

YC INOX CO., LTD.

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

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For the convenience of readers and the information purpose only, the auditors' report and the accompanying financial statements have been translated into English from original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two version, the Chinese-language auditors' report and financial statement shall prevail.

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of YC INOX Co., Ltd. as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, YC INOX Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

YC INOX CO., LTD.

By

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CHIN KER CHANG  
Chairman

March 18, 2016



中國財稅聯合會計師事務所

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
YC INOX Co., Ltd.

We have audited the accompanying consolidated balance sheets of YC INOX Co., Ltd. and subsidiaries as of December 31, 2015 and 2014, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YC INOX Co., Ltd. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of Republic of China with the effective dates.

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



Certified Public Accountants  
Taipei, Taiwan R.O.C.  
March 18, 2016

YC INOX CO., LTD.

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Note	December 31, 2015		December 31, 2014	
		Amount	%	Amount	%
ASSETS					
CURRENT ASSETS					
Cash	6(1)	\$682,821	7	\$820,104	7
Financial assets at fair value through profit or loss-current	6(2)	58,133	1	47,686	0
Available-for-sale financial assets-current	6(3)	21,408	0	37,853	0
Notes receivable - net	6(5)	61,748	1	56,810	1
Accounts receivable - net	6(6)	1,492,407	15	2,483,956	22
Other receivables	6(9)	391,034	4	204,496	2
Current tax assets		0	0	10,929	0
Inventories	6(7)	3,792,822	37	4,591,252	41
Prepayments		10,592	0	24,777	0
Other current assets	8	27,974	0	800	0
Total current assets		<u>6,538,939</u>	<u>65</u>	<u>8,278,663</u>	<u>73</u>
NON-CURRENT ASSETS					
Financial assets carried at cost - non-current	6(4)	725,902	7	355,570	3
Property, plant and equipment	6(8) - 8	2,580,446	25	2,570,438	23
Deferred tax assets	6(22)	59,535	1	38,341	0
Prepayment for equipment		49,339	0	73,188	1
Refundable deposits	6(8)	25,024	0	25,021	0
Other non-current assets	6(6)	199,739	2	33,853	0
Total other assets		<u>3,639,985</u>	<u>35</u>	<u>3,096,411</u>	<u>27</u>
TOTAL ASSETS		<u>\$10,178,924</u>	<u>100</u>	<u>\$11,375,074</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	6(10)	\$1,629,725	16	\$1,703,616	15
Short-term bills payable	6(11)	99,969	1	99,855	1
Financial liabilities at fair value through profit or loss-current	6(2)	2,794	0	1,339	0
Notes payable		371	0	628	0
Accounts payable		194,050	2	167,160	1
Other payables	6(12)	257,263	3	342,291	3
Current tax liabilities		67,951	1	101,923	1
Advance receipts		215,265	2	339,948	3
Current portion of long-term liabilities	6(13)	123,008	1	168,841	2
Other current liabilities		52,369	1	17,080	0
Total current liabilities		<u>2,642,765</u>	<u>27</u>	<u>2,942,681</u>	<u>26</u>
NON-CURRENT LIABILITIES					
Long-term loans	6(13)	312,859	3	985,867	9
Deferred tax liabilities	6(22)	890	0	890	0
Net defined benefit liabilities	6(14)	164,192	2	162,129	1
Guarantee deposits		8,160	0	4,220	0
Total not-current liabilities		<u>486,101</u>	<u>5</u>	<u>1,153,106</u>	<u>10</u>
TOTAL LIABILITIES		<u>3,128,866</u>	<u>32</u>	<u>4,095,787</u>	<u>36</u>
EQUITY					
Capital stock - common stock	6(15)	3,701,189	36	3,701,189	33
Capital surplus	6(16)	1,848,637	18	1,848,637	16
Retained Earnings	6(17)				
Legal reserve		756,744	7	658,463	6
Unappropriated earnings		753,732	7	1,064,797	9
Other equity	6(18)	(10,244)	(0)	6,201	0
Total equity		<u>7,050,058</u>	<u>68</u>	<u>7,279,287</u>	<u>64</u>
Total liabilities and equity		<u>\$10,178,924</u>	<u>100</u>	<u>\$11,375,074</u>	<u>100</u>

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

## YC INOX CO., LTD.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNING PER SHARE)

	Note	For the Years Ended December 31			
		2015		2014	
		Amount	%	Amount	%
NET REVENUE		\$18,374,720	100	\$25,424,368	100
COST OF REVENUE	6(7)	(17,028,938)	(93)	(23,243,380)	(91)
GROSS PROFIT		1,345,782	7	2,180,988	9
OPERATING EXPENSES					
Selling and marketing		(618,764)	(3)	(940,282)	(4)
General and administrative		(166,230)	(1)	(165,389)	(1)
TOTAL OPERATING EXPENSES		(784,994)	(4)	(1,105,671)	(5)
OPERATING INCOME		560,788	3	1,075,317	4
NON-OPERATING INCOME AND EXPENSES					
Others gains and losses	6(19)	88,852	0	100,499	0
Finance costs	6(20)	(25,162)	(0)	(49,159)	(0)
Interest income		604	0	424	0
Dividend income		1,752	0	4,572	0
Total Non-Operating Income and Expenses		66,046	0	56,336	0
INCOME BEFORE INCOME TAX		626,834	3	1,131,653	4
INCOME TAX EXPENSE	6(22)	(95,672)	(1)	(148,840)	(1)
NET INCOME		531,162	2	982,813	3
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	6(14)	(4,467)	(0)	32,423	0
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(22)	759	0	(5,512)	(0)
Items that may be reclassified subsequently to profit or loss:					
Unrealized gains(losses) on available-for-sale financial assets		(16,445)	(0)	(1,424)	(0)
Other comprehensive income for the year, net of income tax		(20,153)	(0)	25,487	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$511,009	2	\$1,008,300	3
NET INCOME ATTRIBUTED TO					
Owners of the parent		\$531,162	2	\$982,813	3
Non-controlling interests.		0	0	0	0
		\$531,162	2	\$982,813	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO					
Owners of the parent		\$511,009	2	\$1,008,300	3
Non-controlling interests.		0	0	0	0
		\$511,009	2	\$1,008,300	3
EARNINGS PER SHARE	6(23)				
Basic earnings per share		\$1.44		\$2.66	
Diluted earnings per share		\$1.43		\$2.64	

