)	(197,474)
Provisions reversed during the year	-	(84,768)	(84,768)
Effect of movements in exchange rates	2,278	9,711	11,989
Balance on December 31, 2014	**$ 235,959**	**285,495**	**521,454**

A. Warranties

Warranties of Ability (TW) are recognized when the expected benefits to be derived by Ability (TW) from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

B. Allowance for sales return and discounts

Allowances for sales returns and discounts are estimated based on historical experience, managers' judgment, and other known reasons. Such allowances are recognized as a deduction of sales revenue in the same period in which sales are made.

(17) Operating leases

A. Leasee

At the end of reporting year, the lease commitments were as follows:

		December 31, 2015	December 31, 2014
Less than one year	$	1,736,565	1,227,118
Between one and five years		1,900,847	1,214,677
	$	**3,637,412**	**2,441,795**

The Group leases a number of office, warehouse, factory facilities and staff dormitories under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date.

For the years ended December 31, 2015 and 2014, expenses recognized in profit or loss in respect of operating leases was as follows:

		For the Years Ended December 31	
		2015	**2014**
Cost of sales	$	1,394,758	1,011,059
Operating expenses		441,758	407,220
	$	**1,836,516**	**1,418,279**

B. Long-term prepaid rents

		December 31, 2015	December 31, 2014
Long-term prepaid rents	**$**	**4,348,476**	**4,093,778**

(a) Long-term prepaid rents represent land use rights under operating lease arrangement is expensed equally over 38 to 67 years.

(b) Please refer to Note 8 for details of the aforesaid land use rights pledged as collateral.

(18) Employee benefits

A. Defined benefit plans

The Group's defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$	331,194	329,749
Fair value of plan assets		(195,829)	(192,195)
Net defined benefit liabilities	**$**	**135,365**	**137,554**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provide pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

(a) Composition of plan assets

The Group set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Group's contributions to the pension funds were deposited with Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2015 and 2014 were as follows:

	For the Years Ended December 31	
	2015	**2014**
Defined benefit obligation, January 1	$ 329,749	361,929
Current service costs and interest	13,102	12,998
Re-measurements of the net defined benefit liability		
Actuarial gains (losses) arose from changes in demographic assumptions	2,218	(1,635)
Actuarial gains (losses) arose from changes in financial assumption	20,143	(15,988)
Experience adjustments	(22,784)	(20,931)
Benefits paid by the plan	(11,234)	(6,624)
Defined benefit obligation, December 31	**$ 331,194**	**329,749**

(c) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2015 and 2014 were as follows:

	For the Years Ended December 31	
	2015	**2014**
Fair value of plan assets, January 1	$ 192,195	184,115
Interests revenue	4,300	3,690
Re-measurements of the net defined benefit liability		
Experience adjustments	854	523
Contributions made	9,714	10,491
Benefits paid by the plan	(11,234)	(6,624)
Fair value of plan assets, December 31	**$ 195,829**	**192,195**

(d) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2015 and 2014 were as follows:

	For the Years Ended December 31	
	2015	**2014**
Current service cost	$ 5,699	5,812
Net interest on net defined benefit liability	3,103	3,496
	$ 8,802	**9,308**
Operating Cost	$ 549	875
Operating Expense	8,253	8,433
	$ 8,802	**9,308**

(e) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	For the Years Ended December 31	
	2015	**2014**
Cumulative amount, January 1	$ 84,822	123,899
Recognized during the year	(1,277)	(39,077)
Cumulative amount, December 31	**$ 83,545**	**84,822**

(f) Actuarial assumptions

The following were the key actuarial assumptions at the reporting date:

	December 31, 2015	December 31, 2014
Discount rate	1.75%~2.00%	2.00%~2.25%
Future salary increases	1.75%~3.00%	1.75%~3.00%

Based on the actuarial report, the Group is expected to make a contribution payment of $9,614 to the defined benefit plans for the one year period after the reporting date.

The weighted-average duration of the defined benefit plans is between 17 and 25 years.

(g) Sensitivity Analysis

In determining the present value of the defined benefit obligation, the Group's management makes judgments and estimates in determining certain actuarial assumptions on the balance sheet date, which includes employee turnover rate and future salary changes. Changes in actuarial assumptions may have significant impact on the amount of defined benefit obligation.

As of December 31, 2015 and 2014, the changes in the principal actuarial assumptions will impact the present value of defined benefit obligation as follows:

	Impact on the present value of defined benefit obligation	
	Increase by 0.50%	**Decrease by 0.50%**
December 31, 2015		
Discount	(29,547)	33,208
Future salary increase	32,665	(29,384)

The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as the defined benefit obligation liability.

The analysis is performed on the same basis for prior year.

B. Defined contribution plans

The Group contributes an amount at the rate of 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance and Council of Labor Affairs in R.O.C. in accordance with the provisions of the Labor Pension Act. The Group's contributions to the Bureau of the Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2015 and 2014 amounted to $6,180,514 and $3,822,769, respectively.

C. As of December 31, 2015 and 2014, the Group's short-term employee benefits liabilities were $282,590 and $247,698, respectively.

(19) Income Tax

A. The income tax expense for the years ended December 31, 2015 and 2014 was calculated as follows:

		For the Years Ended December 31	
Current income tax expense		2015	2014
Current period incurred	$	9,712,212	6,230,240
Prior years income tax adjustment		(435,378)	582,677
10% surtax on undistributed earnings		510,783	681,677
Deferred tax expense			
The origination and reversal of temporary differences		526,538	(160,120)
Income tax expense	**$**	**10,314,155**	**7,334,474**

B. Income tax on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2015 and 2014 as follows :

		For the Years Ended December 31	
		2015	2015
Profit before income tax	$	39,186,014	26,262,087
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned		12,035,798	7,736,129
Permanent differences		(1,621,248)	(1,448,419)
Changes in unrecognized temporary differences		(1,067,663)	(1,199,727)
Oversea dividends received		909,540	971,444
Prior years income tax adjustment		(435,378)	582,677
10% surtax on undistributed earnings		510,783	681,677
Others		(17,677)	10,693
Income tax expense	**$**	**10,314,155**	**7,334,474**

C. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2015 and 2014, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

		December 31, 2015	December 31, 2014
The aggregate temporary differences associated with investments in subsidiaries	$	**28,593,218**	**21,088,100**
Unrecognized deferred tax liabilities	$	**4,860,847**	**3,584,977**

(b) Unrecognized deferred tax assets

		December 31, 2015	December 31, 2014
Deductible temporary differences	$	644,663	585,902
Tax losses		1,036,963	887,517
	$	**1,681,626**	**1,473,419**

The ROC Income Tax Act allows the carry forward of net losses, as assessed by the tax authorities, to offset against taxable income. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

As of December 31, 2015, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and the expiry years thereof were as follows:

Company Name	Year of occurrence		Unused balance	Expiry year
KINSUS and its subsidiaries	2010~2015	$	3,045,619	2015~2022
ABILITY (TW) and its subsidiaries	2010~2012		935,406	Note
ASROCK and its subsidiaries	2007~2015		112,712	2017~2033
CASETEK CAYMAN and its subsidiaries	2015		543,171	2020
AZUREWAVE and its subsidiaries	2012~2014		631,553	2022~2024
AMA PRECISION	2009~2015		146,224	2019~2025
		$	**5,414,685**	

Note: In accordance with its local income tax act.

