

Syscom Computer Engineering Co.

**Financial Statements for the
Years Ended December 31, 2014 and 2013 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Syscom Computer Engineering Co.

We have audited the accompanying balance sheets of Syscom Computer Engineering Co. ("the Corporation") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements of some investees accounted for by the equity method. As of December 31, 2014 and 2013, these equity-method investments were 7.12% (\$226,926 thousand) and 6.98% (\$214,965 thousand) of the Corporation's total assets, respectively. As of December 31, 2014 and 2013, the long-term investment with credit balance was 0% (\$0 thousand) and 0% (\$547 thousand) of total assets, respectively. The related equity in their net income was 4.66% (net income \$5,246 thousand) and 10.37% (net income \$11,700 thousand) of income before income tax in 2014 and 2013, respectively. The financial statements of these equity-method investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the investees, are based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Syscom Computer Engineering Co. as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Deloitte & Touche

March 26, 2015

Notice to Readers

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

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

SYSCOM COMPUTER ENGINEERING CO.

BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 197,744	6	\$ 118,720	4
Available-for-sale financial assets - current (Notes 4 and 7)	127,390	4	62,063	2
Debt investments with no active market - current (Notes 4, 9 and 25)	111,515	4	127,976	4
Notes receivable (Note 4)	6,347	-	3,443	-
Accounts receivable (Notes 4, 5, 10 and 24)	1,242,204	39	1,315,375	43
Current portion of lease payments receivable (Note 4)	18	-	39	-
Other receivables	5,838	-	3,588	-
Inventories (Notes 4, 5 and 11)	291,099	9	285,596	9
Prepayments	109,155	3	141,434	5
Other current assets	21,803	1	17,631	-
Total current assets	<u>2,113,113</u>	<u>66</u>	<u>2,075,865</u>	<u>67</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 7)	1,580	-	1,580	-
Financial assets carried at cost - noncurrent (Notes 4 and 8)	3,150	-	3,150	-
Debt investments with no active market - noncurrent (Notes 4, 9 and 25)	76,550	3	70,562	2
Investments accounted for using equity method (Notes 4 and 12)	488,425	15	484,712	16
Property, plant and equipment (Notes 4, 13 and 25)	470,497	15	418,284	14
Intangible assets (Notes 4 and 14)	-	-	214	-
Deferred tax assets (Notes 4, 5 and 19)	30,911	1	23,620	1
Other noncurrent assets	4,825	-	3,666	-
Total noncurrent assets	<u>1,075,938</u>	<u>34</u>	<u>1,005,788</u>	<u>33</u>
TOTAL	<u>\$ 3,189,051</u>	<u>100</u>	<u>\$ 3,081,653</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable	\$ 355	-	\$ 3,227	-
Accounts payable (Note 24)	1,084,973	34	956,335	31
Other payables (Note 15)	180,299	6	161,505	5
Current tax liabilities (Note 4)	8,654	-	15,174	1
Advances received	25,580	1	103,480	3
Other current liabilities	7,433	-	8,426	-
Total current liabilities	<u>1,307,294</u>	<u>41</u>	<u>1,248,147</u>	<u>40</u>
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	16,371	1	16,778	1
Accrued pension liabilities (Notes 4, 5 and 16)	127,113	4	115,725	4
Guarantee deposits received	6,552	-	10,373	-
Other noncurrent liabilities (Notes 4 and 12)	-	-	547	-
Total noncurrent liabilities	<u>150,036</u>	<u>5</u>	<u>143,423</u>	<u>5</u>
Total liabilities	<u>1,457,330</u>	<u>46</u>	<u>1,391,570</u>	<u>45</u>
EQUITY (Notes 4, 17 and 19)				
Capital stock	<u>1,000,000</u>	<u>31</u>	<u>1,000,000</u>	<u>32</u>
Capital surplus	511	-	511	-
Retained earnings				
Legal reserve	211,917	7	202,436	7
Special reserve	17,619	1	17,619	1
Unappropriated earnings	492,087	15	474,515	15
Total retained earnings	<u>721,623</u>	<u>23</u>	<u>694,570</u>	<u>23</u>
Other equity	9,587	-	(4,998)	-
Total equity	<u>1,731,721</u>	<u>54</u>	<u>1,690,083</u>	<u>55</u>
TOTAL	<u>\$ 3,189,051</u>	<u>100</u>	<u>\$ 3,081,653</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 26, 2015)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 5 and 24)				
Product sales	\$ 3,323,663	84	\$ 3,425,195	85
Maintenance	<u>620,081</u>	<u>16</u>	<u>583,678</u>	<u>15</u>
Net operating revenues	<u>3,943,744</u>	<u>100</u>	<u>4,008,873</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 18 and 24)				
Cost of goods sold	2,588,737	66	2,710,005	67
Maintenance cost	<u>513,473</u>	<u>13</u>	<u>480,475</u>	<u>12</u>
Total operating costs	<u>3,102,210</u>	<u>79</u>	<u>3,190,480</u>	<u>79</u>
GROSS PROFIT	<u>841,534</u>	<u>21</u>	<u>818,393</u>	<u>21</u>
OPERATING EXPENSES (Notes 18 and 24)				
General and administrative	580,980	15	535,960	13
Research and development	<u>173,234</u>	<u>4</u>	<u>183,063</u>	<u>5</u>
Total operating expenses	<u>754,214</u>	<u>19</u>	<u>719,023</u>	<u>18</u>
OPERATING INCOME	<u>87,320</u>	<u>2</u>	<u>99,370</u>	<u>3</u>
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4, 18 and 24)	38,425	1	34,569	1
Other gains and losses (Notes 4 and 18)	(3,520)	-	(13,218)	(1)
Finance costs (Note 18)	(3)	-	(92)	-
Share of profit or loss of subsidiaries, associates and joint ventures (Note 4)	<u>(9,706)</u>	<u>-</u>	<u>(7,778)</u>	<u>-</u>
Total nonoperating income and expenses	<u>25,196</u>	<u>1</u>	<u>13,481</u>	<u>-</u>
INCOME BEFORE INCOME TAX	112,516	3	112,851	3
INCOME TAX EXPENSE (Notes 4 and 19)	<u>15,339</u>	<u>-</u>	<u>18,042</u>	<u>-</u>
NET INCOME	<u>97,177</u>	<u>3</u>	<u>94,809</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Exchange differences on translating foreign operations (Notes 4 and 17)	13,757	-	8,966	-
Unrealized gain from available-for-sale financial assets (Notes 4 and 17)	352	-	281	-
Actuarial gain (loss) from defined benefit plans (Notes 4 and 16)	(11,384)	-	124	-