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

YC INOX CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Capital Stock		Retained Earnings				Other Equity	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gains(Losses) on Available-for-sale Financial Assets	Total	
BALANCE, JANUARY 1, 2014	\$3,701,189	\$1,848,637	\$593,172	\$29,227	\$646,315	\$7,625	\$6,826,165	
Appropriation and distribution of 2013 earnings								
Legal reserve			65,291		(65,291)		0	
Cash dividends					(555,178)		(555,178)	
Special reserve reversed				(29,227)	29,227		0	
Net income in 2014					982,813		982,813	
Other comprehensive income in 2014					26,911	(1,424)	25,487	
BALANCE AT DECEMBER 31, 2014	<u>\$3,701,189</u>	<u>\$1,848,637</u>	<u>\$658,463</u>	<u>\$0</u>	<u>\$1,064,797</u>	<u>\$6,201</u>	<u>\$7,279,287</u>	
BALANCE, JANUARY 1, 2015	\$3,701,189	\$1,848,637	\$658,463	\$0	\$1,064,797	\$6,201	\$7,279,287	
Appropriation and distribution of 2014 earnings								
Legal reserve			98,281		(98,281)		0	
Cash dividends					(740,238)		(740,238)	
Net income in 2015					531,162		531,162	
Other comprehensive income in 2015					(3,708)	(16,445)	(20,153)	
BALANCE, DECEMBER 31, 2015	<u>\$3,701,189</u>	<u>\$1,848,637</u>	<u>\$756,744</u>	<u>\$0</u>	<u>\$753,732</u>	<u>(\$10,244)</u>	<u>\$7,050,058</u>	

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

YC INOX CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the Years Ended December 31	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Income before income tax	\$626,834	\$1,131,653
Adjustments for:		
Depreciation	194,421	179,478
Finance costs	25,162	49,159
Interest income	(604)	(424)
Dividend income	(1,752)	(4,572)
(Gain) Loss on disposal of property, plant and equipments	7,184	2,213
Property, plant and equipments reclassified to expenses	406	0
Changes in operating assets and liabilities:		
(Increase) Decrease in financial assets held for trading	(10,447)	49,910
(Increase) Decrease in notes receivable	(4,938)	(2,143)
(Increase) Decrease in accounts receivable	991,549	(7,836)
(Increase) Decrease in other receipts	(186,538)	220,812
(Increase) Decrease in inventories	798,430	306,060
(Increase) Decrease in prepayments	14,185	33,894
(Increase) Decrease in other current assets	(27,174)	0
Increase (Decrease) in financial liabilities held for trading	1,455	1,339
Increase (Decrease) in notes payable	(257)	352
Increase (Decrease) in accounts payable	26,890	(152,297)
Increase (Decrease) in other payables	(66,007)	50,329
Increase (Decrease) in advance receipts	(124,683)	5,272
Increase (Decrease) in other current liabilities	(2,393)	10,291
Increase (Decrease) in net defined benefit liabilities	(2,403)	(1,556)
Cash generated from operations	2,259,320	1,871,934
Interest received	604	424
Dividend received	1,752	4,572
Interest paid	(25,376)	(49,419)
Income tax paid	(139,151)	(98,762)
Net cash generated from (used in) operating activities	2,097,149	1,728,749
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Acquisitions of financial assets carried at cost-non-current	(370,332)	0
Acquisitions of property, plant and equipment	(387,823)	(269,458)
Proceeds from disposal of property, plant and equipment	14,960	11,813
Refundable deposits refunded	(3)	(24,880)
Additions to other non-current assets	0	(908)
Net cash generated from (used in) investing activities	(743,198)	(283,433)
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase (Decrease) in short-term loans	(73,891)	(489,470)
Increase (Decrease) in short-term bills payable	114	(199,603)
Payment in long-term loans	(718,841)	(35,508)
Guarantee deposits received (refunded)	41,622	969
Cash dividends	(740,238)	(555,178)
Net cash generated from (used in) financing activities	(1,491,234)	(1,278,790)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(137,283)</b>	<b>166,526</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>820,104</b>	<b>653,578</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>\$682,821</b>	<b>\$820,104</b>

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

# YC INOX CO., LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE STATED)

### 1. ORGANIZATION AND OPERATIONS

- (1) YC INOX Co., Ltd (the “Company”) was incorporated on January 31, 1973 under the provisions of the Company Act of the Republic of China. The Company engages in the manufacturing, processing and trading of stainless steel pipe, and cutting processing and trading of stainless steel plate and stainless steel coil.
- (2) The Company’s stocks was listed on the Taiwan Stock Exchange since September ,2001.

### 2. THE AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorised for issuance by the Board of Directors on March 18, 2016.

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

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

According to Rule No. 1030010325 issued by FSC on April 3, 2014, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS(not include IFRS 9 “Financial Instrument”) as endorsed by the FSC and Regulations Governing the Preparation of Financial reports by Securities Issuers effective January 1, 2015. The impact of adopting the 2013 version of IFRSs is listed below:

#### A. IAS 19 “Employee Benefits”

The amendments to IAS 19 require the Company to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19.

In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendments also require a broader disclosure in defined benefit plans. The Company will disclosure in defined benefit plans in accordance with the amendments.



**B. Amendments to IAS 1, “Presentation of Items of Other Comprehensive Income”**

The amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: items that will not be reclassified subsequently to profit or loss; and items that will be reclassified subsequently to profit or loss when specific conditions are met. The amendment also provides other comprehensive income items listed in the pre-tax amount, and its related tax should be presented separately with the above two categories. The Company will change the presentation of Statement of Comprehensive Income.

**C. IFRS 13, “Fair Value Measurement”**

It defines fair value: between market participants to sell assets in an orderly transaction can receive or transfer the liability to pay the price. Establishes a framework for measuring fair value requires in view of market participants; measurement of non-financial assets should be based on the highest and best use; and requires disclosures about fair value measurements.

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

None.

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

The following are the assessment of 2013 Taiwan-IFRSs, interpretations and amendments issued by IASB but not yet endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>		<u>IASB Effective Date</u>
IFRS 9	Financial instruments	January 1, 2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendment to IAS 1	Disclosure Initiative	January 1, 2016
Amendment to IAS 7	Disclosure Initiative	January 1, 2017
(continued)		
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

New Standards, Interpretations and Amendments		IASB Effective Date
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	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
Amendments to IFRS	Improvements to IFRSs 2010-2012	July 1, 2014
Amendments to IFRS	Improvements to IFRSs 2011-2013	July 1, 2014
Amendments to IFRS	Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the initial application of the above new standards and interpretations has not had any material impact on the Company's accounting policies:

**A. IFRS 9 "Financial Instruments"**

- (a) Financial assets debt instruments according to the business model and the contractual cash flow characteristics of the business to judge, may be classified financial assets at fair value through profit or loss, financial assets at fair value through other profit or loss and financial assets carried at amortized cost; financial assets equity instruments as classified financial assets at fair value through profit or loss, unless companies make irrevocable option to fair value of non-trading purposes equity instruments recognized in other comprehensive income.
- (b) Impairment assessment of financial asset debt instruments should allow expected loss impairment model, at each balance sheet date to assess whether the credit risk of the tool it has significantly increased in order to apply the expected credit losses or anticipated credit losses existing period of 12 months ( interest income before impairment should be estimate as total book assets), or whether impairment has

occurred, interest after impairment should estimate as net book amount after allowance of debts.