(c) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2015 and 2014 were as follows:

		Gain on foreign investments	Others	Total
Deferred tax liabilities:				
Balance, January 1, 2015	$	2,005,973	289,108	2,295,081
Recognized in loss (profit)		597,198	(217,083)	380,115
Recognized in comprehensive income		11,786	(12,397)	(611)
Exchange differences on translation		(95,528)	(76)	(95,604)
Balance, December 31, 2015	**$**	**2,519,429**	**59,552**	**2,578,981**
Balance, January 1, 2014	$	2,174,218	280,234	2,454,452
Recognized in profit		(221,888)	(24,660)	(246,548)
Recognized in comprehensive income		(54,169)	33,026	(21,143)
Exchange differences on translation		107,812	508	108,320
Balance, December 31, 2014	**$**	**2,005,973**	**289,108**	**2,295,081**

		Provision for Contingent Service Cost	Gain on valuation of inventory	Unrealized expenses	Others	Total
Deferred tax assets:						
Balance, January 1, 2015	$	484,922	907,826	1,551,733	112,039	3,056,520
Recognized in profit (loss)		(327,752)	144,383	7,666	29,280	(146,423)
Recognized in comprehensive income		-	-	-	(1,085)	(1,085)
Exchange differences on translation		(5,636)	(18,519)	(33,416)	1,065	(56,506)
Balance, December 31, 2015	**$**	**151,534**	**1,033,690**	**1,525,983**	**141,299**	**2,852,506**
Balance, January 1, 2014	$	896,396	973,765	1,050,123	180,201	3,100,485
Recognized in profit (loss)		(411,474)	(111,092)	504,591	(68,453)	(86,428)
Recognized in comprehensive income		-	-	(3,074)	(677)	(3,751)
Exchange differences on translation		-	45,153	93	968	46,214
Balance, December 31, 2014	**$**	**484,922**	**907,826**	**1,551,733**	**112,039**	**3,056,520**

D. Status of approval of income tax

(a) The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority, except for the income tax return for 2012, which is still under review by the Tax Authority.

(b) The Group have income tax returns approved by the Tax Authority were as follows:

Years of Approval	Company Name
2014	HUA-YUAN INVESTMENT LTD., ASFLY TRAVEL SERVICE LTD., ABILITY INVESTMENT.
2013	KINSUS INTERCONNECT TECHNOLOGY CORP., ASROCK INCORPORATION (Note), ABILITY (TW), E-PIN, PEGAVISION CORPORATION, PEGA INTERNATIONAL LIMITED, AMA PRECISION, PEGAVISION INVESTMENT, ASUSTEK INVESTMENT, ASUSPOWER INVESTMENT, ASUS INVESTMENT CO., LTD., STARLINK, LUMENS OPTICS, RIH KUAN METAL, AZURE WAVE, EZWAVE, AZURE LIGHTING TECHNOLOGIES, INC., and ASROCK RACK, INC.
2012	UNIHAN CORPORATION

Note: The income tax return for 2012 is still under review by the Tax Authority

E. Five year income tax exemption period

The investments of KINSUS INTERCONNECT TECHNOLOGY CORP. and PEGAVISION CORPORATION for their establishment and expansion conform to "the Regulations Regarding Awards for Newly Emerging and Strategic Industries under Manufacturing and Technical Service Industries." As approved by the Tax Authority, the Group is eligible for five-year income tax exemption, the details of which were as follows:

Approving Office	Approval document number	Tax exemption period
Industrial Development Bureau	10005112010	01/01/2013~12/31/2017
Industrial Development Bureau	10005116950	01/01/2014~12/31/2018

F. Stockholders' imputation tax credit account and tax rate:

	December 31, 2015	December 31, 2014
Stockholders' imputation tax credit account	$ 3,296,778	1,457,733

	2015 (Expect)	2014 (Actual)
Tax deduction ratio for earnings distributable to R.O.C. residents	13.83%	12.49%

All of the Company's earnings generated for the period up to December 31, 1997 have been appropriated.

The aforesaid imputation tax related information was prepared in accordance with Decree No.10204562810 issued by Taxation Administration, Ministry of Finance, R.O.C. on October 17, 2013.

(20) Capital and reserves

As of December 31, 2015 and 2014, the authorized capital of the Company consisted of 3,000,000 thousand shares, with par value of $10 per share. The outstanding shares consisted of 2,603,020 and 2,367,911 thousand common shares, respectively, and the capital that rose from the shares had all been retrieved.

A. Nominal ordinary shares

The movements in ordinary shares of stock outstanding for the years ended December 31, 2015 and 2014 were as follows:

	For the Years Ended December 31	
Ordinary Shares (In thousands of shares)	**2015**	**2014**
Beginning balance, January 1	2,367,911	2,320,435
(Expiration of) Restricted stock issued to employees	39,055	(745)
Exercise of employee stock options	1,380	10,489
Conversion of convertible bonds	194,674	37,732
Ending balance, December 31	**2,603,020**	**2,367,911**

In 2015, the Company issued 39,678 thousand shares of employee restricted stock. New common shares of stock totaling 860 and 47,424 thousand shares, respectively, were issued from the exercise of employee stock options and conversion of convertible bonds. For the year ended December 31, 2014, new common shares of stock totaling 10,288 and 184,982 were issued from the exercise of employee stock options and conversion of convertible bonds, of which 520 and 147,250 thousand shares, respectively, were accounted under advance receipts as the registration procedures were yet to be completed. For the years ended December 31, 2015 and 2014, the Company had retired 623 and 745 thousand shares, respectively, of restricted stock to employees. Therefore, the authorized capital of the Company consisted of both 3,000,000 thousand shares, with par value of $10 per share, and its outstanding capital consisted of 2,603,020 thousand and 2,367,911 thousand common shares of stock, as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the restricted Company shares of stock issued to employees have expired, of which 259 and 207 thousand shares, respectively, have not been retired.

B. Global depositary receipts

ASUSTeK GDR holders who surrendered their ASUSTeK GDRs on or after the Effective Date of Spin-off and Merger in Taiwan will receive new ASUSTeK GDRs and the Company's entitlement. The Company's entitlement represents the rights to receive 60,819,026 of the Company's common shares in Taiwan.

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTeK GDR holders pursuant to the "Issuer of Overseas Securities Offering and Issued Guidelines." As of December 31, 2015 and 2014, the Company has listed, in total, 5,994 and 6,589 thousand units of GDR, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 29,969 and 32,946 thousand shares of stock, respectively. Major terms and conditions for GDRs were as follows:

(a) Voting Rights

Holders of GDRs may exercise voting rights with respect to the common shares in the manner set out in "Terms and Conditions of the Global Depositary Shares – Voting Rights," as such provisions may be amended from time to time to comply with applicable ROC law.

(b) Dividend Distributions, Pre-emptive Rights, and Other Rights

Holders of GDRs have same rights on dividend distribution and share distribution as the Company's existing common shareholders.

C. Capital surplus

The components of the capital surplus were as follows:

		December 31, 2015	**December 31, 2014**
From issuance of share capital	$	62,284,056	62,023,550
From conversion of convertible bonds		11,187,179	8,507,771
From treasury stock-transactions		108,582	96,553
Difference between consideration and carrying amount of subsidiaries acquired or disposed		2,383,056	2,383,056
Changes in ownership interest in subsidiaries		738,737	729,852
Employee share options		1,304	13,171
Restricted stock to employees		1,859,543	131,850
Other		409,917	409,917
	$	**78,972,374**	**74,295,720**

In accordance with Amended Companies Act of 2012, realized capital reserves can only be capitalized or distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with Securities Offering and Issuance Guidelines, the amount of capital reserves that can be capitalized shall not exceed 10 percent of the actual share capital amount.

