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# **Chicony Power Technology Co., Ltd.**

## **2015 Annual Report**

Dated by May 3, 2016

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## Letter to Shareholders

### I. Business Report of Year 2015

#### (I) Result accomplished with the business operation plan in 2015

In 2015, the global economy grew below anticipation. Thanks to the efforts by our teammates and entire staff members, the Company accomplished net operating revenues in 2015 up to NT\$26,518,732 thousand; operating profit NT\$1,223,283 thousand, growing by 12.5% over 2014; making net profit after tax amounting to NT\$1,154,140 thousand, growing by 2.3% over 2014.

#### (II) Analyses on financial revenues and expenditures and profitability

##### 1. Financial revenues and expenditures

Unit: NT\$1,000

Item	2015	2014	Increase (decrease) %
Operating profit	1,223,283	1,087,157	12.52%
Net earnings after tax	1,154,140	1,128,575	2.27%
Average total assets	18,369,670	17,568,755	4.56%
Average total shareholders' equity	6,568,129	6,284,081	4.52%

##### 2. Profitability

Item	2015	2014
Average return on assets (%)	6.47	6.58
Average Return on shareholders' equity (%)	17.57	17.96
Operating profit accounting the ratio of share capital in the end of period (%)	33.21	30.30
Net profit margin (%)	4.35	4.16
Net income per share	3.22	3.16 (Note)

Note: The net income per share of 2014 represents the amount before retrospective adjustment without consideration of converting the earning into capital increase.

#### (III) Performance in research and development

In 2015, the Company invested an aggregate total of NT\$1,241,657,000 to the research and development budget for new products, upgrades of technological capabilities, strengthening automation for production, improvement of manufacturing process and educational and training programs for research and development technicians. Amidst the rapidly changes and cutthroat competition in the industries environment, the Company put forth the maximum possible effort in originality and technological research and development. In particular, it focused on the domains of new applications, notably development of the Internet of Things, power supply system for huge volume data centers and servers, mobile

power banks, high power machine tools, recharging facilities of electric vehicles and the related products, quantification research system management and production automation and the like. Through these combined efforts, we have continually and successfully deepened our core competitive edge and boosted the Company's position in both markets and technology.

## II. Business operation plan of Year 2016

### (I) Business targets and forecast for Year 2016

As indicated by the analytical reports revealed by the key international institutions about the global economy, the global economy will remain in growth at a mild pace in 2016. The United States will get unemployment rate dropping step-by-step. After the Federal Reserve System (the Fed) announced the policy to raise interest rate, the key countries of the world are expected to have their economies recovering at a solid pace. Amidst dropping petroleum prices and quantitative easing (QE) policies, European nations and Japan will enjoy warm-up economic growth. Amidst the structure readjustment, Chinese economy is believed to further slow down in growth pace. Those newly emerging countries might slow their pace of economic growth down as well in comparison with the rapid development they have recorded over the past years.

Amidst the attributes of our business undertakings, the Company should be a beneficiary amidst the warming up economy of advanced nations that should drive the momentum of consumer markets. In the fact of the cutthroat competition and rapid changes in our industrial environments further coupled with changes in global economy, continued rise of the labor costs in China and other risks, we shall still face up to tremendous challenges and changes in terms of economy in 2016.

Here at the Company, our entire teams and team members shall still continually march forward in a prudential and promising attitude against numerous challenges in the global economy and industrial environments. With efforts to integrate all our resources and a variety of advantageous factors, we shall continually step toward niche markets. Other than our existent uninterruptible power supplies (UPS) products in research & development and marketing, we shall put forth maximum possible efforts to develop the Internet of Things (IoT) and products irrelevant to PC industry. Further under our “No Quality, No Sales” guiding principle, we shall strictly control over quality of our products and enhance efficiency of services. Through all such efforts into a whole, we are confident to boost our overall operating revenues and profits. We anticipate that within the year, we shall sell an aggregate total of 129.6 million sets of electronic parts and components products, consumer electronic products, and other related products.

### (II) The business operation policies and strategies of future development of the Company

For business operation policies and strategies of future development of the Company, we'd like to focus on marketing, production, research and development, products, human resources and financial standing, as enumerated below:

1. In terms of marketing
  - (1) Continually develop power supply products in high added values, increase the percentages in sales performance so as to boost profits to the Company.
  - (2) Continually expand the customer bases and market shares of the existent uninterruptible power supplies (UPS) products.
  - (3) Expand business on the Internet of Things (IoT) and cloud information equipment power supply and such relevant products.
  - (4) Take firm command of customer demands and trends of market development, with continual profound cultivation and contacts with customers to provide customers with services in the most real-time.
2. In terms of production:
  - (1) By means of procurement resources on a united basis and via consolidated procurement to gain added room for price negotiation, team up with the suppliers in China to effectively bring down procurement costs.
  - (2) Launch autonomous research and development for automated product equipment and facilities, continually refine the production procedures to minimum the unnecessary waste during production process.
  - (3) Boost the ratio of automated production and continue to develop new manufacturing process to minimize production costs, enhance production efficiency and quality.
  - (4) Continue to strengthen the predominance in the economic scale for uninterruptible power supplies (UPS) with added values to redouble productivity.
3. In terms of research and development
  - (1) Continue to exert on research & development in innovation and technology of products to upgrade the Company's position levels in the markets and in the know-how.
  - (2) Raise the ratio of product automation and continually develop new manufacturing process so as to effectively minimize production costs.
  - (3) Accelerate the pace to certify and accredit quality of a variety of products at home and abroad so as to enhance the Company's competitive edge.
  - (4) Continually solicit and recruit talented human resources, strengthen the training, and cultivation of personnel to elevate the overall research & development strength and efficiency.

4. In terms of products
  - (1) Boost research & development of power supply products for new domains of application to increase product items and help the Company gain added profits.
  - (2) Continually develop relevant power supply for future green construction lighting facilities and power supplies aiming at Internet of Things (IoT) to get in line with the trends of intellectual energy conservation throughout the world.
  - (3) Augment the power supply solution projects for server and huge information centers to develop upward to high-end products.
  - (4) Set up comprehensive quality assurance system to assure superior and flawless products supplied to the customer ends.
5. In terms of human resources:
  - (1) Intensify on-the-job training programs for all employees, provide diversified, comprehensive and multifaceted educational and enhance employees' professional competence and core competitiveness.
  - (2) Effectively utilize the system targets of all sorts of human resources to help all business divisions accomplish annual targets in profits.
  - (3) Look into and make sure of the trends of human resources and relevant policies held by all governments of the world, in particular in Asia, and regularly review the relevant practices and systems of the Company, to win over maximum possible benefits in common for both the labor and management sides.
  - (4) Continue to develop the corporate responsibility, put into implementation thoroughly corporate governance, environmental protection and concern toward the society to accomplish the targets of sustainable development.
6. In terms of financial standing
  - (1) Make maximum possible use of the derivative financial instruments and diversified, comprehensive, and multifaceted instruments in the capital markets so as to minimize potential fluctuation in foreign exchange and the risks in rising prices of raw materials.
  - (2) Continually strengthen control over accounts receivable, boost the turnover rate of a variety of assets to effectively control budgeting and implementation process.
  - (3) Devise and work out optimal taxation planning for the Company and its subsidiaries pursuant to the requirements of taxation laws of countries concerned.
  - (4) Continually minimize liability ratios.