- (c) Amendment of generally accounting of hedge makes accounting treatment and risk management policy of enterprise more consistent, open component of non-financial item group, etc. have been used as the hedged item, highly effective hedging of threshold be deleted, and adds hedge ratio of rebalancing hedge item and hedge instruments with risk management objectives of the enterprise unchanged.

**B. IFRS 15 “Revenue from Contracts with customers”**

IFRS 15 “Revenue from Contracts with customers,” will supersede IFRS11 “Construction Contracts,” IAS 18 “revenue,” and a number of revenue-related interpretations. Accordingly, the Company should recognize revenue when “Control” of the underlying goods or services is transferred to the customers. “Control” is defined as the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset.

The core principle of IFRS15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitle exchange for those goods or services. Accordingly, the entity shall recognize revenue by applying the following 5-steps:

Step 1 : Identify the contract with the customer;

Step 2 : Identify the performance obligations in the contract;

Step 3 : Determine the transaction price;

Step 4 : Allocate the transaction price to the performance obligations in the contracts; and

Step 5 : Recognize revenue when the entity satisfies a performance obligation.

In addition, IFRS15 also include a set of integrated disclosure rule, the disclosure requirements are driven by the objective of providing users of the financial statements with information that will help them to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Except for the aforementioned impact, as of the date that the accompanying consolidated financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated

financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, Interpretations as well as related guidance translated by the Accounting Research and Development Foundation.

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Company's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
- (b) Intra-company transactions, balances, and unrealized gains or losses are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the

parent losing control of the subsidiary are equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

- (e) When the Company loses control of a subsidiary, the Company remeasures any investments retained in the former subsidiary at its fair value. The fair value is regarded as the fair value on initial recognition of a financial assets or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Basis for preparation of consolidated financial statements

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			December 31, 2015	December 31, 2014
	Ji-mao			
The Company	investment Corporation, Ltd	Investment	100%	100%

(4) Foreign currency translation

- A. Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Company’s presentation currency.
- B. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- C. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- D. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair

value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

E.All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

**(5) Classification of current and non-current items**

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

**(6) Financial assets at fair value through profit or loss**

A.Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in

accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting, designated at initial recognition as financial assets at fair value through profit or loss using settlement date accounting.

C. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured and stated at fair value, and any changes in the fair value are recognized in profit or loss.

D. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss. Investments in equity instruments that do not have a listed market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are recognized in a separate line item as financial assets carried at cost.

**(7) Available-for-sale financial assets**

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

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using settlement date accounting.

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

**(8) Loans and receivables**

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, except for short-term accounts receivable when the effect of discounting is immaterial.

**(9) Impairment of financial assets**

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the

financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

- (a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.



(b) Financial assets measured at cost

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

(c) Available-for-sale financial assets

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

(10) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The Company neither transfers nor retains substantially all risks and rewards of the financial asset, however, the Company has not retained control of the financial asset.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of land improvements are 10 years, buildings are 10~35 years, machinery and equipment are 3~15 years, transportation equipment are 8 years, and others are 1~20 years.

(13) Leases

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Company assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- B. Operating lease is a lease other than a finance lease. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(15) Borrowings cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore,

should be capitalised. Capitalisation should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Other borrowing costs are recognized as an expense.

(16) Employee benefits

A. Employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise, and are recorded as retained earnings.

iii. Past-service costs are recognized immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

Employees', directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees', directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized

based on the accounting for changes in estimates.

(17) Income tax

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

F.A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(18) Revenue recognition

A.The Company manufactures and sells stainless steel products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B.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.

C.Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company 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.

(19) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

### (1) Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of December 31, 2015, the Company recognized deferred income tax assets amounting to \$59,535 thousand.

### (2) Evaluation of inventories

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

As of December 31, 2015, the carrying amount of inventories was \$3,792,822 thousand.

### (3) Calculation of defined benefit liabilities

When calculating the present value of defined benefit obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined benefit obligations.

As of December 31, 2015, the carrying amount of defined benefit obligations was \$164,192 thousand.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) CASH

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand and petty cash	\$1,103	\$968
Checking accounts and demand deposits	681,718	819,136
Deposit account	<u>800</u>	<u>800</u>
	683,621	820,904
Other assets (pledged deposit account)	<u>(800)</u>	<u>(800)</u>
Total	<u>\$682,821</u>	<u>\$820,104</u>

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

B. Please refer to Note 8 for cash pledged as collateral.

### (2) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

<u>Items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets held for trading		
Listed stocks	\$69,819	\$50,437
Valuation adjustment	<u>(13,292)</u>	<u>(2,788)</u>
Subtotal	56,527	47,649
Non-hedging derivatives		
Exchange contracts futures	<u>1,606</u>	<u>37</u>
Total	<u>\$58,133</u>	<u>\$47,686</u>
Financial liabilities held for trading		
Non-hedging derivatives		
Exchange contracts futures	<u>\$2,794</u>	<u>\$1,339</u>
Total	<u>\$2,794</u>	<u>\$1,339</u>

A. The Company's financial assets or liabilities held for trading recognized net loss of \$12,872 thousand and \$1,918 thousand for the year periods ended December 31, 2015 and 2014, respectively.

B.The Derivative financial instruments transaction and contract information are as follows:

	December 31, 2015		
	Contract Amount (Notional Principal)		
Financial Instruments	(thousand)		Contract Period
Exchange contracts futures			
Sell JPY/Buy NT	JPY	127,000	2015.11.17～2016.03.30
Sell JPY/Buy USD	JPY	292,000	2015.11.30～2016.03.31
Sell EUR /Buy USD	EUR	3,470	2015.09.23～2016.02.26

	December 31, 2014		
	Contract Amount (Notional Principal)		
Financial Instruments	(thousand)		Contract Period
Exchange contracts futures			
Sell JPY/Buy NT	JPY	290,000	2014.12.01~2015.04.10

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

C.No financial assets at fair value through profit or loss by the Company were pledged to others.

### (3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Items	December 31, 2015	December 31, 2014
OTC stocks	\$31,652	\$31,652
Valuation adjustment	(10,244)	6,201
Total	\$21,408	\$37,853

No available-for-sale financial assets by the Company were pledged to others.

### (4) FINANCIAL ASSETS CARRIED AT COST-NON-CURRENT

Items	December 31, 2015	December 31, 2014
Non-publicly traded stocks	\$725,902	\$355,570
Accumulated impairment	0	0
Total	\$725,902	\$355,570

A.In accordance with the Company's intention, its investment in ABGENOMICS INTERNATIONAL INC. and Gongwin Biopharm Co., Ltd. stocks should be classified as available-for-sale financial assets. However, as the investments are not traded in active market, and no sufficient industry and financial information can be obtained, the fair value of the investments cannot be measured reliably. Thus, the



Company classified those investments as 'financial assets measured at cost'.

