Phison Electronics Corp. and Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2015 and 2014 and
Independent Auditors' Report
(Audited after Restated)

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

PHISON ELECTRONICS CORP.

By

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KHEIN SENG PUA
Chairman

September 21, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

We have audited the accompanying restated consolidated balance sheets of Phison Electronics Corp. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related restated consolidated statements of comprehensive income, and changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

As stated in Note 4, to conform to Rule No. 1050036477 issued by the FSC, Phison Electronics Corp. acknowledged Everspeed Technology Group (including Everspeed Technology Limited, Memoryexchange Corporation, Cloud Solution Global Limited and Fast Choice Global Limited) and Twinson Electronics Corporation (100% acquired by Phison Electronics Corp. on December 25, 2014 and renamed as Ostek Corporation) as its controlled entities and included these entities in the consolidated financial statements. Such rule and acknowledgment served as the basis for the restatement of the consolidated financial statements from January 1, 2009 to June 30, 2016. Please refer to Note 4 for the effects of the restatement on the consolidated financial statements.

As stated in Note 33, on August 5, 2016, Phison Electronics Corp. was searched by the Hsinchu District Prosecutors Office for alleged violation of the Securities and Exchange Act, and relevant personnel had been interrogated. The case remains under statutory investigation.

We have also audited the financial statements of the parent company, Phison Electronics Corp., as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified report.

September 21, 2016

Notice to Readers

The accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 12,405,596	44	$ 8,557,923	36
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 27)	2,226,804	8	2,082,695	9
Debt investments with no active market - current (Notes 4, 8 and 30)	20,408	-	20,819	-
Notes and accounts receivable				
Third parties (Notes 4 and 9)	4,063,528	14	3,807,795	16
Related parties (Notes 4, 9 and 28)	370,224	1	247,488	1
Other receivables (Note 9)	384,324	1	372,070	2
Current tax assets (Notes 4 and 22)	829	-	56,877	-
Inventories (Notes 4 and 10)	5,251,376	19	5,536,728	23
Prepayments	61,174	-	23,524	-
Other current assets	39,358	-	15,633	-
Total current assets	24,823,621	87	20,721,552	87
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 11)	295,950	1	-	-
Financial assets measured at cost - non-current (Notes 4 and 12)	605,219	2	388,721	2
Investments accounted for by the equity method (Notes 4 and 14)	708,755	2	732,776	3
Property, plant and equipment (Notes 4 and 15)	1,637,395	6	1,634,020	7
Intangible assets (Notes 4 and 16)	198,623	1	126,804	1
Deferred tax assets (Notes 4 and 22)	145,843	1	93,281	-
Guarantee deposits paid	3,381	-	637	-
Total non-current assets	3,595,166	13	2,976,239	13
TOTAL	$ 28,418,787	100	$ 23,697,791	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 196,950	1	$ -	-
Notes and accounts payable				
Third parties	1,091,580	4	1,845,687	8
Related parties (Note 28)	3,164,580	11	2,213,827	9
Other payables (Note 18)	2,332,344	8	1,918,251	8
Current tax payable (Notes 4 and 22)	654,254	2	596,369	3
Current provisions (Notes 4 and 19)	149,852	1	71,128	-
Other current liabilities	210,352	1	222,185	1
Total current liabilities	7,799,912	28	6,867,447	29
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	1,858	-	7,891	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	66,901	-	42,458	-
Guarantee deposits received	254	-	2,454	-
Total non-current liabilities	69,013	-	52,803	-
Total liabilities	7,868,925	28	6,920,250	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Capital stock				
Common shares	1,973,740	7	1,854,740	8
Capital surplus	6,514,569	23	4,487,500	19
Retained earnings				
Legal reserve	1,956,106	7	1,635,991	7
Special reserve	5,056	-	11,241	-
Unappropriated earnings	9,990,216	35	8,533,064	36
Total retained earnings	11,951,378	42	10,180,296	43
Other equity	(111,358)	(1)	(5,056)	-
Total equity attributable to owners of the Company	20,328,329	71	16,517,480	70
NON-CONTROLLING INTERESTS	221,533	1	260,061	1
Total equity	20,549,862	72	16,777,541	71
TOTAL	$ 28,418,787	100	$ 23,697,791	100

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

(With Deloitte & Touche audit report dated September 21, 2016)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	2015		2014	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 4 and 28)				
Gross sales	$ 37,702,656	101	$ 32,983,107	101
Less: Sales returns and allowances	393,644	1	294,270	1
Net sales	37,309,012	100	32,688,837	100
Service revenue	100,165	-	130,695	-
Total operating revenues	37,409,177	100	32,819,532	100
OPERATING COSTS (Notes 4, 10, 23 and 28)	29,781,713	80	27,450,298	84
GROSS PROFIT	7,627,464	20	5,369,234	16
OPERATING EXPENSES (Notes 23 and 28)				
Marketing	544,408	2	519,306	2
General and administrative	461,053	1	386,097	1
Research and development	2,395,099	6	1,673,799	5
Total operating expenses	3,400,560	9	2,579,202	8
OPERATING INCOME	4,226,904	11	2,790,032	8
NONOPERATING INCOME AND EXPENSES				
Other gains and losses (Note 23)	134,119	-	287,382	1
Share of gains (losses) of associates (Notes 2 and 14)	(20,736)	-	159,287	1
Other income (Note 23)	136,008	1	88,168	-
Financial costs	(3,031)	-	(2,440)	-
Total nonoperating income and expenses	246,360	1	532,397	2
PROFIT BEFORE INCOME TAX	4,473,264	12	3,322,429	10
INCOME TAX EXPENSE (Notes 4 and 22)	576,571	2	541,355	2
NET PROFIT FOR THE YEAR	3,896,693	10	2,781,074	8
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(22,094)	-	(6,326)	-

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	2015		2014	
	Amount	**%**	**Amount**	**%**
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 22)	$ 3,756	-	$ 1,075	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(32,764)	-	(5,415)	-
Unrealized gain (loss) on available-for-sale financial assets	(84,750)	-	-	-
Share of other comprehensive gain of associates	-	-	8,759	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss (Note 22)	4,414	-	(1,267)	-
Other comprehensive income (loss) for the year, net of income tax	(131,438)	-	(3,174)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,765,255	10	$ 2,777,900	8
NET PROFIT ATTRIBUTED TO:				
Owners of the Parent	$ 4,000,009	10	$ 3,201,149	10
Non-controlling interests	(103,316)	-	(420,075)	(2)
	$ 3,896,693	10	$ 2,781,074	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Parent	$ 3,875,369	10	$ 3,202,083	10
Non-controlling interests	(110,114)	-	(424,183)	(2)
	$ 3,765,255	10	$ 2,777,900	8
EARNINGS PER SHARE; NEW TAIWAN DOLLARS (Note 24)				
Basic	$ 20.41		$ 17.48	
Diluted	$ 20.12		$ 17.23	

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

(With Deloitte & Touche audit report dated September 21, 2016.) (Concluded))

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent									
			Retained Earnings			Other Equity				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	$ 1,804,740	$ 3,349,156	$ 1,318,937	$ 9,001	$ 7,551,437	$ (11,241)	$ -	$ 14,022,030	$ 693,728	$ 14,715,758
Appropriation of the 2013 earnings										
Legal reserve	-	-	317,054	-	(317,054)	-	-	-	-	-
Special reserve	-	-	-	2,240	(2,240)	-	-	-	-	-
Cash dividends - NT$10.216941 per share	-	-	-	-	(1,894,977)	-	-	(1,894,977)	-	(1,894,977)
Issue of common shares for cash as of June 20, 2014 - NT$185 per share	50,000	875,000	-	-	-	-	-	925,000	-	925,000
Arising from share of changes in capital surplus of associates	-	263,344	-	-	-	-	-	263,344	-	263,344
Non-controlling interests	-	-	-	-	-	-	-	-	(9,484)	(9,484)
Net profit for the year ended December 31, 2014	-	-	-	-	3,201,149	-	-	3,201,149	(420,075)	2,781,074
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(5,251)	6,185	-	934	(4,108)	(3,174)
BALANCE AT DECEMBER 31, 2014	1,854,740	4,487,500	1,635,991	11,241	8,533,064	(5,056)	-	16,517,480	260,061	16,777,541
Appropriation of the 2014 earnings										
Legal reserve	-	-	320,115	-	(320,115)	-	-	-	-	-
Reversal of special reserve	-	-	-	(6,185)	6,185	-	-	-	-	-
Cash dividends - NT$11.2 per share	-	-	-	-	(2,210,589)	-	-	(2,210,589)	-	(2,210,589)
Issue of common shares for cash on February 13, 2015 - NT$180 per share	119,000	2,023,000	-	-	-	-	-	2,142,000	-	2,142,000
Change in equity from the consideration received in excess of the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	4,069	-	-	-	-	-	4,069	-	4,069
Non-controlling interests	-	-	-	-	-	-	-	-	71,586	71,586
Net profit for the year ended December 31, 2015	-	-	-	-	4,000,009	-	-	4,000,009	(103,316)	3,896,693
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(18,338)	(21,552)	(84,750)	(124,640)	(6,798)	(131,438)
BALANCE AT DECEMBER 31, 2015	$ 1,973,740	$ 6,514,569	$ 1,956,106	$ 5,056	$ 9,990,216	$ (26,608)	$ (84,750)	$ 20,328,329	$ 221,533	$ 20,549,862

