Fortune Electric Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

FORTUNE ELECTRIC CO., LTD.

By

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March 21, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Fortune Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fortune Electric Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years 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 audits. Moreover, the financial statements of equity-method investee Hitachi Fortune Transformer, Inc. were audited by other auditors. As a result, our opinion, insofar as it relates to this investment, is based solely on the reports of the other auditors. As of December 31, 2015 and 2014, the carrying values of this investment were 6.24% ($14,856 thousand) and 8.10% ($17,090 thousand) of the consolidated total assets, respectively. The shares in this investee's net losses were (32.40%) ($1,622 thousand) and (9.23%) ($756 thousand) of the consolidated comprehensive income in 2015 and 2014, respectively.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated 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 and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Fortune Electric Co., Ltd., as of and for the years ended December 31, 2015 and 2014 on which we have both issued an unqualified opinion modified report.

March 21, 2016

<u>Notice to Readers</u>

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

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

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands)

	2015		2014
ASSETS	**NT$**	**US$ (Note)**	**NT$**
CURRENT ASSETS			
Cash and cash equivalents (Notes 4 and 6)	$ 74,523	$ 2,270	$ 406,531
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	11,070	337	10,758
Derivative financial assets for hedging (Notes 4, 9 and 30)	430	13	366
Debt investments with no active market (Notes 4, 11 and 32)	9,747	297	12,451
Notes receivable	27,420	835	19,196
Trade receivables from unrelated parties (Notes 4, 5, 12, 13 and 24)	2,642,711	80,509	1,999,102
Trade receivables from related parties (Notes 12, 13, 24 and 31)	9,518	290	76,908
Amounts due from customers for construction contracts (Notes 4, 5, 13, 24 and 31)	645,593	19,668	269,342
Current tax assets (Notes 4, 5 and 27)	11,735	358	8,410
Inventories, net (Notes 4, 5 and 14)	2,054,411	62,587	1,469,972
Prepayments	84,017	2,559	106,094
Other current assets (Notes 19, 24 and 32)	63,781	1,943	54,483
Total current assets	5,634,956	171,666	4,433,613
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	5,366	163	882
Available-for-sale financial assets (Notes 4, 8 and 30)	70,645	2,152	82,825
Financial assets measured at cost (Notes 4 and 10)	27,000	823	27,000
Investments accounted for using equity method (Notes 4 and 16)	487,640	14,856	540,884
Property, plant and equipment (Notes 4, 5, 17, 31 and 32)	1,464,591	44,618	1,488,148
Intangible assets (Notes 4 and 18)	14,294	435	11,217
Deferred tax assets (Notes 4, 5 and 27)	84,387	2,571	62,536
Prepayments for equipment	3,220	98	1,000
Refundable deposits (Note 24)	1,332	41	4,505
Long-term prepayment for lease (Notes 19 and 32)	27,040	824	28,853
Total non-current assets	2,185,515	66,581	2,247,850
TOTAL	$ 7,820,471	$ 238,247	$ 6,681,463
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings (Notes 20, 30 and 32)	$ 738,241	$ 22,490	$ 473,312
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	594	18	5,803
Notes payable	267	8	-
Trade payables (Notes 13, 21 and 24)	2,038,078	62,089	1,226,336
Amounts due to customers for construction contracts (Notes 4, 5, 13, 24 and 31)	3,579	109	8,908
Other payables (Notes 22, 25 and 26)	265,069	8,075	216,847
Current tax liabilities (Notes 4, 5 and 27)	31,958	974	41,505
Advance receipts	413,467	12,596	533,691
Other current liabilities	48,017	1,464	96,640
Total current liabilities	3,539,270	107,823	2,603,042
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 30)	-	-	3,186
Long-term borrowings (Notes 20, 30 and 32)	741,800	22,598	591,800
Deferred tax liabilities (Notes 4, 5 and 27)	64,051	1,951	56,459
Net defined benefit liability (Notes 4, 5 and 23)	314,255	9,574	271,864
Other non-current liabilities	1,901	58	3,624
Total non-current liabilities	1,122,007	34,181	926,933
Total liabilities	4,661,277	142,004	3,529,975
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital			
Ordinary shares	2,610,585	79,530	2,610,585
Capital surplus	1,033	32	1,033
Retained earnings			
Legal reserve	297,468	9,062	271,477
Special reserve	-	-	2,118
Unappropriated earnings	262,604	8,000	252,774
Total retained earnings	560,072	17,062	526,369
Other equity			
Exchange differences on translating foreign operations	9,856	300	23,533
Unrealized loss on available-for-sale financial assets	(28,755)	(876)	(16,575)
Unrealized gain on cash flow hedges	430	13	366
Total other equity	(18,469)	(563)	7,324
Total equity attributable to owners of the Company	3,153,221	96,061	3,145,311
NON-CONTROLLING INTERESTS	5,973	182	6,177
Total equity	3,159,194	96,243	3,151,488
TOTAL	$ 7,820,471	$ 238,247	$ 6,681,463

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$32.825 to US$1.00 at December 31, 2015, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte and Touche auditors' report dated March 21, 2016)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	2015		2014
	NT$	**US$ (Note)**	**NT$**
OPERATING REVENUES (Notes 4, 13, 31, 33 and 36)			
Sales	$ 4,811,914	$ 146,593	$ 4,707,413
Construction revenue	903,444	27,523	415,958
Total operating revenues	5,715,358	174,116	5,123,371
OPERATING COSTS (Notes 4, 14, 23, 26 and 31)			
Cost of goods sold	3,811,123	116,104	3,733,311
Construction cost	882,911	26,898	411,331
Total operating costs	4,694,034	143,002	4,144,642
GROSS PROFIT	1,021,324	31,114	978,729
OPERATING EXPENSES (Notes 23, 26, 31, 33 and 36)			
Selling and marketing expenses	462,396	14,087	442,990
General and administrative expenses	126,672	3,859	117,869
Research and development expenses	109,179	3,326	90,505
Total operating expenses	698,247	21,272	651,364
PROFIT FROM OPERATIONS	323,077	9,842	327,365
NON-OPERATING INCOME AND EXPENSES			
Government grants (Note 4)	8,935	272	8,750
Other gains and losses (Notes 26 and 31)	12,861	392	9,699
Share of the loss of associates (Note 16)	(53,244)	(1,622)	(23,916)
Other income (Notes 26 and 31)	9,949	303	11,389
Net income on financial assets at fair value through profit	27,296	832	10,224
Finance costs	(29,864)	(910)	(17,851)
Total non-operating income and expenses	(24,067)	(733)	(1,705)
PROFIT BEFORE INCOME TAX	299,010	9,109	325,660
INCOME TAX EXPENSE (Notes 4, 5 and 27)	73,745	2,246	64,198
NET PROFIT FOR THE YEAR	225,265	6,863	261,462

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	2015		2014
	NT$	**US$ (Note)**	**NT$**
OTHER COMPREHENSIVE INCOME AND LOSS			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	$ (42,071)	$ (1,282)	$ (13,630)
Income tax relating to items that will not be classified subsequently to profit or loss	7,152	218	2,317
	(34,919)	(1,064)	(11,313)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(13,889)	(423)	18,661
Unrealized (loss) gain on available-for-sale financial assets	(12,180)	(371)	(10,200)
Cash flow hedges	64	2	366
	(26,005)	(792)	8,827
Total other comprehensive income and loss	(60,924)	(1,856)	(2,486)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 164,341	$ 5,007	$ 258,976
NET PROFIT ATTRIBUTABLE TO:			
Owners of the Company	$ 225,257	$ 6,863	$ 259,912
Non-controlling interests	8	-	1,550
	$ 225,265	$ 6,863	$ 261,462
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	$ 164,545	$ 5,013	$ 258,043
Non-controlling interests	(204)	(6)	933
	$ 164,341	$ 5,007	$ 258,976
EARNINGS PER SHARE (Note 28)			
From continuing operations			
Basic	$0.86	$0.03	$1.00
Diluted	$0.86	$0.03	$0.99