D. Retained earnings

The Company's Articles of Incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, is distributed as follows:

(a) No less than 10% as employees' bonuses which are distributable in cash or shares of stock. In the event that the employee bonus is distributed in the form of shares of stock, employees qualifying for such distribution may include the employees of subsidiaries of the Company who meet certain specific requirements. Such qualified employees and distribution ratio are decided by the Board of Directors.

(b) Up to 1% as remuneration to directors.

(c) The remaining earnings, if any, may be appropriated according to a resolution of a stockholders' meeting.

In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of each year. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long-term operating plan and funding needs, the Company adopts a stable dividends policy. Therefore, the Company distributes cash dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends.

In accordance with the amended Companies Act of 2015, employee bonuses and directors and supervisors' remuneration are no longer distributed from earnings. The Company will amend its Articles of Incorporation on this regard before the date prescribed by the Authority.

(a) Legal reserve

In accordance with the Amended Companies Act 2012, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company incurred profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, of up to 25 percent of the actual share capital.

(b) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on 6 April 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

(c) Earnings Distribution

For the year ended December 31, 2014, employee bonuses and directors' remuneration of $1,325,000 and $131,000, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's net profit for the year ended December 31, 2014, and were determined according to the earnings allocation method, priority and factor for employee benefits and key management personnel compensation as stated under the Articles of Association. These benefits were charged to profit or loss under operating costs or operating expenses for the year ended December 31, 2014.

On June 15, 2015 and June 18, 2014, the Company's shareholders' meeting resolved to appropriate the 2014 and 2013 earnings. These earnings were distributed as dividends and employee bonuses and remuneration to directors and supervisors as follows:

	2014	**2013**
Common stock dividends per share (dollars)		
－Cash	**$ 4.10**	**2.80**
Employee bonus － Cash	$ 1,325,000	870,000
Remuneration to directors and supervisors	131,000	85,000
Total	**$ 1,456,000**	**955,000**

The 2014 and 2013 earnings approved for distribution agreed with those accrued in the financial statements for the years ended December 31, 2014 and 2013.

Related information of distributions of employee bonus and remuneration to directors and supervisors can be accessed from the Market Observation Post System on the web site.

E. Treasury stock

Company shares of stock that are owned by the Company's subsidiaries are treated as treasury stock. As of December 31, 2015 and 2014, the Company's shares held by its subsidiaries were 0 and 553 thousand shares, amounting to $0 and $40,369 at fair value, respectively.

F. Other equity accounts (net of tax)

	Exchange differences on translation of foreign financial statements	Available-for-sale investments	Deferred compensation arising from issuance of restricted stock	Total
Balance, January 1, 2015	$ 4,788,058	177,810	(64,523)	4,901,345
Exchange differences on foreign operation	(1,011,875)	-	-	(1,011,875)
Exchange differences on associates accounted for using equity method	(24,066)	-	-	(24,066)
Unrealized gains on available-for-sale financial assets of subsidiaries accounted for using equity method	-	33,424	-	33,424
Deferred compensation cost	-	-	(1,173,854)	(1,173,854)
Balance, December 31, 2015	**$ 3,752,117**	**211,234**	**(1,238,377)**	**2,724,974**
Balance, January 1, 2014	$ (48,637)	79,871	(241,370)	(210,136)
Exchange differences on foreign operation	4,869,817	-	-	4,869,817
Exchange differences on associates accounted for using equity method	(33,122)	-	-	(33,122)
Unrealized gains on available-for-sale financial assets of subsidiaries accounted for using equity method	-	97,939	-	97,939
Deferred compensation cost	-	-	176,847	176,847
Balance, December 31, 2014	**$ 4,788,058**	**177,810**	**(64,523)**	**4,901,345**

G. Non-controlling interests (net of tax)

	For the Years Ended December 31,	
	2015	2014
Balance, January 1	$ 41,200,299	36,751,385
Profit attributable to non-controlling interests	5,060,234	4,269,475
Comprehensive income attributable to non-controlling interests		
Foreign currency translation differences－foreign operations	(179,376)	987,262
Unrealized (loss) gain on available-for-sale financial assets	(157,917)	299,118
Actuarial gains (losses) on defined benefit plans	(242)	24,076
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(2,266,315)
Changes in ownership interest in subsidiaries	(8,885)	(16,721)
Changes in non-controlling interests	(3,955,723)	1,152,019
Balance, December 31	**$ 41,958,390**	**41,200,299**

(21) Share-based payment

Information on share-based payment transaction as of December 31, 2015 and 2014 were as follows:

Equity-settled share-based payment

Restricted stock to employee	**Issued in**		
	2014	**2013**	**2012**
Thousand units granted	40,000	6,062	34,167
Contractual life	3 years	3 years	3 years
Vesting period	Note A	Note B	Note B
Actual turnover rate of employees	1.57%	5.41%	9.27%
Estimated future turnover rate for each or the three years of employees	10.48% , 20.18%, 34.36%	10.94% , 25.07%, 33.76%	14.28%, 22.84%, 28.85%

Employee stock option	**Issued in**	
	2012	**2011**
Thousand units granted	8,053	40,679
Contractual life	3 years	3 years
Vesting period	2 years	2 years
Actual turnover rate of employees	21.67%	-
Estimated future turnover rate of employees	19.01%	19.88%

Cash-settled share-based payment

Stock appreciation rights plan	**Issued in 2012**
Thousand units granted	Note C
Contractual life	07/01/2013~06/30/2014
Vesting period	1.25 years
Actual turnover rate of employees	-
Estimated future turnover rate of employees	8.97%

Note A: Employees are entitled to receive 20%, 40%, and 40% of the restricted stock in the first, second and third year, respectively, of their service.

Note B: Employees are entitled to receive 40%, 30%, and 30% of the restricted stock in the first, second and third year, respectively, of their service.

Note C: The option will be granted only if the earnings per share target be reached.

On April 14, 2011, the Company obtained the approval from the Financial Supervisory Commission and issued 50,000 units of Employee Stock Options with an exercisable right of 1,000 shares of the Company's common shares of stock per unit. For these employee stock options, the Company will issue its own new common shares on settlement, and the exercise price of all stock options shall be equal to the closing price of the Company's common stock at grant date. The expected life of the stock options is estimated to be 3 years, and stock option granted to an employee is not transferable to any person. If the exercise period expires, the employee forfeits his/her right to exercise the option and purchase the shares. Except for the forfeiture of vested options, all stock options shall vest from the second year of the grant date, and the employees should exercise the right to apply for shares against the stock option vested in them pursuant to the stock option plan.

On October 19, 2012, the Company obtained the approval from the Financial Supervisory Commission to issue restricted Company shares of stock to employees for up to a limited number of 40,000 thousand shares. On grant date of November 9, 2012, the Board of Directors approved the list of eligible employees and resolved to issue 34,167 thousand shares effective December 20, 2012. The actual number of newly issued shares was 33,938 thousand shares with a par value of $10 per share. The procedure for the registration of change of capital stock has been completed. Unless the vesting conditions have elapsed, the restricted shares of stock may not be sold, pledged, transferred, hypothecated or otherwise disposed. Holders of restricted shares of stock are entitled to rights as the Company's existing common shareholders except for the fact that restricted shares of stock are held by the trust and have vesting conditions. Also, the Company bears the right to buy back the restricted shares of stock at the issuance price and to cancel all restricted shares of stock issued to any employee who fails to comply with the vesting condition without returning the distributed dividend.