(Continued)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
Share of other comprehensive income of subsidiaries, associates and joint ventures (Note 4)	\$ 209	-	\$ 426	-
Income tax relating to components of other comprehensive income (Notes 4 and 19)	<u>1,527</u>	<u>-</u>	<u>(346)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>4,461</u>	<u>-</u>	<u>9,451</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 101,638</u>	<u>3</u>	<u>\$ 104,260</u>	<u>3</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 0.97</u>		<u>\$ 0.95</u>	
Diluted	<u>\$ 0.97</u>		<u>\$ 0.95</u>	

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

(With Deloitte & Touche audit report dated March 26, 2015)

(Concluded)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)**

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 26, 2015)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 112,516	\$ 112,851
Adjustments for:		
Depreciation expenses	72,571	78,288
Share of loss of subsidiaries, associates and joint ventures	9,706	7,778
Write-down of inventories	4,327	23,136
Interest income	(3,381)	(2,251)
Net gain on foreign currency exchange	(2,817)	(1,312)
Net gain on disposal of available-for-sale financial assets	(1,683)	(1,407)
Loss on disposal of property, plant and equipment	1,680	9,336
Amortization expenses	214	286
Gain on disposal of financial assets carried at cost	(40)	-
Dividend income	(52)	(51)
Finance costs	3	92
Impairment loss recognized on financial assets	-	1,206
Changes in operating assets and liabilities		
Notes receivable	(2,904)	11,436
Accounts receivable	73,171	(195,576)
Other receivables	(2,250)	3,234
Inventories	(74,559)	106,943
Prepayments	32,279	20,454
Other current assets	(3,145)	12
Lease payments receivable	117	141
Notes payable	(2,872)	2,633
Accounts payable	130,870	16,888
Other payables	19,033	89,295
Receipts in advance	(77,900)	45,022
Current liabilities	(1,015)	(4,511)
Accrued pension liabilities	4	38
Cash generated from operations	283,873	323,961
Income tax paid	(28,030)	(6,997)
Interest received	3,381	2,292
Interest paid	(3)	(92)
Dividend received	52	51
Net cash generated from operating activities	259,273	319,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(1,275,000)	(1,096,000)
Proceeds on the sale of available-for-sale financial assets	1,211,708	1,036,915
Payments for property, plant and equipment	(62,240)	(135,929)
Proceeds on the sale of debt investments with no active market	10,473	-
(Increase) decrease in refundable deposits	(2,190)	8,548
Proceeds from disposal of property, plant and equipment	266	302
Increase in other noncurrent assets	(92)	-

(Continued)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	2014	2013
Proceeds on the sale of financial assets carried at cost	\$ 40	\$ -
Increase in investments accounted for by the equity method	-	(65,000)
Purchase of debt investments with no active market	<u>-</u>	<u>(4,582)</u>
Net cash used in investing activities	<u>(117,035)</u>	<u>(255,746)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(60,000)	(50,000)
Decrease in guarantee deposits received	(3,799)	(2,249)
Decrease in short-term borrowings	<u>-</u>	<u>(100,000)</u>
Net cash used in financing activities	<u>(63,799)</u>	<u>(152,249)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>585</u>	<u>765</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,024	(88,015)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>118,720</u>	<u>206,735</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 197,744</u>	<u>\$ 118,720</u>

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

(With Deloitte & Touche audit report dated March 26, 2015)

(Concluded)

SYSCOM COMPUTER ENGINEERING CO.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Syscom Computer Engineering Co. (the "Corporation") was incorporated in July 1975. The Corporation mainly leases and sells computer systems and designs computer software. It also provides services on the integration of computer information system and maintenance of computer hardware.

The Corporation's stock has been listed on the Taiwan Stock Exchange since May 22, 2001.

The functional currency of the Corporation is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the board of directors and authorized for issue on March 26, 2015.

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

- a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) not yet effective

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

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

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

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

1) IFRS 13 “Fair Value Measurement”

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

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

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

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

The Corporation will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items

expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of subsidiaries, associates, and joint ventures accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

3) Revision to IAS 19 “Employee Benefits”

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

The impairment of financial assets

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

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

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

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

3) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

4) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its financial statements, the Corporation should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Corporation should consider the understandability and comparability of its financial statements to determine a systematic order in presenting its footnotes.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing its parent company only financial statements, the Corporation used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Foreign currencies

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

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Corporation's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items

are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The cost of the prepayments for contracts was calculated by each contract. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at weighted-average cost.

f. Investments accounted for using equity method

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

1) Investment in subsidiaries

Subsidiaries are the entities controlled by the Corporation.

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

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

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

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

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

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Corporation's financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

2) Investment in associates and jointly controlled entities

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate and jointly controlled entity is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate and jointly controlled entity. The Corporation also recognizes the changes in the Corporation's share of equity of associates and jointly controlled entities.

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

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

When a group entity transacts with its associate and jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent of interests in the associate and the jointly controlled entity that are not related to the Corporation.

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2) Derecognition of intangible assets

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

i. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

j. Financial Instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii) Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, other receivables, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as accounts receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60-120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are 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 the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

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

- a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Rendering of services

Service income is recognized when services are provided.

3) Contract revenue

When the outcome of a contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs.

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

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably.

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

l. Amounts due from/to customers for contracts

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as prepayments. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade receivables.

m. Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Corporation as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Corporation as lessee

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. Retirement Benefit cost

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivables

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

b. Write-down of inventory

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

c. Recognition and measurement of defined benefit plans

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

d. Revenue recognition

Contract revenue is recognized by reference to the stage of completion of each contract. The stage of completion of the contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Corporation estimated the total contract cost upon signing the contract. If the estimated cost changes, the Corporation amends the percentage of completion and the related contract revenue.

e. Income taxes

As of December 31, 2014 and 2013, the carrying amount of deferred tax assets in relation to unused tax losses was \$30,911 thousand and \$23,620 thousand, respectively. As of December 31, 2014 and 2013, no deferred tax asset has been recognized on tax losses of \$1,505 thousand and \$3,272 thousand, respectively, due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Checking accounts and demand deposits	\$ 128,356	\$ 107,608
Time deposits with original maturities less than 3 months	68,802	10,526
Cash on hand	<u>586</u>	<u>586</u>
	<u>\$ 197,744</u>	<u>\$ 118,720</u>