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

(With Deloitte & Touche audit report dated September 21, 2016)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 4,473,264	$ 3,322,429
Adjustments for:		
Net gains on foreign currency exchange	(203,344)	(295,455)
Recognition of provisions	180,250	143,811
Depreciation	108,778	91,159
Amortization	105,779	85,425
Allowance for bad debts	61,698	15,317
Impairment loss recognized on financial assets	46,811	30,878
Dividend income	(42,656)	(6,438)
Interest income	(38,099)	(34,085)
Share of losses (gains) of associates	20,736	(159,287)
Reversal of write-down of inventories	(13,062)	(16,366)
Financial costs	3,031	2,440
Loss on disposal of financial assets measured at cost	1,614	24,309
Loss on sale of property, plant and equipment	8	-
Loss on disposal of investments accounted for by the equity method	-	8,759
Net changes related to operating assets and liabilities		
Financial assets at fair value through profit or loss	(144,109)	(323,348)
Notes and accounts receivable	(402,417)	(317,286)
Other receivable	(11,053)	(164,090)
Inventories	298,437	154,443
Prepayments	(50,530)	(17,451)
Other current assets	(23,725)	78,741
Notes and accounts payable	186,578	(780,916)
Other payables	412,403	63,820
Provisions	(101,526)	(230,849)
Other current liabilities	(12,273)	115,638
Accrued pension costs	2,349	8,822
Cash generated from operations	4,858,942	1,800,420
Interest paid	(2,971)	(2,336)
Income tax paid	(512,785)	(611,992)
Net cash generated from operating activities	4,343,186	1,186,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for available-for-sale financial assets	(380,700)	-
Purchase of financial assets measured at cost	(273,060)	(302,538)
Payments for intangible assets	(177,598)	(77,728)
Payments for property, plant and equipment	(99,450)	(68,990)
Dividends received	42,656	6,438
Interest received	37,792	34,115
Proceeds of the disposal of financial assets measured at cost	8,137	2,743
Proceeds of the capital reduction of investments accounted for by the equity method	4,298	2,625

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	2015	2014
(Increase) decrease in refundable deposits	$ (2,744)	$ 197
Decrease in debt investments with no active market	411	93,905
Proceeds of the disposal of investment accounted for by the equity method	-	6,003
Purchase of investments accounted for by the equity method	-	(124,354)
Net cash used in investing activities	(840,258)	(427,584)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(2,210,589)	(1,894,977)
Proceeds of the issue of common shares	2,142,000	925,000
Increase (decrease) in short-term borrowings	198,396	(89,415)
Decrease in guarantee deposits	(2,200)	(4)
Increase (decrease) in non-controlling interests	75,655	(9,484)
Net cash generated from (used in) financing activities	203,262	(1,068,880)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	141,483	148,819
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,847,673	(161,553)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,557,923	8,719,476
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 12,405,596	$ 8,557,923

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

(With Deloitte & Touche audit report dated September 21, 2016) (Concluded)

1. GENERAL INFORMATION

Phison Electronics Corp. (the "Corporation") was incorporated on November 8, 2000 under the Company Act of the Republic of China (ROC). The Corporation mainly designs and sells flash memory controllers and peripheral system applications.

The Corporation's shares have been traded on the Taipei Exchange (for over-the-counter trading in Taiwan) since December 6, 2004.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on September 21, 2016.

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

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

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

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

   1) IFRS 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 in past standards; for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

      The fair value measurement under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 28 for related disclosures.

2) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

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

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain 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 associates accounted for using the equity method.

The application of the above amendments did not result in any impact on the net profit for the period, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

As noted above, the adoption of IFRS 2013 version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers has effect only on the presentation and disclosures of the consolidated financial statements but no significant impact on assets, liabilities and equity.

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

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

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

<u>The impairment of financial assets</u>

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

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

2) IFRS 16 "Leases"

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

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

3) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even if there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets as more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

The Cause and Effect of Restatement of Financial Statements

As recorded in the minutes of meetings of the Corporation's board of directors on August 11, 2016 and as stipulated in the declaration of Mr. Khein Seng Pua, the Chairman of the Corporation, Mr. Khein Seng Pua has substantial control over the operations and management of Everspeed Technology Group (including Everspeed Technology Limited, Memoryexchange Corporation (controlled since October 2010), Cloud Solution Global Limited (established on October 25, 2012), and Fast Choice Global Limited (established on May 23, 2013)) and Twinson Electronics Corporation (100% acquired by the Corporation on December 25, 2014 and renamed as Ostek Corporation) and, therefore, these companies are related parties of the Corporation. On September 1, 2016, the Corporation received Rule No. 1050036477 issued by the FSC which mandated and acknowledged that the mentioned companies are controlled entities that should be included in the consolidated financial statements. To conform to the Rule, the Corporation has restated its consolidated financial statements from January 1, 2009 to June 30, 2016.

The Corporation does not have any equity interests in Everspeed Technology Group. Therefore, in the consolidated financial statements after restatement, the equity of Everspeed Technology Group is entirely reported as non-controlling interests, and the income (loss) and other comprehensive income (loss) of Everspeed Technology Group is entirely reported as non-controlling interests.

As stated above, on December 25, 2014, the Corporation acquired 100% of Twinson Electronics Corp's shares and became a wholly owned subsidiary after the acquisition date; the Corporation did not hold any interests in the company before the acquisition date. Therefore, in the consolidated financial statements after restatement, the equity of Twinson Electronics Corp before the acquisition date was entirely reported as non-controlling interests, and the income (loss) and other comprehensive income (loss) of the company before the acquisition date was entirely reported as non-controlling interests. In addition, the accounting of the acquisition was considered as equity transaction.

The Group has restated its consolidated financial statements for the years ended December 31, 2015 and 2014 in accordance with the consolidation basis mentioned above. The effects of the restatement on the consolidated financial statements were as follows:

The Effect on Assets, Liabilities, and Equity	Amount before Restatement	Affected Amount	Amount after Restatement
December 31, 2015			
Assets			
Current assets	$ 24,206,141	$ 617,480	$ 24,823,621
Non-current assets	3,546,282	48,884	3,595,166
Total assets	$ 27,752,423	$ 666,364	$ 28,418,787
Liabilities			
Current liabilities	$ 7,327,671	$ 472,241	$ 7,799,912
Non-current liabilities	68,087	926	69,013
Total liabilities	$ 7,395,758	$ 473,167	$ 7,868,925
Equity			
Attributed to owners of the company	$ 20,328,329	$ -	$ 20,328,329
Attributed to non-controlling interests	28,336	193,197	221,533
Total equity	$ 20,356,665	$ 193,197	$ 20,549,862
December 31, 2014			
Assets			
Current assets	$ 19,920,540	$ 801,012	$ 20,721,552
Non-current assets	2,888,005	88,234	2,976,239
Total assets	$ 22,808,545	$ 889,246	$ 23,697,791
Liabilities			
Current liabilities	$ 6,238,262	$ 629,185	$ 6,867,447
Non-current liabilities	52,803	-	52,803
Total liabilities	$ 6,291,065	$ 629,185	$ 6,920,250
Equity			
Attributed to owners of the company	$ 16,517,480	$ -	$ 16,517,480
Attributed to non-controlling interests	-	260,061	260,061
Total equity	$ 16,517,480	$ 260,061	$ 16,777,541
For the years ended December 31, 2015			
Operating revenues	$ 37,178,103	$ 231,074	$ 37,409,177
Operating costs	29,541,921	239,792	29,781,713
Gross profit	7,636,182	(8,718)	7,627,464
Operating expenses	3,360,624	39,936	3,400,560
Operating income	4,275,558	(48,654)	4,226,904

(Continued)

Impact on Total Comprehensive Income	Amount before Restatement	Affected Amount	Amount after Restatement
Non operating income and expenses	$ 256,274	$ (9,914)	$ 246,360
Profit before income tax	4,531,832	(58,568)	4,473,264
Income tax expense	574,303	2,268	576,571
Net profit for the year	3,957,529	(60,836)	3,896,693
Other comprehensive income for the year	(125,410)	(6,028)	(131,438)
Total comprehensive income for the year	$ 3,832,119	$ (66,864)	$ 3,765,255
Net profit attributed to:			
Owners of the company	$ 4,000,009	$ -	$ 4,000,009
Non-controlling interests	(42,480)	(60,836)	(103,316)
	$ 3,957,529	$ (60,836)	$ 3,896,693
Total comprehensive income attributed to:			
Owners of the company	$ 3,875,369	$ -	$ 3,875,369
Non-controlling interests	(43,250)	(66,864)	(110,114)
	$ 3,832,119	$ (66,864)	$ 3,765,255
For the years ended December 31, 2014			
Operating revenues	$ 33,074,698	$ (255,166)	$ 32,819,532
Operating costs	27,485,126	(34,828)	27,450,298
Gross profit	5,589,572	(220,338)	5,369,234
Operating expenses	2,408,378	170,824	2,579,202
Operating income	3,181,194	(391,162)	2,790,032
Non operating income and expenses	550,750	(18,353)	532,397
Profit before income tax	3,731,944	(409,515)	3,322,429
Income tax expense	530,795	10,560	541,355
Net profit for the year	3,201,149	(420,075)	2,781,074
Other comprehensive income for the year	934	(4,108)	(3,174)
Total comprehensive income for the year	$ 3,202,083	$ (424,183)	$ 2,777,900
Net profit attributed to:			
Owners of the company	$ 3,201,149	$ -	$ 3,201,149
Non-controlling interests	-	(420,075)	(420,075)
	$ 3,201,149	$ (420,075)	$ 2,781,074
Total comprehensive income attributed to:			
Owners of the company	$ 3,202,083	$ -	$ 3,202,083
Non-controlling interests	-	(424,183)	(424,183)
	$ 3,202,083	$ (424,183)	$ 2,777,900

Basis of Preparation

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

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

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

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

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

Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and 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:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as non-current.

Basis of Consolidation

<u>Principles for preparing consolidated financial statements</u>

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

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

<u>Attribution of total comprehensive income to non-controlling interests</u>

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 13, Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

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

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

Nonmonetary 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 nonmonetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary 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.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group'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 (attributed to the owners of the Corporation and non-controlling interests as appropriate).

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

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

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus changes of associates and joint ventures in the Group's share of equity. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate 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.

When the Group determines impairment loss, 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.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

Property, Plant and Equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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.

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

Intangible Assets

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 being accounted for on a prospective basis.

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (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.

a. Financial assets

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

   Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Refer to Note 27 for related disclosures.

2) 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 Group's right to receive the dividends is established.

Available-for-sale equity investments with no quoted market prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of these 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.

b. Loans and receivables

Loans and receivables (including notes and accounts receivable, cash and cash equivalents, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, 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.

c. Impairment of financial assets

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

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

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

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

For 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 trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade 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.

d. Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the 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.

Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Specifically, sales of goods are recognized when goods are delivered and title has passed.

b. Rendering service income

Service income is recognized when services are provided.

c. 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 Group 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 Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases 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.

a. The Group as lessor

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

b. The Group as lessee

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

Employee Benefits Costs

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit or when the Group recognizes any related restructuring costs.

Share-based Payment Arrangements - Employee Share Options

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

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

Taxation

Income tax expense is the sum of the current tax payable and deferred tax.

a. Current tax

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

Adjustments of prior years' tax liabilities are included in the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated 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 loss carry forward 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only 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. Previously unrecognized deferred tax assets are also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to 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 based on the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. 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 Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount 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 Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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. Provision for sales returns and allowances

Provision for sales returns and allowances refers to the Corporation's best estimate of the future outflow of the economic resources that will be required for the settlement of the Corporation's obligations. The estimate has been made on the basis of historical experience, management's judgment, and any known factors that would significantly affect sales returns and allowances, changes in market conditions may have a material impact on the estimation of provision.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	**2014**
Cash on hand	$ 98	$ 100
Checking accounts and demand accounts	7,705,446	5,217,965
Cash equivalents		
Time deposits with original maturities of less 3 months	4,700,052	3,339,858
	$ 12,405,596	$ 8,557,923

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2015	**2014**
Financial assets held for trading		
Beneficial certificates - open-end funds	$ 2,150,244	$ 1,982,296
Domestic quoted stocks	76,560	100,399
	$ 2,226,804	$ 2,082,695

8. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2015	**2014**
Certificates of deposits	$ 20,408	$ 20,819

See Note 30 for more information on debt investments with no active market.

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2015	2014
Notes and accounts receivable - trade		
Third parties	$ 4,197,226	$ 3,879,795
Related parties	370,224	247,488
	4,567,450	4,127,283
Less: Allowance for doubtful accounts	133,698	72,000
Notes and accounts receivable, net	$ 4,433,752	$ 4,055,283
Other receivables		
Income tax refund receivable	$ 204,785	$ 230,977
Factored accounts receivable	147,260	104,337
Others	32,279	36,756
Other receivables	$ 384,324	$ 372,070

Accounts Receivable - Trade

Of the balances of trade receivables that were past due at the end of the reporting period, the Group had not recognized an allowance for impaired trade receivables because there had been no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances nor did it have a legal right to make offsets against any amounts owed by the Group to the counter-party.

The aging of receivables was as follows:

	December 31	
	2015	2014
Not past due	$ 4,065,359	$ 3,771,127
1-60 days	382,596	288,138
61-90 days	47,473	159
91-120 days	31,551	17,050
More than 121 days	40,471	50,809
	$ 4,567,450	$ 4,127,283

The above analysis was based on the past due days from end of credit term.

The Group had no receivables that were past due but not impaired.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	$ 28,474	$ 28,209	$ 56,683
Add: Impairment losses recognized on receivables	-	15,317	15,317
Balance at December 31, 2014	28,474	43,526	72,000
Add: Impairment losses recognized on receivables	55,048	6,650	61,698
Balance at December 31, 2015	$ 83,522	$ 50,176	$ 133,698

The Group individually recognized impairment losses on trade receivables of $83,522 thousand and $28,474 thousand as of December 31, 2015 and 2014, respectively. These amounts mainly pertained to customers that were in liquidation or in severe financial difficulties. The Group had no collaterals for these receivables.

The factored accounts receivable were as follows:

(In Thousands)

Factor	Factored Amount	Collected Amount	Prepayment	Discount Rate (%)	Factor's Limit
For the year ended December 31, 2015					
HSBC Bank	US$ 51,684	US$ 47,198	$ -	-	US$ 12,150
For the year ended December 31, 2014					
HSBC Bank	US$ 46,399	US$ 43,103	-	-	US$ 19,120

Note: Under other receivables.

The limit above was used on a revolving basis.

The factor was HSBC Bank (Taiwan) Limited. This sale was without recourse.

10. INVENTORIES

	December 31	
	2015	2014
Merchandise	$ -	$ 50,053
Finished goods	61,769	48,506
Semifinished products	720,852	754,346
Work in process	1,285,493	1,102,928
Raw materials	3,183,262	3,580,895
	$ 5,251,376	$ 5,536,728

The costs of inventories recognized as cost of goods sold were $29,781,713 thousand in 2015 and $27,450,298 thousand in 2014. Cost of goods sold included reversal write-downs of inventory $13,062 thousand and $16,366 thousand in 2015 and 2014, respectively.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2015	**2014**
Private equity		
Domestic listed, common shares	$ 295,950	$ -

The Corporation obtained shares issued by Apacer Technology Inc. in a private placement. Under Article 43-8 of the Securities and Exchange Act, the transfer of these shares is restricted.

12. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2015	**2014**
Domestic unlisted common stocks	$ 446,045	$ 267,031
Overseas unlisted common stocks	159,174	121,690
	$ 605,219	$ 388,721
Classified according to categories		
Available-for-sale	$ 605,219	$ 388,721

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

The Group recognized impairment losses of $46,811 thousand in 2015 and $30,878 thousand in 2014 on domestic and foreign stocks.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial report

The main structure of consolidated financial statement prepared as follows:

			Investment Percentage December 31		
Investor	**Investee (Note 1)**	**Main Businesses and Products**	**2015**	**2014**	**Note**
Phison Electronics Corp.	Lian Xu Dong Investment Corporation	Investment	100	100	-
	Phison Electronics Japan Corp.	Sales and service office	100	100	-
	Emtops Electronics Corp.	Sell flash memory controllers and peripheral system applications products	100	100	-

(Continued)

Investor	Investee (Note 1)	Main Businesses and Products	Investment Percentage December 31 2015	2014	Note
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Design, produce and sell flash memory controllers and peripheral system applications	87	100	Note 1
	Global Flash Limited	Investment and trade	100	100	-
	Epostar Electronics (BVI) Corporation	Investment	60	-	Note 2
	Everspeed Technology Limited	Trading of electronic components	-	-	Note 7
Global Flash Limited	Phisontech (Shenzhen) Limited	Design, R&D, import and export storage devices and electronics	100	100	-
	Core Storage Electronic (Samoa) Limited	Investment and trade	100	-	Note 3
Core Storage Electronic (Samoa) Limited	Hefei Core Storage Electronic Limited	Design, R&D, production and sale of integrated circuits, systems and electronics hardware and software and rendering related services.	100	-	Note 4
Phisontech Electronics (Malaysia) Sdn. Bhd.	Phisontech Electronics Taiwan Corp.	Design ASIC and R&D, manufacture, and sell ASIC of IP and technical support service	100	100	-
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trading of electronic components	100	100	Note 5 and Note 7
Epostar Electronics (BVI) Corporation	Epostar Electronics Corporation	Design, produce and sell flash memory controllers and peripheral system applications	100	-	Note 6
Everspeed Technology Limited	Memoryexchange Corporation	Design and sell flash memory related products	94	94	Note 7
	Cloud Solution Global Limited	Trading of electronic components	100	100	Note 7
	Fast Choice Global Limited	Trading of electronic components	100	100	Note 7

(Concluded)

Note 1: The equity transactions with non-controlling interests please refer to Note 26.

Note 2: The Corporation's participation on March 23, 2015 in the investee's cash capital increase was based on its percentage of shareholding of the investee.

Note 3: Established in April 2015.

Note 4: Established in July 2015.

Note 5: The subsidiary was acquired on December 25, 2014.

Note 6: The Corporation participated in the investee's cash capital increase based on its percentage shareholding of 99.91% of the investee, and purchased the remaining outstanding shares from the non-controlling interest on April 10, 2015 and December 30, 2015.

Note 7: please refer to note 4 for the more information on restated reasons.

b. Subsidiaries not included in the consolidated financial report: None

c. During the preparation of the consolidated financial statements, the substantial transactions between the consolidated entities were entirely written off.

14. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments in Associates	December 31 2015	December 31 2014
Unlisted stocks		
Material associates		
Kingston Solutions Inc.	$ 658,526	$ 610,400
Associates that are not individually material		
Manutius IP Inc.	25,149	89,279
Microtops Design Corporation	21,678	21,421
PMS Technology Corporation	2,124	1,923
Flexmedia Electronics Corporation	1,278	9,120
Asadhya Enterprises Private Limited	-	633
	$ 708,755	$ 732,776

a. Material joint venture

Associate	December 31 2015	December 31 2014
Kingston Solutions Inc.	32.91	32.91

Refer to Table 6 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the joint venture.

The summarized financial information below represents amounts shown in the joint venture’s financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Kingston Solutions Inc.

	December 31 2015	December 31 2014
Current assets	$ 3,192,178	$ 3,317,849
Non-current assets	205,126	190,624
Current liabilities	(1,215,305)	(1,653,717)
Non-current liabilities	(181,010)	-
Equity	$ 2,000,989	$ 1,854,756
Equity attributable to owners of the parent	$ 658,526	$ 610,400

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Operating revenue	$ 12,811,095	$ 11,357,070
Net profit for the year	$ 146,234	$ 490,053

b. Aggregate information of joint ventures that are not individually material

	For the Year Ended December 31	
	2015	2014
The Group's share of:		
Net loss for the year	$ (68,862)	$ (5,453)
Other comprehensive income	-	8,759
Total comprehensive income (loss) for the year	$ (68,862)	$ 3,306

The financial year end date for Microtops is March 31. For the purpose of applying the equity method of accounting, the consolidated financial statements of the Microtops as of March 31, 2015 and 2014 have been used as the Group considers that it is impracticable for Microtops to prepare a separate set of financial statements as of December 31. Appropriate adjustments have been made accordingly for the effects of significant transactions between those dates and December 31, 2015 and 2014.

All the aforementioned associates are accounted for using the equity method.

Except for Manutius IP Inc. and Asadhya Enterprises Private Limited, investments accounted for by using the equity method, and the share of profit or loss and other comprehensive income of those investments, all investments were calculated based on financial statements that have been audited. Management of the Group believes that the unaudited financial statements of these aforementioned investees does not result in any material impacts.

