

**WT MICROELECTRONICS CO., LTD. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2016 AND 2015**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail. This English translation does not include additional disclosures that are required for Chinese-language reports under the Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of the Republic of China.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of WT Microelectronics Co., Ltd.

PWCR16001177

We have reviewed the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and its subsidiaries as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As explained in Notes 4(3) and 6(7), we did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under equity method, which statements reflect total assets (including investments accounted for under the equity method) of \$8,736,141 thousand and \$10,119,156 thousand, constituting 17% and 21% of the consolidated total assets, and total liabilities of \$925,547 thousand and \$3,346,089 thousand, constituting 3% and 11% of the consolidated total liabilities as of June 30, 2016 and 2015, respectively, and total comprehensive income (including share of profit (loss) and other comprehensive income (loss) of associates and joint ventures accounted for under equity method) of \$28,531 thousand, \$82,777 thousand, \$49,823 thousand and \$135,079 thousand, constituting 5%, 9%, 11% and 7% of the consolidated total comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, respectively. These amounts and the information disclosed in Note 13 were based on the unreviewed financial statements of such consolidated subsidiaries and investee companies.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries, investments accounted for under equity method and the information disclosed in Note 13 been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan
August 10, 2016

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and review report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets of June 30, 2016 and 2015 are reviewed, but unaudited)

Assets	Notes	June 30, 2016		December 31, 2015		June 30, 2015		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,504,399	3	\$ 1,579,320	4	\$ 1,777,491	4
1125	Available-for-sale financial assets - current	6(2)	772,850	1	871,809	2	2,357,160	5
1170	Accounts receivable, net	6(3), 7 and 8	23,852,927	47	22,805,921	48	22,303,176	46
1200	Other receivables	6(3)	641,080	1	1,154,578	3	2,438,732	5
130X	Inventory	6(4)	20,199,680	40	16,551,947	35	16,214,379	33
1410	Prepayments	6(5)	135,281	-	164,999	-	272,019	1
1470	Other current assets	6(1) and 8	38,201	-	60,156	-	14,222	-
11XX	Total current assets		<u>47,144,418</u>	<u>92</u>	<u>43,188,730</u>	<u>92</u>	<u>45,377,179</u>	<u>94</u>
Non-current assets								
1523	Available-for-sale financial assets, non-current	6(2)	469,338	1	533,896	1	58,522	-
1543	Financial assets carried at cost - non-current	6(6)	36,475	-	32,893	-	69,951	-
1550	Investments accounted for under equity method	6(7)	166,647	-	223,150	-	72,914	-
1600	Property, plant and equipment	6(8)	486,285	1	524,676	1	617,716	1
1760	Investment property - net	6(9)	106,977	-	107,384	-	107,791	-
1780	Intangible assets	6(10)	1,556,750	3	1,576,655	3	1,520,477	3
1840	Deferred income tax assets		286,627	1	280,951	1	298,466	1
1900	Other non-current assets	6(11)	778,849	2	708,497	2	233,931	1
15XX	Total non-current assets		<u>3,887,948</u>	<u>8</u>	<u>3,988,102</u>	<u>8</u>	<u>2,979,768</u>	<u>6</u>
1XXX	Total assets		<u>\$51,032,366</u>	<u>100</u>	<u>\$ 47,176,832</u>	<u>100</u>	<u>\$ 48,356,947</u>	<u>100</u>

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets of June 30, 2016 and 2015 are reviewed, but unaudited)

Liabilities and Equity	Notes	June 30, 2016		December 31, 2015		June 30, 2015		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12)	\$16,588,562	33	\$ 15,261,376	32	\$ 11,743,578	24
2120	Current financial liabilities at fair value through profit or loss	6(13)	1,595	-	-	-	-	-
2170	Accounts payable	7	15,388,742	30	11,249,387	24	14,930,739	31
2200	Other payables	6(14)	2,338,020	5	1,171,192	2	2,189,091	5
2230	Current income tax liabilities		245,469	-	232,963	1	258,980	1
2320	Long-term liabilities, current portion	6(15)	-	-	-	-	557,460	1
2399	Other current liabilities		99,502	-	147,948	-	143,691	-
21XX	Total current liabilities		<u>34,661,890</u>	<u>68</u>	<u>28,062,866</u>	<u>59</u>	<u>29,823,539</u>	<u>62</u>
Non-current liabilities								
2540	Long-term loans	6(15)	-	-	1,905,880	4	1,796,260	4
2570	Deferred income tax liabilities		256,625	-	259,997	1	224,555	-
2600	Other non-current liabilities		25,505	-	23,414	-	21,893	-
25XX	Total non-current liabilities		<u>282,130</u>	<u>-</u>	<u>2,189,291</u>	<u>5</u>	<u>2,042,708</u>	<u>4</u>
2XXX	Total liabilities		<u>34,944,020</u>	<u>68</u>	<u>30,252,157</u>	<u>64</u>	<u>31,866,247</u>	<u>66</u>
Equity attributable to owners of parent								
Share capital								
		6(18)						
3110	Share capital - common stock		4,476,377	9	4,476,377	10	4,069,434	8
3150	Stock dividends to be distributed		223,819	-	-	-	406,943	1
Capital surplus								
		6(19)						
3200	Capital surplus		6,278,786	12	6,278,786	13	6,278,786	13
Retained earnings								
		6(20)						
3310	Legal reserve		1,320,029	3	1,121,704	2	1,121,704	2
3350	Unappropriated retained earnings		2,466,110	5	3,344,755	7	2,334,014	5
Other equity interest								
		6(21)						
3400	Other equity interest		1,322,686	3	1,702,470	4	2,279,355	5
31XX	Total equity attributable to owners of the parent		<u>16,087,807</u>	<u>32</u>	<u>16,924,092</u>	<u>36</u>	<u>16,490,236</u>	<u>34</u>
36XX	Non-controlling interest	6(22)	<u>539</u>	<u>-</u>	<u>583</u>	<u>-</u>	<u>464</u>	<u>-</u>
3XXX	Total equity		<u>16,088,346</u>	<u>32</u>	<u>16,924,675</u>	<u>36</u>	<u>16,490,700</u>	<u>34</u>
Commitments and contingent liabilities								
		9						
3X2X	Total liabilities and equity		<u>\$51,032,366</u>	<u>100</u>	<u>\$ 47,176,832</u>	<u>100</u>	<u>\$ 48,356,947</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 10, 2016

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(UNAUDITED)

Items	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
		2016		2015		2016		2015	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(23) and 7	\$ 30,141,114	100	\$ 28,755,667	100	\$ 57,370,164	100	\$ 57,293,429	100
5000 Operating costs	6(4) and 7	(28,523,515)	(95)	(27,142,594)	(95)	(54,217,291)	(95)	(54,110,927)	(95)
5900 Net operating margin		1,617,599	5	1,613,073	5	3,152,873	5	3,182,502	5
Operating expenses	6(27)								
6100 Selling expenses		(664,697)	(2)	(687,670)	(2)	(1,327,360)	(2)	(1,352,479)	(2)
6200 General and administrative expenses		(228,768)	(1)	(199,948)	(1)	(445,652)	(1)	(409,448)	(1)
6300 Research and development expenses		(76,294)	-	(80,482)	-	(150,350)	-	(161,085)	-
6000 Total operating expenses		(969,759)	(3)	(968,100)	(3)	(1,923,362)	(3)	(1,923,012)	(3)
6900 Operating profit		647,840	2	644,973	2	1,229,511	2	1,259,490	2
Non-operating income and expenses									
7010 Other income	6(24)	38,835	-	17,482	-	71,216	-	21,619	-
7020 Other gains and losses	6(25)	(14,498)	-	53,503	-	(16,033)	-	127,839	-
7050 Finance costs	6(26)	(88,798)	-	(85,552)	-	(179,537)	-	(188,485)	-
7060 Share of loss of associates and joint ventures accounted for under equity method	6(7)	(33,445)	-	(35,715)	-	(61,970)	-	(54,260)	-
7000 Total non-operating income and expenses		(97,906)	-	(50,282)	-	(186,324)	-	(93,287)	-
7900 Profit before income tax		549,934	2	594,691	2	1,043,187	2	1,166,203	2
7950 Income tax expense	6(29)	(111,434)	-	(106,876)	-	(201,428)	-	(199,150)	-
8200 Profit for the period		\$ 438,500	2	\$ 487,815	2	\$ 841,759	2	\$ 967,053	2