On August 12, 2013, pursuant to the resolutions of its board of directors, the Company issued 6,062 thousand shares of restricted shares of stock to employees with par value of $10 per share. These were unissued shares whose total number is limited to up to 40,000 thousand shares of stock approved by the Financial Supervisory Commission for purposes of issuing restricted Company shares of stock to employees on October 19,2012. The effective date of this capital increase was September 12, 2013. The legal procedure for the change in the registration of capital stock has been completed. Unless the vesting conditions have lapsed, the restricted shares of stock may not be sold, pledged, transferred, hypothecated or otherwise disposed. Holders of restricted shares of stock are entitled to rights as the Company's existing common shareholders except for the fact that restricted shares of stock are held by the trust and have vesting conditions. Also, the Company bears the right to buy back the restricted shares of stock at the issuance price and to cancel all restricted shares of stock issued to any employee who fails to comply with the vesting condition without returning the distributed dividend.

On December 9, 2014, the Company obtained the approval from the Financial Supervisory Commission to issue restricted Company shares of stock to employees for up to a limited number of 40,000 thousand shares. On grant date of May 7, 2015, the Board of Directors approved the list of eligible employees and resolved to issue 40,000 thousand shares effective July 1, 2015. The actual number of newly issued shares was 39,678 thousand shares with a par value of $10 per share. The procedure for the registration of change of capital stock has been completed. Unless the vesting conditions have elapsed, the restricted shares of stock may not be sold, pledged, transferred, hypothecated or otherwise disposed. Holders of restricted shares of stock are entitled to rights as the Company's existing common shareholders except for the fact that restricted shares of stock are held by the trust and have vesting conditions. Also, the Company bears the right to buy back the restricted shares of stock at the issuance price and to cancel all restricted shares of stock issued to any employee who fails to comply with the vesting condition without returning the distributed dividend.

In order to encourage employees to stay and contribute their skills to the Company, the Board of Directors resolved on March 19, 2012 to issue 30,000 thousand units of Employee Stock Appreciation Rights. The Company will pay the stock appreciation rights as employee bonus in cash based on the difference between the base price and the settlement price of the stock appreciation right where the base price on settlement of the right is the closing price of the Company's common stock on grant date, and the settlement price is the closing price of the Company's common share on exercise date.

The compensation cost from the cash-settled stock appreciation right was $0 for the year ended December 31, 2014, because the stock appreciation right remains unvested as of December 31, 2014.

A. Determining the fair value of equity instruments granted

The Company adopted the Black-Scholes model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

Equity-settled share-based payment Restricted stock to employee		**Issued in**	
	2014	**2013**	**2012**
Fair value at grant date	05/07/2015	08/12/2013	11/09/2012
Share price at grant date	$ 91.90	45.20	39.45
Exercise price (Note A)	10.00	10.00	10.00
Expected life of the option	3 years	3 years	3 years
Current market price	91.90	45.20	39.45
Expected volatility	33.37%	32.68%	38.49%
Expected dividend yield rate (Note A)	- %	- %	- %
Risk-free interest rate	(Note B)	(Note C)	(Note D)

Employee stock option	**Issued in**	
	2012	**2011**
Fair value at grant date	04/02/2012	07/01/2011
Share price at grant date	44.85	30.00
Exercise price (Note A)	44.85	30.00
Expected life of the option	3 years	3 years
Current market price	44.85	30.00
Expected volatility	44.41%	37.0531%
Expected dividend yield rate (Note A)	-%	-%
Risk-free interest rate	0.95%	1.0838%

Cash-settled share-based payment Restricted stock to employee	**Issued in**
	2012
Fair value at grant date	04/02/2012
Share price at grant date	N/A
Exercise price (Note A)	N/A
Expected life of the option	07/01/2013~06/30/2014
Current market price	-
Expected volatility	40.12%
Expected dividend yield rate (Note A)	- %
Risk-free interest rate	1.355%

Note A: After the issuance of the employee stock options, if the Company increases its capital through the surplus and/or capital reserve, the exercise price will be adjusted accordingly. Therefore, the expected dividend yield rate is excluded in calculating the fair value of the stock option.

Note B: The risk-free interest rate is 0.4902% for the 1st year, 0.6632% for the 2nd year, and 0.7992% for the 3rd year.

Note C: The risk-free interest rate is 0.5997% for the 1st year, 0.7167% for the 2nd year, and 0.8764% for the 3rd year.

Note D: The risk-free interest rate is 0.6953% for the 1st year, 0.7363% for the 2nd year, and 0.7873% for the 3rd year.

B. Restricted stock to employee

For the year ended December 31, 2015, the Company issued restricted shares of stock to employees of 39,678 thousand shares, which resulted in a capital surplus — restricted employee stock of $1,894,333. Also, for the years ended December 31, 2015 and 2014, 675 and 874 thousand shares of the restricted shares of stock issued to employees have expired, which were charged to capital surplus of $6,748 and $8,738, respectively. As of December 31, 2015 and 2014, the Company has deferred compensation cost arising from issuance of restricted stock of $1,238,377 and $64,523, respectively.

For the years ended December 31, 2015 and 2014, the Company recognized salary cost of $27,490 and $9,121 from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary cost was accounted under retained earnings as it remained to be unrealized.

C. Employee stock options

Information on aforesaid employee stock options was as follows:

(a) For the year ended December 31, 2015

	Issued in 2012	
	Number of Exercisable Thousand Shares	**Weighted-average Exercise Price**
Balance, beginning of the period	872	$ 40.80
Granted	-	-
Exercised	(860)	40.80
Expired	(12)	-
Balance, end of the period	-	
Exercisable, end of the period	-	
Weighted-average fair value of options granted	**13.8**	
Exercise price of share option outstanding, end of the period	-	
Remaining contractual life	-	
Expenses incurred on share-based payment transactions	-	

(b) For the year ended December 31, 2014

	Issued in 2012	
	Number of Exercisable Thousand Shares	**Weighted-average Exercise Price**
Balance, beginning of the period	6,501	$ 42.67
Granted	-	-
Exercised	(4,762)	42.67
Exercised	(686)	40.80
Forfeited	(181)	-
Expired	-	-
Balance, end of the period	**872**	40.80
Exercisable, end of the period	**863**	
Weighted-average fair value of options granted	**13.8**	
Exercise price of share option outstanding, end of the period	**40.8**	
Remaining contractual life	**0.25**	
Expenses incurred on share-based payment transactions	**8,462**	

	Issued in 2011	
	Number of Exercisable Thousand Shares	**Weighted-average Exercise Price**
Balance, beginning of the period	5,050	$ 27.06
Granted	-	-
Exercised	(4,840)	27.06
Forfeited	(66)	-
Expired	(144)	-
Balance, end of the period	-	
Exercisable, end of the period	-	
Weighted-average fair value of options granted	**7.9**	
Exercise price of share option outstanding, end of the period	**-**	
Remaining contractual life	-	
Expenses incurred on share-based payment transactions	**(1,138)**	

D. Expenses resulted from share-based payments

The Group incurred expenses from share-based payments transactions for the years ended December 31, 2015 and 2014 as follows:

	For the Years Ended December 31	
	2015	**2014**
Expenses resulting from issuance of restricted stock to employees	$ 892,593	230,097
Expenses arising from granting of employee share options (including employee share options granted to subsidiaries' employees)	-	7,324
Total	**$ 892,593**	**237,421**

(22) Subsidiary's share-based payments

A. For the years ended December 31, 2015 and 2014, Ability (TW) has share-based payment transactions as follows:

	Equity-settled		
	Restricted stock to employee	**Employee stock options**	
	Issued in 2014	**Issued in 2008**	**Issued in 2007**
Thousand units granted	22,000	9,500	10,000
Contractual life	3 years	7 years	7 years
Vesting period	3 years	2 years	2 years

The restricted shares of stock may not be transferred unless the vesting conditions have elapsed. The holder of the restricted shares are entitled to the right as existing common shareholders; Employee resigns in the vesting period is obligate to return the restricted shares of stock but without returning the distributed dividend.