(III) Key production and marketing policies

1. Continually team up with internationally renowned giant customers so as to expand the market shares of our products in line with the growth of customers' sales revenues and the rising ratios of our products sold to them.
2. Comprehensively promote the automated production and continually develop new manufacturing process to boost product efficiency and quality.
3. Continually expand the domains of application for new products, raise the proportion of sales turnover of our products with added values to help gain added profits.
4. Continually set up global warehouses for deliveries in real time to strengthen flexibility of deliveries and enhance the close teamwork ties with customers.
5. Try by all available means to boost sales and minimize procuring costs of raw materials by taking advantage of the close teamwork of the conglomerate.
6. Enhance the performance of the existing ERP overall information system to boost operating efficiency of all business sectors.

III. The impact among the environments of external competitions, legal ambiance, and environment for overall business operation:

In the business operations here in the Company, we have faithfully complied with the laws and regulations currently prevalent in the home country and the countries while our subsidiaries are in. Our entire managerial team members shall, as always, continually stay watchful about the environmental changes that might have an impact upon our business operation. Meanwhile, we shall implement business policies and strategies in marketing, production, research and development, product, human resources and financial concern to continually boost our overall business performance and to strive for the optimal values to our customers, shareholders and employees.

Chairman: Lin, Mao-Kuei

President: Tseng, Kuo-Hua

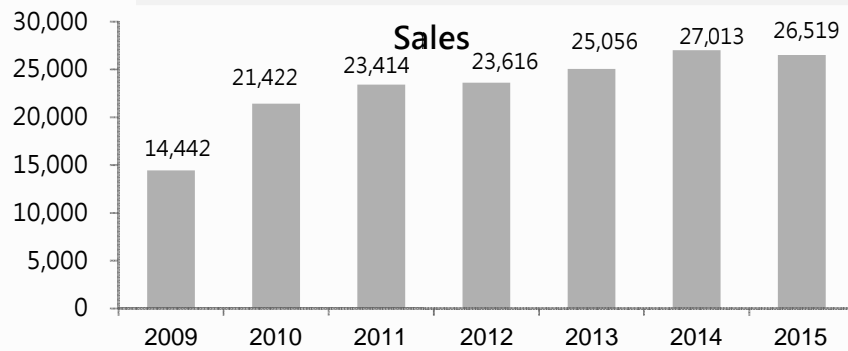
Chief Finance  
Officer: Chen, Hsueh-Yi

## Consolidated Financial Highlights

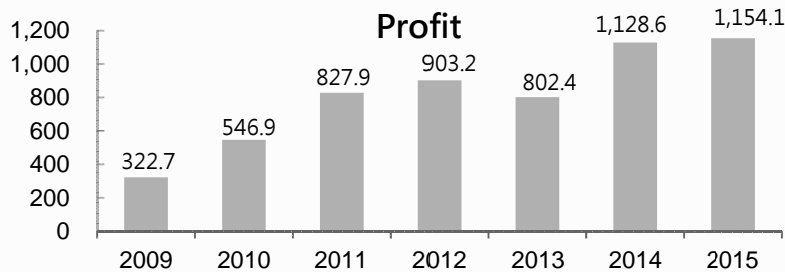
NT\$ million

	2015	2014
Sales	26,518.7	27,013.2
Net operating margin	4,120.3	3,887.8
Net operating margin %	15.5%	14.4%
Operating Profit	1,223.3	1,087.2
Operating Profit %	4.6%	4.0%
Profit	1,154.1	1,128.6
Profit %	4.4%	4.2%
EPS(NT\$)	3.22	3.16
Capital	3,683.2	3,588.5
ROE%	17.6%	18.0%

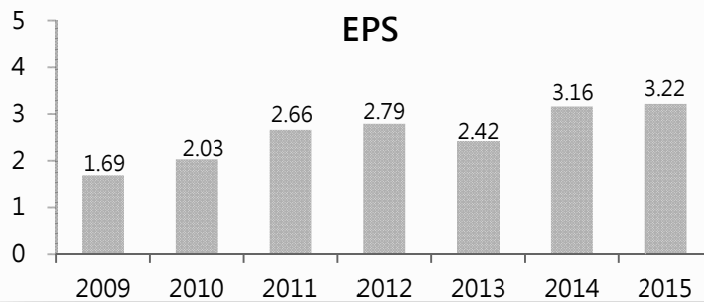
NT\$ million



NT\$ million



NT\$



\* 2009~2011 financials are based on R.O.C. GAAP  
2012~2015 financials are based on IFRS



**CHICONY POWER TECHNOLOGY CO.,  
LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2015 AND 2014**

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR1500044

To the Board of Directors and Stockholders of Chicony Power Technology Co., Ltd.

We have audited the consolidated balance sheets of Chicony Power Technology Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of a wholly-owned consolidated subsidiary and investments recognized under the equity method that are included in the financial statements. The total assets of the subsidiary amounted to NT\$271,732 thousand and NT\$250,710 thousand as of December 31, 2015 and 2014, constituting 1.49% and 1.35% of total consolidated assets, respectively. Additionally, the total revenue were NT\$518,938 thousand and NT\$329,578 thousand for the years then ended, constituting 1.96% and 1.22% of the total consolidated revenues, respectively. Those financial statements and information disclosed in Note 13 were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

In our opinion, based on our audits and the reports of the other independent accountants, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chicony Power Technology Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the results of their financial performance and cash flows for the years then ended in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Chicony Power Technology Co., Ltd. ( not presented herein) as of and for the years ended December 31, 2015 and 2014, on which we have expressed a modified unqualified opinion on such financial statements.