Note: In April 2014, Emtops Electronics Corporation and Fast Choice Global Limited invested in Manutius IP, Inc. for 19% and 48% of the shares, respectively. However, the Corporation did not have substantial control over Manutius IP, Inc., so Manutius IP, Inc. was recognized as equity-method investee and not as consolidated entity. Manutius IP, Inc. had been approved to dissolve by the USA local government on July 8, 2016.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Testing Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance, January 1, 2014	$ 547,014	$ 18,695	$ 998,411	$ 187,262	$ 35,288	$ 10,602	$ -	$ 1,797,272
Additions	-	6,270	9,159	44,672	9,498	191	2,790	72,580
Disposal	-	-	-	(36,841)	(4,303)	(365)	-	(41,509)
Net exchange differences	-	-	-	(96)	(58)	(39)	-	(193)
Others	-	3,030	45,192	12,494	-	-	(2,790)	57,926
Balance, December 31, 2014	$ 547,014	$ 27,995	$ 1,052,762	$ 207,491	$ 40,425	$ 10,389	$ -	$ 1,886,076
Accumulated depreciation								
Balance, January 1, 2014	$ -	$ 7,080	$ 100,426	$ 76,790	$ 13,553	$ 4,757	$ -	$ 202,606
Disposal	-	-	-	(36,841)	(4,303)	(365)	-	(41,509)
Depreciation	-	2,822	27,577	48,285	9,977	2,498	-	91,159
Net exchange differences	-	-	-	(101)	(60)	(39)	-	(200)
Balance, December 31, 2014	$ -	$ 9,902	$ 128,003	$ 88,133	$ 19,167	$ 6,851	$ -	$ 252,056
Balance, December 31, 2014, net	$ 547,014	$ 18,093	$ 924,759	$ 119,358	$ 21,258	$ 3,538	$ -	$ 1,634,020
Cost								
Balance, January 1, 2015	$ 547,014	$ 27,995	$ 1,052,762	$ 207,491	$ 40,425	$ 10,389	$ -	$ 1,886,076
Additions	-	690	7,790	75,751	8,460	7,198	-	99,889
Disposal	-	-	-	(26,506)	(983)	-	-	(27,489)
Net exchange differences	-	-	-	(365)	(196)	(160)	-	(721)
Others	-	-	-	12,602	-	-	-	12,602
Balance, December 31, 2015	$ 547,014	$ 28,685	$ 1,060,552	$ 268,973	$ 47,706	$ 17,427	$ -	$ 1,970,357

(Continued)

	Land	Land Improvements	Buildings	Testing Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation								
Balance, January 1, 2015	$ -	$ 9,902	$ 128,003	$ 88,133	$ 19,167	$ 6,851	$ -	$ 252,056
Disposal	-	-	-	(26,506)	(975)	-	-	(27,481)
Depreciation	-	3,668	28,531	60,902	12,143	3,534	-	108,778
Net exchange differences	-	-	-	(181)	(131)	(79)	-	(391)
Balance, December 31, 2015	$ -	$ 13,570	$ 156,534	$ 122,348	$ 30,204	$ 10,306	$ -	$ 332,962
Balance, December 31, 2015, net	$ 547,014	$ 15,115	$ 904,018	$ 146,625	$ 17,502	$ 7,121	$ -	$ 1,637,395

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	7 years
Buildings	20-50 years
Buildings - electrical engineering	20 years
Testing equipment	2-5 years
Office equipment	3 years
Other equipment	3-5 years

16. INTANGIBLE ASSETS

	Computer Software	Technology License Fees	Patent	Total
Balance, January 1, 2014	$ 63,324	$ 47,537	$ 23,640	$ 134,501
Additions	65,873	11,855	-	77,728
Amortization	(52,442)	(32,983)	-	(85,425)
Balance, December 31, 2014	$ 76,755	$ 26,409	$ 23,640	$ 126,804
Balance, January 1, 2015	$ 76,755	$ 26,409	$ 23,640	$ 126,804
Additions	68,423	109,175	-	177,598
Amortization	(75,427)	(30,352)	-	(105,779)
Balance, December 31, 2015	$ 69,751	$ 105,232	$ 23,640	$ 198,623

The above items of intangible assets are amortized on a straight-line basis over the estimated useful life of the assets.

Computer software	0.5-3 years
Technology license fees	0.5-8 years

The Group’s patents with indefinite useful lives were tested for impairment at least annually, and whenever there was an indication that the asset might be impaired.

17. SHORT-TERM LOANS

Short-term Borrowings

	December 31	
	2015	2014
Unsecured borrowings		
Bank loans	$ 196,950	$ -
Interest rate	0.90%-0.92%	-
Due date	2016.2.15	-

18. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	December 31	
	2015	2014
Other payables		
Salaries payable and bonus payable	$ 1,326,739	$ 1,081,855
Others	1,005,605	836,396
	$ 2,332,344	$ 1,918,251

19. PROVISIONS - CURRENT

	December 31	
	2015	2014
Sales returns and allowances	$ 149,852	$ 71,128

	For the Year Ended December 31	
	2015	2014
Balance, January 1	$ 71,128	$ 158,166
Recognized provision	180,250	143,811
Usage of provision	(101,526)	(230,849)
Balance, December 31	$ 149,852	$ 71,128

Provisions for sales returns and allowances are estimated based on historical experience, management judgment, and any known factors that would significantly affect the returns and allowances, and are recognized as a reduction of revenue in the same period of the related product sales.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2015	**2014**
Present value of defined benefit obligation	$ 94,249	$ 67,248
Fair value of plan assets	(27,348)	(24,790)
Net defined benefit liability	$ 66,901	$ 42,458

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2014	$ 55,922	$ (22,286)	$ 33,636
Service cost			
Current service cost	3,826	-	3,826
Net interest expense (income)	1,118	(446)	672
Recognized in profit or loss	4,944	(446)	4,498
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(56)	(56)
Actuarial gain - changes in financial assumptions	(3,626)	-	(3,626)
Actuarial loss - experience adjustments	10,008	-	10,008

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Recognized in other comprehensive income	$ 6,382	$ (56)	$ 6,326
Contributions from the employer	-	(2,002)	(2,002)
Balance at December 31, 2014	$ 67,248	$ (24,790)	$ 42,458
Balance at January 1, 2015	$ 67,248	$ (24,790)	$ 42,458
Service cost			
Current service cost	3,309	-	3,309
Net interest expense (income)	1,513	(558)	955
Recognized in profit or loss	4,822	(558)	4,264
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(85)	(85)
Actuarial gain - changes in financial assumptions	9,926	-	9,926
Actuarial loss - experience adjustments	12,253	-	12,253
Recognized in other comprehensive income	22,179	(85)	22,094
Contributions from the employer	-	(1,915)	(1,915)
Balance at December 31, 2015	$ 94,249	$ (27,348)	$ 66,901

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31 2015	2014
Operating costs	$ 572	$ 543
Marketing expenses	670	730
Administrative expenses	1,058	1,135
Research and development expenses	1,964	2,090
	$ 4,264	$ 4,498

Recognized in other comprehensive income were an actuarial loss of $18,338 thousand in 2015 and an actuarial loss of $5,251 thousand in 2014. The cumulative amounts of actuarial loss recognized in other comprehensive income as of December 31, 2015 and 2014 were $30,663 thousand and $12,325 thousand, respectively.

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

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

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

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

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

	December 31	
	2015	2014
Discount rate	1.70%	2.25%
Expected rate of salary increase	4.00%	4.00%

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

	December 31	
	2015	2014
Discount rate		
1% increase	$ (17,179)	$ (12,566)
1% decrease	$ 21,588	$ 15,884
Expected rate of salary increase		
1% increase	$ 19,735	$ 14,631
1% decrease	$ (16,235)	$ (11,953)

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

	December 31	
	2015	2014
The expected contributions to the plan for the next year	$ 1,907	$ 1,857
The average duration of the defined benefit obligation	22 years	22 years

21. EQUITY

a. Share capital

Common shares

	December 31	
	2015	2014
Number of shares authorized (in thousands)	230,000	230,000
Capital authorized	$ 2,300,000	$ 2,300,000
Number of shares issued and fully paid (in thousands)	197,374	185,474
Capital issued	$ 1,973,740	$ 1,854,740

In their meeting on June 17, 2014, the Corporation's shareholders decided to issue upper limit 50,000 thousand common shares by private equity-raising. On June 17, 2014 and February 6, 2015, the board of directors resolved to issue 5,000 thousand and 11,900 thousand common shares by private equity raising, the share issuance at a NT$10 par value and set June 20, 2014 and February 13, 2015 as the fund raising deadline, with NT$185 and NT$180 as the offering price. This common share issuance was approved by and registered with the government authorities on July 3, 2014 and March 11, 2015 respectively. In their meeting on June 2, 2015, the shareholders approved the decision not to raise capital form the remaining shares of private equity-raising.

On November 12, 2015 and March 26, 2014, an employee stock option plan was approved by the Corporation's board of directors, and the Financial Supervisory Commission (FSC) also approved this plan, as shown in FSC document No. 1040048913 and No. 1030013128. As of December 31, 2015, no options had been granted by the Corporation. As of April 21, 2015, the last day of grant period, the Corporation has not granted any employee share options stated above and resolved not to grant employee share options anymore.

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

Of the Corporation's capital authorized shares, 16,000 thousand shares were reserved for the issuance of employee share options.

b. Capital surplus

	December 31	
	2015	**2014**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Arising from issuance of common share	$ 6,246,929	$ 4,223,929
Arising from the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	4,069	-
May be used to offset a deficit only		
Expired stock options	227	227
May not be used for any purpose		
Arising from share of changes in capital surplus of associates	263,344	263,344
	$ 6,514,569	$ 4,487,500

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that, under the board of directors' resolution, annual net income (less any deficit and 10% as legal reserve) less special reserve based on relevant laws and regulations and any portion decided to be retained plus unappropriated earnings of prior years should be distributed as follows:

1) 1%, as remuneration to directors and supervisors;
2) 12% to 25%, as bonus to employees; and
3) The remainder, as dividends.