B. The Black-Scholes Option Valuation Model was adopted to estimate the fair value of the first batch of Ability (TW) employee stock options. The Trinomial Tree Option Valuation Model was adopted to estimate the fair value of the second batch of Ability (TW) employee stock option on the day of granted and at the end of each period.

	Equity-settled		
	Restricted stock to employee	Employee stock option	
	Granted in 2014	Granted in 2008	Granted in 2007
Grand date	May 21, 2014	October 13, 2008	December 27, 2007
Stock Price at granted date	$20.90	22.20	52.80
Exercise price	10.00	22.20	52.80
Expected life of the options	3 years	7 years	5.10 years
Current market price	20.90	22.20	52.80
Volatility factors of the expected market price	Note A	43.11%	39.87%
Dividend yields	Note B	-	-
Risk-free interest rate	Note C	2.2101%	2.54%

Note A: The volatility factors of the expected market price are 22.22% for the 1st year, 21.15% for the 2nd year, and 25.67% for the 3rd year.

Note B: The Dividend yields are 8.22% for the 1st year, - % for the 2nd year, and - % for the 3rd year.

Note C: Risk-free interest rate is 1.4628% for the 1st year, 1.6421% for the 2nd year, and 1.9488% for the 3rd year.

C. Information on share-based payment transactions were as follows:

(a) For the year ended December 31, 2015

	Issued in 2008	
The first batch of employee stock options	**Quantity of stock option (thousand shares)**	**Weighted-average exercise price**
Outstanding at the beginning of the period	428	$ 13.6
Granted	-	-
Exercised	(346)	13.6
Forfeited	(82)	-
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-
Weighted-average fair value of options granted	**8.88**	
Exercise price of share option outstanding, end of the period	-	
Remaining contractual life	-	

(b) For the year ended December 31, 2014

The first batch of employee stock options	Issued in 2008 Quantity of stock option (thousand shares)	Issued in 2008 Weighted-average exercise price	Issued in 2007 Quantity of stock option (thousand shares)	Issued in 2007 Weighted-average exercise price
Outstanding at the beginning of the period	1,268	$ 15.0	5,079	29.9
Exercised	(690)	15.0	-	-
Exercised	(80)	13.6	-	-
Forfeited	(70)	-	(5,079)	27.1
Outstanding at the end of the period	**428**	13.6	-	-
Exercisable at the end of the period	**428**	13.6	-	
Weighted-average fair value of options granted	**8.88**		**20.6025**	
Exercise price of share option outstanding, end of the period	**13.60**		-	
Remaining contractual life	**0.75**		-	

D. For the years ended December 31, 2015 and 2014, the weighted-average exercise price of stock option on the date of exercise amounted to $16.87 and $18.83 per share, respectively.

E. The expenses resulting from the share-based payment transactions were as follows:

	For the Years Ended December 31 2015	For the Years Ended December 31 2014
Equity-settled	**$ 52,277**	**64,860**

F. For the years ended December 31, 2015 and 2014, Ability (TW) repurchased 1,950 and 409 thousand shares of stock for $19,506 and $4,099, respectively, at $10 per share as certain employee resigned during the vesting period. As of December 31, 2015 and 2014, 153 and 288 thousand shares with total amount of $1,533 and $2,883, respectively, have been retired.

(23) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follows:

	For the Years Ended December 31 2015	For the Years Ended December 31 2014
Basic earnings per share		
Profit attributable to ordinary shareholders	**$ 23,811,625**	**14,658,138**
Weighted-average number of ordinary shares	2,581,005	2,348,719
	$ 9.23	**6.24**

		For the Years Ended December 31	
		2015	2014
Diluted earnings per share			
Profit attributable to ordinary shareholders (diluted)	$	**23,811,625**	**14,658,138**
Weighted-average number of ordinary shares		2,581,005	2,348,719
Effect of potentially dilutive ordinary shares			
Employee stock bonus		36,082	25,528
Employee stock option		-	337
Weighted-average number of ordinary shares (diluted)		2,617,087	2,374,584
	$	**9.10**	**6.17**

For the years ended December 31, 2015 and 2014, convertible bonds of $230,562 and $4,360,446, respectively, were not included in the calculation of weighted-average number of shares, due to its anti-dilutive impact on earnings per share.

(24) Revenue

		For the Years Ended December 31	
		2015	2014
Sale of goods	$	1,145,874,263	994,044,717
Others		67,838,713	25,694,116
	$	**1,213,712,976**	**1,019,738,833**

(25) Remuneration of employees and directors

Based on the amended Company's Articles of Incorporation which have been approved by the Board of Directors but have not been approved by the shareholders' meeting, remuneration of employees and directors are appropriated at the rate of at least 7% and no more than 0.7% of profit before tax, respectively. The Company should offset prior years' accumulated deficit before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the year ended December 31, 2015, remuneration of employees and directors of $2,072,000 and $203,000, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's profit before tax before remuneration of employees and directors for the year ended December 31, 2015. These benefits were charged to profit or loss under operating costs or operating expenses for the year ended December 31, 2015. Management is expecting that the differences, if any, between the amounts which are yet to be approved in the shareholders' meeting and those recognized in the financial statements will be treated as changes in accounting estimates and charged to profit or loss.

Related information of distributions of remuneration to employees and directors can be accessed from the Market Observation Post System on the web site.

(26) Non-operating income and expenses

A. Other income

		For the Year Ended December 31	
		2015	**2014**
Interest income	$	1,396,275	1,778,928
Subsidy income		763,276	701,364
Rental income		268,171	230,514
Technical service income		271,333	261,309
Other income		906,124	338,279
	$	**3,605,179**	**3,310,394**

B. Other gains and losses

		For the Years Ended December 31	
		2015	**2014**
Gain on reversal of uncollectable account	$	110,963	5,784
Loss on disposal of property, plant and equipment		(170,100)	(277,494)
Gain on disposal of non-current assets classified as held for sale		402,661	61,740
Gain on disposal of other assets		-	9,422
Gain on disposal of investments		397,657	225,501
Foreign exchange gain (loss)		(3,524,184)	1,171,287
(Reversal of) Impairment loss		134,852	(578,759)
Net losses on evaluation of financial assets (liabilities) measured at fair value through profit or loss		(200,625)	(4,304,477)
	$	**(2,848,776)**	**(3,686,996)**

C. Finance costs

		For the Years Ended December 31	
		2015	**2014**
Interest expenses	$	672,266	868,009
Less: Interest expenses capitalization		-	-
Finance expense – bank fees		180,685	222,071
	$	**852,951**	**1,090,080**

(27) Reclassification of other comprehensive income

		For the Years Ended December 31	
		2015	2014
Net fair value change in available-for-sale financial assets recognized in:			
Other comprehensive income	$	(425,922)	277,445
Profit or loss		301,429	119,612
Net fair value change recognized in other comprehensive income	**$**	**(124,493)**	**397,057**

(28) Financial instruments

A. Credit risk

(a) Exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

(b) Credit risk concentrations

As of December 31, 2015 and 2014, the accounts receivable from the Group's top three customers amounted to $72,039,287 and $79,193,401, representing 59% and 60% of accounts receivable, respectively, which exposes the Group to credit risk.