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(UNAUDITED)

Items	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
		2016		2015		2016		2015	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss) (net)									
Components of other comprehensive income (loss) that will be reclassified to profit or loss	6(21)								
8361 Financial statements translation differences of foreign operations		(\$ 26,296)	-	(\$ 100,563)	(1)	(\$ 244,731)	(1)	(\$ 253,390)	(1)
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets		128,647	-	560,610	2	(143,365)	-	1,103,212	2
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		3,579	-	163	-	8,295	-	2,498	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		105,930	-	460,210	1	(379,801)	(1)	852,320	1
8300 Total other comprehensive income (loss) for the period		<u>\$ 105,930</u>	<u>-</u>	<u>\$ 460,210</u>	<u>1</u>	<u>(\$ 379,801)</u>	<u>(1)</u>	<u>\$ 852,320</u>	<u>1</u>
8500 Total comprehensive income for the period		<u>\$ 544,430</u>	<u>2</u>	<u>\$ 948,025</u>	<u>3</u>	<u>\$ 461,958</u>	<u>1</u>	<u>\$ 1,819,373</u>	<u>3</u>
Profit attributable to:									
8610 Owners of the parent		\$ 438,451	2	\$ 487,791	2	\$ 841,648	2	\$ 966,993	2
8620 Non-controlling interest		49	-	24	-	111	-	60	-
		<u>\$ 438,500</u>	<u>2</u>	<u>\$ 487,815</u>	<u>2</u>	<u>\$ 841,759</u>	<u>2</u>	<u>\$ 967,053</u>	<u>2</u>
Comprehensive income (loss) attributable to:									
8710 Owners of the parent		\$ 544,395	2	\$ 948,127	3	\$ 461,864	1	\$ 1,819,397	3
8720 Non-controlling interest		35	-	(102)	-	94	-	(24)	-
		<u>\$ 544,430</u>	<u>2</u>	<u>\$ 948,025</u>	<u>3</u>	<u>\$ 461,958</u>	<u>1</u>	<u>\$ 1,819,373</u>	<u>3</u>
Earnings per share (in dollars)	6(30)								
9750 Basic earnings per share		<u>\$</u>	<u>0.93</u>	<u>\$</u>	<u>1.04</u>	<u>\$</u>	<u>1.79</u>	<u>\$</u>	<u>2.11</u>
9850 Diluted earnings per share		<u>\$</u>	<u>0.93</u>	<u>\$</u>	<u>1.04</u>	<u>\$</u>	<u>1.79</u>	<u>\$</u>	<u>2.10</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accounts dated August 10, 2016.

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Notes	Equity attributable to owners of the parent												
	Share Capital		Capital Surplus			Retained Earnings			Other Equity Interest				
	Share capital - common stock	Stock dividends to be distributed	Additional paid-in capital	Treasury stock transactions	Changes in equity of associates and joint ventures accounted for using equity method	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity	
2015													
	Balance at January 1, 2015	\$ 3,544,434	\$ -	\$ 4,738,336	\$ 40,742	\$ 8,680	\$ 937,984	\$ 3,178,514	\$ 274,815	\$ 1,152,136	\$ 13,875,641	\$ 532	\$ 13,876,173
6(18)	Issuance of common stock	525,000	-	1,470,000	-	-	-	-	-	-	1,995,000	-	1,995,000
6(17)	Share-based payments	-	-	21,028	-	-	-	-	-	-	21,028	-	21,028
	Appropriations of 2014 earnings:												
6(20)	Legal reserve	-	-	-	-	-	183,720	(183,720)	-	-	-	-	-
	Cash dividends	-	-	-	-	-	-	(1,220,830)	-	-	(1,220,830)	-	(1,220,830)
	Stock dividends	-	406,943	-	-	-	-	(406,943)	-	-	-	-	-
	Consolidated net income	-	-	-	-	-	-	966,993	-	-	966,993	60	967,053
	Other comprehensive income (loss)	-	-	-	-	-	-	-	(250,808)	1,103,212	852,404	(84)	852,320
6(22)	Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(44)	(44)
	Balance at June 30, 2015	<u>\$ 4,069,434</u>	<u>\$ 406,943</u>	<u>\$ 6,229,364</u>	<u>\$ 40,742</u>	<u>\$ 8,680</u>	<u>\$ 1,121,704</u>	<u>\$ 2,334,014</u>	<u>\$ 24,007</u>	<u>\$ 2,255,348</u>	<u>\$ 16,490,236</u>	<u>\$ 464</u>	<u>\$ 16,490,700</u>
2016													
	Balance at January 1, 2016	\$ 4,476,377	\$ -	\$ 6,229,364	\$ 40,742	\$ 8,680	\$ 1,121,704	\$ 3,344,755	\$ 540,091	\$ 1,162,379	\$ 16,924,092	\$ 583	\$ 16,924,675
	Appropriations of 2015 earnings:												
6(20)	Legal reserve	-	-	-	-	-	198,325	(198,325)	-	-	-	-	-
	Cash dividends	-	-	-	-	-	-	(1,298,149)	-	-	(1,298,149)	-	(1,298,149)
	Stock dividends	-	223,819	-	-	-	-	(223,819)	-	-	-	-	-
	Consolidated net income	-	-	-	-	-	-	841,648	-	-	841,648	111	841,759
	Other comprehensive income (loss)	-	-	-	-	-	-	-	(236,419)	(143,365)	(379,784)	(17)	(379,801)
	Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(138)	(138)
	Balance at June 30, 2016	<u>\$ 4,476,377</u>	<u>\$ 223,819</u>	<u>\$ 6,229,364</u>	<u>\$ 40,742</u>	<u>\$ 8,680</u>	<u>\$ 1,320,029</u>	<u>\$ 2,466,110</u>	<u>\$ 303,672</u>	<u>\$ 1,019,014</u>	<u>\$ 16,087,807</u>	<u>\$ 539</u>	<u>\$ 16,088,346</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six-month periods ended June 30,	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the period		\$ 1,043,187	\$ 1,166,203
Adjustments to reconcile consolidated profit before income tax to net cash provided by (used in) operating activities			
Income and expenses that result in non-cash flows			
Depreciation	6(27)	32,292	32,198
Amortization	6(27)	7,818	12,346
Provision for doubtful accounts	12(2)	61,704	10,270
Unrealised loss on financial liabilities at fair value through profit or loss	6(13)	1,645	-
Other current liabilities transferred to revenue	6(24)	(57,871)	-
Share-based payments	6(17)	-	21,028
Gain on disposal of investments	6(25)	(16,598)	(155,030)
Share of loss of associates and joint ventures accounted for under equity method	6(7)	61,970	54,260
(Gain) loss on disposal of property, plant and equipment, net	6(8)(25)	(9,016)	1,188
Interest expense	6(26)	117,208	92,722
Interest income	6(24)	(2,104)	(2,204)
Dividend income	6(24)	(5,023)	(11,240)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(1,398,456)	(9,008,331)
Other receivables		509,537	4,669,307
Inventories		(3,886,627)	(1,152,633)
Prepayments		1,303	100,502
Net changes in liabilities relating to operating activities			
Accounts payable		4,497,262	3,035,540
Other payables		(116,974)	(162,251)
Other current liabilities		11,238	18,552
Accrued pension liabilities		(4,158)	(4,241)
Cash inflow (outflow) generated from operations		848,337	(1,281,814)
Dividends received		1,967	8,421
Interest received		2,104	2,204
Interest paid		(112,666)	(89,222)
Income taxes paid		(194,065)	(188,518)
Net cash provided by (used in) operating activities		<u>545,677</u>	<u>(1,548,929)</u>

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six-month periods ended June 30,	
		2016	2015
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets			
- current		\$ 17,408	\$ 159,653
Decrease in other financial assets		22,313	3,855
Acquisition of financial assets carried at cost		(3,766)	(37,835)
Acquisition of property, plant and equipment	6(8)	(22,281)	(13,478)
Proceeds from disposal of property, plant and equipment	6(8)	36,040	-
Acquisition of intangible assets	6(10)	(2,134)	(7,080)
Increase in other non-current assets		(93,059)	(38,707)
Net cash (used in) provided by investing activities		(45,479)	66,408
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		1,332,721	1,005,902
Decrease in long-term loans		(1,905,880)	(1,261,219)
Increase (decrease) in other non-current liabilities		2,363	(119)
Issuance of common stock for cash	6(18)	-	1,995,000
Changes in non-controlling interest	6(22)	(138)	(44)
Net cash (used in) provided by financing activities		(570,934)	1,739,520
Net effect of changes in foreign currency exchange rates		(4,185)	(31,345)
(Decrease) increase in cash and cash equivalents		(74,921)	225,654
Cash and cash equivalents at beginning of period		1,579,320	1,551,837
Cash and cash equivalents at end of period		\$ 1,504,399	\$ 1,777,491

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 10, 2016.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors on August 10, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2017:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques(s) used and key assumptions.