If the bonus to employees is distributed as stock dividend, the employees of the Corporation must meet certain terms to be eligible for these stock dividends.

The Corporation's dividend appropriation is based on its profitability. The Corporation dividends will be appropriated in consideration of the current and future investment environment, capital requirements, domestic and international competition, capital budget plans, shareholders' interests, balance between cash and stock dividends, and the Corporation's long-term financial plans. The board of directors prepares the proposal on annual earnings distribution for the shareholders' approval. Profits may be distributed as cash or stock dividend; however, cash dividends should be at least 10% of total distribution.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's board of directors on December 30, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to d. employee benefits expense in Note 23.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission. Distributions can be made out of any subsequent reversal of the debit to other equity items.

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 2014 and 2013 have been approved in the shareholders' meetings on June 2, 2015 and June 17, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2014	**For Year 2013**	**For Year 2014**	**For Year 2013**
Legal reserve	$ 320,115	$ 317,054		
(Reversal of) special reserve	(6,185)	2,240		
Cash dividends	2,210,589	1,894,977	$11.2	$10.216941

The appropriation of the 2015 earnings was proposed by the Corporation's board of directors on March 22, 2016. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 400,001	
Special reserve	106,302	
Cash dividends	2,368,488	$12

The appropriations from earnings, including the bonus to employees, and the remuneration to directors and supervisors for 2015, are subject to the shareholders' approval in their meeting to be held on June 15, 2016.

d. Others equity items

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

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ (5,056)	$ (11,241)
Exchange differences arising on translating the financial statements of foreign operations	(25,966)	(1,307)
Related income tax	4,414	222
Share of exchange difference of associates accounted for using the equity method	-	8,759
Related income tax	-	(1,489)
Balance at December 31	$ (26,608)	$ (5,056)

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

	For the Year Ended December 31, 2015
Balance at January 1	$ -
Unrealized gain arising on revaluation of available-for-sale financial assets	(84,750)
Balance at December 31	$ (84,750)

e. Non-controlling interests

	For the Year Ended December 31, 2015
Balance at January 1	$ 260,061
Non-controlling interest in Epostar Electronics (BVI) Corporation (Note 13)	47,722
Non-controlling interest in Epostar Electronics Corporation (Note 13)	16,151
Acquisition of non-controlling interest in Epostar Electronics Corporation (Notes 13 and 26)	(48)
Partial disposal of Phisontech Electronics (Malaysia) Sdn. Bhd. (Notes 13 and 25)	7,761
Attributable to non-controlling interests:	
Share of profit for the year	(103,316)
Exchange difference arising on translation of foreign entities	(6,798)
Balance at December 31	$ 221,533

22. INCOME TAXES

a. Income tax recognized in profit or loss:

The major components of tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current year	$ 661,260	$ 466,485
Income tax on unappropriated earnings	68,573	97,398
In respect of the prior periods	(102,882)	(55,955)
	626,951	507,928
Deferred tax		
In respect of the current period	(50,380)	33,427
Income tax expense recognized in profit or loss	$ 576,571	$ 541,355

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

	For the Year Ended December 31	
	2015	2014
Profit before tax from continuing operations	$ 4,473,264	$ 3,322,429
Income tax expense calculated at the statutory rate	$ 794,484	$ 614,084
Unrecognized temporary differences	8,078	(1,440)
Tax-exempt income	(191,777)	(141,513)
Income tax on unappropriated earnings	68,573	97,398
Unrecognized loss carryforwards	(2,446)	-
Effect of different tax rate of group entitles operating in other jurisdictions	2,541	52
Adjustments for prior years' tax	(102,882)	(55,955)
Other	-	28,729
Income tax expense recognized in profit or loss	$ 576,571	$ 541,355

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

The appropriation of the 2016 earnings is uncertain and is subject to approval at the shareholders' meeting; thus, the potential consequences of income tax on the 2015 unappropriated earnings are not reliably determinable.

b. Income tax (expenses) benefits recognized in other comprehensive income:

	For the Year Ended December 31	
	2015	**2014**
Deferred income tax		
Recognized in other comprehensive income		
Share of other comprehensive income of associates	$ -	$ (1,489)
Actuarial gains and losses on defined benefit plan	3,756	1,075
Translation of foreign operations	4,414	222
	$ 8,170	$ (192)

c. Current tax assets and liabilities

	December 31	
	2015	**2014**
Current tax assets		
Tax refund receivable	$ 829	$ 56,877
Current tax liabilities		
Income tax payable	$ 654,254	$ 596,369

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Compre-hensive Income**	**Exchange Differences**	**Closing Balance**
Deferred tax assets					
Temporary differences					
Doubtful accounts	$ 4,579	$ 10,433	$ -	$ -	$ 15,012
Inventory write-down	45,282	2,526	-	-	47,808
Provisions	12,092	13,383	-	-	25,475
Defined benefit obligation	7,218	399	3,756	-	11,373
Unrealized exchange loss	-	6,183	-	-	6,183

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Impairment loss on financial assets	$ 11,994	$ 434	$ -	$ -	$ 12,428
Exchange difference on translating foreign operations	1,036	-	4,414	-	5,450
Group's share of losses of subsidiaries and associates	9,021	11,082	-	-	20,103
Property, plant and equipment	2,059	(48)	-	-	2,011
	$ 93,281	$ 44,392	$ 8,170	$ -	$ 145,843
Deferred tax liabilities					
Unrealized exchange gain	$ 7,891	$ (5,988)	$ -	$ (45)	$ 1,858

(Concluded)

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Doubtful accounts	$ 2,855	$ 1,724	$ -	$ -	$ 4,579
Inventory write-down	45,258	24	-	-	45,282
Provisions	26,888	(14,796)	-	-	12,092
Defined benefit obligation	5,102	1,041	1,075	-	7,218
Unrealized exchange loss	7,564	(7,564)	-	-	-
Impairment loss on financial assets	7,045	4,949	-	-	11,994
Exchange difference on translating foreign operations	2,303	-	(1,267)	-	1,036
Group's share of losses of subsidiaries and associates	20,822	(11,801)	-	-	9,021
Property, plant and equipment	2,107	(48)	-	-	2,059
	$ 119,944	$ (26,471)	$ (192)	$ -	$ 93,281
Deferred tax liabilities					
Unrealized exchange gain	$ 943	$ 6,948	$ -	$ -	$ 7,891

e. The Corporation's net operating income generated from the following expansion projects is exempt from income taxes:

	Tax-exemption Period
Fifth expansion of the Corporation's factories	January 1, 2012 to December 31, 2016

f. Integrated income tax information of the Corporation:

	December 31	
	2015	**2014**
Unappropriated retained earning		
Unappropriated retained earnings generated on and after January 1, 1998	$ 9,990,216	$ 8,533,064
Balance of imputation credit account (ICA)	$ 1,071,531	$ 1,071,792

	December 31	
	2015 (Expected)	**2014 (Actual)**
Creditable ratios for distribution of earning	10.73%	14.08%

g. Income tax assessments

The tax returns of the Corporation, Lian Xu Dong Investment Corp., Emtops Electronics Corp. and Ostek Corporation through 2013 have been assessed by the tax authorities. The Corporation disagreed with the tax authorities' assessment of its 2011 annual tax return on a five-year tax-exemption claim and applied for a reexamination on November 21, 2013. The result of reexamination has been assessed by the tax authorities in October 2015. The Corporation has adjusted and recorded effect of the result of re-examination on the financial statements.

23. NET PROFIT AND OTHER COMPREHENSIVE INCOME

The following items were included in the net profit for 2015 and 2014:

a. Other gains and losses

	For the Year Ended December 31	
	2015	**2014**
Foreign exchange gain, net	$ 237,330	$ 271,246
(Loss) gain on financial assets held for trading	(10,255)	65,099
Impairment loss recognized on financial assets	(46,811)	(30,878)
Gain on disposal of available-for-sale financial assets	8,077	14,998
Loss on disposal of investments accounted for by the equity method	-	(8,759)
Loss on disposal of financial assets carried at cost measure	(1,614)	(24,309)
Others	(52,608)	(15)
	$ 134,119	$ 287,382

b. Other income

	For the Year Ended December 31	
	2015	2014
Interest income		
Bank deposits	$ 38,099	$ 34,085
Rental income	7,876	11,750
Dividend income	42,656	6,438
Others	47,377	35,895
	$ 136,008	$ 88,168

c. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 108,778	$ 91,159
Intangible assets	105,779	85,425
	$ 214,557	$ 176,584
An analysis of depreciation by function		
Operating costs	$ 30,438	$ 29,545
Operating expenses	78,340	61,614
	$ 108,778	$ 91,159
An analysis of amortization by function		
General and administrative expenses	$ 5,107	$ 2,963
Research and development expenses	100,672	82,462
	$ 105,779	$ 85,425

d. Employee benefit expense

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	$ 2,370,507	$ 1,802,101
Post-employment benefits		
Defined contribution plans	50,008	37,159
Defined benefit plans	4,264	4,498
	54,272	41,657
Termination benefits	259	135
Other employee benefits		
Employee welfare	50,273	35,441
Food stipend	26,547	18,257
	76,820	53,698
	$ 2,501,858	$ 1,897,591

	For the Year Ended December 31	
	2015	2014
Employee benefits		
Recognized in operating costs	$ 167,471	$ 152,964
Recognized in operating expenses	2,334,387	1,744,627
	$ 2,501,858	$ 1,897,591

(Concluded)

The existing (2014) Articles of Incorporation of the Corporation stipulate to distribute bonus to employees and remuneration to directors and supervisors representing 12% and 1%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were $420,000 thousand and $26,724 thousand, respectively, representing 12% and 1%, respectively, of the base net income.

In compliance with the Company Act as amended in May 2015, the Corporation proposed amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors and supervisors at the rates between 8% and 19%, and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $500,000 thousand and $38,000 thousand, respectively, representing 9.81% and 0.75%, respectively, of the base net profit before income tax. The employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2015 have been proposed by the Corporation's board of directors on March 22, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016.