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$32.825 to US$1.00 at December 31, 2015, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte and Touche auditors' report dated March 21, 2016) (Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company												
			Retained Earnings (Note 25)				Other Equity (Notes 4 and 9)						
	Share Capital (Note 25)	Capital Surplus (Note 25)	Legal Reserve	Special Reserve	Unappropri-ated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Controlling Interests	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	$ 2,610,585	$ 1,033	$ 260,029	$ 46,837	$ 54,443	$ 361,309	$ 4,255	$ (6,375)	$ -	$ (2,120)	$ 2,970,807	$ 5,244	$ 2,976,051
Appropriation of 2013 earnings													
Legal reserve	-	-	11,448	-	(11,448)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(44,719)	44,719	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(83,539)	(83,539)	-	-	-	-	(83,539)	-	(83,539)
	-	-	11,448	(44,719)	(50,268)	(83,539)	-	-	-	-	(83,539)	-	(83,539)
Net profit for the year ended December 31, 2014	-	-	-	-	259,912	259,912	-	-	-	-	259,912	1,550	261,462
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(11,313)	(11,313)	19,278	(10,200)	366	9,444	(1,869)	(617)	(2,486)
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	248,599	248,599	19,278	(10,200)	366	9,444	258,043	933	258,976
BALANCE AT DECEMBER 31, 2014	2,610,585	1,033	271,477	2,118	252,774	526,369	23,533	(16,575)	366	7,324	3,145,311	6,177	3,151,488
Appropriation of 2014 earnings													
Legal reserve	-	-	25,991	-	(25,991)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(2,118)	2,118	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(156,635)	(156,635)	-	-	-	-	(156,635)	-	(156,635)
	-	-	25,991	(2,118)	(180,508)	(156,635)	-	-	-	-	(156,635)	-	(156,635)
Net profit for the year ended December 31, 2015	-	-	-	-	225,257	225,257	-	-	-	-	225,257	8	225,265
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	(34,919)	(34,919)	(13,677)	(12,180)	64	(25,793)	(60,712)	(212)	(60,924)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	190,338	190,338	(13,677)	(12,180)	64	(25,793)	164,545	(204)	164,341
BALANCE AT DECEMBER 31, 2015	$ 2,610,585	$ 1,033	$ 297,468	$ -	$ 262,604	$ 560,072	$ 9,856	$ (28,755)	$ 430	$ (18,469)	$ 3,153,221	$ 5,973	$ 3,159,194
BALANCE AT DECEMBER 31, 2015 (IN U.S. DOLLARS)	$ 79,530	$ 32	$ 9,062	$ -	$ 8,000	$ 17,062	$ 300	$ (876)	$ 13	$ (563)	$ 96,061	$ 182	$ 96,243

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$32.825 to US$1.00 at December 31, 2015, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte and Touche auditors' report dated March 21, 2016)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands)

	2015		2014
	NT$	**US$ (Note)**	**NT$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	$ 299,010	$ 9,109	$ 325,660
Adjustments for:			
Depreciation expenses	79,235	2,413	85,703
Amortization expenses	6,636	202	3,946
Impairment loss recognized on trade receivables	8,696	265	7,029
Net gain on financial assets at fair value through profit or loss	(15,842)	(483)	(2,650)
Finance costs	29,864	910	17,851
Interest income	(1,564)	(48)	(1,353)
Dividend income	-	-	(1,150)
Share of loss of associates	53,244	1,622	23,916
Gain on disposal of property, plant and equipment	(8,147)	(248)	(573)
Write-down of inventories	7,883	240	-
Reversal of write-down of inventories	-	-	(8,786)
Unrealized net gain (loss) on foreign currency exchange	4,735	144	(3,014)
Prepayment for lease	823	25	754
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	2,651	81	14
Notes receivable	(8,277)	(252)	14,479
Trade receivables	(654,603)	(19,942)	(482,033)
Trade receivables from related parties	67,390	2,053	(73,543)
Amounts due from customers for construction contracts	(376,251)	(11,462)	(189,032)
Inventories	(613,926)	(18,703)	30,321
Prepayments	20,278	618	(3,855)
Other current assets	(9,325)	(284)	17,340
Notes payable	267	8	(6,739)
Trade payables	815,970	24,858	185,748
Amounts due to customers for construction contracts	(5,329)	(162)	(8,333)
Other payables	47,229	1,439	74,791
Receipts in advance	(119,656)	(3,645)	22,334
Other current liabilities	(48,623)	(1,481)	20,693
Net defined benefit liability	320	10	1,237
Other non-current liabilities	-	-	(23,293)
Cash (used in) generated from operations	(417,312)	(12,713)	27,462
Interest received	1,564	48	1,353
Dividend received	-	-	1,150
Interest paid	(29,820)	(909)	(17,353)
Income tax paid	(93,586)	(2,851)	(21,611)
Net cash used in operating activities	(539,154)	(16,425)	(8,999)

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands)

	2015		2014
	NT$	US$ (Note)	NT$
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of (purchase of) debt investments with no active market	$ 2,704	$ 82	$ (4,565)
Purchase of financial assets measured at cost	-	-	(27,000)
Acquisition of associates	-	-	(480,080)
Payments for property, plant and equipment	(67,096)	(2,044)	(49,433)
Proceeds from disposal of property, plant and equipment	18,398	560	1,971
Decrease (increase) in refundable deposits	3,184	97	(762)
Payments for intangible assets	(11,200)	(341)	(9,662)
Decrease (increase) in prepayments for business facilities	(2,220)	(68)	1,728
Net cash used in investing activities	(56,230)	(1,714)	(567,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	265,837	8,099	50,935
Proceeds from long-term borrowings	150,000	4,570	507,080
Refund of guarantee deposits received	(1,724)	(53)	(1,032)
Issue of cash dividends	(156,635)	(4,772)	(83,539)
Net cash generated from financing activities	257,478	7,844	473,444
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	5,898	180	6,841
NET DECREASE IN CASH AND CASH EQUIVALENTS	(332,008)	(10,115)	(96,517)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	406,531	12,385	503,048
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 74,523	$ 2,270	$ 406,531

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$32.825 to US$1.00 at December 31, 2015, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte and Touche auditors' report dated March 21, 2016) (Concluded)

1. GENERAL INFORMATION

Fortune Electric Co., Ltd. (the "Company") was incorporated in the Republic of China ("ROC") in August 1969. The Company mainly manufactures, processes and trades transformers, distribution panels, low voltage switch and substation equipment.

The Company's shares have been listed on the Taiwan Stock Exchange ("TSE") since April 1997.

For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Company's board of directors and authorized for issue on March 21, 2016.

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

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

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

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

1) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is applicable to entities that have interests in subsidiaries and associates. Related disclosures of IFRS 12 are set up in Notes 15 and 16.

3) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 provides that when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under the previous IAS 28, when a portion of an investment in associates has met the criteria to be classified as held for sale, the entire investment was classified as held for sale and ceases to apply the equity method.

4) IFRS 13 “Fair Value Measurement”

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

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 30 for related disclosures.

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

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

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized loss on available-for-sale financial assets, and cash flow hedges. The application of the above amendments did not have any impact on the net profit for the year, other comprehensive income for the year, and total comprehensive income for the year.

6) Revision to IAS 19 “Employee Benefits”

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

The initial application of the revised IAS 19 from January 1, 2015 did not have significant impact to the Group.

7) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 "Income Taxes".

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 has no material effect on the consolidated balance sheet.

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

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

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016

(Continued)

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

(Concluded)

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

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

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

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

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

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

<u>Hedge accounting</u>

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

5) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

If the customer has retained a portion of payment to the Group in accordance with the term of the contract in order to protect the customer from the contractor's possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component under IFRS 15. Under current standard, retention receivables under construction contract should be discounted to reflect time value of money.

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

6) IFRS 16 "Leases"

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

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

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the electrical equipment works contracting business, which has an operating cycle of over one year, the normal operating cycle applies when considering the classification of the Group’s engineering contract - related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 15, Tables 3 and 4 for the detailed information of subsidiaries including the percentage of ownership and main business.

e. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

f. Inventories

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

g. Investment in associates

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

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

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

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

h. Property, plant and equipment

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

Freehold land is not depreciated.

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

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

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 30.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to price volatility risk of raw materials and futures contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

l. Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale based on the seller’s reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Rendering of services

Service income is recognized when service is provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

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

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

n. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

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

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

o. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents under operating leases are recognized as income in the period in which the contingency is removed and the income is earned.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

p. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

q. Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

As of December 31, 2015 and 2014, the carrying amount of deferred tax assets in relation to unused tax losses was $2,571 thousand and $1,976 thousand, respectively. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of trade receivables

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

c. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group's management uses its judgement to determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities and market prices or rates and specific features of derivatives in the vicinity of the Group's investment properties. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 30.

d. Useful life of property, plant and equipment

As mentioned in Note 4. (h), the estimated useful life of property, plant and equipment is reviewed at the end of each reporting period.

e. Write-down of inventory

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

f. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

g. Construction contract

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of the contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentives are included in contract revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

Estimated total contract costs and contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts. Refer to Note 13 for details on construction contracts.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	$ 22	$ 22
Checking accounts and demand deposits	2,248	10,930
Cash equivalent		
Repurchase agreements collateralized by bonds	-	1,892
	$ 2,270	$ 12,844

The market rate intervals of cash in bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2015	2014
Bank balance	0.001%-1.10%	0.001%-1.35%
Repurchase agreement collateralized by bonds	-	0.59%-0.62%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 500	$ 368
Current	$ 337	$ 340
Non-current	163	28
	$ 500	$ 368
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 18	$ 284
Current	$ 18	$ 183
Non-current	-	101
	$ 18	$ 284

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2015			
Buy	NTD/USD	2016.01.04-2017.05.26	NTD286,278/USD9,155
Buy	NTD/JPY	2016.02.23-2017.10.02	NTD56,881/JPY209,211
Buy	NTD/CHF	2016.02.25-2017.05.27	NTD11,301/CHF339
Buy	NTD/EUR	2016.06.21	NTD29,655/EUR840
December 31, 2014			
Buy	NTD/USD	2015.01.02-2016.08.03	NTD244,802/USD8,102
Buy	NTD/JPY	2015.01.06-2016.10.02	NTD123,364/JPY433,611
Sell	USD/NTD	2015.01.20-2015.03.31	USD729/NTD22,816

The Group entered into foreign exchange forward contracts during 2015 and 2014 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness; therefore, they were not accounted for by using hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Domestic investments		
Listed shares and emerging market shares	$ 2,152	$ 2,617

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2015	2014
Cash flow hedges		
Foreign exchange forward contracts	$ 13	$ 12

The Group's hedge strategy is to enter foreign exchange forward contracts to manage its foreign currency exposure to certain foreign currency receipts and payments. When forecast sales and purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The terms of the foreign exchange forward contracts were negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2015			
Buy	NTD/USD	2016.02.01-2016.05.05	NTD5,174/USD170
December 31, 2014			
Buy	NTD/USD	2015.06.12-2015.07.08	NTD21,396/USD688

The Group sold transformers to clients in the United States and signed material purchase contracts with suppliers. All the transactions between two parties are under foreign exchange forward contracts (with terms no more than three months) to avoid too much exchange rate exposure to forecast sales and purchases. Those foreign exchange forward contracts were designated as cash flow hedges. During 2015 and 2014, fair value gains of $2 thousand and $12 thousand from exchange rate changes of forecast sales and purchases were recognized respectively in other comprehensive income. The forecast sales and purchases were expected to occur by that time the amounts originally deferred and recognized in equity will be reclassified to profit or loss.

10. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	2014
Classified according to financial asset measurement categories		
Domestic unlisted common shares	$ 823	$ 853

The Group acquired 2,700 shares of Raynergy Tek Incorporation for $853 thousand in August 2014. The proportion of ownership was 11.06%. The Company is mainly engaged in the development of high-efficiency organic solar cell active layer materials. The Group does not have much influence in the Company’s operating and financial decision-making. Therefore, the investment was reported as financial assets measured at cost.

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

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2015	2014
Pledged time deposits	$ 297	$ 393

Refer to Note 32 for information relating to debt investments with no active market pledged as security.

12. TRADE RECEIVABLES

	December 31	
	2015	2014
Trade receivables	$ 81,477	$ 63,896
Less: Allowance for impairment loss	(968)	(733)
	$ 80,509	$ 63,163
Trade receivables from related parties	$ 290	$ 2,430

The average credit period for sales of goods was 90-180 days. Impairment of trade receivables was assessed by reference to the collectability of receivables on individual account basis, and by account aging analysis, historical experience and current financial condition of customers.

The aging of receivables (including trade receivables from related parties) was as follows:

	December 31	
	2015	2014
0-90 days	$ 52,363	$ 41,914
91-150 days	5,962	5,637
151-180 days	11,979	4,519
181-365 days	4,168	7,175
366-730 days	4,637	2,515
More than 730 days	2,658	4,566
	$ 81,767	$ 66,326

The above aging of trade receivables was presented based on the invoice date.

There were no receivables that were past due but not impaired as of December 31, 2015 and 2014.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	$ 297	$ 240	$ 537
Impairment losses recognized on receivables	41	181	222
Foreign exchange translation gains and losses	(17)	(9)	(26)
Balance at December 31, 2014	$ 321	$ 412	$ 733
Balance at January 1, 2015	$ 321	$ 412	$ 733
Impairment losses recognized (reversed) on receivables	409	(144)	265
Foreign exchange translation gains and losses	(12)	(18)	(30)
Balance at December 31, 2015	$ 718	$ 250	$ 968

Retentions receivable from construction contracts which are included in the trade receivables are in the amount of $24,063 thousand and $10,003 thousand as of December 31, 2015 and 2014, respectively. Retentions receivable from construction contracts bear no interest and are expected to remain as receivables until the satisfaction of conditions specified in each contract for the payment of such amounts during the retention periods, which are within the normal operating cycle of the Group, usually more than twelve months after the reporting period. Refer to Note 13 for details of construction contracts.

13. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	December 31	
	2015	**2014**
Amount due from customers for construction contracts		
Construction costs incurred plus recognized profits less recognized losses to date	$ 50,092	$ 28,578
Less: Progress billings	(30,424)	(20,068)
	$ 19,668	$ 8,510
Amount due to customers for construction contracts		
Construction costs incurred plus recognized profits less recognized losses to date	$ 5,740	$ 2,756
Less: Progress billings	(5,849)	(3,038)
	$ (109)	$ (282)
Retentions receivable (included in trade receivables)	$ 24,063	$ 10,003
Retentions payable (included in trade payables)	$ 21,515	$ 9,068

The contract revenue recognized as revenue in the years ended December 31, 2015 and 2014 was $27,523 thousand and $13,142 thousand, respectively.