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 3, 'Business combinations'

Except for the contingent consideration classified as equity, all non-equity contingent consideration is measured at fair value with changes in fair value recognized in profit and loss.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. IFRS 15, "Revenue from contracts with customers"

IFRS 15, "revenue from contracts with customers" replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognise revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a

good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standards 34, "Interim financial reporting" as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Available-for-sale financial assets measured at fair value.
- (b) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its

power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss from equity.

B. Subsidiaries included in the consolidated financial statements:

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Main Business Activities</u>	<u>Ownership (%)</u>			<u>Note</u>
			<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.57	99.49	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	DE Technology Inc.	Software Services	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100.00	100.00	100.00	

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Main Business Activities</u>	<u>Ownership (%)</u>			<u>Note</u>
			<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	BSI Semiconductor (Singapore) Pte. Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	BSI Semiconductor (Korea) Co., Ltd.	Trading Company	-	100.00	100.00	(2)
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	-	-	(2)
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100.00	100.00	100.00	
Morrihan International Corp.	Asia Latest Technology Ltd.	Investment Company	100.00	100.00	100.00	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	Solomon QCE Ltd.	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	WT Microelectronics (Hong Kong) Ltd.	Trading Company	100.00	100.00	100.00	

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Main Business Activities</u>	<u>Ownership (%)</u>			<u>Note</u>
			<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100.00	100.00	100.00	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics Korea Co., Ltd.	Trading Company	-	100.00	100.00	(3)
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	100.00	100.00	(2)
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100.00	100.00	100.00	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Sin Yie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.43	0.51	
Asia Latest Technology Ltd.	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Techmosa International Inc.	Paramount Technology Corp.	Trading Company	100.00	100.00	100.00	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100.00	100.00	100.00	
Techmosa International Holding Ltd.	Techmosa Electronics Ltd.	Trading Company	100.00	100.00	100.00	

Note 1: The financial statements of certain consolidated insignificant subsidiaries for the six months ended June 30, 2016 and 2015 were not reviewed by independent accountants. The total assets of these unreviewed subsidiaries as of June 30, 2016 and 2015 were \$8,569,494 and \$10,046,242, constituting 17% and 21% of total consolidated assets, respectively, and the total liabilities were \$925,547 and \$3,346,089, constituting 3% and 11% of the consolidated total liabilities, respectively. The total comprehensive income was \$58,397, \$118,329, \$103,498 and \$186,841, constituting 11%, 12%, 22% and 10% of the consolidated total comprehensive income for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.

Note 2: In the first quarter of 2016, WT Technology Korea Co., Ltd. issued new shares for acquiring all share capital of the Company's indirectly wholly-owned subsidiary - BSI Semiconductor (Korea) Co., Ltd., which then merged with WT Technology Korea Co., Ltd. After the merger, BSI Semiconductor (Korea) Co., Ltd. was the

dissolved company while WT Technology Korea Co., Ltd. was the surviving company.

Note 3: WT Microelectronics Korea Co., Ltd. has completed liquidation in the second quarter of 2016.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

- A. The consolidated financial statements are presented in NT dollars, which is the Company's functional and the Group's presentation currency.
- B. Foreign currency transactions and balances
 - (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
 - (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
 - (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 - (d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.
- C. Translation of foreign operations
 - (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
 - (b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income

are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and

derecognised using trade date accounting.

- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(8) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently.

Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(9) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Group has not retained control of the financial asset.

(10) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests

in the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	26 ~ 55 years
Office equipment	2 ~ 5 years
Other assets	2 ~ 10 years

(14) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(16) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.
- C. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date and recorded as other intangible asset. The customer relationships have a finite useful life estimated at 5 years and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

(17) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In

this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as

expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At

each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

- A. The Group sells electronic and communication components. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. The Group offers customers volume discounts and estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

(25) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business

combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of the Group's exposure to the significant risks and rewards associated with the sale of goods in accordance with the business model and substance of the transaction. Where the Group acts as a principal, the amount received or receivable from customer is recognised as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognised representing commissions earned.

The following characteristics of a principal are used as indicators to determine whether the Group shall recognise revenue on a gross basis:

- a. The Group has primary responsibilities for the goods or services it provides;
- b. The Group bears inventory risk;
- c. The Group has the latitude in establishing prices for the goods or services, either directly or indirectly.
- d. The Group bears credit risk of customers.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Cash on hand and revolving funds	\$ 1,706	\$ 6,481	\$ 2,088
Checking accounts and demand deposits	1,484,493	1,541,239	1,758,103
Cash equivalents			
Time deposits	18,200	31,600	17,300
	<u>\$ 1,504,399</u>	<u>\$ 1,579,320</u>	<u>\$ 1,777,491</u>

A. The Group associates with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's deposits with banks that have been pledged as collateral were transferred to 'other current assets'. Please refer to Note 8 for details. As of June 30, 2016, December 31, 2015 and June 30, 2015, the time deposits with maturity date over 3 months of \$16,168, \$42,718 and \$0, respectively, are recorded as "other current assets".

(2) Available-for-sale financial assets

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Current items:			
Listed stocks	\$ 46,711	\$ 48,111	\$ 66,601
Valuation adjustment	726,139	823,698	2,290,559
	<u>\$ 772,850</u>	<u>\$ 871,809</u>	<u>\$ 2,357,160</u>

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Non-current items:			
Listed stocks	\$ 69,214	\$ 21,103	\$ -
Emerging stocks	-	48,448	48,448
Valuation adjustment	400,124	464,345	10,074
	<u>\$ 469,338</u>	<u>\$ 533,896</u>	<u>\$ 58,522</u>

A. The Group recognised \$128,647, \$560,616, (\$143,365) and \$1,103,212 in other comprehensive income for fair value change, including the transfers from “unrealised gain or loss on available-for-sale financial assets” to profit or loss caused by the disposal of certain financial assets, for the three-month and six-month periods ended June 30, 2016 and 2015, respectively. The transferred amounts were recorded as ‘other gains and losses – gain on disposal of investments’. Details are provided in Note 6(25).

B. The Group has no debt instruments available-for-sale financial assets.

C. The Group has no available-for-sale financial assets pledged to others as of June 30, 2016, December 31, 2015 and June 30, 2015.