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

The appropriations of bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 have been approved in the shareholders' meetings on June 2, 2015 and June 17, 2014, respectively, were as follows:

	For the Year Ended 2014		For the Year Ended 2013	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	$ 420,000	$ -	$ 380,000	$ -
Remuneration of directors and supervisors	26,572	-	22,980	-

The bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2014 and 2013 were approved in the shareholders' meetings on June 2, 2015 and June 17, 2014, respectively, were as follows:

	For the Year Ended 2014		For the Year Ended 2013	
	Bonus to Employees	**Remuneration of Directors and Supervisors**	**Bonus to Employees**	**Remuneration of Directors and Supervisors**
Amounts approved in shareholders' meetings	$ 420,000	$ 26,572	$ 380,000	$ 22,980
Amounts recognized in respective financial statements	420,000	26,724	380,000	22,068
	$ -	$ (152)	$ -	$ 912

The differences above were recognized in profit and loss in next year.

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

e. Foreign exchange (loss) gain, net

	For the Year Ended December 31	
	2015	**2014**
Foreign exchange gain	$ 806,092	$ 751,747
Foreign exchange loss	(568,762)	(480,501)
Net gain	$ 237,330	$ 271,246

24. EARNINGS PER SHARE

(New Taiwan Dollars)

	For the Year Ended December 31	
	2015	**2014**
Basic earnings per share	$ 20.41	$ 17.48
Diluted earnings per share	$ 20.12	$ 17.23

Earnings and weighted average shares used to calculate earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2015	**2014**
Earnings used in the computation of basic earnings per share	$ 4,000,009	$ 3,201,149
Earnings used in the computation of diluted earnings per share	$ 4,000,009	$ 3,201,149

Shares

	(In Thousands of Shares)	
	For the Year Ended December 31	
	2015	2014
Weighted average number of ordinary shares in computation of basic earnings per share	195,972	183,145
Effect of potential dilutive ordinary shares:		
Bonus issue to employees	2,860	2,697
Weighted average number of ordinary shares used in the computation of dilutive earnings per share	198,832	185,842

Since the Group is able to settle the bonus to employees by cash or shares, the Group assumed that the entire amount of the bonus will 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 EPS, as the shares had a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 23, 2015, the Group disposed of 13% of its interest in Phisontech Electronics (Malaysia) Sdn. Bhd., reducing its continuing interest from 100% to 87%. The Corporation purchased 0.09% of its interest in Epostar Electronics Corporation, increasing its continuing interest from 99.91% to 100% on December 30, 2015.

The above transactions was accounted for as equity transaction since the Group did not cease to have control over the subsidiary.

	Phisontech Electronics (Malaysia) Sdn. Bhd.	Epostar Electronics Corporation
Cash consideration received (paid)	$ 11,830	$ (48)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(7,761)	48
Differences arising from equity transaction	$ 4,069	$ -
<u>Line items adjusted for equity transaction</u>		
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ 4,069	$ -

26. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debts (net balance of loans and cash and cash equivalents) and equity (capital stock, capital surplus, retained earnings, and other equities).

The Group is not subject to any externally imposed capital requirements.

The key management personnel of the Group review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Fair value of financial instruments not carried at fair value

   The Group management considers the carrying amounts of financial assets and financial liabilities not carried at fair value recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

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

   1) Fair value hierarchy

      December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic quoted stocks	$ 76,560	$ -	$ -	$ 76,560
Beneficial certificates - open-end funds	2,150,244	-	-	2,150,244
	$ 2,226,804	$ -	$ -	$ 2,226,804
Available-for-sale financial assets				
Unlisted debt securities - ROC	$ -	$ 295,950	$ -	$ 295,950

      December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic quoted stocks	$ 100,399	$ -	$ -	$ 100,399
Beneficial certificates - open-end funds	1,982,296	-	-	1,982,296
	$ 2,082,695	$ -	$ -	$ 2,082,695

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

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Unlisted debt securities - ROC	To determine the reasonable fair value, the price-earnings ratio and price-book ratio method based on market approach is used; the financial statements and market condition of similar stock issuers are referred to, with consideration of discount for the lack of marketability of the debt securities.

Categories of Financial Instruments

	December 31	
	2015	**2014**
Financial assets		
Fair value through profit or loss		
Held for trading	$ 2,226,804	$ 2,082,695
Notes receivable and accounts receivable (Note 1)	16,859,756	12,634,025
Available-for-sale financial assets (Note 2)	901,169	388,721
Financial liabilities		
Amortized cost (Note 3)	4,453,110	4,059,514

Note 1: Including cash and cash equivalents, debt investments with no active market, notes receivable and accounts receivable, and loans and other receivables measured at amortized cost.

Note 2: Including the carrying amounts of available-for-sale financial assets measured at cost.

Note 3: Including financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term notes payable and notes and accounts payable.

Financial Risk Management Objectives and Policies

The Group's major financial instruments consisted of equity investments, accounts receivable, accounts payable, and borrowings. The Group's financial management department provides services to all departments and manages the trading in domestic and foreign financial markets. The risks include market risk (including foreign currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

a. Market risk

The Group's activities expose it primarily to the financial risks of changes in currency rates and interest rates.

1) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To avoid the decrease in foreign currency assets and adverse fluctuations of future cash flows resulting from changes in foreign currency exchange rate, the Corporation used foreign currency borrowings to hedge against risks of foreign currency exchange rate. The gain or loss caused by change in foreign currency exchange rate will be offset by profit or loss from the hedge. As a result, the market risk is immaterial.

Refer to Note 33 to the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (including those eliminated on consolidation) at the end of the reporting period.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 6% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 6% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period for a 6% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with New Taiwan dollars strengthening 6% against the relevant currency. For a 6% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	Impact of USD	
	For the Year Ended December 31	
	2015	**2014**
Profit or loss	$ 297,089	$ 213,282

2) Interest rate risk

The Group was exposed to interest rate risk because group entities borrowed funds at floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2015	**2014**
Fair value interest rate risk		
Financial assets	$ 4,720,460	$ 3,360,677
Financial liabilities	196,950	-
Cash flow interest rate risk		
Financial assets	7,705,446	5,217,965

Sensitivity analysis

Had interest rates been 1 basis point higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would have increased by approximately $771 thousand and $522 thousand, respectively.

3) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by $22,268 thousand and $20,827 thousand, respectively. The pre-tax other comprehensive income for the years ended December 31, 2015 and 2014 would increase/decrease by $2,960 thousand and $0, respectively.

b. Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations, resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of discharge an obligation by the counter-parties as well as financial guarantees provided by the Group, arose from the carrying amounts of the respective recognized financial assets as stated in the condensed balance sheets.

The Group adopted a policy of dealing only with creditworthy counter-parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition, the Group only transacts with entities that are rated the equivalent of investment grade and above. Further, the Group's exposure and the credit ratings of its counter-parties are continually monitored and the aggregate value of transactions concluded is spread out among approved counter-parties. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The financial assets were potentially influenced when the Group's counter-parties defaulted on the contractual obligations, and the contracts with positive fair values as of the balance sheet date were the targets for evaluation. The customers of the Group are financial institutions or manufacturers with good credit rating; thus, there's no expected material credit risk.

c. Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the Group had available unutilized overdraft and short-term bank loan facilities of approximately $2,868,675 thousand and $4,531,250 thousand, respectively.

Liquidity and interest risk tables

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, including the interest and principal cash flow based on the earliest date on which the Group can be required to pay.

	December 31, 2015				
	Pay Immediately or Less Than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**More Than 5 Years**
Nonderivative financial liabilities					
Liability without interest	$ 2,660,256	$ 2,419,785	$ 2,162,717	$ -	$ -
Fixed interest rate instruments	65,650	131,300	-	-	-
	$ 2,725,906	$ 2,551,085	$ 2,162,717	$ -	$ -

	December 31, 2014				
	Pay Immediately or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More Than 5 Years
Nonderivative financial liabilities					
Liability without interest	$ 2,623,585	$ 2,239,882	$ 1,710,667	$ -	$ -
Fixed interest rate instruments	-	-	-	-	-
	$ 2,623,585	$ 2,239,882	$ 1,710,667	$ -	$ -

Information of Financial Assets Transfer

See Note 9 for more information.

28. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. In addition to those disclosed in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Operating revenue

	For the Year Ended December 31	
	2015	2014
Related parties categories		
Associates	$ 18,232	$ 195,724
Other related parties (Note)	1,616,248	1,152,627
	$ 1,634,480	$ 1,348,351

The terms of sales to related parties were similar to those for third parties.

b. Operating cost

1) Purchase

	For the Year Ended December 31	
	2015	2014
Related parties categories		
Associates	$ 244,065	$ 126,714
Other related parties (Note)	17,093,964	14,501,094
	$ 17,338,029	$ 14,627,808

2) Process cost

	For the Year Ended December 31	
	2015	2014
Related parties categories		
Associates	$ 88	$ -
Other related parties (Note)	1,153,682	-
	$ 1,153,770	$ -

The terms of operating cost from related parties were similar to those for third parties.

c. Receivables from related parties

	December 31	
	2015	2014
Related parties categories		
Associates	$ 1,692	$ 1,302
Other related parties (Note)	368,532	246,186
	$ 370,224	$ 247,488

The outstanding trade receivables from related parties are unsecured. No bad debt expense was recognized for allowance for impaired trade receivables with respect to the amounts owed by related parties.

d. Payable to related parties

	December 31	
	2015	2014
Related parties types		
Associates	$ 21,534	$ 12,353
Other related parties (Note)	3,143,046	2,201,474
	$ 3,164,580	$ 2,213,827

The outstanding trade payables from related parties are unsecured.

Note: Other related parties are mainly corporate members of the Corporation’s board of directors and their subsidiaries.

e. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	$ 177,195	$ 150,150
Post-employment benefits	2,227	1,191
Termination benefits	259	-
Other employee benefits	5,271	3,152
	$ 184,952	$ 154,493

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

29. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Group’s lease contracts for the factory and the office expire on February 28, 2019.