*PricewaterhouseCoopers, Taiwan*

PricewaterhouseCoopers, Taiwan

March 15, 2016

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

**CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2015		December 31, 2014	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 712,881	4	\$ 886,043	5
Financial assets at fair value	6(2)				
through profit or loss - current		15,581	-	8,017	-
Available-for-sale financial assets	6(3)				
- current		813,915	4	785,223	4
Financial assets carried at cost -	6(6)				
current		10,617	-	-	-
Notes receivable, net		4,947	-	-	-
Accounts receivable, net	6(4)	7,159,670	39	7,393,883	40
Accounts receivable - related	7				
parties		1,220,498	7	655,190	4
Other receivables		189,639	1	295,934	2
Other receivables - related parties	7	367	-	2,883	-
Inventories, net	6(5)	3,211,377	18	3,741,861	20
Prepayments		351,040	2	456,091	2
Other current assets	8	73	-	12,275	-
Current Assets		13,690,605	75	14,237,400	77
Non-current assets					
Available-for-sale financial assets	6(3)				
- noncurrent		618,959	3	121,799	1
Financial assets carried at cost -	6(6)				
noncurrent		152,119	1	270,000	1
Investments accounted for under	6(7)				
equity method		298,923	2	319,845	2
Property, plant and equipment, net	6(8)	2,657,578	15	2,748,945	15
Intangible assets	6(9)	217,891	1	125,606	1
Deferred income tax assets	6(25)	70,062	-	117,132	-
Other non-current assets	6(10) and 8	526,535	3	565,940	3
Non-current assets		4,542,067	25	4,269,267	23
Total assets		\$ 18,232,672	100	\$ 18,506,667	100

(Continued)

**CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2015		December 31, 2014	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term borrowings	6(11)	\$ 1,210,316	7	\$ 664,020	4
Financial liabilities at fair value through profit or loss - current	6(2)	-	-	32,920	-
Notes payable		1,818	-	141	-
Accounts payable	6(12)	8,483,069	46	8,533,828	46
Other payables		1,611,516	9	1,956,065	10
Other payables - related parties	7	1,885	-	39,969	-
Current income tax liabilities	6(25)	144,295	1	118,826	1
Other current liabilities		83,693	-	475,733	3
<b>Current Liabilities</b>		<u>11,536,592</u>	<u>63</u>	<u>11,821,502</u>	<u>64</u>
<b>Non-current liabilities</b>					
<b>Other non-current liabilities</b>		<u>71,618</u>	<u>1</u>	<u>56,861</u>	<u>-</u>
<b>Total Liabilities</b>		<u>11,608,210</u>	<u>64</u>	<u>11,878,363</u>	<u>64</u>
<b>Equity attributable to owners of parent</b>					
<b>Share capital</b>	6(16)				
Share capital - common stock		3,683,191	20	3,588,533	20
<b>Capital surplus</b>	6(17)				
Capital surplus		1,332,487	8	1,129,321	6
<b>Retained earnings</b>	6(18)				
Legal reserve		442,031	2	329,173	2
Special reserve		263,095	1	236,024	1
Unappropriated retained earnings		1,701,538	9	1,546,379	8
<b>Other equity interest</b>	6(19)				
Other equity interest		( 462,593 )	( 2 )	( 263,096 )	( 1 )
<b>Treasury stocks</b>	6(16)	<u>( 389,825 )</u>	<u>( 2 )</u>	<u>-</u>	<u>-</u>
<b>Equity attributable to owners of the parent</b>		<u>6,569,924</u>	<u>36</u>	<u>6,566,334</u>	<u>36</u>
<b>Non-controlling interest</b>		<u>54,538</u>	<u>-</u>	<u>61,970</u>	<u>-</u>
<b>Total equity</b>		<u>6,624,462</u>	<u>36</u>	<u>6,628,304</u>	<u>36</u>
<b>Commitments and Contingent Liabilities</b>	9				
<b>Significant Subsequent Events</b>	11				
<b>Total liabilities and equity</b>		<u>\$ 18,232,672</u>	<u>100</u>	<u>\$ 18,506,667</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 15, 2016.

**CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	For the Years ended December 31			
		2015		2014	
		AMOUNT	%	AMOUNT	%
<b>Sales revenue</b>	7	\$ 26,518,732	100	\$ 27,013,224	100
<b>Operating costs</b>	6(5)(23)(24) and 7	( 22,398,400)	( 84)	( 23,125,422)	( 86)
<b>Net operating margin</b>		<u>4,120,332</u>	<u>16</u>	<u>3,887,802</u>	<u>14</u>
<b>Operating expenses</b>	6(23)(24) and 7				
Selling expenses		( 887,085)	( 3)	( 958,015)	( 3)
General & administrative expenses		( 768,307)	( 3)	( 724,341)	( 3)
Research and development expenses		( 1,241,657)	( 5)	( 1,118,289)	( 4)
<b>Total operating expenses</b>		( 2,897,049)	( 11)	( 2,800,645)	( 10)
<b>Operating profit</b>		<u>1,223,283</u>	<u>5</u>	<u>1,087,157</u>	<u>4</u>
<b>Non-operating income and expenses</b>					
Other income	6(20)	111,500	-	113,398	-
Other gains and losses	6(21)	131,185	-	181,556	1
Finance costs	6(22)	( 41,576)	-	( 33,330)	-
Share of loss of associates and joint ventures accounted for under equity method		( 19,397)	-	( 11,319)	-
<b>Total non-operating income and expenses</b>		<u>181,712</u>	<u>-</u>	<u>250,305</u>	<u>1</u>
<b>Profit before income tax</b>		<u>1,404,995</u>	<u>5</u>	<u>1,337,462</u>	<u>5</u>
Income tax expense	6(25)	( 255,747)	( 1)	( 212,867)	( 1)
<b>Profit for the year</b>		<u>\$ 1,149,248</u>	<u>4</u>	<u>\$ 1,124,595</u>	<u>4</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
Actuarial loss on defined benefit plan	6(14)	( \$ 15,746)	-	( \$ 7,122)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Financial statement translation differences of foreign operations		( 91,193)	-	73,828	-
Unrealized loss on valuation of available-for-sale financial assets	6(19)	( 46,676)	-	( 100,498)	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method	6(19)	( 1,525)	-	1,990	-
<b>Total other comprehensive loss for the year</b>		<u>( \$ 155,140)</u>	<u>-</u>	<u>( \$ 31,802)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>\$ 994,108</u>	<u>4</u>	<u>\$ 1,092,793</u>	<u>4</u>
<b>Profit (loss), attributable to:</b>					
Owners of the parent		<u>\$ 1,154,140</u>	<u>4</u>	<u>\$ 1,128,575</u>	<u>4</u>
Non-controlling interest		( \$ 4,892)	-	( \$ 3,980)	-
<b>Comprehensive (loss) income attributable to:</b>					
Owners of the parent		<u>\$ 1,001,540</u>	<u>4</u>	<u>\$ 1,094,381</u>	<u>4</u>
Non-controlling interest		( \$ 7,432)	-	( \$ 1,588)	-
<b>Earnings per share (NTD\$)</b>	6(26)				
Basic earnings per share		<u>\$ 3.22</u>		<u>\$ 3.14</u>	
Diluted earnings per share		<u>\$ 3.16</u>		<u>\$ 3.10</u>	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 15, 2016.

**CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent															
Notes	Share capital - common stock	Capital surplus,	Retained Earnings					Other equity interest				Treasury stocks	Total	Non-controlling interest	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Other equity - others							
Year 2014															
Balance at January 1, 2014		\$ 1,007,186	\$ 248,928	\$ 605,751	\$ 842,201	\$ 72,235	(\$ 308,259 )	\$ -	\$ -	\$ 6,001,828	\$ -	\$ 6,001,828			
Distribution of 2013 earnings	6(18)	-	-	-	( 80,245 )	-	-	-	-	-	-	-	-		
Legal reserve		-	80,245	( 369,727 )	369,727	-	-	-	-	-	-	-	-		
Special reserve		-	-	-	( 689,088 )	-	-	-	-	( 689,088 )	-	( 689,088 )	-		
Cash dividends		-	-	-	( 17,669 )	-	-	-	-	-	-	-	-		
Stock dividends	6(16)	17,669	-	-	-	-	-	-	-	-	-	-	-		
Appropriation of employee bonuses	6(15)	37,078	122,135	-	-	-	-	-	-	159,213	-	159,213	-		
Profit for the year		-	-	-	1,128,575	-	-	-	-	1,128,575	( 3,980 )	1,124,595	-		
Other comprehensive (loss) income for the year	6(19)	-	-	-	( 7,122 )	73,426	( 100,498 )	-	-	( 34,194 )	2,392	( 31,802 )	-		
Increase in non-controlling interest		-	-	-	-	-	-	-	-	-	63,558	63,558	-		
Balance at December 31, 2014		\$ 1,129,321	\$ 329,173	\$ 236,024	\$ 1,546,379	\$ 145,661	(\$ 408,757 )	\$ -	\$ -	\$ 6,566,334	\$ 61,970	\$ 6,628,304	-		
Year 2015															
Balance at January 1, 2015		\$ 1,129,321	\$ 329,173	\$ 236,024	\$ 1,546,379	\$ 145,661	(\$ 408,757 )	\$ -	\$ -	\$ 6,566,334	\$ 61,970	\$ 6,628,304	-		
Distribution of 2014 earnings	6(18)	-	-	-	( 112,858 )	-	-	-	-	-	-	-	-		
Legal reserve		-	112,858	27,071	( 27,071 )	-	-	-	-	-	-	-	-		
Special reserve		-	-	-	( 825,363 )	-	-	-	-	( 825,363 )	-	( 825,363 )	-		
Cash dividends		-	-	-	( 17,943 )	-	-	-	-	-	-	-	-		
Stock dividends	6(16)	17,943	-	-	-	-	-	-	-	-	-	-	-		
Appropriation of employee bonuses	6(15)	76,715	203,166	-	-	-	-	( 62,643 )	-	217,238	-	217,238	-		
Profit for the year		-	-	-	1,154,140	-	-	-	-	1,154,140	( 4,892 )	1,149,248	-		
Other comprehensive loss for the year	6(19)	-	-	-	( 15,746 )	( 90,178 )	( 46,676 )	-	-	( 152,600 )	( 2,540 )	( 155,140 )	-		
Acquisition of treasury stock	6(16)	-	-	-	-	-	-	-	( 389,825 )	( 389,825 )	-	( 389,825 )	-		
Balance at December 31, 2015		\$ 1,332,487	\$ 442,031	\$ 263,095	\$ 1,701,538	\$ 55,483	(\$ 455,433 )	(\$ 62,643 )	(\$ 389,825 )	\$ 6,569,924	\$ 54,538	\$ 6,624,462	-		

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 15, 2016.

**CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated Profit before tax for the year		\$ 1,404,995	\$ 1,337,462
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation expenses	6(8)(23)	547,078	489,805
Amortization expenses	6(9)(23)	41,786	30,843
Other non-current assets recognized as expenses	6(23)	113,447	66,614
Long-term prepaid rents recognized as expenses	6(23)	3,328	4,462
Reversal of provision for bad debt expense	6(21)	( 4,598 )	( 10,973 )
Share-based payments	6(15)	73,628	-
Interest income	6(20)	( 10,215 )	( 8,165 )
Dividend income	6(20)	( 29,537 )	( 21,384 )
Interest expenses	6(22)	41,576	33,330
Loss on disposal of property, plant and equipment	6(21)	14,384	15,172
Gain on disposal of investments	6(21)	( 97,992 )	( 107,843 )
Reversal of provision for liabilities	6(21)	-	( 66,221 )
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(21)	9,013	42,081
Share of loss of associates and joint ventures accounted for using equity method		19,397	11,319
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets or liabilities held for trading		( 49,296 )	( 21,454 )
Notes receivable, net		47,515	187
Accounts receivable, net		330,636	89,704
Accounts receivable - related parties		( 565,308 )	( 97,370 )
Other receivables		56,700	( 16,875 )
Other receivables - related parties		2,516	24,929
Inventories		577,280	( 383,705 )
Prepayments		107,000	( 323,788 )
Other current assets		6,202	( 1,173 )
Changes in operating liabilities			
Notes payable		1,677	( 50 )
Accounts payable		( 118,141 )	918,328
Accounts payable - related parties		-	( 177 )
Other payables		( 258,002 )	655,164
Other payables - related parties		( 38,084 )	36,204
Other current liabilities		16,425	( 26,407 )
Provisions for liabilities		-	( 224,245 )
Accrued pension liabilities		( 3,924 )	754
Cash inflow generated from operations		2,239,486	2,446,528
Interest received		10,134	8,134
Dividends received		28,478	24,147
Interest paid		( 41,089 )	( 32,829 )
Income taxes paid	6(25)	( 183,208 )	( 236,084 )
Net cash flows from operating activities		2,053,801	2,209,896

(Continued)



**CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2015	2014
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of available-for-sale financial assets - current		(\$ 919,493 )	(\$ 980,201 )
Proceeds from disposal of available-for-sale financial assets - current		648,876	801,961
Acquisition of financial assets at cost - current		( 11,589 )	-
Proceeds from disposal of financial assets at cost - current		1,055	-
Proceeds from disposal of available-for-sale financial assets - noncurrent		42,974	-
Acquisition of financial assets at cost - noncurrent		( 152,119 )	( 270,000 )
Acquisition of government subsidies (shown as deduction to land)		90,683	-
Acquisition of property, plant and equipment	6(8)	( 405,621 )	( 537,329 )
Proceeds from disposal of property, plant and equipment		123,196	560
Acquisition of intangible assets	6(9)	( 37,973 )	( 28,240 )
Decrease (increase) in current assets	8	6,000	( 6,000 )
Increase in other non-current assets		( 277,593 )	( 121,722 )
Net cash flow from acquisition of subsidiaries	6(27)	( 210,437 )	525
Net cash flows used in investing activities		( 1,102,041 )	( 1,140,446 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		546,296	521,004
Proceeds from long-term borrowings		819,325	799,435
Repayments of long-term borrowings		( 1,230,385 )	( 1,312,020 )
Increase in other noncurrent liabilities		2,935	14,593
Cash dividends paid		( 825,363 )	( 689,088 )
Payments to acquire treasury shares	6(16)	( 389,825 )	-
Net cash flows used in financing activities		( 1,077,017 )	( 666,076 )
Effect of exchange rate changes on cash and cash equivalents		( 47,905 )	93,713
Net (decrease) increase in cash and cash equivalents		( 173,162 )	497,087
Cash and cash equivalents at beginning of year	6(1)	886,043	388,956
Cash and cash equivalents at end of year	6(1)	\$ 712,881	\$ 886,043