(3) Notes and accounts receivable

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Notes receivable	\$ 1,495,157	\$ 1,150,909	\$ 1,201,616
Accounts receivable	23,327,091	22,453,459	21,851,885
Less: Allowance for sales returns and discounts	(610,760)	(495,790)	(471,558)
Allowance for doubtful accounts	(358,561)	(302,657)	(278,767)
	<u>\$ 23,852,927</u>	<u>\$ 22,805,921</u>	<u>\$ 22,303,176</u>

A. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group had outstanding discounted notes receivable amounting to \$272,271, \$162,281 and \$212,866, respectively. However, as the notes receivable are bank’s acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

B. The Group entered into a factoring agreement with certain banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

<u>June 30, 2016</u>				
<u>Purchaser of accounts receivable</u>	<u>Accounts receivable transferred</u>	<u>Amount derecognised</u>	<u>Amount advanced</u>	<u>Amount retained</u>
Taishin Bank	\$ 3,568,348	\$ 3,504,491	\$ 3,500,656	\$ 67,692
DBS Bank	1,832,963	1,832,963	1,832,963	-
Others	3,831,416	3,394,112	3,525,310	306,106
	<u>\$ 9,232,727</u>	<u>\$ 8,731,566</u>	<u>\$ 8,858,929</u>	<u>\$ 373,798</u>

December 31, 2015

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Amount retained
Taishin Bank	\$ 4,031,188	\$ 3,920,959	\$ 3,648,266	\$ 382,922
Mega Bank	1,145,081	1,064,263	967,536	177,545
Others	<u>2,520,717</u>	<u>2,407,546</u>	<u>2,215,521</u>	<u>305,196</u>
	<u>\$ 7,696,986</u>	<u>\$ 7,392,768</u>	<u>\$ 6,831,323</u>	<u>\$ 865,663</u>

June 30, 2015

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Amount advanced	Amount retained
Taishin Bank	\$ 5,954,741	\$ 5,700,270	\$ 5,212,377	\$ 742,364
DBS Bank	2,137,133	2,137,133	2,137,133	-
Mega Bank	1,236,965	1,174,935	1,066,333	170,632
Others	<u>3,210,973</u>	<u>3,028,329</u>	<u>2,010,055</u>	<u>1,200,918</u>
	<u>\$ 12,539,812</u>	<u>\$ 12,040,667</u>	<u>\$ 10,425,898</u>	<u>\$ 2,113,914</u>

- (a) The above amounts retained are shown as 'other receivables'. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- (b) As of June 30, 2016, December 31, 2015 and June 30, 2015, the interest rates for amounts advanced ranged between 0.981%~ 1.55%, 0.898%~1.48% and 0.93%~1.38%, respectively.
- (c) As of June 30, 2016, December 31, 2015 and June 30, 2015, the total limits of the accounts receivable factoring were \$32,506,963, \$33,738,369 and \$37,599,257, respectively.
- (d) As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group has issued a promissory note of \$33,604,596, \$34,283,235 and \$34,486,953, respectively, as performance guarantee against any business dispute.

C. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 80%~90% of the receivable amount can be covered when the receivables are uncollectible. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of notes and accounts receivable less 80%~90% covered amount of the insured accounts receivable.

D. Details of the abovementioned notes receivable that are pledged to others as collateral are provided in Note 8.

(4) Inventories

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Merchandise inventory	\$ 21,129,656	\$ 17,602,447	\$ 17,198,819
Less: Allowance for inventory obsolescence and market value decline	(929,976)	(1,050,500)	(984,440)
	<u>\$ 20,199,680</u>	<u>\$ 16,551,947</u>	<u>\$ 16,214,379</u>

The cost of inventories recognised as expense for the period:

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cost of goods sold	\$ 28,522,647	\$ 27,133,855
Loss on disposal of inventory	165,472	-
(Gain on reversal of) loss on market value decline of inventories	(164,604)	8,739
	<u>\$ 28,523,515</u>	<u>\$ 27,142,594</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cost of inventories sold	\$ 54,161,616	\$ 54,081,156
Loss on disposal of inventory	165,472	-
(Gain on reversal of) loss on market price decline	(109,797)	29,771
	<u>\$ 54,217,291</u>	<u>\$ 54,110,927</u>

The Group reversed from a previous inventory write-down as certain inventories which were previously provided with allowance were subsequently disposed during the three months and six months ended June 30, 2016.

(5) Prepayments

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Excess VAT paid	\$ 82,250	\$ 99,227	\$ 117,436
Prepayment to suppliers	6,237	6,459	106,144
Prepaid rents	11,227	11,264	6,436
Prepaid system maintenance expense	7,599	2,318	8,071
Others	27,968	45,731	33,932
	<u>\$ 135,281</u>	<u>\$ 164,999</u>	<u>\$ 272,019</u>

(6) Financial assets carried at cost

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Non-current items:			
Unlisted stocks	<u>\$ 36,475</u>	<u>\$ 32,893</u>	<u>\$ 69,951</u>

A. According to the Group's intention, its investment in above equity instruments should be classified as 'available-for-sale financial assets'. However, as those stocks are not traded in active market, and sufficient industry information of companies similar to those companies or those companies' financial information cannot be obtained, the fair value of the investment in those stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets carried at cost'.

B. As of June 30, 2016, December 31, 2015 and June 30, 2015, none of the Group's financial assets carried at cost was pledged to others.

(7) Investments accounted for using equity method

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Supreme Mega Ltd. (Supreme Mega)	\$ 54,207	\$ 103,631	\$ 24,082
JCD Optical (Cayman) Co., Ltd. (JCD Cayman)	59,267	64,474	48,832
Joy Capital Ltd.	37,265	38,615	-
Rainbow Star Group Limited	15,908	16,430	-
	<u>\$ 166,647</u>	<u>\$ 223,150</u>	<u>\$ 72,914</u>

A. The Group recognised share of profit (loss) and other comprehensive income of associates amounted to loss of \$29,866, \$35,552, \$53,675 and \$51,762 for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively, and investments accounted for using equity method amounted to \$166,647 and \$72,914 as of June 30, 2016 and 2015, respectively, that were based on the associates' financial statements that were not reviewed by the independent accountants.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of June 30, 2016, December 31, 2015 and June 30, 2015, the carrying amount of the Group's individually immaterial associates amounted to \$166,647, \$223,150 and \$72,914, respectively.

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Loss for the period from continuing operations	(\$ 33,445)	(\$ 35,715)
Other comprehensive income, net of tax	3,579	163
Total comprehensive loss	<u>(\$ 29,866)</u>	<u>(\$ 35,552)</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Loss for the period from continuing operations	(\$ 61,970)	(\$ 54,260)
Other comprehensive income, net of tax	8,295	2,498
Total comprehensive loss	<u>(\$ 53,675)</u>	<u>(\$ 51,762)</u>

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>					
Cost	\$ 241,496	\$ 226,847	\$ 303,503	\$ 192,179	\$ 964,025
Accumulated depreciation and impairment	<u>-</u>	<u>(70,660)</u>	<u>(207,485)</u>	<u>(161,204)</u>	<u>(439,349)</u>
	<u>\$ 241,496</u>	<u>\$ 156,187</u>	<u>\$ 96,018</u>	<u>\$ 30,975</u>	<u>\$ 524,676</u>
<u>2016</u>					
Opening net book amount	\$ 241,496	\$ 156,187	\$ 96,018	\$ 30,975	\$ 524,676
Additions	-	-	15,258	7,023	22,281
Disposals	(15,793)	(7,184)	(4,008)	(39)	(27,024)
Depreciation charge	-	(3,374)	(16,833)	(11,678)	(31,885)
Net exchange differences	<u>(244)</u>	<u>(112)</u>	<u>(1,231)</u>	<u>(176)</u>	<u>(1,763)</u>
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 145,517</u>	<u>\$ 89,204</u>	<u>\$ 26,105</u>	<u>\$ 486,285</u>
<u>At June 30, 2016</u>					
Cost	\$ 225,459	\$ 217,449	\$ 308,877	\$ 185,081	\$ 936,866
Accumulated depreciation and impairment	<u>-</u>	<u>(71,932)</u>	<u>(219,673)</u>	<u>(158,976)</u>	<u>(450,581)</u>
	<u>\$ 225,459</u>	<u>\$ 145,517</u>	<u>\$ 89,204</u>	<u>\$ 26,105</u>	<u>\$ 486,285</u>

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2015</u>					
Cost	\$ 285,295	\$ 312,953	\$ 290,587	\$ 191,659	\$1,080,494
Accumulated depreciation and impairment	-	(77,974)	(229,277)	(138,086)	(445,337)
	<u>\$ 285,295</u>	<u>\$ 234,979</u>	<u>\$ 61,310</u>	<u>\$ 53,573</u>	<u>\$ 635,157</u>
<u>2015</u>					
Opening net book amount	\$ 285,295	\$ 234,979	\$ 61,310	\$ 53,573	\$ 635,157
Additions	-	-	10,298	3,180	13,478
Transfers	-	-	3,837	-	3,837
Disposals	-	-	(1,157)	(31)	(1,188)
Depreciation charge	-	(4,434)	(12,559)	(14,798)	(31,791)
Net exchange differences	(627)	(294)	(612)	(244)	(1,777)
Closing net book amount	<u>\$ 284,668</u>	<u>\$ 230,251</u>	<u>\$ 61,117</u>	<u>\$ 41,680</u>	<u>\$ 617,716</u>
<u>At June 30, 2015</u>					
Cost	\$ 284,668	\$ 312,586	\$ 252,133	\$ 189,043	\$1,038,430
Accumulated depreciation and impairment	-	(82,335)	(191,016)	(147,363)	(420,714)
	<u>\$ 284,668</u>	<u>\$ 230,251</u>	<u>\$ 61,117</u>	<u>\$ 41,680</u>	<u>\$ 617,716</u>