B.No financial assets measured at cost held by the Company were pledged to others.

(5) NOTES RECEIVABLE

	December 31, 2015	December 31, 2014
Notes receivable	\$61,748	\$56,810
Less: allowance for bad debts	0	0
Total	\$61,748	\$56,810

(6) ACCOUNTS RECEIVABLE

	December 31, 2015	December 31, 2014
Accounts receivable	\$1,494,885	\$2,487,490
Less: allowance for bad debts	(2,478)	(3,534)
Total	\$1,492,407	\$2,483,956

	December 31, 2015	December 31, 2014
Overdue receivable	\$4,285	\$4,338
Less: allowance for bad debts	(4,285)	(4,338)
Total	\$0	\$0

A.The ageing analysis of accounts receivable is as follows:

	December 31, 2015	December 31, 2014
Neither past due nor impaired	\$1,397,834	\$2,310,779
Past due but not impaired		
Past due within 30 days	55,766	161,440
Past due 31-90 days	3,003	11,737
Past due 91-180 days	35,804	0
Total	\$1,492,407	\$2,483,956

B.Movement analysis of financial assets that were impaired is as follows:

	Individually Provision	Collectively Provision	Total
Balance at January 1, 2015	\$4,338	\$3,534	\$7,872
Provision for impairment	1,884	0	1,884
Write-offs during the period	(53)	(2,940)	(2,993)
Balance at December 31, 2015	\$6,169	\$594	\$6,763

	Individually Provision	Collectively Provision	Total
Balance at January 1, 2014	\$161	\$2,695	\$2,856
Provision for impairment	4,338	839	5,177
Write-offs during the period	(161)	0	(161)
Balance at December 31, 2014	<u>\$4,338</u>	<u>\$3,534</u>	<u>\$7,872</u>

C.The Company's accounts receivable that were neither past due nor impaired had good credit quality.

D.The Company does not hold any collateral as security.

(7) INVENTORIES

	December 31, 2015	December 31, 2014
Finished goods(including merchandise)	\$2,007,212	\$2,666,065
Work in process	57,727	69,040
Semi-finished goods	208,330	299,937
Raw materials	1,461,971	1,496,398
Supplies	57,582	59,812
Carrying amount	<u>\$3,792,822</u>	<u>\$4,591,252</u>

Inventory related operating costs of December 31, 2015 and 2014, respectively are listed as below:

	December 31, 2015	December 31, 2014
Cost of goods sold	\$16,994,143	\$23,349,967
Loss(Gain) on physical inventory	(287)	(228)
Inventory disposal	8,125	9,165
Scrap sales	(95,333)	(107,234)
Loss for value declined (Gain from value recover)	122,290	(8,290)
Total	<u>\$17,028,938</u>	<u>\$23,243,380</u>

Gain from value recovery in 2014 results mainly from the increase in price of raw materials.

(8) PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2015

	Balance, Beginning of Year	Additions	Disposals	Reclassifications	Balance, End of Year
<u>Cost</u>					
Land	\$1,154,362	\$16,000	\$0	\$0	\$1,170,362
Land improvements	8,533	0	0	0	8,533
Buildings	698,267	18,729	(7,024)	68,665	778,637
Machinery and equipment	1,805,410	75,170	(4,452)	0	1,876,128
Transportation equipment	90,488	67,896	(40,376)	0	118,008
Office equipment	61,936	11,381	(504)	0	72,813
Other equipment	250,301	35,303	(4,576)	0	281,028
Construction in progress	68,665	2,094	0	(68,665)	2,094
	<u>4,137,962</u>	<u>\$226,573</u>	<u>(\$56,932)</u>	<u>\$0</u>	<u>4,307,603</u>
<u>Accumulated depreciation</u>					
Land improvements	1,363	\$854	\$0	\$0	2,217
Buildings	254,460	37,679	(1,560)	0	290,579
Machinery and equipment	1,097,791	118,613	(4,252)	0	1,212,152
Transportation equipment	32,506	13,967	(24,142)	0	22,331
Office equipment	33,626	8,595	(504)	0	41,717
Other equipment	147,778	14,713	(4,330)	(0)	158,161
	<u>1,567,524</u>	<u>\$194,421</u>	<u>(\$34,788)</u>	<u>\$0</u>	<u>1,727,157</u>
	<u>\$2,570,438</u>				<u>\$2,580,446</u>

Year ended December 31, 2014

	Balance, Beginning of Year	Additions	Disposals	Reclassifications	Balance, End of Year
<u>Cost</u>					
Land	\$1,154,362	\$0	\$0	\$0	\$1,154,362
Land improvements	7,619	914	0	0	8,533
Buildings	667,562	6,269	0	24,436	698,267
Machinery and equipment	1,660,312	161,200	(16,102)	0	1,805,410
Transportation equipment	65,283	42,380	(17,175)	0	90,488
Office equipment	58,344	4,065	(473)	0	61,936
Other equipment	223,157	27,164	(20)	0	250,301
Construction in progress	37,349	55,752	0	(24,436)	68,665
	<u>3,873,988</u>	<u>\$297,744</u>	<u>(\$33,770)</u>	<u>\$0</u>	<u>4,137,962</u>

Accumulated depreciation

Land improvements	571	\$792	\$0	\$0	1,363
Buildings	219,557	34,903	0	0	254,460
Machinery and equipment	1,000,701	112,230	(15,140)	0	1,097,791
Transportation equipment	25,761	10,857	(4,112)	0	32,506
Office equipment	26,755	7,344	(473)	0	33,626
Other equipment	134,446	13,352	(20)	(0)	147,778
	<u>1,407,791</u>	<u>\$179,478</u>	<u>(\$19,745)</u>	<u>\$0</u>	<u>1,567,524</u>
	<u>\$2,466,197</u>				<u>\$2,570,438</u>

- A.The significant part of the Company's buildings includes main plants, and the related depreciation is calculated using the estimated useful lives of 10-35 years.
- B.Interest capitalization amounted to \$522 thousand and \$778 thousand for the years ended December 31, 2015 and 2014, respectively, and the range of interest rates is 0.99%~1.45% and 1.05%~1.50% for the years ended December 31, 2015 and 2014, respectively.
- C.The Company won a bid which registers to Yunlin Technology-based Industrial Park Phase II (Shiliuban Farms) land in advance. The land covers an area of 67,919.46m<sup>2</sup>, and it costs NT\$829,432 thousand. The Company paid first of 2 instalments NT\$165,886 thousand on June 4, 2015 (reported under other non-current asset). To pay 3% of original deposit NT\$24,883 thousand (reported under refundable deposits) by pre-registration offsets completed using deposit without interest.
- D.The Company's land meant for 75-1, 75-2 (2,044 m<sup>2</sup>) located at Jiumei Section, Xizho Township, Changhua County and land meant for Lot 115( 171 m<sup>2</sup> ), 115-1 and 115-2( 3,218 m<sup>2</sup> ), and 116 ( 120 m<sup>2</sup> ) located at Xinguan Section, Puxin Township, it is zoned for agriculture and ranch but used for a parking lot and finished goods storage, and delivery loading/unloading area ; moreover, the ownership to the lot cannot be transferred by law temporarily; therefore, it is registered in the name of Mr. G.Y. Chang, General manager of the Company. The said six lots of land are used as collateral for a mortgage loan for an amount of \$40,000 thousand.
- E.Please refers to Note 8 for property, plant and equipment pledged as collateral.