Future minimum lease payments under the above operating leases are as follows:

Period/Year	Amount
2016	$ 13,617
2017	8,026
2018	2,855
2019	476
	$ 24,974

b. The Group as lessor

Operating leases relate to the property owned by the Group, the leases will expire on December 31, 2016.

For the years ended December 31, 2015 and 2014, The Group individually recognized guarantee on trade receivables of $196 thousand and $2,396 thousand, respectively.

Future minimum lease receivables under the above operating leases are as follows:

Period/Year	Amount
2016	$ 2,239

30. ASSETS PLEDGED

The following assets had been pledged as refundable deposits as required by customs authorities:

	December 31	
	2015	**2014**
Refundable deposits for the Customs Duty Bureau - certificates of deposits (debt investments with no active market)	$ 20,408	$ 20,819

31. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Group's significant commitments and contingencies as of December 31, 2015 and 2014 were as follows:

Significant Commitments

	December 31	
	2015	**2014**
Unused letters of credit	$ 710,000	$ 710,000

32. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The monetary assets or liabilities denominated in foreign currencies that have material effect on the Group financial statements were as follows:

In Thousands of New Taiwan Dollars and Foreign Currencies

	December 31, 2015		
	Foreign Currencies	**Exchange Rates**	**New Taiwan Dollars**
Financial assets			
Monetary			
USD	$ 257,252	32.825	$ 8,444,306
CNY	42,572	4.995	212,646
Financial liabilities			
Monetary			
USD	106,407	32.825	3,492,815

	December 31, 2014		
	Foreign Currencies	**Exchange Rates**	**New Taiwan Dollars**
Financial assets			
Monetary			
USD	$ 211,603	31.650	$ 6,697,248
CNY	35,723	5.092	181,903
Financial liabilities			
Monetary			
USD	99,291	31.650	3,142,549

For the years ended December 31, 2015 and 2014, (realized and unrealized) net foreign exchange gains were $237,330 thousand and $271,246 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

33. OTHER SIGNIFICANT EVENT

a. On August 5, 2016, the Hsinchu District Prosecutors Office conducted a statutory investigation of the Corporation, and the media reported an alleged violation of the Securities and Exchange Act by the Corporation. On August 6, 2016, the Corporation held a press conference and indicated a case between and among the Corporation, Ostek Corporation (former name was Twinson Electronics Corporation), Memoryexchange Corporation and Everspeed Technology Group. The statutory investigation was ongoing, and it has not affected the Corporation's financial condition and business operation.

b. In consideration of the Corporation's future development and the integrity of business operational structure, the board of directors held a meeting on September 21, 2016 and proposed to purchase 100% of the shares of Everspeed Technology Limited, the parent company of Everspeed Technology Group (including Everspeed Technology Limited, Memoryexchange Corporation, Cloud Solution Global Limited and Fast Choice Global Limited). The related processes will be conducted based on the relevant regulations and internal operating procedures.

34. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsement/guarantee provided. (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 1)

4) Marketable securities acquired and disposed at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 2)

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 sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information for investees. (Table 6)

b. Information on 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 7)

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.

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments under IFRS 8 - “Operating Segments” therefore include departments that design and sell flash memory controllers and make investments.

a. Segment revenues and results

The Group's revenues and results by reportable segment were as follows:

	Segment Revenues For the Year Ended December 31		Segment Profits For the Year Ended December 31	
	2015	**2014**	**2015**	**2014**
Department that designs and sells flash memory controllers	$ 37,409,177	$ 32,819,532	$ 4,227,832	$ 2,790,219
Investment department	-	-	(928)	(187)
Total operating segments	$ 37,409,177	$ 32,819,532	4,226,904	2,790,032
Other gains and losses			134,119	287,382
Share of gains of associates			(20,736)	159,287
Other income			136,008	88,168
Financial costs			(3,031)	(2,440)
Profit before income tax			$ 4,473,264	$ 3,322,429

Segment revenue reported above was generated from external customers. There were no intersegment sales for the years ended December 31, 2015 and 2014. Segment profit is the profit earned by each segment without share of gains or loss of associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on sale of investments, exchange gain or loss, valuation gain or loss on financial instruments, interest expense and income tax expense.

b. Segment assets and liabilities

The Group does not report segment assets and liabilities or other segment information to the chief operating decision maker. Therefore, no information is disclosed here.

c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from its major products and services:

	For the Year Ended December 31	
	2015	**2014**
Disk on module, controller and applicable products	$ 37,309,012	$ 32,688,837
Service	100,165	130,695
	$ 37,409,177	$ 32,819,532

d. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2015	2014	2015	2014
Asia	$ 21,089,583	$ 17,986,706	$ 1,839,399	$ 68,219
America	10,761,158	8,872,940	-	-
Europe	5,068,340	5,385,329	-	-
Australia	489,176	569,360	-	-
Other	920	5,197	-	-
	$ 37,409,177	$ 32,819,532	$ 1,839,399	$ 68,219

Revenue was categorized depending on clients' locations.

e. Information about major customers

Included in revenues arising from disk on module, controller and applicable products of $37,309,012 thousand in 2015 and $32,688,837 thousand in 2014 were revenues of approximately $4,679,719 thousand and $4,969,302 thousand, respectively, from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares or Units (Thousands)	Carrying Value (Note 2)	Percentage of Ownership	Market Value	
Phison Electronics Corp.	Beneficial certificate							
	Fuh Hwa Yu Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,809	$ 50,763	-	$ 50,763	Note 3
	Maga Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,307	102,820	-	102,820	Note 3
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,139	92,675	-	92,675	Note 3
	Eastspring Investments Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,871	92,286	-	92,286	Note 3
	Yuanta De-Bao Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,117	203,222	-	203,222	Note 3
	NOMURA Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,305	101,590	-	101,590	Note 3
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,196	152,605	-	152,605	Note 3
	The RSIT Enhanced Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,862	81,140	-	81,140	Note 3
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,697	202,318	-	202,318	Note 3
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,254	202,286	-	202,286	Note 3
	Union Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,995	91,252	-	91,252	Note 3
	Shin Kong Chi-Shin Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,301	81,166	-	81,166	Note 3
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	7,566	101,052	-	101,052	Note 3
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss - current	14,847	151,408	-	151,408	Note 3
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,130	50,405	-	50,405	Note 3
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,767	201,287	-	201,287	Note 3
	Taishin Ta-Chong Market Fund	-	Financial assets at fair value through profit or loss - current	3,594	50,408	-	50,408	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,119	100,430	-	100,430	Note 3
	Common stock							
	Orient Semiconductor Electronics Ltd.	-	Financial assets at fair value through profit or loss - current	6,600	76,560	0.82	76,560	Note 4
	Aptos Technology Inc.	-	Financial assets carried at cost - non-current	2,647	19,306	1.78	20,335	Note 5
	Viva Baseball Co., Ltd.	-	Financial assets carried at cost - non-current	Note 7	266	8.33	263	Note 5
	Jafco Asia Technology Fund IV L.P.	-	Financial assets carried at cost - non-current	950	10,956	0.50	10,234	Note 5
	AppWorks Fund I Co., Ltd.	-	Financial assets carried at cost - non-current	3,000	24,471	18.75	22,717	Note 5
	Zillians Inc.	-	Financial assets carried at cost - non-current	440	-	17.25	(6,769)	Note 5
	Adam Elements International Co., Ltd.	-	Financial assets carried at cost - non-current	1,710	13,373	19.00	18,428	Note 5
	Jafco Asia Technology Fund VI L.P.	-	Financial assets carried at cost - non-current	750	20,997	0.67	22,672	Note 5
	THLight Co., Ltd.	-	Financial assets carried at cost - non-current	4,000	604	17.94	(96)	Note 5
	UD INFO Corp.	-	Financial assets carried at cost - non-current	570	5,569	19.00	5,998	Note 5
	Appworks Fund II Co., Ltd.	-	Financial assets carried at cost - non-current	15,000	150,000	11.11	144,073	Note 5
	bOMDIC Co., Ltd.	-	Financial assets carried at cost - non-current	288	5,750	14.38	730	Note 5

(Continued)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares or Units (Thousands)	Carrying Value (Note 2)	Percentage of Ownership	Market Value	
	Geothings, Inc.	-	Financial assets carried at cost - non-current	100	$ 1,000	7.04	$ 567	Note 5
	Ironyun Incorporated (preference shares)	-	Financial assets carried at cost - non-current	5,000	30,781	6.02	12,358	Note 5
	Vescir Ltd.	-	Financial assets carried at cost - non-current	63	3,004	6.59	653	Note 5
	Innorich Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	30,000	5.61	29,708	Note 5
	Dawning Leading Technology Inc.	-	Financial assets carried at cost - non-current	10,131	140,000	2.85	123,734	Note 5
	Apacer Technology Inc.	-	Available-for-sale financial assets - non-current	15,000	295,950	9.89	295,950	Note 6
Lian Xu Dong Investment Corporation	Common stock							
	United Power Research Technology Corp.	-	Financial assets carried at cost - non-current	5,106	45,702	16.12	66,549	Note 5
	Fresco Logic, Inc. (preference shares)	-	Financial assets carried at cost - non-current	1,250	43,300	2.33	5,322	Note 5
	Translink Capital Partners III L.P.	-	Financial assets carried at cost - non-current	720	22,359	1.23	23,727	Note 5
	Liqid, Inc. (preference shares)	-	Financial assets carried at cost - non-current	283	30,781	1.97	126	Note 5
	Weltronics Corp., Ltd.	-	Financial assets carried at cost - non-current	700	7,000	19.44	5,227	Note 5
Emtops Electronics Corporation	Beneficial certificate							
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	815	10,078	-	10,078	Note 3
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss - current	988	10,080	-	10,080	Note 3
Phisontech Electronics (Malaysia) Sdn. Bhd.	Beneficial certificate							
	United Cash Fund	-	Financial assets at fair value through profit or loss - current	2,843	20,973	-	20,973	Note 3
Everspeed Technology Limited	Common stock							
	Peripheral Devices & Products System Inc.	-	Financial assets carried at cost - non-current	20	-	1.00	(3,051)	Note 5
	Zillians Inc.	-	Financial assets carried at cost - non-current	500	-	19.61	(7,695)	Note 5

Note 1: The marketable securities listed on above table means the types of financial instruments applied International Accounting Standard 39 “Financial Instruments Recognition and Measurement”.