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

	December 31	
	2014	2013
Bank demand deposits	0.17%	0.17%
Time deposits with original maturities less than 3 months	0.81%-0.94%	0.88%-1.355%

As of December 31, 2014 and 2013, time deposits with original maturities more than 3 months were \$41,656 thousand and \$41,849 thousand, respectively, which were classified to debt investments with no active market (see Note 9).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
<u>Domestic investments</u>		
Mutual funds	\$ 127,390	\$ 62,063
Listed shares	<u>1,580</u>	<u>1,580</u>
	<u>\$ 128,970</u>	<u>\$ 63,643</u>
Current	\$ 127,390	\$ 62,063
Noncurrent	<u>1,580</u>	<u>1,580</u>
	<u>\$ 128,970</u>	<u>\$ 63,643</u>

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2014	2013
Domestic unlisted common stocks	<u>\$ 3,150</u>	<u>\$ 3,150</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 3,150</u>	<u>\$ 3,150</u>

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

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2014	2013
Pledged time deposits	\$ 146,409	\$ 156,689
Time deposits with original maturities more than 3 months	<u>41,656</u>	<u>41,849</u>
	<u>\$ 188,065</u>	<u>\$ 198,538</u>
Current	\$ 111,515	\$ 127,976
Noncurrent	<u>76,550</u>	<u>70,562</u>
	<u>\$ 188,065</u>	<u>\$ 198,538</u>

The market interest rates of the time deposits with original maturity more than 3 months were 0.7%-1.425% and 1.25%-1.45% per annum respectively as of December 31, 2014 and 2013.

Refer to Note 25 for information relating to debt investments with no active market pledged as security.

10. ACCOUNTS RECEIVABLE

	December 31	
	2014	2013
Accounts receivable	\$ 1,068,770	\$ 1,068,037
Amount due from customers for contracts	174,203	248,107
Less: Allowance for impairment loss	<u>(769)</u>	<u>(769)</u>
	<u>\$ 1,242,204</u>	<u>\$ 1,315,375</u>

The average credit period on sales of goods was 60 to 120 days. In determining the recoverability of a trade receivable, the Corporation considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

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

	December 31	
	2014	2013
Over 121 days	<u>\$ 36,374</u>	<u>\$ 50,168</u>

The above aging schedule was based on the invoice date.

The allowance for impairment loss on accounts receivable did not change in 2014 and 2013.

11. INVENTORIES

	December 31	
	2014	2013
Prepayments for contracts		
Hardware	\$ 139,541	\$ 72,517
Software and service	<u>5,842</u>	<u>7,202</u>
	145,383	79,719
Commodities	138,207	199,046
Maintenance materials	837	497
Inventories in transit	<u>6,672</u>	<u>6,334</u>
	<u>\$ 291,099</u>	<u>\$ 285,596</u>

The commodities mainly consisted of computer hardware and software.

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 were \$2,588,737 thousand and \$2,710,005 thousand, respectively, which included \$4,327 thousand and \$23,136 thousand, respectively, due to write-downs of inventories.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2014	2013
Investments in subsidiaries	\$ 343,641	\$ 334,167
Investments in associates	90,395	90,594
Investments in joint venture	<u>54,389</u>	<u>59,951</u>
	<u>\$ 488,425</u>	<u>\$ 484,712</u>

Investments in Subsidiaries

Name of Subsidiaries	December 31	
	2014	2013
Unlisted company		
CASEMaker, Inc.	\$ 131,211	\$ 122,643
Syscom International Inc.	116,714	119,202
WiseMaker Technology Co.	44,970	42,839
Netmaker Technology Co.	40,054	39,244
Syscom Vietnam Co., Ltd.	7,497	8,311
Coach Tech Management Co.	3,076	1,928
Syscom Computer (Thailand) Co., Ltd.	<u>119</u>	<u>-</u>
	<u>\$ 343,641</u>	<u>\$ 334,167</u>
Credit balance of long-term investments reclassified to other noncurrent liabilities		
Syscom Computer (Thailand) Co., Ltd.	\$ <u>-</u>	\$ <u>(547)</u>

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

Name of Subsidiaries	December 31	
	2014	2013
CASEMaker, Inc.	100.00%	100.00%
Syscom International Inc.	100.00%	100.00%
WiseMaker Technology Co.	98.68%	98.68%
Netmaker Technology Co.	75.50%	75.50%
Syscom Vietnam Co., Ltd.	100.00%	100.00%
Coach Tech Management Co.	97.50%	97.50%
Syscom Computer (Thailand) Co., Ltd.	89.77%	89.77%

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 was based on the subsidiaries' financial statements audited by the auditors for the same years.

Investment in Associate

Name of Associates	December 31	
	2014	2013
Listed company		
Dimension Computer Technology Co., Ltd.	\$ 81,916	\$ 81,503
Unlisted company		
DBMaker Japan Inc.	<u>8,479</u>	<u>9,091</u>
	<u>\$ 90,395</u>	<u>\$ 90,594</u>

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Corporation were as follows:

Name of Associates	December 31	
	2014	2013
Dimension Computer Technology Co., Ltd.	17.62%	17.62%
DBMaker Japan Inc.	49.89%	49.89%

Fair values of investments in associates for which there are published price quotation are summarized as follows, based on the closing price of those investments at the balance sheet date:

Name of Associates	December 31	
	2014	2013
Dimension Computer Technology Co., Ltd.	<u>\$ 84,148</u>	<u>\$ 75,024</u>

The summarized financial information in respect of the Corporation's associates is set out below:

Name of Associates	December 31	
	2014	2013
Total assets	<u>\$ 718,637</u>	<u>\$ 868,643</u>
Total liabilities	<u>\$ 236,632</u>	<u>\$ 387,756</u>
For the Year Ended December 31		
	2014	2013
Revenue	<u>\$ 1,085,053</u>	<u>\$ 1,105,855</u>
Loss for the year	<u>\$ (4,761)</u>	<u>\$ (3,577)</u>
Other comprehensive income for the year	<u>\$ 5,880</u>	<u>\$ (14,732)</u>
Corporation's share of profit (loss) and other comprehensive income of associates for the year	<u>\$ (835)</u>	<u>\$ 1,117</u>

Except for DBMaker Japan Inc., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of DBMaker Japan Inc. that have not been audited.