(c) Impairment losses

Aging analysis of the receivables on the balance sheet date were as follows:

		December 31, 2015	December 31,2014
Not past due	$	143,150,534	141,233,520
Past due 0 - 30 days		3,233,260	2,903,684
Past due 31 - 120 days		1,466,766	718,248
Past due 121 - 365 days		62,580	186,174
Past due more than 1 year		1,939,859	1,902,458
	$	**149,852,999**	**146,944,084**

The movement in the allowance for impairment with respect to the receivables during the period was as follows:

		Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	$	72,020	2,136,108	2,208,128
Reversal of impairment loss		(212)	(80,264)	(80,476)
Written off unrecoverable amount		-	(1,159)	(1,159)
Foreign exchange loss (gain)		1,751	(319)	1,432
Balance on December 31, 2015	**$**	**73,559**	**2,054,366**	**2,127,925**
Balance on January 1, 2014	$	71,096	2,038,457	2,109,553
Impairment loss		206	109,015	109,221
Written off unrecoverable amount		(3,451)	-	(3,451)
Foreign exchange loss		4,169	26,847	31,016
Others		-	(38,211)	(38,211)
Balance on December 31, 2014	**$**	**72,020**	**2,136,108**	**2,208,128**

Based on historical default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due. Also, the payment term of the receivables from related parties depend on the Group's capital movement, and there's no penalty interest due for late payment. The Group's management believes that there's no significant change on the credit quality of the aforesaid receivables which are past due but not impaired, thus they assess the receivables can be recovered. In addition, the Group does not hold any collateral and of other credit enhancement to mitigate the credit risk of the foresaid receivables.

Allowance for bad debts or accumulated impairment are the accounts used to record bad debt expense or impairment loss. If the Group believes the related receivables cannot be recovered, the carrying amount of the financial assets will be reduced through the allowance for bad debts accounts and accumulated impairment.

B. Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payment and the impact of netting agreements.

		Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
December 31, 2015						
Non-derivative financial liabilities						
Secured bank loans	$	305,034	305,034	134,034	56,000	115,000
Unsecured bank loans		60,085,738	60,085,738	47,937,189	3,200,170	8,948,379
Non-interest bearing liabilities		195,546,280	195,546,280	195,546,280	-	-
	$	**255,937,052**	**255,937,052**	**243,617,503**	**3,256,170**	**9,063,379**

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
December 31, 2014					
Non-derivative financial liabilities					
Secured bank loans	$ 749,695	749,695	386,400	148,295	215,000
Unsecured bank loans	48,141,379	48,141,379	34,537,852	1,424,492	12,179,035
Unsecured convertible bonds	1,808,230	1,808,230	1,808,230	-	-
Non-interest bearing liabilities	207,107,696	207,107,696	207,107,696	-	-
Derivative financial liabilities					
Overseas convertible bonds—conversion options	1,117,653	1,117,653	1,117,653	-	-
Option exchange contract — outflow	8,937	8,937	8,937	-	-
	$ 258,933,590	**258,933,590**	**244,966,768**	**1,572,787**	**12,394,035**

The liquidity of the aforesaid bank loans does not include interest expense on cash outflow. The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Currency risk exposure

The Group's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

(Unit: Foreign currency/NTD in Thousands)

	December 31, 2015			December 31, 2014		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
Financial assets						
Monetary items						
USD:NTD	$ 8,323,160	32.825	273,207,727	9,524,967	31.650	301,465,206
USD:CNY	6,318,520	6.4936	207,405,419	5,838,639	6.119	184,792,924
USD:CZK	55,187	24.8213	1,811,513	46,913	22.8441	1,484,796
CNY:NTD	399,849	5.055	2,021,237	1,627,657	5.1724	8,418,893
Financial liabilities						
Monetary items						
USD:NTD	7,794,417	32.825	255,851,738	8,819,213	31.650	279,128,091
USD:CNY	8,500,368	6.4936	279,024,580	7,875,746	6.119	249,267,361
USD:CZK	28,825	24.8213	946,181	41,321	22.8441	1,307,810
CNY:NTD	139,291	5.055	704,116	251,501	5.1724	1,300,864

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable, bonds payable and other payables that are denominated in foreign currency. A 1% of appreciation of each major foreign currency against the Group's functional currency as of December 31, 2015 and 2014 would have decreased the before-tax net income by $516,591 and $344,630, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

(c) Gains or losses on monetary item

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2015 and 2014, the foreign exchange gain (loss), including both realized and unrealized, amounted to $(3,524,184) and $1,171,287, respectively.

D. Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by $59,200 and $46,931 for the years ended December 31, 2015 and 2014, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing.

E. Fair value of financial instruments

The fair value of financial assets and liabilities were as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value and those fair value cannot be reliably measured or inputs are unobservable in active markets) :

(a) Categories of financial instruments

Financial Assets		**December 31, 2015**	**December 31, 2014**
Financial assets at fair value through profit or loss			
Held-for-trading non-derivative financial assets	$	4,732,661	5,746,322
Available-for-sale financial assets		1,819,404	2,563,717
Financial assets carried at cost		468,750	568,834
Deposits and receivables			
Cash and cash equivalents		102,561,346	107,688,632
Notes, accounts and other receivables		147,725,074	144,735,956
Other financial assets		1,143,282	2,799,808
Sub-total		251,429,702	255,224,396
	$	**258,450,517**	**264,103,269**
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Held-for-trading	$	-	8,937
Financial liabilities designated as at fair value through profit or loss		-	1,117,653
Sub-total		-	1,126,590
Financial liabilities carried at amortized cost			
Short-term loans		45,467,083	27,180,563
Notes, accounts, other payables and accrued expenses		195,546,280	207,107,696
Bonds payable (including current portion)		-	1,808,230
Long-term borrowings (including current portion)		14,910,889	21,692,911
Guarantee deposit (recognized in other noncurrent liabilities)		519,337	443,603
Sub-total		256,443,589	258,233,003
	$	**256,443,589**	**259,359,593**

(b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2015					
Financial assets designated as at fair value through profit or loss					
Held-for-trading non-derivative financial assets	$ 4,732,661	4,732,661	-	-	4,732,661
Available-for-sale financial assets					
Stock of listed companies	765,744	765,744	-	-	765,744
Equity investment－common stock	195,840	-	195,840	-	195,840
Stock of overseas listed companies	857,820	857,820	-	-	857,820
	$ 6,552,065	**6,356,225**	**195,840**	-	**6,552,065**
December 31, 2014					
Financial assets designated as at fair value through profit or loss					
Held-for-trading non-derivative financial assets	$ 5,746,322	5,746,322	-	-	5,746,322
Available-for-sale financial assets					
Stock of listed companies	1,238,361	1,238,361	-	-	1,238,361
Equity investment－common stock	241,920	-	241,920	-	241,920
Stock of overseas listed companies	1,083,436	-	1,083,436	-	1,083,436
	$ 8,310,039	**6,984,683**	**1,325,356**	-	**8,310,039**
December 31, 2014					
Financial liabilities designated as at fair value through profit or loss					
Derivative financial liabilities	$ 8,937	-	8,937	-	8,937
Overseas convertible bonds—conversion options	1,117,653	-	1,117,653	-	1,117,653
	$ 1,126,590	-	**1,126,590**	-	**1,126,590**

There have been no transfers from each level for the years ended December 31, 2015 and 2014.