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 15, 2016.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(Expressed In Thousands of New Taiwan dollars, except as otherwise indicated)

**1. HISTORY AND ORGANIZATION**

Chicony Power Technology Co., Ltd. (the “Company”) was incorporated in 2008 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company became listed on the Taiwan Stock Exchange (TWSE) in November, 2013. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in developing, manufacturing and sales of switching power supplies, electronic components and LED lighting equipment. Chicony Electronics Co., Ltd. is the Group’s ultimate parent company. As of December 31, 2015, Chicony Electronics Co., Ltd. holds 49.36% equity interest in the Company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 15, 2016.

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

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as the “2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

**A. IAS 1, ‘Presentation of financial statements’**

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

**B. IFRS 13, ‘Fair value measurement’**

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants’ perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the

Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### (2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) are measured at fair value through profit or loss.
  - (b) Available-for-sale financial assets are measured at fair value.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
  - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Description
			December 31, 2015	December 31, 2014	
Chicoy Power Technology Co., Ltd	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
CPH	Chicony Power International Inc. (CPI)	Sales of switching power supplies and other electronic parts	100%	100%	
CPI	Chicony Power USA, Inc. (CPUS)	Sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology Hong Kong Limited (CPHK)	Research and development center and investment holdings	100%	100%	
"	WitsLight Technology Co., Ltd. (WTS)	Design, researching and developing, manufacturing and sales of LED lighting module	78.125%	78.125%	Note A
CPHK	Hipro Electronics (Dong Guan) Co., Ltd. (HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	Note B
"	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Manufacturing and sales of electronic components and LED lighting equipment	100%	100%	
"	Quang Sheng Electronics (Nangchang) Co., Ltd. (GSE)	Manufacturing and sales of electronic components and transformers	100%	100%	
"	Chicony Power Technology (Chong Qing) Co., Ltd. (CPCQ)	Manufacturing and sales of electronic components and LED lighting equipment	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Description
			December 31, 2015	December 31, 2014	
CPHK	Chicony Power Technology Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of power supplies, LED lighting equipments, and other electronics	100%	100%	
WitsLight Technology Co., Ltd. (WTS)	WitsLight Technology Co., Ltd. (WT)	Design, researching and developing, manufacturing and sales of LED lighting module	100%	100%	Note A
"	WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Manufacturing and sales of LED lighting module	100%	100%	Note A
WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Zhuzhou Torch Auto Lamp CO., Ltd.	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic	100%	-	Note C
CPSZ	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipment	100%	100%	

Note A: CPI acquired the 78.125% equity of WTS on July, 2014. WTS and its investees were merged in the Group since the date CPI obtained the control, please see Note 6(27).

Note B: On March 23, 2015, the Board of Directors has resolved HDG to increase capital by US\$4,000 thousand and increase capital through capitalisation of earnings by US\$6,000 thousand. The capital increase was reinvestment through CPHK, a company in the third area.

As of December 31, 2015, HDG has completed the capital increase through capitalisation of earnings by US\$6,000 thousand and the registration has been completed in December 2015.

Note C: WTK has acquired 100% of share ownership in Zhuzhou Torch Auto Lamp CO., Ltd. in April 2015 and Zhuzhou Torch Auto Lamp CO., Ltd. is included in consolidated entities from the date when WTK obtains control over. Please refer to Note 6(27).

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

##### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

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

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

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

- (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are expected to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and



whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Accounts receivable

Receivables are non-derivative financial assets originated from the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

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

carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

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

(c) Available-for-sale financial assets

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

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

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

(13) Investments accounted for using equity method / Associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are to be capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method to allocate their costs over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful

lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for the plant and buildings are 20 years and for the other fixed assets are 1-10 years.

(15) Intangible assets

- A. Trademark, right, patent and computer software, are amortized on a straight-line basis over their estimated useful lives of 1-10 years.
- B. Goodwill arises in a business combination accounted for by applying the acquisition method.
- C. Other intangible asset, mainly expertise, is amortized on a straight-line basis over its estimated useful lives of 2-14 years.

(16) Impairment of non-financial assets

- A. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- B. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(17) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

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

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial

liabilities held for trading unless they are designated as hedges.

- B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of

high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

iii. Past service costs are recognised immediately in profit or loss.

#### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

#### D. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

### (24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

#### B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at

the date of dividends declared.

- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks.

(25) Income tax

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

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

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

(28) Revenue recognition

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

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and 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 expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortized to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(30) Business combinations

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



and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would recognise an adjustment to transfer the accumulated fair value adjustments in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or to recognise the impairment loss on the impaired financial assets measured at cost in profit or loss.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related

cash-generating units, and determining the recoverable amounts of related cash-generating units.

B. Evaluation of inventories

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand and petty cash	\$ 5,526	\$ 4,327
Checking accounts and demand deposits	687,440	877,136
Time deposits	19,915	4,580
Total	<u>\$ 712,881</u>	<u>\$ 886,043</u>

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

B. The Group's cash and cash equivalents are pledged as collateral, please see Note 8.

### (2) Financial assets and liabilities at fair value through profit or loss

Items	December 31, 2015	December 31, 2014
Financial assets held for trading		
Derivatives		
Forward foreign exchange contracts	\$ 7,257	\$ -
Futures contracts	8,324	8,017
Total	<u>\$ 15,581</u>	<u>\$ 8,017</u>
Financial liabilities held for trading		
Derivatives		
Forward foreign exchange contracts	<u>\$ -</u>	<u>\$ 32,920</u>

A. The Group recognized net loss of \$9,013 and \$42,081 on financial assets and liabilities held for trading for the years ended December 31, 2015 and 2014, respectively.