14. INVENTORIES

	December 31	
	2015	**2014**
Finished goods	$ 7,795	$ 5,796
Work in progress	39,426	27,511
Raw materials	15,366	13,138
	$ 62,587	$ 46,445

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was $115,745 thousand and $119,069 thousand, respectively.

The cost of goods sold for the years ended December 31, 2015 and 2014 included write-down of inventories (reversal of write-down of inventories) of $240 thousand and $(278) thousand, respectively. Previous write-downs were reversed as a result of the using of devalued inventories.

15. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31 2015	% of Ownership December 31 2014	Remark
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100.00	100.00	
	Fortune Electric America Inc.	Agents business	100.00	100.00	
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100.00	100.00	
Fortune Electric (Wuhan) Ltd.	Wuhan Huarong Co., Ltd.	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	60.00	60.00	
	Wuhan Fortune Trade Co., Ltd.	Trade business	100.00	100.00	Note

Note: Established on October 20, 2014; included as a consolidation entity from then on.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31 2015	December 31 2014
Material associates		
Hitachi Fortune Transformer, Inc.	$ 14,856	$ 17,090

	Proportion of Ownership and Voting Rights December 31 2015	Proportion of Ownership and Voting Rights December 31 2014
Hitachi Fortune Transformer, Inc.	40.00%	40.00%

The Group and Hitachi, Ltd. jointly established Hitachi Fortune Transformer, Inc. (Hitachi Fortune Company) with authorized shares in the amount of $44,613 thousand. The Group invested $17,845 thousand and acquired 40% ownership.

For the main business and products, location and registration information of Hitachi Fortune Company, please refer to Table 3.

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	December 31	
	2015	2014
Current assets	$ 7,519	$ 30,747
Non-current assets	40,948	14,636
Current liabilities	(11,328)	(2,659)
Equity	$ 37,139	$ 42,724
Proportion of the Group's ownership	40.00%	40.00%
Carrying amount	$ 14,856	$ 17,090

	For the Year Ended December 31	
	2015	2014
Revenue	$ 5,067	$ -
Net loss for the year	$ 4,055	$ 1,890
Total comprehensive loss for the year	$ 4,055	$ 1,890

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2014	$ 22,410	$ 23,678	$ 36,740	$ 5,005	$ 4,557	$ 92,390
Additions	-	85	1,134	11	332	1,562
Disposals	-	(7)	(806)	-	(191)	(1,004)
Transfer (Note 1)	-	-	1,336	-	-	1,336
Effect of foreign currency exchange differences	(1,307)	(1,296)	(1,945)	(292)	(242)	(5,082)
Balance at December 31, 2014	$ 21,103	$ 22,460	$ 36,459	$ 4,724	$ 4,456	$ 89,202
Accumulated depreciation						
Balance at January 1, 2014	$ -	$ 10,011	$ 29,713	$ 492	$ 2,529	$ 42,745
Depreciation expense	-	610	1,592	239	267	2,708
Disposals	-	(7)	(768)	-	(185)	(960)
Effect of foreign currency exchange differences	-	(545)	(1,603)	(29)	(133)	(2,310)
Balance at December 31, 2014	$ -	$ 10,069	$ 28,934	$ 702	$ 2,478	$ 42,183
Carrying amounts at January 1, 2014	$ 22,410	$ 13,667	$ 7,027	$ 4,513	$ 2,028	$ 49,645
Carrying amounts at December 31, 2014	$ 21,103	$ 12,391	$ 7,525	$ 4,022	$ 1,978	$ 47,019

(Continued)

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2015	$ 21,103	$ 22,460	$ 36,459	$ 4,724	$ 4,456	$ 89,202
Additions	-	342	1,309	10	383	2,044
Disposals	-	-	(1,595)	-	(336)	(1,931)
Transfer (Note 2)	-	-	-	-	55	55
Effect of foreign currency exchange differences	(755)	(882)	(1,432)	(168)	(173)	(3,410)
Balance at December 31, 2015	$ 20,348	$ 21,920	$ 34,741	$ 4,566	$ 4,385	$ 85,960
Accumulated depreciation						
Balance at January 1, 2015	$ -	$ 10,069	$ 28,934	$ 702	$ 2,478	$ 42,183
Depreciation expense	-	608	1,320	230	255	2,413
Disposals	-	-	(1,298)	-	(321)	(1,619)
Transfer (Note 2)	-	-	-	-	10	10
Effect of foreign currency exchange differences	-	(409)	(1,115)	(24)	(97)	(1,645)
Balance at December 31, 2015	$ -	$ 10,268	$ 27,841	$ 908	$ 2,325	$ 41,342
Carrying amounts at January 1, 2015	$ 21,103	$ 12,391	$ 7,525	$ 4,022	$ 1,978	$ 47,019
Carrying amounts at December 31, 2015	$ 20,348	$ 11,652	$ 6,900	$ 3,658	$ 2,060	$ 44,618

Note 1: Transferred from inventories to equipment.

Note 2: Transferred from intangible assets to other equipment.

No impairment assessment was performed for the years ended December 31, 2015 and 2014 as there was no indication of impairment.

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

Building	
Main buildings	55 years
Electromechanical power equipment	3 years
Equipment	3-15 years
Photovoltaic solar equipment	8-20 years
Other equipment	3-15 years

Refer to Note 32 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

18. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2014	$ 398
Additions	305
Net exchange differences	(23)
Balance at December 31, 2014	$ 680
Accumulated depreciation	
Balance at January 1, 2014	$ 214
Amortization expenses	125
Net exchange differences	(13)
Balance at December 31, 2014	$ 326
Carrying amounts at January 1, 2014	$ 184
Carrying amounts at December 31, 2014	$ 354
Cost	
Balance at January 1, 2015	$ 680
Additions	341
Transfer	(55)
Net exchange differences	(24)
Balance at December 31, 2015	$ 942
Accumulated depreciation	
Balance at January 1, 2015	$ 326
Amortization expenses	202
Transfer	(10)
Net exchange differences	(11)
Balance at December 31, 2015	$ 507
Carrying amounts at January 1, 2015	$ 354
Carrying amounts at December 31, 2015	$ 435

The above item of intangible asset is amortized on a straight-line basis over three years, the estimated useful life of the asset.

19. PREPAYMENTS FOR LEASE

	December 31 2015	December 31 2014
Current asset (included in other current assets)	$ 23	$ 24
Non-current asset	824	912
	$ 847	$ 936

Prepaid lease payments include the right of using land in mainland China.

Refer to Note 32 for the carrying amount of prepayments for lease that had been pledged by the Group to secure borrowings granted to the Group.

20. BORROWINGS

a. Short-term borrowings

	December 31 2015	December 31 2014
Secured borrowings (Note 32)		
Bank loans	$ 5,260	$ 6,634
Line of credit borrowings	2,690	-
Usance letter of credit	2,875	3,395
	10,825	10,029
Unsecured borrowings		
Line of credit borrowings	6,853	2,285
Usance letter of credit	4,812	2,641
	11,665	4,926
	$ 22,490	$ 14,955

The range of weighted average effective interest rate on bank loans was 0.55%-2.67% and 0.69%-6.72% per annum as of December 31, 2015 and 2014, respectively.

b. Long-term borrowings

	December 31 2015	December 31 2014
Secured borrowings (Note 32)		
Bank of Taiwan	$ 15,232	$ 11,058
Mega International Commercial Bank	7,366	7,640
	$ 22,598	$ 18,698

The borrowings from Bank of Taiwan are due from December 4, 2013 to February 25, 2018, and the weighted average effective interest rate of the borrowings was 1.36% per annum. The borrowings from Mega International Commercial Bank are due from October 7, 2014 to October 7, 2017, and the weighted average effective interest rate of the borrowings was 1.75% per annum. Both borrowings will be paid back on the maturity day.