Investment in Joint Venture

	December 31	
	2014	2013
CloudMaster Co., Ltd. ("CloudMaster")	<u>\$ 54,389</u>	<u>\$ 59,951</u>

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entities held by the Corporation were as follows:

Name of Associate	December 31	
	2014	2013
CloudMaster	50.00%	50.00%

The summarized financial information in respect of the Corporation's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	December 31	
	2014	2013
Current assets	<u>\$ 51,271</u>	<u>\$ 61,662</u>
Noncurrent assets	<u>\$ 4,435</u>	<u>\$ 505</u>
Current liabilities	<u>\$ 1,316</u>	<u>\$ 2,215</u>
	For the Year Ended December 31	
	2014	2013
Income recognized in profit or loss	<u>\$ 8,434</u>	<u>\$ 4,076</u>
Expenses recognized in profit or loss	<u>\$ 13,556</u>	<u>\$ 9,125</u>
Other comprehensive income	<u>\$ 440</u>	<u>\$ -</u>

In March 2013, under the authorization of the Investment Commission of the Ministry of Economic Affairs, the Corporation incorporated CloudMaster under the joint venture agreement and had 50% of ownership. CloudMaster provides services in information software, data processing and electronic information. Under the joint venture agreement, in the meetings of the board of directors and the shareholders of CloudMaster, majority rule shall prevail. However, the Corporation's seat in CloudMaster's board of director does not exceed half of the board. Besides, under CloudMaster's policies, significant strategic decisions should be made by unanimous agreement of the shareholders of both entities, and the Corporation has no right to obtain the variable rewards which is unavailable to CloudMaster's shareholders and does not have direct ability to affect the rewards from investing in CloudMaster. As a result, the Corporation has no control over CloudMaster.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 was based on the associates' financial statements audited by the auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improve- ments	Others	Total
<u>Cost</u>							
Balance at January 1, 2013	\$ 116,553	\$ 83,229	\$ 147,945	\$ 170,132	\$ 8,602	\$ 22,504	\$ 548,965
Additions	-	-	15,866	44,468	73,391	2,204	135,929
Disposals	-	-	(33,534)	(67,368)	-	(8,020)	(108,922)
Reclassification	-	-	22,143	2,111	-	-	24,254
Balance at December 31, 2013	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 152,420</u>	<u>\$ 149,343</u>	<u>\$ 81,993</u>	<u>\$ 16,688</u>	<u>\$ 600,226</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2013	\$ -	\$ 27,685	\$ 73,577	\$ 87,120	\$ 6,020	\$ 9,817	\$ 204,219
Depreciation expense	-	1,410	32,743	33,217	8,037	2,881	78,288
Disposals	-	-	(30,893)	(61,422)	-	(6,969)	(99,284)
Reclassification	-	-	-	(1,281)	-	-	(1,281)
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 29,095</u>	<u>\$ 75,427</u>	<u>\$ 57,634</u>	<u>\$ 14,057</u>	<u>\$ 5,729</u>	<u>\$ 181,942</u>
Carrying amounts at December 31, 2013	<u>\$ 116,553</u>	<u>\$ 54,134</u>	<u>\$ 76,993</u>	<u>\$ 91,709</u>	<u>\$ 67,936</u>	<u>\$ 10,959</u>	<u>\$ 418,284</u>

(Continued)

	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improvements	Others	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 116,553	\$ 83,229	\$ 152,420	\$ 149,343	\$ 81,993	\$ 16,688	\$ 600,226
Additions	-	-	13,031	45,894	1,137	1,939	62,001
Disposals	-	-	(499)	(12,232)	-	(870)	(13,601)
Reclassification	-	-	8,161	-	-	56,558	64,719
Balance at December 31, 2014	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 173,113</u>	<u>\$ 183,005</u>	<u>\$ 83,130</u>	<u>\$ 74,315</u>	<u>\$ 713,345</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2014	\$ -	\$ 29,095	\$ 75,427	\$ 57,634	\$ 14,057	\$ 5,729	\$ 181,942
Depreciation expense	-	1,410	28,761	31,639	7,806	2,955	72,571
Disposals	-	-	(444)	(10,388)	-	(823)	(11,655)
Reclassification	-	-	(10)	-	-	-	(10)
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 30,505</u>	<u>\$ 103,734</u>	<u>\$ 78,885</u>	<u>\$ 21,863</u>	<u>\$ 7,861</u>	<u>\$ 242,848</u>
Carrying amounts at December 31, 2014	<u>\$ 116,553</u>	<u>\$ 52,724</u>	<u>\$ 69,379</u>	<u>\$ 104,120</u>	<u>\$ 61,267</u>	<u>\$ 66,454</u>	<u>\$ 470,497</u>

(Concluded)

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

Buildings	50-60 years
Maintenance equipment	3-6 years
Computer equipment	3-6 years
Leasehold improvements	5-10 years
Others	
Research and development equipment	3 years
Furniture and fixtures	5-8 years
Transportation equipment	5 years
Equipment under capital leases	6 years

Refer to Note 25 for the carrying amount of property, plant and equipment pledged by the Corporation to secure borrowings and general banking facilities granted to the Corporation.

14. INTANGIBLE ASSETS

	<u>For the Year Ended December 31</u>	
	2014	2013
<u>Computer software</u>		
Balance at beginning of the period	\$ 214	\$ 500
Amortization expense	<u>(214)</u>	<u>(286)</u>
Balance at end of the period	<u>\$ -</u>	<u>\$ 214</u>

Computer software was depreciated on a straight-line basis over 5 years.

15. OTHER PAYABLES

	December 31	
	2014	2013
Salaries payable and bonus payable	\$ 123,579	\$ 107,385
Payable for value-added tax	14,779	17,295
Payable for insurance	9,981	9,274
Payable for pension	9,159	8,655
Payable for annual leave	3,352	3,305
Payable for purchase of equipment	3,169	3,408
Other	<u>16,280</u>	<u>12,183</u>
	<u>\$ 180,299</u>	<u>\$ 161,505</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the one month before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Measurement Date	
	December 31	
	2014	2013
Discount rate	1.70%	1.80%
Expected return on plan assets	1.70%	1.80%
Expected rate of salary increase	2.00%	2.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans for the years ended December 31, 2014 and 2013 were as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 682	\$ 852
Interest cost	3,069	2,356
Expected return on plan assets	<u>(987)</u>	<u>(1,470)</u>
	<u>\$ 2,764</u>	<u>\$ 1,738</u>
An analysis by function		
Operating expense	<u>\$ 2,764</u>	<u>\$ 1,738</u>

Actuarial gains and losses (net of tax) recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was losses of \$9,449 thousand and gains of \$1,713 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$17,205 thousand and \$7,756 thousand, respectively.