Note 2: The carrying value is the amount either the fair value or the original cost net accumulated impairment loss.

Note 3: The calculation of the market value was based on their net asset value as of December 31, 2015.

Note 4: The calculation of the market value was based on the closing price as of December 31, 2015.

Note 5: The calculation of the net asset value was based on the investee’s unreviewed financial statements as of December 31, 2015.

Note 6: Refer to Note 28,b,2) for market value information.

Note 7: This is not a company limited by shares.

Note 8: The Corporation held marketable securities that had not been guaranteed, pledged or mortgaged as collaterals or restricted by other commitments.

(Concluded)

TABLE 2

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RESTATED MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Note)
Phison Electronics Corp.	Stock Apacer Technology Inc.	Available-for-sale financial assets - non-current	-	-	-	$ -	15,000,000	$ 380,700	-	$ -	$ -	$ -	15,000,000	$ 295,950

Note: The amount included the revaluation gain (loss) on financial assets.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RESTATED TOTAL PURCHASES FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phison Electronics Corp.	Toshiba Electronics Components Taiwan Corporation	Subsidiary of a corporate member of the Corporation's board of directors	Purchase	$ 15,582,208	52.78	Net 30 days after monthly closing	None	None	$ (2,580,438)	(60.60)	-
	Toshiba America Electronic Components, Inc.	Subsidiary of a corporate member of the Corporation's board of directors	Purchase	1,257,725	4.26	Net 30 days after receiving	None	None	(129,481)	(3.04)	-
	Kingston Solutions Inc.	Equity method investee	Purchase	243,987	0.83	Net 30 days after monthly closing	None	None	(21,530)	(0.51)	-
	Toshiba Electronics Asia, Ltd.	Subsidiary of a corporate member of the Corporation's board of directors	Purchase	207,589	0.70	Net 30 days after receiving	None	None	(203,648)	(4.78)	
	Orient Semiconductor Electronics, Ltd.	The Corporation is its director	Processing cost	1,069,915	3.62	Net 15 days after monthly closing	None	None	(139,270)	(3.27)	-
	Toshiba Corporation, Japan	A corporate member of the Corporation's board of directors	Sale	(1,190,332)	(3.21)	Net 60 days after monthly closing	None	None	259,234	5.59	-
	Memoryexchange Corporation	Related party in substance	Sale	(582,243)	(1.57)	Net 60 days after monthly closing	None	None	-	-	-
	Toshiba International Procurement Hong Kong Ltd.	Subsidiary of a corporate member of the Corporation's board of directors	Sale	(279,415)	(0.75)	Net 60 days after monthly closing	None	None	50,361	1.09	-
	Toshiba (Australia) Pty Limited	Subsidiary of a corporate member of the Corporation's board of directors	Sale	(139,016)	(0.38)	Net 45 days after monthly closing	None	None	19,325	0.42	-

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RESTATED RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
Phison Electronics Corp.	Toshiba Corporation, Japan	A corporate member of the Corporation’s board of directors	$ 259,234	5.69	$ -	-	$ 244,935	$ -

Note: As of February 28, 2016.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RESTATED INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number	Company Name	Counter-party	Flow of Transaction	Transaction Details			Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	Phison Electronics Corp.	Emtops Electronics Corp.	1	Operating revenues	$ 33,414	Based on regular terms	-
		Phisontech Electronics (Malaysia) Sdn. Bhd.	1	Operating revenues	1,044	Based on regular terms	-
		Phison Electronics Japan Corp.	1	Other accounts payable	1,892	Based on regular terms	-
		Phison Electronics Japan Corp.	1	Sales expense	6,342	Based on regular terms	-
		Phisontech Electronics Taiwan Corp.	1	Operating revenues	10,698	Based on regular terms	-
		Phisontech Electronics Taiwan Corp.	1	Accounts receivable	6,423	Based on regular terms	-
		Ostek Corporation	1	Accounts payable	2,084	Based on regular terms	-
		Ostek Corporation	1	Cost of goods sold	75,222	Based on regular terms	-
		Ostek Corporation	1	Manufacture expense	21,968	Based on regular terms	-
		Memoryexchange Corporation	1	Operating revenues	582,243	Based on regular terms	1.56
		Everspeed Technology Limited	1	Operating revenues	12,746	Based on regular terms	0.03
		Cloud Solution Limited	1	Operating revenues	23,449	Based on regular terms	0.06
1	Memoryexchange Corporation	Cloud Solution Limited	3	Operating revenues	66,295	Based on regular terms	0.18

Note: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RESTATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015			Net (Loss) Income of the Investee	Investment (Loss) Income	Note
				December 31, 2015	December 31, 2014	Shares	Percentage of Ownership	Carrying Value			
Phison Electronics Corp.	Kingston Solutions Inc.	Hsinchu, Taiwan	Embedded flash product and market development	$ 106,050	$ 106,050	10,605,000	32.91	$ 658,526	$ 146,234	$ 48,126	Equity-method investee
	Emtops Electronics Corporation	Hsinchu, Taiwan	Sell flash memory controllers and peripheral system applications products	95,000	95,000	9,500,000	100.00	75,835	(20,806)	(20,806)	Subsidiary
	Lian Xu Dong Investment Corporation	Hsinchu, Taiwan	Investment	400,000	200,000	40,000,000	100.00	433,627	31,075	31,075	Subsidiary
	Flexmedia Electronics Corporation	Hsinchu, Taiwan	High-tech Multi-Media design R&D, sales and production	8,077	12,375	482,142	21.43	1,278	(16,537)	(3,544)	Equity-method investee
	Microtops Design Corporation	Miaoli, Taiwan	Research and design on flash memory controllers and their related products	22,638	22,638	2,263,800	49.00	21,678	524	257	Equity-method investee
	Phison Electronics Japan Corp.	Japan	Sales and service office	28,982	28,982	900	100.00	11,794	(282)	(282)	Subsidiary
	Global Flash Limited	Samoa	Investment and trade	635,696	59,990	20,000,000	100.00	616,888	5,751	5,751	Subsidiary
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Malaysia	Design, produce and sell flash memory controllers and peripheral system applications	81,771	93,990	8,700,000	87.00	40,761	(2,709)	(1,809)	Subsidiary
	Epostar Electronics (BVI) Corporation	British Virgin Islands	Investment	102,216	-	8,100,000	60.00	33,367	(63,614)	(68,849)	Subsidiary
	Everspeed Technology Limited	Samoa	Trading of electronic components	-	-	-	-	-	2,598	-	Note 1
Lian Xu Dong Investment Corporation	Ostek Corporation	Hsinchu, Taiwan	Manufacture and trading of electronic components	9,000	9,000	900,000	100.00	77,491	68,005	-	Subsidiary
	PMS Technology Corporation	Miaoli, Taiwan	Research and design on flash memory controllers and their related products	2,000	2,000	200,000	33.33	2,124	604	-	Equity-method investee
Phisontech Electronics (Malaysia) Sdn. Bhd.	Phisontech Electronics Taiwan Corp.	Hsinchu, Taiwan	Design ASIC and R&D, manufacture, and sell ASIC of IP and technical support service	10,000	10,000	1,000,000	100.00	31,499	7,639	-	Subsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	576,229	-	18,050,000	100.00	573,679	12,254	-	Subsidiary
Epostar Electronics (BVI) Corporation	Epostar Electronics Corporation	Hsinchu, Taiwan	Research and design on flash memory controllers and their related products	115,100	-	11,510,000	100.00	53,740	(58,138)	-	Subsidiary

Everspeed Technology Limited	Memoryexchange Corporation	Miaoli, Taiwan	Design and sell flash memory related products	59,286	59,286	7,500,000	94.34	(296,147)	(8,072)	-	Note 2
	Fast Choice Global Limited	British Virgin Islands	Trading of electronic components	1,482	1,482	50,000	100.00	28,178	(40,044)	-	Note 2
	Cloud Solution Global Limited	British Virgin Islands	Trading of electronic components	-	-	-	100.00	(200,906)	(15,317)	-	Note 2
Fast Choice Global Limited	Manutius IP, Inc.	U.S.A	Business of patent management and authorization	87,036	87,036	1,440,000	48.00	25,149	(85,640)	-	Note 3
Cloud Solution Global Limited	Asdhya Enterprise Private Limited	India	Trading of electronic product	611	611	122,255	49.00	-	-	-	Equity-method investee
Emtops Electronics Corporation	Manutius IP, Inc.	U.S.A	Business of patent management and authorization	34,468	34,468	570,000	19.00	-	(85,640)	-	Note 3

Note 1: The Corporation did not invest in such entity, so it is not required to disclose the investment amount, carrying amount at the year-end and investment (loss) income.

Note 2: The investment of Everspeed Technology Limited in Memoryexchange Corporation, Fast Choice Global Limited and Cloud Solution Global Limited is funded by the company’s own capital.

Note 3: The entity had been approved to dissolve by the local government on July 8, 2016.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RESTATED INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Percentage of Ownership	Investment (Loss) Income (Note 2)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow					
Phisontech (Shenzhen) Limited	Design, R&D, import and export storage devices and electronics	$ 23,006	2	$ 23,006	$ -	$ -	$ 23,006	100.00	$ (5,955)	$ 2,868	$ -
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of integrated circuits, systems and electronics hardware and software and rendering related services.	576,780	2	-	576,780	-	576,780	100.00	10,436	572,412	-

Accumulated Investment in mainland China as of December 31, 2015	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment (Note 3)
$ 599,786 (US$ 18,790)	$ 599,786 (US$ 18,790)	$ 12,329,917

Note 1: Indirectly invested in Chinese company through third region company Global Flash Limited and subsidiaries.

Note 2: Amount was recognized based on the unreviewed financial statements.

Note 3: The limit of investment in mainland China based on Regulations Governing the Approval of Investments on Technical Corporation in mainland China is 60% of net asset value, $20,549,862 x 60% = $12,329,917.