21. TRADE PAYABLES

	December 31	
	2015	**2014**
Operating	$ 62,089	$ 38,747

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Retentions payable on construction contracts which are included in trade payables are in the amounts of $21,515 thousand and $9,068 thousand as of December 31, 2015 and 2014, respectively. Retentions payable on construction contracts bear no interest and are expected to be paid upon the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which are within the normal operating cycle of the Group, usually more than twelve months after the reporting period. Refer to Note 13 for details of construction contracts.

22. OTHER PAYABLES

	December 31	
	2015	**2014**
Export payable	$ 2,589	$ 1,639
Accrued payroll	2,383	2,359
Commission payable	539	608
Design fees payable	526	198
Employee bonus payable	422	438
Interest payable	85	88
Others	1,531	1,522
	$ 8,075	$ 6,852

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The Group’s subsidiaries in the United States and China are members of state-managed retirement benefit plans operated by the local governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 4.85% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2015	**2014**
Present value of defined benefit obligation	$ 11,298	$ 10,708
Fair value of plan assets	(1,724)	(2,118)
Net defined benefit liability	$ 9,574	$ 8,590

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2014	$ 10,825	$ (2,202)	$ 8,623
Current service cost	206	-	206
Net interest expense	186	-	186
Expected return on plan assets	-	(38)	(38)
Recognized in profit or loss	392	(38)	354
Remeasurement			
Actuarial (gain) loss - changes in demographic assumptions	-	(7)	(7)
Actuarial (gain) loss - experience adjustments	438	-	438
Recognized in other comprehensive income	438	(7)	431
Contributions from the employer	-	(315)	(315)
Benefits paid	(316)	316	-
Effects of foreign currency exchange differences	(631)	128	(503)
Balance at December 31, 2014	$ 10,708	$ (2,118)	$ 8,590

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	$ 10,708	$ (2,118)	$ 8,590
Current service cost	198	-	198
Net interest expense	190	-	190
Expected return on plan assets	-	(39)	(39)
Recognized in profit or loss	388	(39)	349
Remeasurement			
Actuarial (gain) loss - changes in demographic assumptions	610	(14)	596
Actuarial (gain) loss - experience adjustments	686	-	686
Recognized in other comprehensive income	1,296	(14)	1,282
Contributions from the employer	-	(339)	(339)
Benefits paid	(710)	710	-
Effects of foreign currency exchange differences	(384)	76	(308)
Balance at December 31, 2015	$ 11,298	$ (1,724)	$ 9,574

(Concluded)

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

	For the Year Ended December 31	
	2015	2014
Operating costs	$ 225	$ 230
Selling and marketing expenses	48	47
General and administrative expenses	46	48
Research and development expenses	30	29
	$ 349	$ 354

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

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

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

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

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

	December 31	
	2015	**2014**
Discount rate(s)	1.40%	1.85%
Expected return rate of plan assets	1.40%	1.85%
Expected rate(s) of salary increase	1.50%	1.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the increased or decreased 0.5% of present value of the defined benefit obligation would decrease (increase) as follows:

	December 31, 2015
Discount rate(s)	
0.5% increase	$ (675)
0.5% decrease	$ 733
Expected rate(s) of salary increase	
0.5% increase	$ 718
0.5% decrease	$ (668)

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

	December 31	
	2015	**2014**
The expected contributions to the plan for the next year	$ 622	$ 313
The average duration of the defined benefit obligation	10 years	10 years

24. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current and non-current classification of the Group's assets and liabilities relating to construction business were based on its operating cycle. The amount expected to be recovered or settled within one year after reporting period and more than one year after reporting period for related assets and liabilities are as follows:

	December 31, 2015		
	Within 1 Year	**More Than 1 Year**	**Total**
Assets			
Refundable deposit (current part included in other current assets)	$ 406	$ 41	$ 447
Amounts due from customers for construction contracts	$ 15,571	$ 4,097	$ 19,668

(Continued)

	December 31, 2015		
	Within 1 Year	More Than 1 Year	Total
Retentions receivable (included in trade receivables)	$ 24,063	$ -	$ 24,063
Liabilities			
Amounts due to customers for construction contracts	$ -	$ 109	$ 109
Retentions payable (included in trade payables)	$ 21,515	$ -	$ 21,515

	December 31, 2014		
	Within 1 Year	More Than 1 Year	Total
Assets			
Refundable deposit (current part included in other current assets)	$ 60	$ 142	$ 202
Amounts due from customers for construction contracts	$ 6,261	$ 2,249	$ 8,510
Retentions receivable (included in trade receivables)	$ 10,003	$ -	$ 10,003
Liabilities			
Amounts due to customers for construction contracts	$ -	$ 282	$ 282
Retentions payable (included in trade payables)	$ 9,068	$ -	$ 9,068

25. EQUITY

a. Share capital - ordinary shares

	December 31	
	2015	2014
Numbers of shares authorized (in thousands)	275,000	275,000
Shares authorized	$ 83,778	$ 86,888
Number of shares issued and fully paid (in thousands)	261,059	261,059
Shares issued	$ 79,530	$ 82,483

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

b. Capital surplus

	December 31	
	2015	**2014**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from treasury share transactions	$ 32	$ 33

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, subject to a limit within a certain percentage of the Company's capital surplus per year.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, if there is positive earnings after income tax, the Company should give first priority to make up for losses in previous years and appropriate 10% as legal reserve. However, the appropriation to legal reserve is not continued when the legal reserve equals the Company's paid-in capital. In addition, according to security market regulation, the Company should appropriate same amount of net debit balance in shareholders' equity as special reserve. The Company shall take into account future business operation for future reserve and then distribute the remaining earnings as follows:

1) 90.5% as shareholders' bonus;
2) 8% as bonus to employees;
3) 1.5% as remuneration to directors and supervisors.

The Company is currently at the growing stage. The Company distributes stock dividend and cash dividend after taking into account its future business needs and long term financial plan. In addition, the appropriation for cash dividend should not be less than 25% of the annual dividend distributed.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 9, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 13, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 26 (c).

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

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

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

The appropriations of earnings for 2014 and 2013 have been approved in the shareholders' meetings on June 15, 2015 and June 23, 2014, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (Dollar) For the Year Ended December 31	
	2014	**2013**	**2014**	**2013**
Appropriate legal reserve	$ 821	$ 384		
Appropriate (reverse) special reserve	(67)	1,500		
Appropriate cash dividends	4,949	2,803	$ 0.02	$ 0.01

The appropriations of earnings for 2015 had been proposed by the Company's board of directors on March 21, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (Dollar)
Appropriate legal reserve	$ 686	
Appropriate special reserve	563	
Appropriate cash dividends	4,772	$0.02

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be expectedly held on June 13, 2016.