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

Current Items	December 31, 2015	
	Contract Amount (Notional Principal)	Due Date
	(In thousands)	
Financial assets held for trading		
Forward foreign exchange contracts		
- Buy USD / Sell NTD	USD 36,000	2016.01.04~ 2016.12.30
Futures contracts	USD 5,792	2012.01.06

Current Items	December 31, 2014	
	Contract Amount (Notional Principal)	
	(In thousands)	Due Date
Financial assets held for trading		
Futures contracts	USD 5,792	2012.01.06
Financial liabilities held for trading		
Forward foreign exchange contracts		
- Buy NTD / Sell USD	USD 4,000	2015.01.07
- Buy RMB / Sell USD	USD 65,000	2015.02.26 ~ 2015.12.22

(a) Forward foreign exchange contracts

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

(b) Futures contracts

The Group entered into future contracts to hedge price risk of raw materials. However, these futures are not accounted for under hedge accounting.

C. None of the Group's financial assets at fair value through profit or loss are pledged as collateral.

(3) Available-for-sale financial assets

Items	December 31, 2015	December 31, 2014
Current items:		
Listed stocks	\$ 906,448	\$ 893,679
Convertible bonds	258,285	-
Beneficiary certificates	52,474	-
Subtotal	1,217,207	893,679
Valuation adjustment	( 403,292)	( 108,456)
Total	<u>\$ 813,915</u>	<u>\$ 785,223</u>
Non-current items:		
Listed stocks	\$ 422,100	\$ 422,100
Beneficiary certificates	249,000	-
Subtotal	671,100	422,100
Valuation adjustment	( 52,141)	( 300,301)
Total	<u>\$ 618,959</u>	<u>\$ 121,799</u>

A. The above listed stocks of available-for-sale financial assets – non-current were private placements that could not be sold during the private lock-up in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured and stated at value adjusted by the same item's fair value in active markets considering the effect of the restrictions.

B. For the Group's private fund investment, the only invested share started to be listed in the Taiwan Stock Exchange starting the fourth quarter of 2015. As the stock has quoted market price in an active market, it was reclassified from financial assets measured at cost to

available-for-sale financial assets – non-current beneficiary certificates.

C. The Group recognized \$51,233 and \$7,345 in other comprehensive income for fair value changes and reclassified (\$97,909) and (\$107,843) from equity to profit or loss for the years ended December 31, 2015 and 2014, respectively.

D. The Group's counterparties of investments in debt instrument the Group invests in have good credit quality.

E. None of the Group's available-for-sale financial assets are pledged to others.

(4) Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	\$ 7,169,771	\$ 7,396,481
Less: allowance for bad debts	( 10,101)	( 2,598)
	<u>\$ 7,159,670</u>	<u>\$ 7,393,883</u>

A. The Group does not hold any collateral as security.

B. For details of the credit quality information of accounts receivable, please see Note 12(3) C(b).

(5) Inventories

December 31, 2015			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 765,313	(\$ 84,196)	\$ 681,117
Work in process	435,583	( 25,863)	409,720
Finished goods	2,187,933	( 141,683)	2,046,250
Inventory in transit	74,290	-	74,290
Total	<u>\$ 3,463,119</u>	<u>(\$ 251,742)</u>	<u>\$ 3,211,377</u>
December 31, 2014			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 861,041	(\$ 83,087)	\$ 777,954
Work in process	601,915	( 29,183)	572,732
Finished goods	2,447,745	( 139,634)	2,308,111
Inventory in transit	83,064	-	83,064
Total	<u>\$ 3,993,765</u>	<u>-\$ 251,904</u>	<u>\$ 3,741,861</u>

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2015	2014
Cost of inventories sold	\$ 22,382,866	\$ 23,036,153
Provision for inventory obsolescence and market price decline	2,318	85,919
Others	13,216	3,350
	<u>\$ 22,398,400</u>	<u>\$ 23,125,422</u>

(6) Financial assets measured at cost

Items	December 31, 2015	December 31, 2014
Current items:		
Emerging stocks	<u>\$ 10,617</u>	<u>\$ -</u>
Non-current items:		
Unlisted stocks	\$ 199,229	\$ 47,110
Beneficiary certificates	-	270,000
Subtotal	199,229	317,110
Accumulated impairment	( 47,110)	( 47,110)
Total	<u>\$ 152,119</u>	<u>\$ 270,000</u>

- A. Based on the Group's intention, its investment in stocks and beneficiary certificates should be classified as available-for-sale financial assets. However, the investment targets are not traded in active market, and no sufficient industry information of companies similar to investee company is available. Therefore the fair value of the investment targets cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.
- B. Information about the financial assets measured at cost reclassified to available-for-sale financial assets in the fourth quarter of 2015 is provided in Note 6(3).
- C. The Group has accumulated impairment loss of \$47,110 on equity investments as of December 31, 2015 and 2014.
- D. None of the Group's financial assets measured at cost are pledged as collateral.

(7) Investments accounted for under the equity method

- A. Details of investments accounted for under the equity method are as follows:

	December 31, 2015	December 31, 2014
Associates:		
Newmax Technology Co., Ltd (Newmax)	<u>\$ 298,923</u>	<u>\$ 319,845</u>

B. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2015	December 31, 2014		
Newmax	Taiwan	2.72%	2.72%	Associates	Equity method

C. The summarized financial information of the associates that are material to the Group is as follows:

	Newmax	
	December 31, 2015	December 31, 2014
<u>Balance sheet</u>		
Current assets	\$ 1,794,080	\$ 2,037,624
Non-current assets	2,167,778	2,444,859
Current liabilities	( 1,683,455)	( 1,434,264)
Non-current liabilities	( 26,345)	( 24,883)
Total net assets	<u>\$ 2,252,058</u>	<u>\$ 3,023,336</u>
Share in associate's net assets (Note)	<u>\$ 61,256</u>	<u>\$ 82,235</u>

Note: Differences in share in associate's net assets were mainly arising from the difference of initial investment cost less the fair value of acquired identifiable net assets.

	Newmax	
	Years ended December 31,	
	2015	2014
<u>Statement of comprehensive income</u>		
Revenue	<u>\$ 985,961</u>	<u>\$ 1,623,712</u>
Loss-net of tax	(\$ 713,211)	(\$ 411,619)
Other comprehensive (loss) income, net of tax	( 58,067)	56,916
Total comprehensive loss for the year	<u>(\$ 771,278)</u>	<u>(\$ 354,703)</u>

D. The parent company of the Group jointly held more than 20% of the shares of Newmax Corporation and has significant influence on the investee. As a result, the investment is accounted for under the equity method.

E. The Group's material associate Newmax Corporation has quoted market prices. As of December 31, 2015 and 2014, the fair value was \$46,967 and \$108,439, respectively.