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(12,554)	(14,451)
	<u>\$ 82,839</u>	<u>\$ 24,545</u>	<u>\$ 107,384</u>
<u>2016</u>			
Opening net book amount	\$ 82,839	\$ 24,545	\$ 107,384
Depreciation charge	-	(407)	(407)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 24,138</u>	<u>\$ 106,977</u>
<u>At June 30, 2016</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(12,961)	(14,858)
	<u>\$ 82,839</u>	<u>\$ 24,138</u>	<u>\$ 106,977</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(11,740)	(13,637)
	<u>\$ 82,839</u>	<u>\$ 25,359</u>	<u>\$ 108,198</u>
<u>2015</u>			
Opening net book amount	\$ 82,839	\$ 25,359	\$ 108,198
Depreciation charge	-	(407)	(407)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 24,952</u>	<u>\$ 107,791</u>
<u>At June 30, 2015</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(12,147)	(14,044)
	<u>\$ 82,839</u>	<u>\$ 24,952</u>	<u>\$ 107,791</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from the lease of the investment property	<u>\$ 650</u>	<u>\$ 650</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 203</u>	<u>\$ 203</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from the lease of the investment property	<u>\$ 1,299</u>	<u>\$ 1,299</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 407</u>	<u>\$ 407</u>

B. The fair values of the investment property held by the Group as at June 30, 2016, December 31, 2015 and June 30, 2015 were \$113,723, \$117,097 and \$116,094, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 3 in the fair value hierarchy.

(10) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>				
Cost	\$ 1,725,017	\$ 55,415	\$ 238,137	\$ 2,018,569
Accumulated amortisation and impairment	(170,309)	(34,095)	(237,510)	(441,914)
	<u>\$ 1,554,708</u>	<u>\$ 21,320</u>	<u>\$ 627</u>	<u>\$ 1,576,655</u>
<u>2016</u>				
Opening net book amount	\$ 1,554,708	\$ 21,320	\$ 627	\$ 1,576,655
Additions	-	2,134	-	2,134
Amortisation charge (Shown as 'general and administrative expenses')	-	(6,491)	(495)	(6,986)
Net exchange differences	(15,043)	-	(10)	(15,053)
Closing net book amount	<u>\$ 1,539,665</u>	<u>\$ 16,963</u>	<u>\$ 122</u>	<u>\$ 1,556,750</u>
<u>At June 30, 2016</u>				
Cost	\$ 1,709,974	\$ 57,550	\$ 235,162	\$ 2,002,686
Accumulated amortisation and impairment	(170,309)	(40,587)	(235,040)	(445,936)
	<u>\$ 1,539,665</u>	<u>\$ 16,963</u>	<u>\$ 122</u>	<u>\$ 1,556,750</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2015</u>				
Cost	\$ 1,692,790	\$ 38,056	\$ 233,065	\$ 1,963,911
Accumulated amortisation and impairment	(170,309)	(19,886)	(230,183)	(420,378)
	<u>\$ 1,522,481</u>	<u>\$ 18,170</u>	<u>\$ 2,882</u>	<u>\$ 1,543,533</u>
<u>2015</u>				
Opening net book amount	\$ 1,522,481	\$ 18,170	\$ 2,882	\$ 1,543,533
Additions	-	7,080	-	7,080
Amortisation charge (Shown as 'general and administrative expenses')	-	(7,544)	(1,241)	(8,785)
Net exchange differences	(21,270)	-	(81)	(21,351)
Closing net book amount	<u>\$ 1,501,211</u>	<u>\$ 17,706</u>	<u>\$ 1,560</u>	<u>\$ 1,520,477</u>
<u>At June 30, 2015</u>				
Cost	\$ 1,671,520	\$ 45,136	\$ 228,738	\$ 1,945,394
Accumulated amortisation and impairment	(170,309)	(27,430)	(227,178)	(424,917)
	<u>\$ 1,501,211</u>	<u>\$ 17,706</u>	<u>\$ 1,560</u>	<u>\$ 1,520,477</u>

A. Other intangible assets are mainly customer relationship.

B. The Group evaluated the impairment of recoverable amount of the goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations

use future cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group's estimated average annual revenue growth rate is 3%~7%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, no impairment loss on goodwill was recognised for the six-month periods ended June 30, 2016 and 2015.

(11) Other non-current assets

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Refundable deposit	\$ 104,899	\$ 115,348	\$ 103,985
Prepayment for property	580,559	505,387	24,943
Prepayment for business combination	30,128	30,128	30,128
Prepayment for business facilities	2,160	-	15,072
Prepaid pension cost	10,430	6,544	7,669
Others	50,673	51,090	52,134
	<u>\$ 778,849</u>	<u>\$ 708,497</u>	<u>\$ 233,931</u>

- A. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for presale of commodity houses with third parties in the second quarter of 2015. The agreements are purchases of property located in Shanghai Municipality for business use. The agreement amounted to RMB99,800 thousand. As of June 30, 2016, the Group has paid the full amount of \$485,258 (approximately RMB99,800, shown as 'prepayment for property').
- B. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for property development with third parties in March 2016. The agreements are purchases of property located in Beijing Municipality for business use. The agreement amounted to RMB45,446 thousand. As of June 30, 2016, the Group has already paid \$95,301 (approximately RMB19,600, shown as 'prepayment for property').
- C. The Company has signed a business transfer agreement with Arkian Co., Ltd. in May 2014, and expected to acquire certain semiconductor parts distribution business by cash. The effective date of transfer will be determined based on the contract term. As of August 10, 2016, the effective date and acquisition price have not yet been determined by both parties. As of the balance sheet date, the partial payment was recorded as 'prepayment for business combination' above.

(12) Short-term borrowings

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Credit loans	\$ 16,533,521	\$ 15,261,376	\$ 11,743,578
Bank acceptance as collateral for secured loans	55,041	-	-
	<u>\$ 16,588,562</u>	<u>\$ 15,261,376</u>	<u>\$ 11,743,578</u>
Interest rates per annum	<u>1.02%~4.13%</u>	<u>1.00%~4.13%</u>	<u>0.63%~3.8%</u>

Information about the abovementioned secured loans that were pledged to others as collateral is provided in Note 8.

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

<u>Items</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Current items:			
Forward foreign exchange contracts	\$ 1,595	\$ -	\$ -

A. The Group recognised net gain (loss) of \$7,736 and (\$1,645) on financial liabilities held for trading for the three-month and six-month periods ended June 30, 2016.

B. The non-hedging derivative instruments transaction and contract information are as follows:

(a)

<u>Derivative financial liabilities</u>	<u>June 30, 2016</u>	
	<u>Contract amount (Notional principal) (In thousands)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	RMB(SELL) 66,792	2016.1.12~2016.7.19

(b) The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Group's derivative financial instruments were entered into with financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(14) Other payables

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Salaries and bonuses payable	\$ 590,913	\$ 713,922	\$ 563,036
Investment payable	72,754	73,935	69,683
Freight payable	32,347	45,150	35,025
Dividends payable	1,298,149	-	1,220,830
Others	343,857	338,185	300,517
	<u>\$ 2,338,020</u>	<u>\$ 1,171,192</u>	<u>\$ 2,189,091</u>

The above 'other payables - investment payable' is the remaining unpaid balance for business combination of the Group. Details are provided in Note 6(31).