The amount included in the balance sheet arising from the Corporation's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	\$ 186,276	\$ 173,965
Fair value of plan assets	<u>(59,163)</u>	<u>(58,240)</u>
Net liability arising from defined benefit obligation	<u>\$ 127,113</u>	<u>\$ 115,725</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 173,965	\$ 174,510
Current service cost	682	852
Interest cost	3,069	2,356
Actuarial losses (gains)	11,787	(845)
Benefits paid	<u>(3,227)</u>	<u>(2,908)</u>
Closing defined benefit obligation	<u>\$ 186,276</u>	<u>\$ 173,965</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 58,240	\$ 58,699
Expected return on plan assets	987	1,470
Actuarial gain (losses)	403	(721)
Contributions from the employer	2,760	1,700
Benefits paid	<u>(3,227)</u>	<u>(2,908)</u>
Closing fair value of plan assets	<u>\$ 59,163</u>	<u>\$ 58,240</u>

For the years ended December 31, 2014 and 2013, the actual returns on plan assets were \$1,390 thousand and \$749 thousand, respectively.

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31	
	2014	2013
Bank deposit	19.12%	22.86%
Domestic debt securities	13.90%	13.47%
Domestic equity securities	30.49%	29.36%
Foreign debt securities	14.46%	18.11%
Foreign equity securities	19.20%	15.41%
Others	<u>2.83%</u>	<u>0.79%</u>
	<u>100.00%</u>	<u>100.00%</u>

The Corporation chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012)

	December 31	
	2014	2013
Present value of defined benefit obligation	<u>\$ 186,276</u>	<u>\$ 173,965</u>
Fair value of plan assets	<u>\$ (59,163)</u>	<u>\$ (58,240)</u>
Deficit	<u>\$ 127,113</u>	<u>\$ 115,725</u>
Experience adjustments on plan liabilities	<u>\$ 11,787</u>	<u>\$ (845)</u>
Experience adjustments on plan assets	<u>\$ 403</u>	<u>\$ (721)</u>

The Corporation expected to make a contribution of \$160 thousand and \$160 thousand, respectively to the defined benefit plans during the annual period beginning after 2014 and 2013.

17. EQUITY

a. Common stock

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	<u>157,000</u>	<u>157,000</u>
Shares authorized	<u>\$ 1,570,000</u>	<u>\$ 1,570,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares issued	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

The capital surplus from long-term investments may not be used for any purpose.

c. Appropriation of earnings and dividend policy

Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income (less any deficit) in the following order:

- 1) 10% as legal reserve;
- 2) Special reserve to be retained depending on business requirements;
- 3) At least 0.1% of the remainder, if any, as bonus to employees, and the rest, to be appropriated according to the stockholders' resolution.

The Corporation distributes both cash and stock dividends, taking into account its future capital expenditure requirements and cash position. The distribution of cash dividends should not be less than 10% of the total dividends of the year. The Corporation may raise the percentage of cash dividend distribution only if the Corporation's earnings and cash position is strong.

For the years ended December 31, 2014 and 2013, the bonus to employees was both \$1,000 thousand. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

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

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

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

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meetings on June 23, 2014 and June 11, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Legal reserve	\$ 9,481	\$ 8,087		
Cash dividends	<u>60,000</u>	<u>50,000</u>	\$0.6	\$0.5
	<u>\$ 69,481</u>	<u>\$ 58,087</u>		

The bonuses to employees for 2013 and 2012 were as follows:

	For the Year Ended December 31	
	2013	2012
	Cash Dividends	Cash Dividends
Bonus to employees	<u>\$ 1,000</u>	<u>\$ 1,000</u>

The appropriations of earnings for 2012 were proposed according to the Corporation's financial statements for the years ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2014 and 2013 and the amounts recognized in the financial statements for the years ended December 31, 2013 and 2012.

The appropriations of earnings for 2014 had been proposed by the Corporation's board of directors on March 26, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 9,718	
Cash dividends	60,000	\$0.6

The appropriations of earnings and the bonus to employees for 2014 are subject to the resolution of the shareholders' meeting to be held on June 15, 2015.

Information on the bonus to employees proposed by the Corporation's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves appropriated

On first-time adoption of IFRSs, the Corporation appropriated for special reserve, the amount that was the same as the cumulative translation differences transferred to retained earnings, which was \$17,619 thousand.

e. Other equities

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ (4,770)	\$ (12,650)
Exchange differences arising on translating the foreign operations	13,757	8,966
Share of exchange differences of subsidiaries and associates accounted for using the equity method	920	849
Income tax related to gains arising on translating the net assets of foreign operations	<u>(408)</u>	<u>(1,935)</u>
Balance at end of the year	<u>\$ 9,499</u>	<u>\$ (4,770)</u>

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

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ (228)	\$ (539)
Unrealized gain arising on revaluation of available-for-sale financial assets	352	281
Share of unrealized gain on revaluation of available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	<u>(36)</u>	<u>30</u>
Balance at end of the year	<u>\$ 88</u>	<u>\$ (228)</u>

18. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operation included the following items:

a. Other income

	For the Year Ended December 31	
	2014	2013
Government grant	\$ 14,087	\$ 13,233
Rental income	7,151	4,464
Interest income	3,381	2,251
Others	<u>13,806</u>	<u>14,621</u>
	<u>\$ 38,425</u>	<u>\$ 34,569</u>

b. Other gains and losses

	For the Year Ended December 31	
	2014	2013
Gain on disposal of available-for-sale financial assets	\$ 1,683	\$ 1,407
Loss on disposal of property, plant and equipment	(1,680)	(9,336)
Net foreign exchange gains (losses)	729	(520)
Gain on disposal of financial assets carried at cost	40	-
Impairment loss on financial assets carried at cost	-	(1,206)
Others	<u>(4,292)</u>	<u>(3,563)</u>
	<u>\$ (3,520)</u>	<u>\$ (13,218)</u>

c. Finance costs

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	<u>\$ 3</u>	<u>\$ 92</u>

d. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Property, plant and equipment</u>		
An analysis of deprecation by function		
Operating expenses	<u>\$ 72,571</u>	<u>\$ 78,288</u>
<u>Intangible assets</u>		
An analysis of amortization by function		
Operating expenses	<u>\$ 214</u>	<u>\$ 286</u>

e. Employee benefit expense

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Short-term employee benefits		
Salary	\$ 758,167	\$ 708,710
Labor and health Insurance	65,001	58,177
Others	<u>29,406</u>	<u>26,498</u>
	<u>852,574</u>	<u>793,385</u>
Retirement benefits (Note 16)		
Defined contribution plans	36,003	33,719
Defined benefit plans	<u>2,764</u>	<u>1,738</u>
	<u>38,767</u>	<u>35,457</u>
Total employee benefits expense	<u>\$ 891,341</u>	<u>\$ 828,842</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 330,657	\$ 303,306
Operating expenses	<u>560,684</u>	<u>525,536</u>
	<u>\$ 891,341</u>	<u>\$ 828,842</u>

19. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Current tax		
In respect of the current year	\$ 18,411	\$ 13,569
Tax on unappropriated earnings	2,659	2,278
In respect of prior periods	440	161
Deferred tax		
In respect of the current period	<u>(6,171)</u>	<u>2,034</u>
Income tax expense recognized in profit or loss	<u>\$ 15,339</u>	<u>\$ 18,042</u>

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

	For the Year Ended December 31	
	2014	2013
Income from continuing operations before tax	<u>\$ 112,516</u>	<u>\$ 112,851</u>
Income tax expense calculated at the statutory rate	\$ 19,128	\$ 19,185
Tax-exempt income	(86)	(194)
Additional income tax on unappropriated earnings	2,659	2,278
Unrecognized deductible temporary differences	(6,802)	(643)
Unrecognized investment tax credit	-	(2,745)
Adjustments for prior years' tax	<u>440</u>	<u>161</u>
Income tax expense recognized in profit or loss	<u>\$ 15,339</u>	<u>\$ 18,042</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation.

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
<u>Deferred tax</u>		
Translation of foreign operations	\$ 408	\$ 1,935
Actuarial gains and losses on the defined benefit plan	<u>(1,935)</u>	<u>(1,589)</u>
	<u>\$ (1,527)</u>	<u>\$ 346</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs of inventory	\$ 12,235	\$ (1,903)	\$ -	\$ 10,332
Defined benefit obligation	10,673	7,401	1,935	20,009
Others	<u>712</u>	<u>(142)</u>	<u>-</u>	<u>570</u>
	<u>\$ 23,620</u>	<u>\$ 5,356</u>	<u>\$ 1,935</u>	<u>\$ 30,911</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Subsidiaries and associates	\$ (14,843)	\$ 835	\$ -	\$ (14,008)
Exchange difference on foreign operations	(1,935)	-	(408)	(2,343)
Others	<u>-</u>	<u>(20)</u>	<u>-</u>	<u>(20)</u>
	<u>\$ (16,778)</u>	<u>\$ 815</u>	<u>\$ (408)</u>	<u>\$ (16,371)</u> (Concluded)

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs of inventory	\$ 8,302	\$ 3,933	\$ -	\$ 12,235
Deferred revenue	1,865	(1,865)	-	-
Defined benefit obligation	453	8,631	1,589	10,673
Others	104	608	-	712
Investment tax credits	<u>5,953</u>	<u>(5,953)</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,677</u>	<u>\$ 5,354</u>	<u>\$ 1,589</u>	<u>\$ 23,620</u>

Deferred tax liabilities

Temporary differences				
Subsidiaries and associates	\$ (7,455)	\$ (7,388)	\$ -	\$ (14,843)
Exchange difference on foreign operations	<u>-</u>	<u>-</u>	<u>(1,935)</u>	<u>(1,935)</u>
	<u>\$ (7,455)</u>	<u>\$ (7,388)</u>	<u>\$ (1,935)</u>	<u>\$ (16,778)</u>

d. Integrated income tax

	December 31	
	2014	2013
Unappropriated earnings generated before January 1, 1998	\$ 280,351	\$ 280,351
Unappropriated earnings generated on and after January 1, 1998	<u>211,736</u>	<u>194,164</u>
	<u>\$ 492,087</u>	<u>\$ 474,515</u>
Imputation credit accounts	<u>\$ 27,726</u>	<u>\$ 9,992</u>
	For the Year Ended December 31	
	2014	2013
	(Expected)	(Actual)
Creditable ratios for distribution of earning	17.18%	12.77%

e. Income tax assessments

The tax returns through 2012 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

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

Net Income

	For the Year Ended December 31	
	2014	2013
Income used in the computation of basic earnings per share	<u>\$ 97,177</u>	<u>\$ 94,809</u>
Income used in the computation of diluted earnings per share	<u>\$ 97,177</u>	<u>\$ 94,809</u>

Shares

	(In Thousands of Shares)	
	For the Year Ended December 31	
	2014	2013
Weighted average number of common shares in computation of basic earnings per share	100,000	100,000
Effect of potentially dilutive common shares		
Bonus issue to employees	<u>112</u>	<u>99</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>100,112</u>	<u>100,099</u>

If the Corporation offered to settle bonuses paid to employees in cash or shares, the Corporation assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of

diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

21. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of office with lease terms between 1 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Corporation does not have a bargain purchase option to acquire the leased office at the expiration of the lease periods.

The Corporation has paid refundable deposits for operating lease arrangements at December 31, 2014 and 2013, were \$140 thousand and \$120 thousand, respectively.

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

	December 31	
	2014	2013
Not later than 1 year	\$ 36,480	\$ 35,640
Later than 1 year and not later than 5 years	145,570	142,560
Later than 5 years	<u>106,920</u>	<u>142,560</u>
	<u>\$ 288,970</u>	<u>\$ 320,760</u>

22. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged from 2013.

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, or the amount of new debt issued or existing debt redeemed.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

The Corporation's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<u>December 31, 2014</u>				
Available-for-sale financial assets				
Mutual funds	\$ 127,390	\$ -	\$ -	\$ 127,390
Securities listed in ROC - equity securities	<u>1,580</u>	<u>-</u>	<u>-</u>	<u>1,580</u>
	<u>\$ 128,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,970</u>
<u>December 31, 2013</u>				
Available-for-sale financial assets				
Mutual funds	\$ 62,063	\$ -	\$ -	\$ 62,063
Securities listed in ROC - equity securities	<u>1,580</u>	<u>-</u>	<u>-</u>	<u>1,580</u>
	<u>\$ 63,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,643</u>

There were no transfers between Levels 1 and 2 in 2014 and 2013.

b. Categories of financial instruments

	<u>December 31</u>	
	2014	2013
<u>Financial assets</u>		
Loans and receivables (1)	\$ 1,640,216	\$ 1,639,703
Available-for-sale financial assets (2)	132,120	66,793
<u>Financial liabilities</u>		
Amortized cost (3)	1,265,627	1,121,067

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, and trade and other receivables.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, and trade and other payables.

c. Financial risk management objectives and policies

The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Corporation's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below)

a) Exchange rate sensitivity analysis

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Corporation was mainly exposed to USD.