(c) Valuation techniques for financial instruments which is not measured at fair value:

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

(i) Financial assets measured at amortized cost

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if theses prices are available in active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

(d) Valuation techniques for financial instruments measured at fair value:

(i) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique which include model calculating with observable market data at the balance sheet date.

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by the forward currency rate.

(ii) Derivative financial instruments

It is based on the valuation model accepted by the most market users, ex: Discount rate and option pricing model. Forward exchange agreement is usually based on the current forward rate.

Fair value of structured financial instruments is based on appropriated valuation model, ex: Black-Scholes model, or other valuation model, ex: Monte Carlo simulation.

F. Offsetting of financial assets and financial liabilities

The Group has financial assets and liabilities which are subject to the guidance concerning financial instrument transactions under paragraph 42 of IAS 32 as endorsed by the Financial Supervisory Commission. These financial assets and liabilities are presented on a net basis in balance sheet.

The following table presents the recognized financial instruments that are subject to offsetting agreement or contract and have legally enforceable right to set off:

2015.12.31

Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.

	Gross Assets (a)	Gross liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		Net amounts (e)=(c)-(d)
				Financial Instruments	Cash collected as pledge	
Accounts Receivable and Payable	**$ 39,902,301**	**33,703,531**	**6,198,770**	**-**	**-**	**6,198,770**

2015.12.31

Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.

	Gross Assets (a)	Gross liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		Net amounts (e)=(c)-(d)
				Financial Instruments	Cash collected as pledge	
Accounts Receivable and Payable	**$ 33,703,531**	**33,703,531**	**-**	**-**	**-**	**-**

2014.12.31

Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.

	Gross Assets (a)	Gross liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		Net amounts (e)=(c)-(d)
				Financial Instruments	Cash collected as pledge	
Accounts Receivable and Payable	**$ 35,978,701**	**27,324,260**	**8,654,441**	**-**	**-**	**8,654,441**

2014.12.31

Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.

	Gross Assets (a)	Gross liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		Net amounts (e)=(c)-(d)
				Financial Instruments	Cash collected as pledge	
Accounts Receivable and Payable	**$ 27,338,867**	**27,324,260**	**14,607**	**-**	**-**	**14,607**

(29) Financial risk management

A. Overview

The nature and the extent of the Group's risks arising from financial instruments, which include credit risk, liquidity risk and market risk, are discussed below. Also, the Group's objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes of the notes to the financial statements.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has deputized managements of core business departments for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Internal Audit Department oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures and exception management, the results of which are reported to the Board of Directors.

C. Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. Since the Group's derivative financial instrument agreements are entered into with financial institutions with good credit ratings, management believes that there is no significant credit risk from these transactions.

The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. Also, the Group deposits cash in different financial institutions. The Group manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

The Group transacted only with the approved third parties with good financial conditions and reputation. For those customers with poor financial situation, the Group would transfer the risk through acquiring guarantees or transacting by L/C. Therefore, the Group believes that there is no significant credit risk.

(a) Accounts receivables and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

Under its customer credibility evaluation policies, the Group evaluates the customer's credibility and collectability of notes and account receivables regularly before doing business. Thus, management is not expecting any significant uncollectible accounts.

The major customers of the Group are concentrated in the high-tech computer industry. As the customers of the Group have good credits and profit records, the Group evaluates the financial conditions of these customers continually to reduce credit risk from accounts receivable. Moreover, the Group also periodically evaluates the customers' financial positions and the possibility of collecting trade receivables. Thus, management is not expecting any significant issue on credit risk.

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component which the loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

(b) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group do not have compliance issues and no significant credit risk.

(c) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.

D. Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The capital and working funds of the Group are sufficient to meet its entire contractual obligations and non-hedging forward exchange contracts; therefore, management is not expecting any significant issue on liquidity risk.

The funds and marketable securities investments held by the Group have publicly quoted prices and could be sold at approximate market price. In the case of foreign currency swap contracts, management believes that the cash flow risk is not significant because contracted foreign currency exchange rates are fixed.

Equity investments recorded as financial assets carried at cost do not have reliable market prices and are expected to have liquidity risk.

E. Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD), US Dollars (USD) and Chinese Yuan (CNY). The currencies used in these transactions are denominated in NTD, EUR, USD, and CNY.

The Group's foreign currency denominated purchases and sales are denominated mainly in US dollars. This exposes the Group to the current and future foreign exchange fluctuation risk that arises from cash flows of foreign currency assets and liabilities. However, the risks may be regarded as insignificant, because foreign currency losses from sales are subsequently offset by the foreign currency gain from purchases. In addition, the Group conducts foreign exchange activities on spot market in order to manage its foreign exchange risks.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(b) Interest rate risk

The Group's interest rate risk arises from short-term and long-term loans bearing floating interest rates. Future cash flow will be affected by a change in market interest rate.

(c) Price floating rick on equity instruments

The equity securities held by the Group are classified as financial assets measured at fair value through profit or loss and available-for-sale financial assets. As these assets are measured at fair value, the Group is exposed to the market price fluctuation risk in the equity securities market.

The Group's investment portfolios of equity instruments are reviewed regularly by management, and significant investment decision is approved by the Board of Directors.

(30) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, non-redeemable preference shares, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group uses the liability-to-equity ratio, debt-to-equity ratio and other financial ratio to maintain an optimal capital structure and raise returns on equity.

The Group's debt to equity ratios at the balance sheet date were as follows:

	December 31, 2015	December 31, 2014
Total liabilities	$ 283,748,138	282,221,911
Less: cash and cash equivalents	102,561,346	107,688,632
Net debt	**$ 181,186,792**	**174,533,279**
Total capital (Note)	**$ 373,525,317**	**349,404,509**
Debt to equity ratio	**48.51%**	**49.95%**

Note: Total capital includes share capital, capital surplus, retained earnings, other equity and non-controlling interest and net debt.

Management believes that there were no changes in the Group's approach to capital management for the year ended December 31, 2015.

(31) Non-cash transactions of financing activity

Convertible bonds payable converted into ordinary shares. Please refer to Note 6(15) for details.

7. RELATED PARTY TRANSATIONS

(1) The ultimate parent company

The Company is the ultimate parent company of the Group.

(2) Significant Transactions with related parties

A. Sale of Goods and Services to Related Parties

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	Sales		Receivables from Related Parties	
	2015	2014	December 31, 2015	December 31, 2014
Others	$ -	1,800	-	502

Prices charged for sales transactions with associates were not significantly different from those of non-related parties. The average sales term for notes and accounts receivables pertaining to such sales transactions ranged from one to three months. Receivables from related parties were not secured with collaterals, and did not require provisions for bad debt expenses.

B. Purchase of Goods from Related Parties

The amounts of significant purchase transactions and outstanding balances between the Group and related parties were as follows:

	Purchases		Payables to Related Parties	
	2015	2014	December 31, 2015	December 31, 2014
Others	$ 61,851	454,102	10,796	13,136

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other normal vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to four months, which is similar to that of other normal vendors.