(9) TRANSFERS OF FINANCIAL ASSETS

The Company entered into an agreement with bank to sell its accounts receivable. Under the agreement, the Company is not required to bear uncollectible risk of the underlying accounts receivable, the burden of losses caused by the commercial disputes only, and the Company has transferred the receivables does not have any continuing involvement. The Company has derecognized the accounts receivable. As of December 31, 2015 and 2014, the outstanding accounts receivable sold to bank were as follow :

December 31, 2015			
Purchaser	Sold	Amount advanced	Amount retained
Fubon Bank	USD 9,859 thousand	USD 159 thousand	USD 9,700 thousand
Fubon Bank	EUR 180 thousand	EUR 138 thousand	EUR 42 thousand

December 31, 2014			
Purchaser	Sold	Amount advanced	Amount retained
Fubon Bank	USD 15,049 thousand	USD 12,953 thousand	USD 2,096 thousand
Fubon Bank	EUR 463 thousand	EUR 407 thousand	EUR 56 thousand

(10) SHORT-TERM LOANS

	December 31, 2015	December 31, 2014
Unsecured bank loans		
Material purchase	\$690,488	\$201,044
Exporting	639,237	1,302,572
Fiduciary loans	300,000	200,000
Net	\$1,629,725	\$1,703,616
Range of interest rates	0.612%~1.466%	0.455%~1.414%

(11) SHORT-TERM BILLS PAYABLE

	December 31, 2015	December 31, 2014
Short-term bills payable	\$100,000	\$100,000
Less: Unamortized discounts	(31)	(145)
Net	\$99,969	\$99,855
Range of interest rates	0.93%	0.88%

(12) OTHER PAYABLE

	December 31, 2015	December 31, 2014
Salary and bonus payable	\$116,016	\$148,314
Accrued employees', directors' and supervisors' remuneration	47,149	63,801
Payable on equipment	5,658	24,464
Commissions payable	17,718	23,273
Other payable-others	70,722	82,439
	\$257,263	\$342,291

(13) LONG-TERM LOANS

	<u>Loan content</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Secured loans :			
Bank Of Taiwan	Note A	\$139,200	\$162,400
Bank Of Taiwan	Note B	80,000	92,308
Bank Of Taiwan	Note C	166,667	250,000
Bank Of Taiwan	Note D	50,000	50,000
Mega International Commercial Bank	Note E	0	600,000
Total		435,867	1,154,708
Less : Current portion		(123,008)	(168,841)
Long-term loans		\$312,859	\$985,867
Range of interest rates		1.327%	1.475%~1.485%

A. Payable semi-annually in 25 installments from November 22, 2009.

B. Payable semi-annually in 26 installments from July 22, 2009.

C. Payable semi-annually in 6 installments from February 6, 2015.

D. Payable semi-annually in 24 installments from February 6, 2016.

E. Payable quarterly in 12 installments from November 30, 2015, and issued guarantee notes amounted \$800,000 thousand. The Company had paid off sum loans, and withdrew guarantee notes on August 17, 2015.

F. The Company's collateral information for long-term loans please refer to Note 8.

G. The Company's loan commitment is as follow:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Drawing amount	\$2,165,591	\$2,958,323
Remaining amount	14,031,784	10,754,427
	\$16,197,375	\$13,712,750

(14) PENSION

A. Defined benefit plans

(a) The Company have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund

committee.

(b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	\$189,368	\$185,839
Fair value of plan assets	(24,651)	(23,173)
Net liability in the balance sheet	164,717	162,666
Booked as other payable	(525)	(537)
Booked as defined benefit liabilities	\$164,192	\$162,129

(c) Changes in present value of funded obligations are as follows:

	2015	2014
Present value of defined benefit obligations		
At January 1	\$185,839	\$215,686
Current service cost	746	1,078
Interest expense	3,190	3,719
Remeasurement on the net defined benefit liability:		
Actuarial loss (gain) arising from experience adjustments	(1,248)	(9,557)
Actuarial loss (gain) arising from changes in demographics assumptions	522	971
Actuarial loss (gain) arising from changes in financial assumptions	5,357	(23,754)
Benefits paid	(5,038)	(2,304)
At December 31	\$189,368	\$185,839

(d) Changes in fair value of plan assets are as follows:

	2015	2014
Fair value of plan assets		
At January 1	\$23,173	\$19,057
Interest income	400	338
Remeasurement on the net defined benefit liability:		
Return on plan assets	164	83
Contributions from employer	5,952	5,999
Benefits paid	(5,038)	(2,304)
At December 31	\$24,651	\$23,173

(e) Changes in present value of defined benefit obligations are as follows:

Net defined benefit liability	2015	2014
At January 1	\$162,666	\$196,629
Current service cost	746	1,078
Net interest expense of net defined benefit liability	2,790	3,381
Remeasurement on the net defined benefit liability:		
Actuarial loss (gain) arising from experience adjustments	(1,248)	(9,557)
Actuarial loss (gain) arising from changes in demographics assumptions	522	971
Actuarial loss (gain) arising from changes in financial assumptions	5,357	(23,754)
Return on plan assets	(164)	(83)
Contributions from employer	(5,952)	(5,999)
At December 31	\$164,717	\$162,666

(f) Amounts of expenses recognized in comprehensive income statements are as follows:

	2015	2014
Current service costs	\$746	\$1,078
Net interest expense	2,790	3,381
Components of defined benefit costs recognized in profit or loss	3,536	4,459
Remeasurement on the net defined benefit liability	4,467	(32,423)
Components of defined benefit costs recognized in profit or loss	4,467	(32,423)
Total	\$8,003	(\$27,964)

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	2015	2014
Cost of revenue	\$2,334	\$3,081
Selling and marketing expenses	303	361
General and administrative expenses	899	1,017
	3,536	\$4,459

(g) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products,



etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If losses, national treasury to make up. The company does not have any right participate operation and management of the fund. The constitution of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

(h)The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate used in determining present values	1.50%	1.75%
Future salary increase rate	2.00%	2.00%

Assumptions regarding future mortality experience are set based on Taiwan Standard Ordinary Experience 5th Mortality Table.