The following details the Corporation's sensitivity to a 10% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

For the years ended December 31, 2014 and 2013, there would be an increase of \$2,983 thousand and \$2,405 thousand, respectively, in pre-tax profit associated with New Taiwan dollars strengthen 10% against USD. For a 10% weakening of New Taiwan dollars against USD, there would be an equal and opposite impact on pre-tax profit and the balances would be negative. The effect of exchange rate changes was mainly attributable to the exposure outstanding on USD cash, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Corporation is exposed to interest rate risk arising from the investments, classified as loans and receivables, at floating interest rates.

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

	December 31	
	2014	2013
Fair value interest rate risk		
Financial assets	\$ 256,867	\$ 209,064
Cash flow interest rate risk		
Financial assets	128,228	107,519

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 1 basis point higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2014 and 2013 would decrease/increase by \$13 thousand and \$11 thousand, respectively.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties. Before trading with new customers, the Corporation assessed the credit quality of potential customer by internal credit checking and set the credit limit which is reassessed annually.

The Corporation did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

c. Liquidity risk

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

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2014 and 2013, the Corporation had available unutilized short-term bank loan facilities set out in (2) below.

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

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ -	\$ 1,265,627	\$ -
Financial guarantee contracts	-	-	155,492
	<u>\$ -</u>	<u>\$ 1,265,627</u>	<u>\$ 155,492</u>

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ -	\$ 1,121,067	\$ -
Financial guarantee contracts	-	-	71,532
	<u>\$ -</u>	<u>\$ 1,121,067</u>	<u>\$ 71,532</u>

The amounts included above for financial guarantee contracts were the maximum amounts the Corporation could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

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

2) Financing facilities

	<u>December 31</u>	
	2014	2013
Secured bank overdraft facility:		
Amount used	\$ -	\$ 1,160
Amount unused	<u>140,000</u>	<u>238,840</u>
	<u>\$ 140,000</u>	<u>\$ 240,000</u>
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	\$ 271,957	\$ 345,827
Amount unused	<u>788,043</u>	<u>584,173</u>
	<u>\$ 1,060,000</u>	<u>\$ 930,000</u>

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of good

Line Items	Related Party Categories	For the Year Ended December 31	
		2014	2013
Sales	Subsidiaries	\$ 28,418	\$ 3,490
	Associates	2,094	50,458
	Others	-	267
		<u>\$ 30,512</u>	<u>\$ 54,215</u>

b. Purchases of goods

Line Items	Related Party Categories	For the Year Ended December 31	
		2014	2013
Purchase	Subsidiaries	\$ 27,769	\$ 35,930
	Associates	106	-
		<u>\$ 27,875</u>	<u>\$ 35,930</u>

c. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31	
		2014	2013
Accounts receivable	Subsidiaries	\$ 27,769	\$ 35,930
	Associates	106	-
		<u>\$ 27,875</u>	<u>\$ 35,930</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2014 and 2013, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	December 31	
		2014	2013
Accounts payable	Subsidiaries	\$ 18,985	\$ 14,076
	Joint ventures	1,010	-
	Investors that have significant influence over the Corporation	23	-
		<u>\$ 20,018</u>	<u>\$ 14,076</u>

The outstanding trade payables from related parties are unsecured and paid off by cash.

e. Endorsements and guarantees

Refer to TABLE 1 for information relating to endorsements/guarantees provided with related parties.

f. Rental expense

Line Items	Related Party Categories	December 31	
		2014	2013
Operating expenses	Investors that have significant influence over the Corporation	\$ 35,422	\$ 35,851

g. Rental revenue

Line Items	Related Party Categories	December 31	
		2014	2013
Other income	Subsidiaries	\$ 3,124	\$ 1,130
	Joint ventures	2,761	2,068
		<u>\$ 5,885</u>	<u>\$ 3,198</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	\$ 140,257	\$ 120,897
Post-employment benefits	6,353	5,925
	<u>\$ 146,610</u>	<u>\$ 126,822</u>

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

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The assets pledged as collaterals for system design contract, bank loans and for product warranty were as follows:

	December 31	
	2014	2013
Pledge deposits (accounted for as debt investments with no active market)	\$ 146,409	\$ 156,689
Property, plant and equipment, net	<u>80,266</u>	<u>154,512</u>
	<u>\$ 226,675</u>	<u>\$ 311,201</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2014, for the contracts with customers and the application for government grants, the Corporation issued guarantee notes and had bank guarantee amounting to \$53,445 and \$271,957 thousand, respectively.

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

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

December 31, 2014			
	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousands of Dollars)
<u>Financial assets</u>			
Monetary items			
USD	\$ 373	31.6500	\$ 11,818
Non-monetary items			
USD	7,833	31.6500	247,925
JPY	32,043	0.2646	8,479
<u>Financial liabilities</u>			
Monetary items			
USD	1,316	31.65000	41,652
December 31, 2013			
	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousands of Dollars)
<u>Financial assets</u>			
Monetary items			
USD	\$ 118	29.8050	\$ 3,524
JPY	14,085	0.2839	3,999
Non-monetary items			
USD	8,114	29.8050	241,844
JPY	32,019	0.2839	9,090
<u>Financial liabilities</u>			
Monetary items			
USD	924	29.8050	27,577

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None.

2) Endorsements/guarantees provided: Table 1.

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): Table 2.

- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 9) Trading in derivative instruments: None.
 - 10) Information on investees: Table 3.
- b. Investments in Mainland China:
- 1) Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China area: Table 4.
 - 2) Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

SYSCOM COMPUTER ENGINEERING CO.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars, U.S. Dollars and Thai Baht Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Ending Used Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	Syscom Computer Engineering Co.	Syscom Computer (Shenzhen) Co., Ltd. Netmaker Technology Co. WiseMaker Technology Co. Casemaker, Inc. Coach Tech Management Co.	Indirect subsidiary Subsidiary Subsidiary Subsidiary Subsidiary	20% of net worth, \$346,344 Same as above Same as above Same as above Same as above	\$ 297,510 (US\$ 9,400) 120,000 38,000 75,960 (US\$ 2,400) 15,000	\$ 177,240 (US\$ 5,600) 110,000 30,000 37,980 (US\$ 1,200) 15,000	\$ 126,992 28,500 - - - -	\$ - - - - -	10.23% 6.35% 1.73% 2.19% 0.87%	50% of net worth, \$865,861 Same as above Same as above Same as above Same as above	Yes Yes Yes Yes Yes	No No No No No	Yes No No No No

Note: The above amounts were translated into New Taiwan dollar at the prevailing exchange rate as of December 31, 2014.