26. NET PROFIT

Net profit from continuing operations:

a. Other gains and losses

	December 31	
	2015	**2014**
Net foreign exchange gains (losses)	$ (342)	$ 97
Gain on disposal of property, plant and equipment	248	18
Others	486	191
	$ 392	$ 306

b. Other income

	For the Year Ended December 31	
	2015	**2014**
Export tax rebate income	$ 169	$ 198
Claims income	65	27
Interest income	47	43
Rental income	22	55
Dividends	-	37
	$ 303	$ 360

c. Depreciation, amortization and employee benefits expense

	2015			2014		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expenses						
Defined contribution plans	$ 458	$ 271	$ 729	$ 435	$ 211	$ 646
Defined benefit plans	225	124	349	230	124	354
Other employee benefits	10,424	7,050	17,474	10,370	6,374	16,744
	$ 11,107	$ 7,445	$ 18,552	$ 11,035	$ 6,709	$ 17,744
Depreciation expense	$ 2,051	$ 362	$ 2,413	$ 2,288	$ 420	$ 2,708
Amortization expense	$ 65	$ 137	$ 202	$ 26	$ 99	$ 125

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates 8% and 1.5%, respectively, of net income. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were $438 thousand and $82 thousand, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $422 thousand and $79 thousand, respectively, of the base above. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by the Company's board of directors on March 21, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be expectedly held on June 13, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 15, 2015 and June 23, 2014, respectively, were as follows:

	For the Year Ended December 31			
	2014		2013	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Bonus to employees	$ 438	$ -	$ 248	$ -
Remuneration of directors and supervisors	82	-	46	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 15, 2015 and June 23, 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2015	**2014**
Foreign exchange gains	$ 1,408	$ 888
Foreign exchange losses	(1,750)	(791)
Net profit (loss)	$ (342)	$ 97

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2015	**2014**
Current tax		
In respect of the current year	$ 2,047	$ 1,757
Adjustments for prior periods	420	(24)
	2,467	1,733
Deferred tax		
In respect of the current year	(221)	295
Income tax expense recognized in profit or loss	$ 2,246	$ 2,028

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

	For the Year Ended December 31	
	2015	**2014**
Profit before tax from continuing operations	$ 9,109	$ 10,289
Income tax expense calculated at the statutory rate	$ 1,858	$ 2,062
Nondeductible expenses in determining taxable income	318	111
Realized investment loss	(311)	-
Deductible investment credits of current period	-	(59)
Income tax on unappropriated earnings	25	-
Tax-exempt income	(64)	(62)
Adjustments to prior years' tax	420	(24)
Income tax expense recognized in profit or loss	$ 2,246	$ 2,028

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

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31	
	2015	**2014**
Current tax assets		
Tax refund receivable	$ 358	$ 266
Current tax liabilities		
Income tax payable	$ 974	$ 1,311

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Com-prehensive Income**	**Exchange Differences**	**Closing Balance**
Deferred tax assets					
Defined benefit plans	$ 949	$ -	$ 218	$ (34)	$ 1,133
Provisions over limit	522	(8)	-	(19)	495
Impairment loss of financial assets	267	-	-	(9)	258
Inventory write-downs	126	(28)	-	(8)	90
Allowance for impaired receivables	110	(48)	-	(5)	57
Unrealized exchange loss	-	27	-	-	27
Deferred revenue	-	502	-	-	502
Others	2	7	-	-	9
	$ 1,976	$ 452	$ 218	$ (75)	$ 2,571
Deferred tax liabilities					
Land value increment tax	$ 1,091	$ -	$ -	$ (39)	$ 1,052
Share of profit of subsidiaries	670	160	-	(25)	805
Unrealized exchange gains	9	(9)	-	-	-
Others	14	80	-	-	94
	$ 1,784	$ 231	$ -	$ (64)	$ 1,951

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com-prehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Defined benefit plans	$ 929	$ -	$ 73	$ (53)	$ 949
Provisions over limit	547	7	-	(32)	522
Impairment loss of financial assets	284	-	-	(17)	267
Inventory write-downs	174	(37)	-	(11)	126
Allowance for impaired receivables	128	(11)	-	(7)	110
Annual leave payable	61	(57)	-	(4)	-
Others	(15)	16	-	1	2
	$ 2,108	$ (82)	$ 73	$ (123)	$ 1,976
Deferred tax liabilities					
Land value increment tax	$ 1,158	$ -	$ -	$ (67)	$ 1,091
Share of profit of subsidiaries	507	192	-	(29)	670
Unrealized exchange gains	3	7	-	(1)	9
Others	-	14	-	-	14
	$ 1,668	$ 213	$ -	$ (97)	$ 1,784

d. Information about unused tax-exemption

As of December 31, 2015, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Expansion of Construction Project of 2008	2011.01.01-2015.12.31

e. Integrated income tax

	December 31	
	2015	2014
Unappropriated earnings generated on and after January 1, 1998	$ 8,000	$ 7,987
Imputation credits accounts	$ 1,475	$ 335

	For the Year Ended December 31	
	2015 (Expected)	2014 (Actual)
Creditable ratio for distribution of earning	18.44%	17.47%

f. Income tax assessments

The Company’s tax returns through 2013 have been assessed by the tax authorities. The tax returns of Fortune Electric (Wuhan), Wuhan Huarong and Wuhan Fortune Trade Co., Ltd. through 2014 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2015	**2014**
Profit for the period attributable to owners of the Company	$ 6,863	$ 8,212

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2015	**2014**
Weighted average number of ordinary shares in computation of basic earnings per share	261,059	261,059
Effect of potentially dilutive ordinary shares:		
Employees’ compensation or bonus issue to employees	1,384	1,189
Weighted average number of ordinary shares used in the computation of diluted earnings per share	262,443	262,248

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. CAPITAL MANAGEMENT

The Group’s capital management strategy is to maintain adequate capital to be able to operate according to the industrial scale and support the industry's future growth and development prospects of the Group's business; to set the appropriate market share; and make a plan of the required capacity and the requirement of the plant and equipment to achieve production and the corresponding capital expenditure. The Group calculates the required working capital and cash for the long-term development of the required asset size of the Group, and makes overall planning according to the industry characteristics.

The Group’s management regularly reviews the capital structure, and considers the costs and risks of different capital structure. In general, the Group adopted a prudent risk management strategy.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014 approximate their fair values.

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

1) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	$ -	$ 500	$ -	$ 500
Available-for-sale financial assets				
Securities listed in ROC	$ 2,152	$ -	$ -	$ 2,152
Derivative financial assets for hedging				
Derivatives	$ -	$ 13	$ -	$ 13
Financial liabilities at FVTPL				
Derivatives	$ -	$ 18	$ -	$ 18

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	$ -	$ 368	$ -	$ 368
Available-for-sale financial assets				
Securities listed in ROC	$ 2,617	$ -	$ -	$ 3,470
Derivative financial assets for hedging				
Derivatives	$ -	$ 12	$ -	$ 12
Financial liabilities at FVTPL				
Derivatives	$ -	$ 284	$ -	$ 284

There were no transfers between Level 1 and Level 2 in the current and prior period.

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, equity investments, trade receivable, trade payables, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group manages exchange rate risk by using appropriate hedging tools. The Group does not trade financial instruments for speculative purposes. Foreign currency risk management strategy is to regularly review the net position of assets and liabilities in foreign currencies and manage accordingly. The choice of the tools to manage exchange rate risk takes into consideration the costs and duration of the hedge, exchange contract is used to manage risks.

The carrying amounts of the Group's nonfunctional-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 34.

<u>Sensitivity analysis</u>

The Group was mainly exposed to the USD, AUD and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		AUD Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014	2015	2014
Profit or loss (Note i)	$ (52)	$ (50)	$ (3)	$ (15)	$ 13	$ 21

Note i: This was mainly attributable to the exposure outstanding on USD, AUD and JPY receivables and payables, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	$ 297	$ 2,286
Financial liabilities	39,828	27,019
Cash flow interest rate risk		
Financial assets	1,890	8,514
Financial liabilities	5,260	6,634

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would increase/decrease by $34 thousand and $19 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank cash and borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in domestic emerging market shares. The Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2015 and 2014 would have increased by $22 thousand and $26 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

2) Credit risk

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

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management believes that the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the Group had available unutilized overdraft and bank loan facilities of approximately $194,848 thousand and $199,403 thousand, respectively.