The sensitivity of defined benefit obligation to changes in actuarial assumptions is set out below:

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
Effect of defined benefit obligation present value	0.25%	0.25%	0.25%	0.25%
December 31, 2015	(\$5,381)	\$5,611	\$5,569	(\$5,368)
December 31, 2014	(\$5,440)	\$5,679	\$5,651	(\$5,440)

The sensitivity analysis disclosed above is based on changing one assumption while holding all other assumptions constant. In practice, changes in some of assumptions may be correlated. The same method has been applied as for calculating the net pension liability recognized in the Balance Sheet.

(i)Expected contributions to the defined benefit pension plans of the Company in 2016 are \$6,538 thousand.

(j)As of December 31, 2015, the weighted average duration of the defined benefit obligation is 12 years.

Expected maturity analysis of pension payments as follows:

Less than 1 year	\$8,207
1 to 2 years	6,085
2 to 5 years	27,510
Over 5 years	187,441

#### B. Defined contribution plans

(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees'

individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The net pension costs recognized under the defined contribution plan for the year periods ended December 31, 2015 and 2014 were \$19,786 thousand and \$20,510 thousand respectively.

(15)CAPITAL STOCK

As of December 31, 2015, the Company's authorized capital was \$4,600,000 thousand, consisting of 460,000 thousand shares of ordinary stock. As of December 31, 2015 and 2014, the Company's issued common stock both were 370,118,857 shares. All proceeds from shares issued have been collected.

(16)CAPITAL SURPLUS

	December 31, 2015	December 31, 2014
Share issuance in excess of par value	\$1,848,637	\$1,848,637

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

(17)RETAINED EARNINGS

A.Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior year's undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.

B.Dividend policy :

The Company is in a traditional business operation and is in a "mature" business lifecycle; therefore, a stable dividend policy is preferred. For the protection of shareholder's equity and the working capital needed by the Company, provided that Its dividend is distributed, the ratio for cash dividend shall not less 20% of distributable net profit.

C.Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other

purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D.(a)In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b)The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E.The appropriations of 2014 and 2013 earnings have been approved by the Company's shareholders in its meetings held on June 17, 2015 and on June 18, 2014, respectively. The Company distributed cash dividends to owners amounting to \$740,238 thousand (\$2 per share) for the appropriation of 2014 earnings and \$555,178 thousand (\$1.5 per share) for the appropriation of 2013 earnings

(18)OTHER EQUITY

Unrealized Gains/(Losses) on

Available-for-sale financial assets	2015	2014
Balance at January 1	\$6,201	\$7,625
Changes in fair value of available-for-sale financial assets	(16,445)	(1,424)
Balance at December 31	(\$10,224)	\$6,201

(19)OTHER GAINS AND LOSSES

	2015	2014
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(\$2,932)	(\$6,263)
Gains (losses) on disposal of investments	(9,940)	4,345
Gains (losses) on disposal of property, plant and equipment	(7,184)	(2,213)
Net currency exchange gains (losses)	100,280	98,336
Other gains and losses	8,628	6,294
Total	\$88,852	\$100,499

(20) FINANCE COSTS

	2015	2014
Interest expense		
Bank borrowings	\$24,757	\$47,700
Short-term bills payable	927	2,237
Less: capitalisation of qualifying	(522)	(778)
Finance costs	\$25,162	\$49,159

(21) ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	2015			2014		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expense						
Salary	\$418,758	\$152,009	\$570,767	\$453,409	\$179,954	\$633,363
Labor and health insurance	39,472	9,504	48,976	39,768	8,575	48,343
Pension	18,237	5,085	23,322	19,958	5,011	24,969
Other	44,384	8,476	52,860	50,330	8,262	58,592
	<u>\$520,851</u>	<u>\$175,074</u>	<u>\$695,925</u>	<u>\$563,465</u>	<u>\$201,802</u>	<u>\$765,267</u>
Depreciation	<u>\$172,879</u>	<u>\$21,542</u>	<u>\$194,421</u>	<u>\$162,153</u>	<u>\$17,325</u>	<u>\$179,478</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonuses to the employees and pay remuneration to the directors and supervisors that account for 5% and 2%, respectively, of the total distributed amount. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee compensation, based on the current year's profit condition, in a fixed amount or a proportion of profits. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. On December 25, 2015, the Board of Directors proposed to make the amendment relative to the appropriation of the Company's employees' compensation in the Company's Articles of Incorporation as follows: The employees' compensation is based on the current year's earnings, which should be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed: 5% as employees' compensation, and no more than 2% as directors' and supervisors' remuneration. The amendment has not been resolved by shareholders.

B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at \$33,678 thousand and \$45,572 thousand, respectively; directors' and supervisors' remuneration was accrued at \$13,471 thousand and \$18,229 thousand, respectively. Employees' bonus and director's and supervisors' remuneration of 2014

as resolved by the stockholders were in agreement with those amounts recognized in the 2014 financial statements. Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C.As of December 31, 2015 and 2014, the Company had 867 and 870 employees, respectively.

**(22)INCOME TAX**

**A.Income tax expense**

**(a)Components of income tax expense:**

	2015	2014
Current tax		
Current tax on profit for the period	\$93,360	\$138,447
Additional 10% tax on undistributed earnings	17,547	5,013
Adjustments in respect of prior years	5,200	3,239
Total current tax	116,107	146,699
Deferred tax		
Origination and reversal of temporary differences	(20,435)	2,141
Income tax expense	\$95,672	\$148,840

**(b)The income tax (charge)/credit relating to components of other comprehensive income are as follows:**

	2015	2014
Actuarial gains/losses on defined benefit obligations	\$759	(\$5,512)

**B. Reconciliation between income tax expenses and accounting profit:**

	2015	2014
Accounting profit (income before tax)	\$626,834	\$1,131,653
Income tax expense at the statutory rate 17%	\$106,562	\$192,381
Effect from investment tax credit	(36,325)	(57,145)
Tax-exempt income	3,392	(862)
Nondeductible items in determining taxable income	(704)	6,214
Additional 10% tax on undistributed earnings	17,547	5,013
Difference between prior year's income tax estimation and assessed results	5,200	3,239
Income tax expense	\$95,672	\$148,840

C. Amounts of deferred tax assets or liabilities as a result of temporary difference as follows:

	2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
— Deferred tax assets				
Loss on inventory	\$13,245	\$20,789	\$0	\$34,034
Unrealized exchange gain(loss)	(1,479)	56	0	(1,423)
Allowance for bad debts	(1,414)	0	0	(1,414)
Accrued pension cost	27,653	(410)	759	28,002
Unrealized investment loss	336	0	0	336
Subtotal	\$38,341	\$20,435	\$759	\$59,535
— Deferred tax liabilities				
Unrealized revaluation increments	\$890	\$0	\$0	\$890
	2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
— Deferred tax assets				
Loss on inventory	\$14,654	(\$1,409)	\$0	\$13,245
Unrealized exchange gain(loss)	(1,009)	(470)	0	(1,479)
Allowance for bad debts	(1,414)	0	0	(1,414)
Accrued pension cost	33,427	(262)	(\$5,512)	27,653
Unrealized investment loss	336	0	0	336
Subtotal	\$45,994	(\$2,141)	(\$5,512)	\$38,341
— Deferred tax liabilities				
Unrealized revaluation increments	\$890	\$0	\$0	\$890

D. Unrecognized deferred tax assets of deductible temporary differences are as follows:

	2015	2014
Deductible temporary differences	\$1,418	\$1,418

E. The Company's expansion plan is eligible for a five-year (1st January, 2012—31th December, 2016) exemption on income tax.