SYSCOM COMPUTER ENGINEERING CO.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars, U.S. Dollars and Thai Baht Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2014			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value
Syscom Computer Engineering Co.	Beneficiary certificates	-	Available-for-sale financial assets - current	100	\$ 1,084	-	\$ 1,084
	Yuanta Taiwan Stock Index Fund	-	Available-for-sale financial assets - current	948	15,033	-	15,033
	Capital Money Market	-	Available-for-sale financial assets - current	1,850	20,029	-	20,029
	CTBC Hwa-win Money Market Fund	-	Available-for-sale financial assets - current	749	10,013	-	10,013
	Eastspring Inv Well Pool Money Market	-	Available-for-sale financial assets - current	100	1,005	-	1,005
	Concord Dream	-	Available-for-sale financial assets - current	1,510	20,060	-	20,060
	Taishin 1699 Money Market	-	Available-for-sale financial assets - current	393	5,025	-	5,025
	Black Rock TWD Money Market	-	Available-for-sale financial assets - current	4,481	55,141	-	55,141
Casemaker, Inc.	Common stocks	The Corporation is its director	Financial assets carried at cost - noncurrent	1,000	3,150	9.09	2,299
	Engsound Technical enterprise Co., Ltd.		Available-for-sale financial assets - noncurrent	159	1,580	0.01	1,599
	Masterlink Securities Co., Ltd.						
Coach Tech Management Co.,	Common stocks	-	Financial assets carried at cost - noncurrent	-	467	19.00	321
	CI Japan	-					
WiseMaker Technology Co.	Beneficiary certificates	-	Available-for-sale financial assets - current	70	1,001	-	1,001
	Fuh Hwa Money Market	-					
	Beneficiary certificates	-	Available-for-sale financial assets - current	413	6,003	-	6,003
	Jih Sun Money Market	-	Same as above	98	1,552	-	1,552
	Capital Money Market	-					

Note 1: The basis of market value: For listed stocks, closing price as of December 31, 2014.

Note 2: Amount was based on the net asset value of the fund as of December 31, 2014.

Note 3: The calculation of the net asset value was based on the investees' audited financial statements as of December 31, 2014.

Note 4: The above stocks and beneficiary certificates were not provided as guarantee.

SYSYCOM COMPUTER ENGINEERING CO.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COPORATION EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, U.S. Dollars and Thai Baht Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2014	December 31, 2013	Shares (Thousands)	Carrying Value			
Syscom Computer Engineering Co.	Dimension Computer Technology Co., Ltd.	Taipei	Wholesale and retail of information software, electronic devices and machinery equipment.	\$ 39,284	\$ 39,284	6,759	\$ 81,916	\$ (4,774)	\$ (841)	Equity-method investee
	CASEMaker, Inc.	California	Sale of computer software and related products.	US\$ 1,300	US\$ 1,300	1,300	131,211	990	990	Subsidiary
	Syscom International Inc.	Cayman Islands	Investment	US\$ 3,200	US\$ 3,200	3,200	116,714	(8,996)	(8,996)	Subsidiary
	Netmaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	15,100	15,100	2,492	40,054	1,097	829	Subsidiary
	WiseMaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	41,675	41,675	2,664	44,970	2,762	2,725	Subsidiary
	DBMaker Japan Inc.	Tokyo	Sale of computer software and related products	JPY 53,260	JPY 53,260	5	8,479	13	6	Equity-method investee
	Syscom Vietnam Co., Ltd.	Vietnam	Consultation and administration of computer system, consultation on computer science and technology and other related computer services	US\$ 400	US\$ 400	-	7,497	(1,113)	(1,113)	Subsidiary
	Coach Tech Management Co.	Taipei	Business management consulting	19,200	19,200	1,950	3,076	1,169	1,139	Subsidiary
	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 30,894	THB 30,894	3,160	119	754	677	Subsidiary
	CloudMaster Co., Ltd.	Taipei	Provision of services on information software, data processing and electronic information.	65,000	65,000	6,500	54,389	(10,244)	(5,122)	Equity-method investee
Coach Tech Management Co.	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 200	THB 200	20	1	754	Not applicable	Subsidiary

Note 1: The foreign currency amount of the net income of the investee is expressed in New Taiwan dollars at the average exchange rate in 2014.

Note 2: Refer to Table 4 for information relating to investment in Mainland China.

SYSKOM COMPUTER ENGINEERING CO.

INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Net Income (Loss) of the Investment (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2014 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
Syscom Computer (Shenzhen) Co., Ltd.	Development and manufacture of computer equipment and computer software; sale of self-manufactured products and provision of technical services	\$ 94,950 (US\$ 3,000)	Note 1	\$ 84,506 (US\$ 2,670)	\$ -	\$ -	\$ 84,506 (US\$ 2,670)	\$ (10,395) (US\$ (343))	97.40	\$ (10,122) (US\$ (334))	\$ 117,706 (US\$ 3,719)	\$ -
Xian Lian Computer Company	Development and manufacture of computer equipment and computer software; sale of self-manufactured products and provision of technical services	23,738 (US\$ 750)	Note 1	5,317 (US\$ 168)	-	-	5,317 (US\$ 168)	1,788 (US\$ 59)	48.11	849 (US\$ 28)	17,028 (US\$ 538)	-

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
\$ 89,823 (US\$ 2,838)	\$ 89,823 (US\$ 2,838) (Note 1 (b))	\$1,039,033
-	13,799 (US\$ 436) (Note 1 (a))	

Note 1: a. An investee of CASEMaker, Inc., a wholly owned subsidiary of Syscom Computer Engineering Company and dividend from paid capital.

b. An investee of Syscom International Inc., a wholly owned subsidiary of Syscom Computer Engineering Company.

Note 2: The calculation was based on the investees' audited financial statements as of December 31, 2014.

Note 3: The upper limit is calculated as follows:
60% of the stockholders' equity = \$1,731,721 × 60% = \$1,039,033

Note 4: The foreign currency amounts of original investment amount and carrying value are expressed in New Taiwan dollars at exchange rate as of December 31, 2014; the foreign currency amount of net income is expressed in New Taiwan dollars at average exchange rate for the year ended December 31, 2014.