(15) Long-term loans

<u>Type of loans</u>	<u>Period</u>	<u>June 30, 2016</u>	
		<u>Credit line</u>	<u>Amount</u>
Syndicated loans (Mega bank and 7 other banks)	2013/12/18~2018/12/18	\$ 3,000,000	\$ -

<u>Type of loans</u>	<u>Period</u>	<u>December 31, 2015</u>	
		<u>Credit line</u>	<u>Amount</u>
Syndicated loans (Mega bank and 7 other banks)	2013/12/18~2018/12/18	\$ 3,000,000	\$ 1,905,880
Range of interest rates			<u>1.67%~1.75%</u>

<u>Type of loans</u>	<u>Period</u>	<u>June 30, 2015</u>	
		<u>Credit line</u>	<u>Amount</u>
Syndicated loans (Mega bank and 14 other banks)	2010/7/30~2015/7/30	\$ 600,000	\$ 557,460
Syndicated loans (Mega bank and 7 other banks)	2013/12/18~2018/12/18	3,000,000	1,796,260
Less: current portion		-	(557,460)
		<u>\$ 3,600,000</u>	<u>\$ 1,796,260</u>
Range of interest rates			<u>0.94%~1.46%</u>

- A. The Group has signed a syndicated loan agreement whereby the Group is obligated to avail of borrowings equivalent to a certain percentage of the credit line during the period from six months after the date of first drawdown. If the total borrowings do not reach the minimum availment amount as specified in the loan agreement, the Group is required to pay a commitment fee of 0.1% per annum based on the unavailed portion of the credit line.
- B. The loan is a revolving facility.
- C. The loan is classified as long-term liabilities since the term of the loan is more than one year and the Group plans to re-finance. Under the syndicated loan agreement, the credit line decreases equally during the remaining contract period from 3 years after the date of first drawdown. Thus, the Group has reclassified the decreasing amount of credit line in the following year to 'long-term liabilities, current portion'.
- D. Under the syndicated borrowing contract, the Group should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the syndicated loans. The Group has complied with the required ratios as specified in the syndicated loan agreement for the six-month period ended June 30, 2016.
- E. The Group's liquidity risk is provided in Note 12.

(16) Pensions

A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next

March.

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$2,141, \$262, \$2,395 and \$511 for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 are \$9,440.

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s subsidiaries in Mainland China have a funded defined contribution plan in accordance with the pension regulations in the People’s Republic of China. These companies contribute monthly an amount based on 1%~21% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees’ monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.
- (c) The pension costs under the defined contribution pension plans of the Group for the three months ended June 30, 2016 and 2015, and six months ended June 30, 2016 and 2015 were \$30,364, \$31,611, \$63,213 and \$63,389, respectively.

(17) Share-based payment

- A. For the six months ended June 30, 2016 and 2015, the Group’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2015.1.6	2,731	-	Vested immediately

- B. The fair value of stock options granted on January 6, 2015 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected price volatility</u>	<u>Expected option life (years)</u>	<u>Expected dividends yield rate</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit (in dollars)</u>
Cash capital increase reserved for employee preemption	2015.1.6	\$ 45.70	\$38.00	-	-	-	-	\$ 7.7

Compensation cost of share-based payment of \$21,028 was recognised for cash capital increase reserved for employee preemption for the six months ended June 30, 2015.

(18) Share capital

A. As of June 30, 2016, the Company's authorised capital was \$10,000,000, consisting of 5 billion shares of ordinary stock (including 19 million shares reserved for employee stock options), and the paid-in capital was \$4,476,377 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2016</u>	<u>2015</u>
	<u>Shares (in thousands)</u>	<u>Shares (in thousands)</u>
At January 1	447,637	354,443
Cash capital increase	-	52,500
At June 30	<u>447,637</u>	<u>406,943</u>

C. The Board of Directors has resolved to issue new shares of 52,500 thousand shares for cash to increase its capital in December 2014, which was approved by the Financial Supervisory Commission on December 19, 2014. The issuance price was \$38 (in dollars) per share and the capital increase was set to be effective on February 6, 2015.

D. On June 3, 2016 and June 10, 2015, the shareholders have resolved to appropriate \$223,819 and \$406,943 from the retained earnings and to issue new shares of 22,382 thousand and 40,694 thousand for stock dividends, respectively. Pursuant to approval by the Financial Supervisory Commission on July 1, 2016 and July 7, 2015, the ex-right date for capital increase was set on August 12, 2016 and August 8, 2015. The amounts to be distributed were accounted for as "stock dividends to be distributed" under share capital.

E. The Company issued \$1,500,000, 0%, 5th domestic unsecured convertible bonds, as approved by the Financial Supervisory Commission on May 12, 2016. The bonds will mature in 3 years and the issue date was July 7, 2016.

(19) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

A. Under the Company's Articles of Incorporation as approved by the shareholders on June 3, 2016, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital, and set aside or reverse special reserve as required by regulations or the Competent Authority when necessary. The remainder, if any, along with beginning unappropriated earnings is the accumulated distributable earnings. The accumulated distributable earnings shall be reserved or allocated and the way of distribution shall be determined based on the Company's dividend policy, taking into account the Company's capital requirements. The appropriation shall be proposed

by the Board of Directors and resolved by the shareholders.

- B. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. According to the resolutions adopted by the stockholders during their meetings in June 2016 and 2015, the distribution information of the Company's 2015 and 2014 earnings is as follows:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 198,325	\$ -	\$ 183,720	\$ -
Cash dividends	1,298,149	2.9	1,220,830	3.0
Stock dividends	<u>223,819</u>	0.5	<u>406,943</u>	1.0
	<u>\$ 1,720,293</u>		<u>\$ 1,811,493</u>	

- F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(28).

(21) Other equity items

	Available-for-sale investment	Currency translation	Total
At January 1, 2016	\$ 1,162,379	\$ 540,091	\$ 1,702,470
Unrealized gain on valuation of equity instruments	(143,365)	-	(143,365)
Currency translation differences:			
– Group	-	(244,714)	(244,714)
– Associates	-	<u>8,295</u>	<u>8,295</u>
At June 30, 2016	<u>\$ 1,019,014</u>	<u>\$ 303,672</u>	<u>\$ 1,322,686</u>

	Available-for-sale investment	Currency translation	Total
At January 1, 2015	\$ 1,152,136	\$ 274,815	\$ 1,426,951
Unrealized gain on valuation of equity instruments	1,103,212	-	1,103,212
Currency translation differences:			
– Group	-	(253,306)	(253,306)
– Associates	-	2,498	2,498
At June 30, 2015	<u>\$ 2,255,348</u>	<u>\$ 24,007</u>	<u>\$ 2,279,355</u>

(22) Non-controlling interests

	2016	2015
At January 1	\$ 583	\$ 532
Share attributable to non-controlling interest:		
Profit for the period	111	60
Exchange differences on translation of foreign financial statements	(138)	(84)
Decrease in non-controlling interests	(17)	(44)
At June 30	<u>\$ 539</u>	<u>\$ 464</u>

(23) Operating revenue

	<u>For the three-month periods ended June 30,</u>	
	2016	2015
Sale of electronic components	\$ 30,086,966	\$ 28,679,243
Other operating revenue	54,148	76,424
	<u>\$ 30,141,114</u>	<u>\$ 28,755,667</u>

	<u>For the six-month periods ended June 30,</u>	
	2016	2015
Sale of electronic components	\$ 57,262,403	\$ 57,162,720
Other operating revenue	107,761	130,709
	<u>\$ 57,370,164</u>	<u>\$ 57,293,429</u>

(24) Other income

	<u>For the three-month periods ended June 30,</u>	
	2016	2015
Other current liabilities transferred to revenue	\$ 30,639	\$ -
Dividend income	5,023	11,240
Rent revenue	931	989
Interest income	1,365	1,346
Other income	877	3,907
	<u>\$ 38,835</u>	<u>\$ 17,482</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Other current liabilities transferred to revenue	\$ 57,871	\$ -
Dividend income	5,023	11,240
Rent revenue	2,118	1,982
Interest income	2,104	2,204
Other income	4,100	6,193
	<u>\$ 71,216</u>	<u>\$ 21,619</u>