(8) Property, plant and equipment

	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Others</u>	<u>Total</u>
January 1, 2015					
Cost	\$960,612	\$2,283,699	\$ 1,401,851	\$ 908,966	\$5,555,128
Accumulated depreciation	( 339,672)	( 1,004,723)	( 906,016)	( 555,772)	( 2,806,183)
	<u>\$620,940</u>	<u>\$1,278,976</u>	<u>\$ 495,835</u>	<u>\$ 353,194</u>	<u>\$2,748,945</u>
<u>2015</u>					
Balance, beginning of year	\$620,940	\$1,278,976	\$ 495,835	\$ 353,194	\$2,748,945
Additions	-	174,330	89,359	141,932	405,621
Acquired through business	-	47,531	-	2,191	49,722
Disposals	-	( 11,384)	( 1,858)	( 1,447)	( 14,689)
Reclassifications	-	-	10,806	55,469	66,275
Depreciation charge	( 45,001)	( 193,505)	( 165,354)	( 143,218)	( 547,078)
Net exchange differences	( 12,916)	( 27,503)	( 8,041)	( 2,758)	( 51,218)
Balance, end of year	<u>\$563,023</u>	<u>\$1,268,445</u>	<u>\$ 420,747</u>	<u>\$ 405,363</u>	<u>\$2,657,578</u>
December 31, 2015					
Cost	\$939,813	\$2,389,097	\$ 1,451,037	\$1,102,212	\$5,882,159
Accumulated depreciation	( 376,790)	( 1,120,652)	( 1,030,290)	( 696,849)	( 3,224,581)
	<u>\$563,023</u>	<u>\$1,268,445</u>	<u>\$ 420,747</u>	<u>\$ 405,363</u>	<u>\$2,657,578</u>
	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Others</u>	<u>Total</u>
January 1, 2014					
Cost	\$928,313	\$2,038,851	\$ 1,201,824	\$ 713,194	\$4,882,182
Accumulated depreciation	( 284,322)	( 829,254)	( 739,786)	( 437,676)	( 2,291,038)
	<u>\$643,991</u>	<u>\$1,209,597</u>	<u>\$ 462,038</u>	<u>\$ 275,518</u>	<u>\$2,591,144</u>
<u>2014</u>					
Balance, beginning of year	\$643,991	\$1,209,597	\$ 462,038	\$ 275,518	\$2,591,144
Additions	-	188,011	171,860	177,458	537,329
Acquired through business	-	3,234	-	1,311	4,545
Disposals	-	( 10,913)	( 319)	( 4,500)	( 15,732)
Reclassifications	-	12,433	1,779	5,670	19,882
Depreciation charge	( 43,965)	( 176,244)	( 154,139)	( 115,457)	( 489,805)
Net exchange differences	20,914	52,858	14,616	13,194	101,582
Balance, end of year	<u>\$620,940</u>	<u>\$1,278,976</u>	<u>\$ 495,835</u>	<u>\$ 353,194</u>	<u>\$2,748,945</u>
December 31, 2014					
Cost	\$960,612	\$2,283,699	\$ 1,401,851	\$ 908,966	\$5,555,128
Accumulated depreciation	( 339,672)	( 1,004,723)	( 906,016)	( 555,772)	( 2,806,183)
	<u>\$620,940</u>	<u>\$1,278,976</u>	<u>\$ 495,835</u>	<u>\$ 353,194</u>	<u>\$2,748,945</u>

None of the Group's property, plant and equipment are pledged as collateral.

(9) Intangible assets

	Trademarks and patents	Software	Goodwill	Others	Total
January 1, 2015					
Cost	\$ 39,661	\$ 120,482	\$ 56,981	\$ 66,904	\$ 284,028
Accumulated amortisation	( 29,512)	( 96,408)	-	( 32,502)	( 158,422)
	<u>\$ 10,149</u>	<u>\$ 24,074</u>	<u>\$ 56,981</u>	<u>\$ 34,402</u>	<u>\$ 125,606</u>
<u>2015</u>					
Balance, beginning of year	\$ 10,149	\$ 24,074	\$ 56,981	\$ 34,402	\$ 125,606
Additions	13,336	23,887	-	750	37,973
Acquired through business combinations	-	-	79,964	-	79,964
Disposals-cost	( 29,418)	( 97,150)	-	( 8,382)	( 134,950)
Disposals-amortisation	29,418	97,150	-	8,382	134,950
Reclassifications	-	13,324	-	-	13,324
Amortisation charge	( 9,978)	( 26,433)	-	( 5,375)	( 41,786)
Net exchange differences	-	( 66)	2,336	540	2,810
Balance, end of year	<u>\$ 13,507</u>	<u>\$ 34,786</u>	<u>\$ 139,281</u>	<u>\$ 30,317</u>	<u>\$ 217,891</u>
December 31, 2015					
Cost	\$ 23,579	\$ 60,452	\$ 139,281	\$ 60,549	\$ 283,861
Accumulated amortisation	( 10,072)	( 25,666)	-	( 30,232)	( 65,970)
	<u>\$ 13,507</u>	<u>\$ 34,786</u>	<u>\$ 139,281</u>	<u>\$ 30,317</u>	<u>\$ 217,891</u>
	Trademarks and patents	Software	Goodwill	Others	Total
January 1, 2014					
Cost	\$ 28,646	\$ 101,462	\$ -	\$ 5,785	\$ 135,893
Accumulated amortisation	( 22,214)	( 74,771)	-	( 3,602)	( 100,587)
	<u>\$ 6,432</u>	<u>\$ 26,691</u>	<u>\$ -</u>	<u>\$ 2,183</u>	<u>\$ 35,306</u>
<u>2014</u>					
Balance, beginning of year	\$ 6,432	\$ 26,691	\$ -	\$ 2,183	\$ 35,306
Additions	11,015	17,225	-	-	28,240
Acquired through business combinations	-	478	53,819	36,508	90,805
Reclassifications	-	-	-	( 2,174)	( 2,174)
Amortisation charge	( 7,298)	( 20,608)	-	( 2,937)	( 30,843)
Net exchange differences	-	288	3,162	822	4,272
Balance, end of year	<u>\$ 10,149</u>	<u>\$ 24,074</u>	<u>\$ 56,981</u>	<u>\$ 34,402</u>	<u>\$ 125,606</u>
December 31, 2014					
Cost	\$ 39,661	\$ 120,482	\$ 56,981	\$ 66,904	\$ 284,028
Accumulated amortisation	( 29,512)	( 96,408)	-	( 32,502)	( 158,422)
	<u>\$ 10,149</u>	<u>\$ 24,074</u>	<u>\$ 56,981</u>	<u>\$ 34,402</u>	<u>\$ 125,606</u>



A. Goodwill is allocated to the Group's cash-generating units identified according to operating segment as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Asia	\$ 80,119	\$ -
America	59,162	56,981
	<u>\$ 139,281</u>	<u>\$ 56,981</u>

B. For details of goodwill acquired through business combination for the years ended December 31, 2015 and 2014, please see Note 6(27).

C. After assessing impairment losses of the goodwill, the recoverable amount that the Group calculated is over the book value. Therefore, no impairment loss has occurred.