C. Warranty repair expense paid to Related Parties

	For the Years Ended December 31	
	2015	2014
Others	$ 533	-

D. Other income and expenses from Related Parties

	For the Years Ended December 31	
	2015	2014
Others	$ -	154

(3) Key management personnel compensation:

	For the Years Ended December 31	
	2015	2014
Short-term employee benefits	$ 602,068	543,857
Post-employment benefits	4,584	4,818
Share-based payments	169,745	40,022
	$ 776,397	588,697

Please refer to Notes 6(21) and 6(22) for further explanations related to share-based payment transactions.

8. Pledged Assets

As of December 31, 2015 and 2014, pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2015	December 31, 2014
Other financial asset	Customs duty guarantee, collateral, rental deposits, travel agency guarantee, etc.	$ 44,533	45,255
Non-current assets held-for-sale	Bank loans	-	88,517
Property, plant and equipment	Bank loans	1,616,838	1,858,372
Long-term prepaid rentals	Bank loans	-	12,333
Refundable deposits	Customs duty guarantee, custom deposits, and deposits for performance guarantee	24,300	27,044
		$ 1,685,671	2,031,521

9. Significant Commitments And Contingencies

(1) Major commitments and contingencies were as follows:

A. Unused standby letters of credit

	December 31, 2015	December 31, 2014
EUR	$ 3,010	2,973
JPY	3,262,883	5,882,425
USD	7,211	30,633

B. Promissory notes and certificates of deposit obtained for business purpose were as follows:

	December 31, 2015	December 31, 2014
NTD	$ 6,689	11,997

C. As of December 31, 2015 and 2014, the significant contracts for purchase of properties by the Group amounted to $13,223,710 and $5,219,870, of which $6,258,950 and $2,894,149, respectively, were unpaid.

D. As of December 31, 2015 and 2014, the Group provided endorsement guarantee for bank loans obtained by the related parties, including Group entities, amounting to $9,841,287 and $16,488,504, respectively.

E. As of December 31, 2015, the Group issued a tariff guarantee of $276,175 to the bank for the purpose of importing goods.

F. The board of directors of Ability (TW) decided to build a new office building with its own land on September 15, 2014. Construction will be provided by Ta Chen Construction & Engineering Corp. The whole contract price for this construction is $824,775.

(2) Significant contingent liability: None.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS:

In order to maintain the Company's credit standing and shareholders' equity, the Board of Directors resolved to buy back 50,000 thousand shares of the Company during January 22 to March 21, 2016. Prices for this repurchase ranged between $46.30 to $80.00 per share. Please refer to Market Observation Post System for details.

12. OTHER

The employee benefits, depreciation, depletion and amortization expenses categorized by function, were as follows:

	For the Year Ended December 31,2015			For the Year Ended December 31,2014		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 45,440,684	16,965,510	62,406,194	37,138,087	13,614,362	50,752,449
Health and labor insurance	4,951,812	1,049,772	6,001,584	3,337,938	818,849	4,156,787
Pension	5,268,762	920,554	6,189,316	3,152,526	679,551	3,832,077
Others	2,270,572	874,115	3,144,687	1,851,880	666,358	2,518,238
Depreciation	12,164,759	1,295,371	13,460,130	11,717,766	1,833,947	13,551,713
Amortization	30,094	193,385	223,479	29,509	170,813	200,322

Above depreciations did not include depreciation in investment property which was accounted under non-operating expense as follows:

	For the Years Ended December 31	
	2015	**2014**
Depreciation in investment property	**$ 11,270**	**10,379**

13. SEGMENT INFORMATION

(1) General Information

The Group's operating segments required to be disclosed are categorized as DMS (Design, Manufacturing and Service) and Strategic Investment Group. DMS's main operating activities are designing and manufacturing computer, communication and consumer electronics' end products, and providing after-sales service. Strategic Investment Group is DMS's upstream and downstream supply chain, strategic investments and other related investments arms. The chief operating decision maker's main responsibility is to integrate strategy that creates operating synergy throughout the supply chain and to allocate the profit from the operating result. The Group assesses performance of the segments based on the segments' profit, and report the amounts of revenues based on the financial information used to prepare the consolidated financial statements.

(2) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, excluding any extraordinary activity and foreign exchange gain or losses, because taxation, extraordinary activity and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 "significant accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group's operating segment information and reconciliation were as follows:

For the Year Ended December 31, 2015		**DMS**	**Strategic Investment Group**	**Adjustment and eliminations**	**Total**
Revenue：					
Revenue from external customers	$	1,114,266,543	99,446,433	-	1,213,712,976
Intersegment revenues		2,580,781	7,243,274	(9,824,055)	-
Total revenue	$	**1,116,847,324**	**106,689,707**	**(9,824,055)**	**1,213,712,976**
Share of profit of associates and joint ventures accounted for using equity method	$	**4,838,315**	**10,092,787**	**(14,943,956)**	**(12,854)**
Other significant non-monetary items:					
Goodwill	$	**-**	**1,147,923**	**164,859**	**1,312,782**
Reportable segment profit or loss	$	**30,324,630**	**23,808,056**	**(14,949,672)**	**39,183,014**
Assets:					
Investments accounted for using equity method	$	**47,585,206**	**89,508,143**	**(136,669,158)**	**424,191**
Reportable segment assets	$	**392,071,442**	**220,643,421**	**(136,628,200)**	**476,086,663**
Reportable segment liabilities	$	**241,691,277**	**42,180,763**	**(123,902)**	**283,748,138**

For the Year Ended December 31, 2014		**DMS**	**Strategic Investment Group**	**Adjustment and eliminations**	**Total**
Revenue：					
Revenue from external customers	$	922,718,932	97,019,901	-	1,019,738,833
Intersegment revenues		1,567605	13,604,269	(15,171,874)	-
Total revenue	$	**924,286,537**	**110,624,170**	**(15,171,874)**	**1,019,738,833**
Share of profit of associates and joint ventures accounted for using equity method	$	**4,145,662**	**10,561,052**	**(15,027,037)**	**(320,323)**
Other significant non-monetary items:					
Goodwill	$	**-**	**1,106,886**	**164,860**	**1,271,746**
Reportable segment profit or loss	$	**18,894,004**	**22,389,431**	**(15,021,348)**	**26,262,087**
Assets:					
Investments accounted for using equity method	$	**47,572,890**	**82,269,314**	**(129,351,832)**	**490,372**
Reportable segment assets	$	**373,500,846**	**212,802,987**	**(129,210,692)**	**457,093,141**
Reportable segment liabilities	$	**239,829,916**	**42,415,715**	**(23,720)**	**282,221,911**

(3) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

A. External Sales

Region		2015	2014
Europe	$	510,430,274	316,907,114
USA		273,135,851	301,753,238
Taiwan		185,605,468	224,249,202
China		100,602,388	55,944,888
Japan		81,751,727	61,244,411
Others		62,187,268	59,639,980
Total	**$**	**1,213,712,976**	**1,019,738,833**

B. Non-current assets

Region		December 31, 2015	December 31, 2014
Taiwan	$	21,546,353	19,067,524
China		57,097,050	60,116,829
Others		1,018,603	1,100,357
Total	**$**	**79,662,006**	**80,284,710**

Non-current assets include property, plant and equipment, investment property, intangible assets, and other non-current assets, excluding financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(4) Major Customer

Major customers from DMS in 2015 and 2014 were as follows:

Customer		2015	2014
A	$	729,205,460	521,007,973
B		122,375,001	120,950,470
C		61,848,011	42,051,907
	$	**913,428,472**	**684,010,350**