F. The Company's income tax returns prior to 2013 have been assessed and approved by the Tax Authority.

G.The unappropriated retained earnings information:

	December 31, 2015	December 31, 2014
For 1997 and prior years	\$0	\$0
For 1998 and thereafter	753,732	1,064,797
Total	\$753,732	\$1,064,797

H.Integrated income tax information:

	December 31, 2015	December 31, 2014
Imputation Credit Account	\$80,247	\$49,714

The creditable tax rate for earnings distribution was 14.37% for 2014 and is estimated to be 19.61% for 2015.

(23)EARNINGS PER SHARE

2015			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$531,162	370,119	\$1.44
<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$531,162	370,119	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	0	1,710	
Profit attributable to the parent plus assumed conversion of all dilutive potential ordinary shares	\$531,162	371,829	\$1.43
2014			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$982,813	370,119	\$2.66
<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$982,813	370,119	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	0	1,871	
Profit attributable to the parent plus assumed conversion of all dilutive potential ordinary shares	\$982,813	371,990	\$2.64

(24) OPERATING LEASES

The Company leases in land and buildings under non-cancellable operating lease agreements. The lease terms are between 5 and 12 years, the Company both recognized rental expenses of \$740 thousand for these leases in profit or loss for the years ended December 31, 2015 and 2014. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
Later later than one year	\$740	\$740
Later than one year but not later than five years	2,960	3,380
Later than five years	30	350
Total	\$3,730	\$4,470

(25) SUPPLEMENTARY CASH FLOW INFORMATION

Investing activities with partial cash payments:

	2015	2014
Purchase of fixed assets	\$369,017	\$280,604
Add: opening balance of payable on equipment	24,464	13,318
Less: ending balance of payable on equipment	(5,658)	(24,464)
Cash paid during the period	\$387,823	\$269,458

7. RELATED-PARTY TRANSACTIONS

(1) Key management compensation

	2015	2014
Short-term employee benefits	\$72,459	\$84,952
Post-employment benefits	522	525
Total	\$72,981	\$85,477

8. PLEDGED ASSETS

Pledged asset	Book value		Purpose
	December 31, 2015	December 31, 2014	
Property, plant and equipment	\$570,503	\$1,046,371	Long-term loans
Deposit (Note)	800	800	Security deposit
Total	\$571,303	\$1,047,171	

Note: Reported under other non-current assets.



## 9.SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment	<u>\$691,887</u>	<u>\$73,161</u>

## 10.SIGNIFICANT DISASTER LOSS

None.

## 11.SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12.OTHERS

### (1)Capital management

The Company plans its working capital needs, capital asset purchases, research and development expenditures, dividend payments and other requirements over the future periods based on industry features, future development and influence of the exterior environment, to secure its ability to continue as a going concern, deserved return of shareholders and the interests of other stakeholders at the same time. The Company also maintains an optimal capital structure in order to enhance the value of the shareholders in the long term.

The Company may adjust the dividend payment to stockholders, issue new shares or return capital to stockholders to maintain or adjust the capital structure.

### (2)Financial instruments

#### A.Fair value information of financial instruments

Except those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value other receivables, short-term loans, notes payable, accounts payable and other approximate to their fair value. The fair value information of financial instruments measured at fair value is provided in Note 12(3):

<u>Financial assets</u>	<u>December 31, 2015</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets carried at cost	\$725,902	—

  

<u>Financial assets</u>	<u>December 31, 2014</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets carried at cost	\$355,570	—

#### B.Financial risk management policies

(a)The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program

focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2)).

- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the management. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Company provides written principles for overall risk management, as well as written policies covering specific areas and matters.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. The Company has foreign currency risk arising from purchases or sales and applies natural hedges, and the Company utilizes currency forward contracts to hedge its part of currency exposures.

The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2015			
	Amount (In Thousands)	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$30,050	32.825	\$986,407
EUR	1,350	35.880	48,437
JPY	118,637	0.2727	32,352
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	1,440	32.825	47,275

  

December 31, 2014			
	Amount (In Thousands)	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$35,517	31.65	\$1,124,124
EUR	358	38.47	13,753
JPY	84,003	0.2646	22,227

Analysis of foreign currency market risk arising from significant foreign exchange variation:

2015			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	1%	\$9,864	\$0
EUR	1%	484	0
JPY	1%	324	0

2014			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	1%	\$11,241	\$0
EUR	1%	138	0
JPY	1%	222	0

#### Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by \$565 thousand and \$476 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss; stockholder's equity for the years ended December 31, 2015 and 2014 would have increased/decreased by \$214 thousand and \$379 thousand, respectively, as a result of gains/losses on equity securities classified as profit or loss of available-for-sale.

### Interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2015 and 2014, the Company's borrowings at variable rate were denominated in the NTD.

At December 31, 2015 and 2014, if interest rates on TWD-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have been \$826 thousand and \$1,122 thousand lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

### (b)Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with good rating are accepted.

No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

The credit quality information of financial assets that are neither past due nor impaired and past due but not impaired in Note 6(5).