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

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

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2015

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities					
Non-interest bearing		$ 8,046	$ 27,624	$ 31,818	$ -
Variable interest rate liabilities	2.19	-	1,005	4,575	-
Fixed interest rate liabilities	1.31	10,072	4,242	2,946	22,633
		$ 18,118	$ 32,871	$ 39,339	$ 22,633

December 31, 2014

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities					
Non-interest bearing		$ 14,265	$ 19,981	$ 10,738	$ -
Variable interest rate liabilities	2.77	822	823	5,008	-
Fixed interest rate liabilities	1.45	199	4,063	4,083	18,754
		$ 15,286	$ 24,867	$ 19,829	$ 18,754

Bank loans with a repayment on demand clause were included in the “on demand or less than 1 month” time band in the above maturity analysis. As of December 31, 2015 and 2014, the aggregate undiscounted principal amounts of these bank loans amounted to $10,063 thousand and $1,014 thousand respectively.

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

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Group’s liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2015

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Net settled				
Foreign exchange forward contracts	$ 71	$ 86	$ 162	$ 163

December 31, 2014

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Net settled				
Foreign exchange forward contracts	$ 21	$ 172	$ (36)	$ (73)

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides those disclosed elsewhere in other notes, summary of transactions between the Group and other related parties are disclosed below.

a. Trading transactions

Line Items	Related Party Categories	For the Year Ended December 31 2015	2014
Sales	Associates	$ 405	$ 2,250
	Others	-	64
		$ 405	$ 2,314
Construction revenue	Associates	$ 1,418	$ 3,332
Cost of goods sold - manufacturing expense	Others	$ 1	$ 1
Operating expense	Others	$ 4	$ 4
Other income - rental income	Associates	$ -	$ 3
	Others	2	2
		$ 2	$ 5
Other gains and losses - other income	Associates	$ 14	$ 17

The Company’s lease contracts with related parties are based on contract prices and payment terms agreed by the parties. For other transactions with related parties, the prices and collection terms were similar to those transactions with third parties.

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

Line Items	Related Party Categories	For the Year Ended December 31 2015	2014
Accounts receivables	Associates	$ 290	$ 2,363
	Others	-	67
		$ 290	$ 2,430

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized on trade receivables from related parties.

c. Construction contract

The Group and Hitachi Fortune Company signed the contract of mechanical and electrical engineering and test equipment of the factory at the Taichung port on May 26, 2014; the total contract price (without tax) was $4,803 thousand.

Amount Due from (to) Customers for Construction Contracts	December 31 2015	2014
Construction costs incurred plus recognized profits less recognized losses to date	$ 4,630	$ 3,332
Less: Progress billings	(4,665)	(779)
	$ (35)	$ 2,553

d. Property, plant and equipment disposed

	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
Related Party Categories	2015	2014	2015	2014
Associates	$ 423	$ -	$ 133	$ -

e. Endorsements and guarantees

The endorsements and guarantees provided by the Company for the related parties and the credit of the contracts approved by the board of directors on the balance sheet date were as follows:

Related Party Categories	December 31 2015	2014
Subsidiaries	$ 13,000	$ 13,000

f. Compensation of key management personnel

	For the Year Ended December 31 2015	2014
Short-term employee benefits	$ 1,039	$ 1,092
Termination benefits	22	17
	$ 1,061	$ 1,109

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bid bond of sales, performance bond and bank borrowings:

	December 31	
	2015	2014
Refundable deposits (included in other current assets)	$ 400	$ 53
Pledge deposits (classified as debt investments with no active market)	297	393
Property, plant and equipment	30,964	32,372
Prepayment for lease	847	936
	$ 32,508	$ 33,754

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2015 were as follows:

a. As of December 31, 2015, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $2,794 thousand, ￥51,571 thousand and €65 thousand.

b. As of December 31, 2015, promissory note of $89,272 thousand was made for bank financing, endorsements and the investee company’s sales performance guarantee.

c. The Company signed a technical cooperation agreement with SIEMENS AG, with effective term from February 2014 to February 24, 2019. According to the contract, the Company will design, produce and sell goods in the Republic of China. On the Company’s production and marketing of products covered by the technical cooperation agreement, the Company agreed to pay €55 for each unit of product sold as technical remuneration. The remuneration paid was $22 thousand and $9 thousand for the years ended December 31, 2015 and 2014, respectively, included in operating expenses.

d. The Company signed a technical cooperation agreement with LANDIS+GYR Inc., with effective term from June 2013 to June 17, 2019. According to the contract, the Company will design, produce and sell goods only in the Republic of China. On the Company’s production and marketing of products covered by the technical cooperation agreement, the Company agreed to pay 6% of net sales as technical remuneration. The remuneration paid was $28 thousand and $29 thousand for the years ended December 31, 2015 and 2014, respectively, included in operating expenses.

e. The Company signed a technical cooperation agreement with Japanese firm, Meidensha, with effective term from July 2002 to July 2007. As of March 20, 2015, both parties still maintained the technical cooperation relationship, and both parties agreed to extend the contract until July 2017. According to the contract, the Company will design, produce and sell goods in the Republic of China. The Company may also export the goods but a written agreement from Japanese Meidensha is required for every export before the exporting of the goods can be made. The Company has paid ￥32,000 thousand to obtain this technical cooperation agreement. From 2005, the Company agreed to pay 3% of net sales as technical remuneration. As of December 31, 2015 and 2014, technical remuneration paid was $20 thousand and $36 thousand, respectively, which was recognized as operating expense.

f. The Ministry of Economic Affairs offered government grant for establishing solar power system at the land subsidence in Pingtung County and Morakot disaster area. The Company completed the solar power system construction as of December 31, 2011 at Pingtung County Linbian Township area which met the requirement for government grant. Regarding the solar energy project, Taiwan Power Company has signed a purchase and sale of electricity contract with the Company. The contract stated that Taiwan Power Company will purchase electricity from the Company for 20 years based on the ground-based solar power purchase rates announced by the Ministry of Economic Affairs. The power selling revenue for the years ended December 31, 2015 and 2014 was $415 thousand and $442 thousand, respectively. The rent of the land used for solar power plant is based on 9.7%, 11.5%, 12.3% of the sales of electricity for the first to tenth years, eleventh to fifteenth years, and sixteenth to twentieth years, respectively.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount (NTD)
Financial assets			
Monetary items			
USD	$ 14,239	32.8250 (USD:NTD)	$ 467,395
USD	1,326	6.3613 (USD:CNY)	43,526
AUD	410	23.9900 (AUD:NTD)	9,836
JPY	4	0.2727 (JPY:NTD)	1
			$ 520,758
Financial liabilities			
Monetary items			
USD	10,246	32.8250 (USD:NTD)	$ 336,325
USD	88	6.3613 (USD:CNY)	2,889
AUD	66	23.9900 (AUD:NTD)	1,583
JPY	151,859	0.2727 (JPY:NTD)	41,412
			$ 382,209

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount (NTD)
Financial assets			
Monetary items			
USD	$ 12,366	31.6500 (USD:NTD)	$ 391,384
USD	2,624	6.1525 (USD:CNY)	83,050
AUD	1,985	25.9050 (AUD:NTD)	51,421
JPY	1,517	0.2642 (JPY:NTD)	401
			$ 526,256
Financial liabilities			
Monetary items			
USD	9,546	31.6500 (USD:NTD)	$ 302,131
USD	398	6.1525 (USD:CNY)	12,597
AUD	178	25.9050 (AUD:NTD)	4,611
JPY	256,639	0.2642 (JPY:NTD)	67,804
			$ 387,143

The Group is mainly exposed to USD, AUD and JPY. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2015		2014	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (464)	1 (NTD:NTD)	$ 147
RMB	5.0968 (RMB:NTD)	122	4.9338 (RMB:NTD)	(51)
		$ (342)		$ 96

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held at the end of the year (excluding investment in subsidiaries, associates and joint ventures). (Table 2)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (Notes 7 and 9)

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

11) Information on investees. (Table 3)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 3-5)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. The Group has disclosed its electrical department and turnkey department as its reporting segments. The electrical department manufactures, processes and trades transformers, distributors, low pressure switches and substation equipment; and the turnkey department mainly engages in engineering contracts.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue for the Year Ended December 31		Segment Profit for the Year Ended December 31	
	2015	**2014**	**2015**	**2014**
Electrical department	$ 146,593	$ 148,733	$ 13,076	$ 13,921
Turnkey department	27,523	13,143	625	146
Segment revenues	$ 174,116	$ 161,876	13,701	14,067
Government grant			272	276
Other income			303	360
Net income on financial assets at fair value through profit or loss			832	323
Share of the loss of associates			(1,622)	(756)
Other gains and losses			392	307
Financial costs			(910)	(564)
General and administrative expense			(3,859)	(3,724)
Profit before tax (continuing operations)			$ 9,109	$ 10,289

Segment revenues reported above represent revenues generated from external customers. There were no inter-segment sales during the years ended December 31, 2015 and 2014.