(25) Other gains and losses

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Gain on financial liabilities at fair value through profit or loss	\$ 7,736	\$ -
Foreign exchange loss, net	(44,262)	(18,947)
Gain on disposal of property, plant and equipment	6,870	(147)
Gain on disposal of investment	16,598	72,792
Other losses	(1,440)	(195)
	<u>(\$ 14,498)</u>	<u>\$ 53,503</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Loss on financial liabilities at fair value through profit and loss	(\$ 1,645)	\$ -
Foreign exchange loss, net	(37,665)	(25,535)
Gain (loss) on disposal of property, plant and equipment	9,016	(1,221)
Gain on disposal of investment	16,598	155,030
Other losses	(2,337)	(435)
	<u>(\$ 16,033)</u>	<u>\$ 127,839</u>

(26) Finance costs

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Bank borrowings interest expense	\$ 57,546	\$ 46,612
Financing charges on accounts receivable factoring	25,885	34,062
Other finance costs	5,367	4,878
	<u>\$ 88,798</u>	<u>\$ 85,552</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Bank borrowings interest expense	\$ 117,208	\$ 92,722
Financing charges on accounts receivable factoring	51,149	85,610
Other finance costs	11,180	10,153
	<u>\$ 179,537</u>	<u>\$ 188,485</u>

(27) Expenses by nature

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense	\$ 563,412	\$ 588,577
Depreciation	15,548	16,031
Amortization	3,185	5,877
	<u>\$ 582,145</u>	<u>\$ 610,485</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense	\$ 1,151,616	\$ 1,200,932
Depreciation	32,292	32,198
Amortization	7,818	12,346
	<u>\$ 1,191,726</u>	<u>\$ 1,245,476</u>

(28) Employee benefit expense

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense		
Wages and salaries	\$ 472,060	\$ 498,899
Labor and health insurance fees	17,832	18,289
Pension costs	32,505	31,873
Other personnel expenses	41,015	39,516
	<u>\$ 563,412</u>	<u>\$ 588,577</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Employee benefit expense		
Wages and salaries	\$ 964,734	\$ 1,016,933
Labor and health insurance fees	38,485	39,499
Pension costs	65,608	63,900
Other personnel expenses	82,789	80,600
	<u>\$ 1,151,616</u>	<u>\$ 1,200,932</u>

A. According to the Articles of Incorporation of the Company as approved by the shareholders on June 3, 2016, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the three-month and six-month periods ended June 30, 2016 and 2015, employees' compensation (bonus) was accrued at \$4,580, \$4,300, \$9,000 and \$8,500, respectively; while directors' and supervisors' remuneration was accrued at \$3,000, \$2,500, \$6,000 and \$5,000, respectively.

Employees' bonus and directors' and supervisors' remuneration for 2015 as resolved by the shareholders during their meeting were in agreement with those amounts recognised in profit or loss for 2014.

Information about employees' compensation and directors' and supervisors' remuneration of

the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax on profit for the period	\$ 48,468	\$ 103,928
Tax on undistributed surplus earnings	25,744	2,765
Prior year income tax (over) underestimate (4,365)	2,026
Total current tax	<u>69,847</u>	<u>108,719</u>
Deferred tax:		
Origination and reversal of temporary differences	41,404 (2,129)
Effect of exchange rate	183	286
Total deferred tax	<u>41,587 (</u>	<u>1,843)</u>
Income tax expense	<u>\$ 111,434</u>	<u>\$ 106,876</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax on profit for the period	\$ 189,500	\$ 218,342
Tax on undistributed surplus earnings	25,744	2,765
Prior year income tax (over) underestimate (6,282)	136
Total current tax	<u>208,962</u>	<u>221,243</u>
Deferred tax:		
Origination and reversal of temporary differences	(7,997) (22,471)
Effect of exchange rate	463	378
Total deferred tax	<u>(7,534) (</u>	<u>22,093)</u>
Income tax expense	<u>\$ 201,428</u>	<u>\$ 199,150</u>

B. The Company’s income tax returns through 2013 have been assessed and approved by the Tax Authority.

C. There was no unappropriated earnings generated before January 1, 1998.

D. As of June 30, 2016, December 31, 2015 and June 30, 2015, the balance of the imputation tax credit account was \$366,581, \$275,887 and \$401,880, respectively. The creditable tax rate is estimated to be 14.05% for the six-month periods ended June 30, 2016 and was 15.22% for 2015.

(30) Earnings per share

	<u>For the three-month period ended June 30, 2016</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 438,451</u>	<u>470,020</u>	<u>\$ 0.93</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	438,451	470,020	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	<u>-</u>	<u>625</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 438,451</u>	<u>470,645</u>	<u>\$ 0.93</u>

	<u>For the three-month period ended June 30, 2015</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 487,791</u>	<u>470,020</u>	<u>\$ 1.04</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	487,791	470,020	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	<u>-</u>	<u>552</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 487,791</u>	<u>470,572</u>	<u>\$ 1.04</u>

	<u>For the six-month period ended June 30, 2016</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 841,648</u>	<u>470,020</u>	<u>\$ 1.79</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	841,648	470,020	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	<u>-</u>	<u>783</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 841,648</u>	<u>470,803</u>	<u>\$ 1.79</u>

	<u>For the six-month period ended June 30, 2015</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	<u>\$ 966,993</u>	<u>457,959</u>	<u>\$ 2.11</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	966,993	457,959	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	<u>-</u>	<u>639</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 966,993</u>	<u>458,598</u>	<u>\$ 2.10</u>

The weighted outstanding shares are the shares retrospectively adjusted as of June 30, 2016 from capitalisation of retained earnings.

(31) Business combinations

The Company signed the business transfer agreement with Kei Kong Electronics Ltd. on October 18, 2011 and acquired the semiconductor parts distribution business in the amount of US\$7,514 thousand which was net of deductible expenses prescribed by the contract. The business acquisition date was November 1, 2011. The goodwill arising from the excess of acquisition cost over the fair value of the identifiable net assets of the acquired business is \$227,411. As of June 30, 2016, the related payable amounted to \$72,754 (equivalent to US\$2,250 thousand, shown as "other payables-investment payable").

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The Company's significant related party transactions are included in the consolidated financial statements. The related transactions were eliminated when preparing the consolidated financial statements. Details of other transactions without significant related parties are provided in Note 13.

(2) Key management compensation

	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 14,165	\$ 11,463
Post-employment benefits	239	161
	<u>\$ 14,404</u>	<u>\$ 11,624</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 27,254	\$ 22,584
Post-employment benefits	438	322
	<u>\$ 27,692</u>	<u>\$ 22,906</u>

8. PLEDGED ASSETS

The summary of the carrying amount of the Group's assets pledged as collateral is as follows:

<u>Pledged asset</u>	<u>Purpose</u>	<u>Book value</u>		
		<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Accounts receivable, net:				
Notes receivable	Guarantee for bank acceptance financing	\$ 93,678	\$ -	\$ -
Other current assets:				
Time deposits	Guarantee for tax administrative lawsuit	6,897	-	-
	Bid bond	12,000	12,000	12,000
		3,136	3,187	-
	Security for business credit card	-	2,251	2,222
		<u>\$ 115,711</u>	<u>\$ 17,438</u>	<u>\$ 14,222</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

Most of the Group's operating leases for renting offices and warehouses can be renewed at market price at the end of the lease period. The total minimum future lease payments are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Not later than one year	\$ 129,798	\$ 128,808	\$ 140,353
Later than one year but not later than five years	132,734	84,565	126,528
Over 5 years	26,576	30,034	-
	<u>\$ 289,108</u>	<u>\$ 243,407</u>	<u>\$ 266,881</u>

B. Outstanding letters of credit

The amounts of outstanding letters of credit for purchase of inventories by the Group are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Outstanding letters of credit	\$ 2,475,538	\$ 2,583,492	\$ 1,874,713

C. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Customs duties guarantee	\$ 15,000	\$ 15,000	\$ 15,000

D. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

Please refer to Note 6(11).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as 'total liabilities' in the consolidated balance sheet less cash and cash equivalents. Total equity is calculated as the 'equity' in the consolidated balance sheet.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the debt to equity ratio below 250%. The debt to equity ratios at June 30, 2016, December 31, 2015 and June 30, 2015 were 208%, 169% and 182%, respectively.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, net accounts receivable, other receivables, other current assets, short-term borrowings, accounts payable, other payables, current portion of long-term liabilities and long-term loans) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group uses equivalent asset and liability positions denominated in foreign currencies and equivalent receipt and payment period to reach natural hedge. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