### (c)Liquidity risk

- i. The Company manages liquidity risk to ensure that the Company possesses sufficient financial flexibility by maintaining adequate reserves of cash and reserve financing facilities, and also monitor forecasts of its liquidity requirements to ensure the Company has sufficient liquidity to fund its business requirements associated with existing operations.
- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities	Less than 1 year	Between 2 and 3 year	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
December 31, 2015					
Short-term borrowings	\$1,629,725	\$0	\$0	\$0	\$0
Short-term notes and bills payable	99,969	0	0	0	0
Notes payable	371	0	0	0	0
Accounts payable	194,050	0	0	0	0
Long-term borrowings (including current portion)	123,008	123,008	39,674	39,674	110,503
Guarantee deposits	45,842	0	0	0	0
Derivative financial liabilities	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2015					
Forward exchange contracts	\$2,794	\$0	\$0	\$0	\$0
Non-derivative financial liabilities	Less than 1 year	Between 2 and 3 year	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
December 31, 2014					
Short-term borrowings	\$1,703,616	\$0	\$0	\$0	\$0
Short-term notes and bills payable	99,855	0	0	0	0
Notes payable	628	0	0	0	0
Accounts payable	167,160	0	0	0	0
Long-term borrowings (including current portion)	168,841	323,008	323,008	189,674	150,177
Guarantee deposits	4,220	0	0	0	0
Derivative financial liabilities	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2014					
Forward exchange contracts	\$1,339	\$0	\$0	\$0	\$0

(3) Fair value estimation

- A. The company's financial assets and financial liabilities not measured at fair value please refer to Note 12(2)1.
- B. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the

degree to which the fair value is observable:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2015, December 31, 2014:

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$56,527	\$0	\$0	\$56,527
Forward exchange	0	1,606	0	1,606
Available-for-sale financial assets				
Equity securities	21,408	0	0	21,408
Financial liabilities:				
Financial assets at fair value through profit or loss				
Forward exchange	\$0	\$2,794	\$0	\$2,794
December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$47,649	\$0	\$0	\$47,649
Forward exchange	0	37	0	37
Available-for-sale financial assets				
Equity securities	37,853	0	0	37,853
Financial liabilities:				
Financial assets at fair value through profit or loss				
Forward exchange	\$0	\$1,339	\$0	\$1,339

The Company has no transfers between the fair value Level 1 and Level 2.

The Company has no purchases and disposals for assets on Level 3.

#### C. Technique and assumption used in fair value measurement

(1) The listed stock's value is determined with reference to quoted market prices.

- (2) Evaluation of derivative financial instruments is accordance with generally accepted pricing models. For example, discounted method and option pricing models. Forward exchange contracts based on current forward exchange rates.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

No.	Items	Remark
1	Loans to others	None
2	Provision of endorsements and guarantees to others	None
3	Holding of marketable securities at the end of the period (not include Investee, Associates and Joint ventures)	Table 1
4	Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital	None
5	Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more	None
6	Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more	None
7	Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more	None
8	Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more	None
9	Derivative financial instruments undertaken during the year ended December 31, 2015	Note 6(2)
10	Business relationship between the parent company and its subsidiaries and significant dealing circumstances and the amount.	None

(2) Related information of investees : Table 2

(3) Information on investment in Mainland China: None

Tables (1) : Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities type	Relationship With the Securities issuer	General ledger account	December 31, 2015			
				( In thousands of New Taiwan dollars )			
				Shares/Units (thousands)	Book value	ownership(%)	Fair value
YC INOX CO., LTD	Common stock ABGENOMICS INTERNATIONAL INC.	—	Financial assets carried at cost - non-current	733	31,900	3.64%	—
"	Gongwin Biopharm Holdings Co., Ltd.	—	Financial assets carried at cost - non-current	4,800	370,332	5.11%	—
"	Preferred stock ABGENOMICS INTERNATIONAL INC.	—	Financial assets carried at cost - non-current	2,100	323,670	—	—
Ji-Mao Investment Corporation., Ltd	Common stock YEOU YIH STEEL Co., Ltd	—	Available-for-sale financial assets	3,560	25,201	—	@7.08
"	LARGAN Precision Co., Ltd	—	Financial assets at fair value through profit or loss-current	15	34,050	—	@2,270
"	HIWIN TECHNOLOGIES CORP.	—	Financial assets at fair value through profit or loss-current	6	777	—	@129.50
"	TAIWAN PULP&PAPER CO., LTD	—	Financial assets at fair value through profit or loss-current	2,000	21,700	—	@10.85

(2) Information on investees

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015		Net income (loss) of the investment	Investment Income(loss)	Note
				December 31, 2015	December 31, 2014	Shares (thousands)	Percentage of ownership			
YC INOX CO., Ltd	Ji-Mao Investment Corporation., Ltd	Chang-Hwa, Taiwan	Investment	\$100,120	\$100,120	10,000	100%	(\$22,019)	(\$22,019)	



#### 14. SEGMENT INFORMATION

##### (1) General information

The Company recognizes the operating segments based on the reporting information used by chief operating decision maker to allocate resources to the segments and assess their performance. The chief operating decision maker operates the business by products, and the Company's reportable segments are segregated into stainless steel sheet/coil, stainless steel welded pipe/tube, and other operating segments (such like stainless steel angles, flat bar, and U-Channel) which did not exceed the quantitative threshold so that they are not the reportable segments. The reportable segments' revenue is arising from manufacturing and selling stainless steel products.

##### (2) Measurement of segment information

The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 2. The Company's segment profit(loss) is measured with the operating profit(loss) exclude directors' and supervisors' remuneration, which is used as a basis for the Company assessing the performance of the operating segment.

##### (3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

As of and for the year ended December 31, 2015

	Stainless Steel Sheet/Coil	Stainless Steel Welded Pipe/Tube	Others	Total
Revenue				
External revenue-net	\$9,763,397	\$8,364,613	\$246,710	\$18,374,720
Internal revenue-net	\$0	\$0	\$0	\$0
Segment profit(loss)	\$106,962	\$490,631	(\$21,784)	\$575,809
Segment assets	\$1,442,135	\$2,411,244	\$435,339	\$4,288,718

As of and for the year ended December 31, 2014

	Stainless Steel Sheet/Coil	Stainless Steel Welded Pipe/Tube	Others	Total
Revenue				
External revenue-net	\$16,144,672	\$9,005,296	\$274,400	\$25,424,368
Internal revenue-net	\$0	\$0	\$0	\$0
Segment profit(loss)	\$419,205	\$673,243	\$2,058	\$1,094,506
Segment assets	\$1,398,567	\$2,307,340	\$346,599	\$4,052,506

(4) Reconciliation for segment income (loss)

The sales between segments were under the fair trading principle. The external revenue reported to chief operating decision maker adopts the same measurement for revenues in income statement.

The reconciliations of pre-tax income between reportable segments and continuing operation were as follows:

	2015	2014
Income of reportable segments	\$575,809	\$1,094,506
Directors' and supervisors' remuneration	(15,021)	(19,189)
Non-operating income and expenditure	66,046	56,386
Income from continuing operations before income tax	\$626,834	\$1,131,653

(5) Geographical Information

The geographical information for the years ended December 31, 2015 and 2014 are as follow:

	Revenue from external customers	
	2015	2014
Asia	\$4,975,777	\$5,641,199
Europe	4,628,256	9,641,466
America	5,647,767	6,572,189
Other	3,122,920	3,569,514
Total	\$18,374,720	\$25,424,368

Note : All non-current assets are located in the Company's country of domicile.

(6) Major customers' information

The company had no customers with exceeding 10% of the total operating revenues for 2015 and 2014.