Segment profit represented the profit before tax earned by each segment without allocation of other income, net income on financial assets at fair value through profit or loss, share of the loss of associates, other gains and losses, financial costs, general and administrative expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's measure of assets and liabilities were not provided to the chief operating decision maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	Depreciation and Amortization	
	2015	**2014**
Electrical department	$ 2,615	$ 2,832
Turnkey department	-	1
	$ 2,615	$ 2,833

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2015	2014
Transformers	$ 98,160	$ 113,123
Distribution panels	20,257	13,960
Distribution equipment	9,212	1,852
Engineering contract	27,523	13,143
Power selling	415	442
Others	18,549	19,356
	$ 174,116	$ 161,876

e. Information about major customers

Included in the total revenues of electrical and turnkey departments of $174,116 thousand and $161,876 thousand in 2015 and 2014, respectively, are revenues of $38,851 thousand and $31,268 thousand which are sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Co., Ltd.	Subsidiary	$ 48,030	$ 13,000	$ 13,000	$ 5,720	$ -	13.54%	$ 57,636	Y	N	Y	

Note 1: The limit on the total maximum endorsement for each guaranteed party is equal to 50% of the Company’s net equity: $96,061 x 50% = $48,030.

Note 2: The maximum limit is equal to 60% of the Company’s net equity: $96,061 x 60% = $57,636.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Fortune Electric Co., Ltd.	Stock							
	Taiwan High Speed	-	Available-for-sale financial assets	4,000	$ 1,265	0.07	$ 1,265	Note 1
	Asia Pacific Telecom	-	Available-for-sale financial assets	2,500	887	0.06	887	Note 2
	Raynergy Tek Incorporation	-	Financial assets measured at cost	2,700	823	11.06	823	Note 3

Note 1: The price of emerging company's stocks was calculated by the average strike price at end of December 2015.

Note 2: The prices of listed stocks were calculated by the closing price at end of December 2015.

Note 3: There was no active market price and the fair value cannot be reliably measured, therefore, measured at cost.

Note 4: The information of investments in subsidiaries and associates is provided in Tables 3 and 4.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2015	December 31, 2014	Shares (Thousand)	%	Carrying Value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	Trade business, investment holding, agent business	$ 3,855	$ 3,998	3,800	100.00	$ 9,088	$ 875	$ 875	Investee is a subsidiary
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agents business	90	93	1	100.00	193	68	68	Investee is a subsidiary
	Hitachi Fortune Transformer, Inc.	No.500, Nanheng 1st Rd, Wuqi District, Taichung City 435, Taiwan	Transformers manufacturing, machining and trading	17,206	17,845	56,480	40.00	14,856	(4,055)	(1,622)	Associates
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Wuhan, China	Transformers, capacitors, power distribution equipment manufacturing	6,500	6,000	-	100.00	9,088	928	928	Investee is a subsidiary
Fortune Electric (Wuhan) Ltd.	Wuhan Huarong Co., Ltd.	Wuhan, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	RMB 1,274 Thousand	RMB 1,274 thousand	-	60.00	RMB 1,794 thousand	RMB 4 Thousand	RMB 2 thousand	Investee is a subsidiary
	Wuhan Fortune Trade Co., Ltd.	Wuhan, China	Trade business	RMB 500 thousand	RMB 500 thousand	-	100.00	RMB 453 thousand	RMB (63) thousand	RMB (63) thousand	Investee is a subsidiary

Note 1: Net asset values were based on audited financial statements of the investees and calculated at the investor's holding proportion.

Note 2: The listed amounts above were eliminated upon consolidation except for Hitachi Fortune Transformer, Inc..

TABLE 4

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015	Note
					Outward	Inward							
Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	$ 6,500	Indirect	$ 6,000	$ -	$ -	$ 6,000	$ 928	100	$ 928	$ 9,088	$ -	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$6,000	$6,000	$57,636

Note 1: Net asset values were based on audited financial statements of the investees and calculated at the investor’s holding proportion.

Note 2: The investment income/loss was recognized based on average exchange rate from January 1, 2015 to December 31, 2015; the other accounts were all based on prevailing exchange rate as of December 31, 2015.

Note 3: The difference between the accumulated investment of $6,000 thousand from Taiwan and the paid-in capital balance, $6,500 thousand, of Fortune Electric (Wuhan) Ltd. was due to the direct investment of $500 thousand by Power Energy International Ltd., which is 100% owned by the Company.

Note 4: The listed amounts above were eliminated upon consolidation.

TABLE 5

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2015
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

No	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Transaction Terms	% to Total Sales or Assets
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Co., Ltd.	a	Account payables	$ 99	With non-related parties	0.04
		Fortune Electric (Wuhan) Co., Ltd.	a	Sales	14	With non-related parties	0.01
		Fortune Electric (Wuhan) Co., Ltd.	a	Purchases	368	With non-related parties	0.23
		Fortune Electric (Wuhan) Co., Ltd.	a	Manufacturing costs	81	With non-related parties	0.05
		Fortune Electric (Wuhan) Co., Ltd.	a	Rental revenue	5	With non-related parties	-
		Fortune Electric America Inc.	a	Operating expenses	1,039	Under arm’s length terms	0.66
		Fortune Electric America Inc.	a	Account payables	50	With non-related parties	0.02
		Wuhan Fortune Trade Co., Ltd.	a	Account payables	74	With non-related parties	0.03
		Wuhan Fortune Trade Co., Ltd.	a	Purchases	100	With non-related parties	0.06
1	Fortune Electric (Wuhan) Co., Ltd.	Wuhan Huarong Co., Ltd.	c	Purchases	688	With non-related parties	0.44
		Wuhan Huarong Co., Ltd.	c	Account payables	278	With non-related parties	0.12
		Wuhan Huarong Co., Ltd.	c	Rental revenue	147	Under arm’s length terms	0.09
		Wuhan Huarong Co., Ltd.	c	Sales	136	With non-related parties	0.09
		Wuhan Fortune Trade Co., Ltd.	c	Account payables	-	With non-related parties	-
		Wuhan Fortune Trade Co., Ltd.	c	Account receivables	-	With non-related parties	-
		Wuhan Fortune Trade Co., Ltd.	c	Sales	-	With non-related parties	-
		Wuhan Fortune Trade Co., Ltd.	c	Purchases	-	With non-related parties	-

Note 1: The kinds of relationship between the transaction parties are as follows:

a. The Company to the consolidated subsidiary.
b. The consolidated subsidiary to the Company.
c. The consolidated subsidiary to another consolidated subsidiary.

Note 2: The listed amounts above were eliminated upon consolidation.