June 30, 2016					
(Foreign currency: functional currency)	<u>Foreign currency amount (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>	<u>Degree of variation</u>	<u>Sensitivity analysis Effect on profit or loss</u>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 600,835	32.335	\$19,428,000	1%	\$ 194,280
USD:RMB	1,481	32.335	47,888	1%	479
<u>Non-monetary items</u>					
USD:NTD	36,261	32.335	1,172,508		
<u>Foreign operations</u>					
USD:NTD	324,359	32.335	10,444,919		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	624,464	32.335	20,192,043	1%	201,920
USD:RMB	51,163	32.335	1,654,356	1%	16,544
December 31, 2015					
(Foreign currency: functional currency)	<u>Foreign currency amount (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>	<u>Degree of variation</u>	<u>Sensitivity analysis Effect on profit or loss</u>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 629,447	32.86	\$20,683,628	1%	\$ 206,836
<u>Non-monetary items</u>					
USD:NTD	40,337	32.86	1,325,474		
<u>Foreign operations</u>					
USD:NTD	303,943	32.86	9,937,904		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	599,615	32.86	19,703,349	1%	197,033

June 30, 2015					
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 597,927	30.97	\$18,517,799	1%	\$ 185,178
<u>Non-monetary items</u>					
USD:NTD	75,340	30.97	2,333,278		
<u>Foreign operations</u>					
USD:NTD	320,481	30.97	9,929,361		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	556,527	30.97	17,235,641	1%	172,356

D. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2016 and 2015 amounted to (\$44,262), (\$18,947), (\$37,665) and (\$25,535), respectively.

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the six-month periods ended June 30, 2016 and 2015 would have increased/decreased by \$12,422 and \$24,157, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from bank borrowings and advance payments for accounts receivable factored. Borrowings and advanced payment for factoring issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the six-month periods ended June 30, 2016 and 2015, the Group's borrowings at variable rate were denominated in the USD.
- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for

liabilities that represent the major interest-bearing positions.

- iii. Based on the simulations performed, the impact on profit before tax of a quarter (25 basis point) shift would be a maximum increase or decrease of \$21,261 and \$18,012 for the six-month periods ended June 30, 2016 and 2015, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Because the counterparties of the Group and performing parties are banks with good credit and financial institutions and government organisations with investment grade or above have no significant compliance concern, there is no significant credit risk.
- ii. For the six-month periods ended June 30, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality of notes and accounts receivable that were neither past due nor impaired was in the following categories based on the Group's credit quality control policy:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Group A	\$ 6,558,106	\$ 8,121,971	\$ 6,928,402
Group B	4,853,232	3,533,143	3,599,654
Group C	8,113,529	6,652,454	6,427,416
Group D	319,828	1,067,127	896,798
	<u>\$ 19,844,695</u>	<u>\$ 19,374,695</u>	<u>\$ 17,852,270</u>

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B or C.

- iv. The ageing analysis of notes and accounts receivable that were past due but not impaired are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Up to 30 days	\$ 3,141,533	\$ 2,284,668	\$ 3,595,976
31 to 180 days	801,657	942,373	327,309
181 to 365 days	35,246	44,404	515,136
Over 366 days	<u>29,796</u>	<u>159,781</u>	<u>12,485</u>
	<u>\$ 4,008,232</u>	<u>\$ 3,431,226</u>	<u>\$ 4,450,906</u>

The above aging analysis was based on past due date.

- v. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's accounts receivable that were impaired amounted to \$358,561, \$302,657 and \$278,767, respectively.

Movements in allowance for individual provision for doubtful accounts were as follows:

	<u>2016</u>	<u>2015</u>
At January 1	\$ 302,657	\$ 272,858
Provision for doubtful accounts	61,704	10,270
Effect of changes in exchange rate	(5,800)	(4,361)
At June 30	<u>\$ 358,561</u>	<u>\$ 278,767</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>June 30, 2016</u>	<u>Less than 180 days</u>	<u>Between 180 days and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Short-term borrowings	\$16,588,562	\$ -	\$ -	\$ -	\$16,588,562
Accounts payable	15,388,742	-	-	-	15,388,742
Other payables	2,309,721	28,299	-	-	2,338,020
	<u>\$34,287,025</u>	<u>\$ 28,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$34,315,324</u>

<u>December 31, 2015</u>	<u>Less than 180 days</u>	<u>Between 180 days and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Short-term borrowings	\$15,261,376	\$ -	\$ -	\$ -	\$15,261,376
Accounts payable	11,249,387	-	-	-	11,249,387
Other payables	1,102,834	68,358	-	-	1,171,192
Long-term loans	-	-	572,547	1,333,333	1,905,880
	<u>\$27,613,597</u>	<u>\$ 68,358</u>	<u>\$ 572,547</u>	<u>\$1,333,333</u>	<u>\$29,587,835</u>

<u>June 30, 2015</u>	<u>Less than 180 days</u>	<u>Between 180 days and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Short-term borrowings	\$11,743,578	\$ -	\$ -	\$ -	\$11,743,578
Accounts payable	14,930,739	-	-	-	14,930,739
Other payables	2,146,276	42,815	-	-	2,189,091
Long-term loans	557,460	-	-	1,796,260	2,353,720
	<u>\$29,378,053</u>	<u>\$ 42,815</u>	<u>\$ -</u>	<u>\$1,796,260</u>	<u>\$31,217,128</u>

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).
- B. The balance of financial assets measured at fair value was \$1,242,188, \$1,405,705 and \$2,415,682 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively. The financial assets all belong to Level 1 (quoted prices in active markets for identical assets or liabilities) financial instruments (shown as 'available-for-sale financial assets – current' and

‘available-for-sale financial assets - non-current’).

C. The balance of financial liabilities measured at fair value was \$1,595 as of June 30, 2016. The financial liabilities all belong to Level 2 (Inputs that are observable for the asset or liability, either directly or indirectly. The fair value of the Group’s investment in derivative instruments is included in Level 2. The financial instruments were shown as ‘financial liabilities at fair value through profit or loss - current’).

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

(b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts are usually valued based on the current forward exchange rate.

13. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision-maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group’s operating segment information is prepared in accordance with the Group’s accounting policies. The chief operating decision-maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision-maker is as follows:

	<u>Greater China Region</u>	
	<u>For the three-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenue from external customers	\$ 26,925,737	\$ 26,349,447
Segment income	\$ 533,044	\$ 564,680
Segment assets (Note)	\$ -	\$ -

	<u>Greater China Region</u>	
	<u>For the six-month periods ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenue from external customers	\$ 51,594,779	\$ 52,261,818
Segment income	\$ 1,011,374	\$ 1,115,361
Segment assets (Note)	\$ -	\$ -

Note: The chief operating decision-maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is as follows:

	<u>For the three-month periods ended June 30,</u>	
<u>Operating revenue</u>	<u>2016</u>	<u>2015</u>
Total reported segment revenue	\$ 26,925,737	\$ 26,349,447
Other operating segment revenue	3,215,377	2,406,220
Total operating revenue	<u>\$ 30,141,114</u>	<u>\$ 28,755,667</u>
	<u>For the six-month periods ended June 30,</u>	
<u>Operating revenue</u>	<u>2016</u>	<u>2015</u>
Total reported segment revenue	\$ 51,594,779	\$ 52,261,818
Other operating segment revenue	5,775,385	5,031,611
Total operating revenue	<u>\$ 57,370,164</u>	<u>\$ 57,293,429</u>
	<u>For the three-month periods ended June 30,</u>	
<u>Profit and loss</u>	<u>2016</u>	<u>2015</u>
Income of reported segment	\$ 533,044	\$ 564,680
Income of other operating segments	16,890	30,011
Income before income tax from continuing operations	<u>\$ 549,934</u>	<u>\$ 594,691</u>
	<u>For the six-month periods ended June 30,</u>	
<u>Profit and loss</u>	<u>2016</u>	<u>2015</u>
Income of reported segment	\$ 1,011,374	\$ 1,115,361
Income of other operating segments	31,813	50,842
Income before income tax from continuing operations	<u>\$ 1,043,187</u>	<u>\$ 1,166,203</u>