(10) Other non-current assets

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Long-term prepaid rents	\$ 134,576	\$ 140,376
Guarantee deposits paid	21,652	40,441
Prepayments for business facilities	91,104	83,571
Others	279,203	301,552
	<u>\$ 526,535</u>	<u>\$ 565,940</u>

A. As of December 31, 2015, the Group signed the land use rights contracts with Bureau of Land Resources for use of the land in municipality of Chongqing City and Dongguan City with term of 50 years. All rentals had been paid on the contract date, and shown as 'Long-term prepaid rents'. However, the local government of Chongqing City had an agreement which terminated part of the land use rights and returned related funds to the Group in October, 2014.

B. As of December 31, 2015 and 2014, CPCQ had received the local government grants amounting to RMB 32,808 thousand dollars, as a reward for the local investment. These government grants are deducted from the cost of land use right.

(11) Short-term borrowings

A. Details of short-term borrowings are as follows:

<u>Type of borrowings</u>	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 1,210,316</u>	1.17% ~ 1.33%	None
<u>Type of borrowings</u>	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 664,020</u>	1.11% ~ 1.30%	None

B. As of December 31, 2015, the Group had also issued promissory notes as guarantees for the short-term loans. Please see Note 9(2).

(12) Accounts payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts payable	\$ 7,129,836	\$ 7,144,848
Estimated accounts payable	1,353,233	1,388,980
	<u>\$ 8,483,069</u>	<u>\$ 8,533,828</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Unsecured borrowings	Borrowing period is from October 6, 2014 to January 6, 2015; interest is repayable until the principal is matured. (Note)	1.48%	None	\$ 411,060
Less: current portion (shown as other current liabilities)				( 411,060)
				<u>\$ -</u>

Note: Revolving credit in three years starting from the first drawdown, each credit period is limited from 90 to 180 days.

- A. As of December 31, 2015, the balance of long-term borrowings was \$0.
- B. As of December 31, 2015 and 2014, the Group had issued promissory notes to guarantee the long-term loans, please see Note 9(2).
- C. A long-term syndicated loan facility amounting to \$4,500,000 (can be drawdown in United States Dollars or New Taiwan Dollars within the total credit facility) for five years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in October 2015. It is to be used for the operations.

As of December 31, 2015, abovementioned facility has not been withdrawn.

- D. A long-term syndicated loan facility amounting to \$5,000,000 (can be drawdown in United States Dollars or New Taiwan Dollars within the total credit facility) for three years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in May 2012. It is to be used for the repayment of 2009 syndicated loan and mid-term operations. The Company had applied for deducting credit facility from \$5,000,000 to \$3,000,000 on June 30, 2014. Additionally, according to the contract, the credit facility had been reduced to \$2,650,000, \$2,300,000, \$1,950,000 and \$0 on September 29, 2014, December 29, 2014, March 29, 2015 and June 29, 2015, respectively. The main contents of the contract are as follows:

- (a) Annual consolidated financial reports should maintain financial ratios as follows:
- Current ratio is above 100%,
  - Financial liabilities which divided by net tangible assets is under 250%,
  - Time interest earned is above 300%,
  - Net tangible assets are above \$2,500,000,

The above financial ratios are based on the annual financial statements. If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios are reviewed by independent accountants and thereby conforms to the contract, it is not a breach of contract.

- (b) The Company should maintain appropriate accounts receivable ratio, which means the total of qualified accounts receivable balance and the compensation accounts balance divided by the remainder of drawn balance should be above 70%. The remainder of drawn balance is the Company's expected drawdown amount plus the remainder of drawn amount. If the ratio cannot be maintained appropriately, the Company should choose any of the following actions to make the accounts receivable ratio comply with the contract within seven days after the managing bank's notification:
    - i. Provide other qualified accounts receivable which was certified by the managing bank, or,
    - ii. Repay the loan before maturity, or,
    - iii. Deposit in compensation accounts.
  - (c) As part of the contract, the commitment fee should be calculated every three months, which begins six months after the Company's first drawdowns of the credit. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated seasonally, using the difference of actual drawdown amounts and 60% of the total loan facility, multiplied by 0.15%, the annual fee rate, and then pay the managing bank every three months.
  - (d) Chicony Electronics Co., Ltd. and its affiliates should maintain above 51% voting power over the Company and also have control power over the Company's operations. However, in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", the highest voting ratio and seats should follow "Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings" and "GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM".
- E. Abovementioned borrowing has been repaid in June 2015.
- F. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Floating rate:		
Expiring within one year	\$ -	\$ 1,888,940
Expiring beyond one year	4,500,000	-
	<u>\$ 4,500,000</u>	<u>\$ 1,888,940</u>

#### (14) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism

under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes an amount equal to 4% of the employees' monthly salaries and wages to the pension fund deposited in the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of funded defined benefit obligations	(\$ 65,662)	(\$ 72,759)
Fair value of plan assets	<u>28,750</u>	<u>47,669</u>
Net defined benefit liability	<u>(\$ 36,912)</u>	<u>(\$ 25,090)</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2015			
Balance at January 1	(\$ 72,759)	\$ 47,669	(\$ 25,090)
Current service cost	( 796)	-	( 796)
Interest (expense) income	( 1,364)	897	( 467)
	<u>( 74,919)</u>	<u>48,566</u>	<u>( 26,353)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	346	346
Change in demographic assumptions	( 3,314)	-	( 3,314)
Change in financial assumptions	( 2,076)	-	( 2,076)
Experience adjustments	( 10,702)	-	( 10,702)
	<u>( 16,092)</u>	<u>346</u>	<u>( 15,746)</u>
Pension fund contribution	-	383	383
Paid pension	<u>25,349</u>	<u>( 20,545)</u>	<u>4,804</u>
Balance at December 31	<u>(\$ 65,662)</u>	<u>\$ 28,750</u>	<u>(\$ 36,912)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	(\$ 67,110)	\$ 49,896	(\$ 17,214)
Current service cost	( 906)	-	( 906)
Interest (expense) income	( 1,223)	964	( 259)
	( 69,239)	50,860	( 18,379)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	182	182
Change in demographic assumptions	( 4,520)	-	( 4,520)
Experience adjustments	( 2,784)	-	( 2,784)
	( 7,304)	182	( 7,122)
Pension fund contribution	-	411	411
Paid pension	3,784	( 3,784)	-
Balance at December 31	(\$ 72,759)	\$ 47,669	(\$ 25,090)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	1.625%	1.875%
Future salary increases	2.500%	2.500%

Assumptions regarding future mortality experience are set based on actual advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ <u>2,174</u> )	\$ <u>2,274</u>	\$ <u>2,219</u>	(\$ <u>2,133</u> )
December 31, 2014				
Effect on present value of defined benefit obligation	(\$ <u>2,092</u> )	\$ <u>2,182</u>	\$ <u>2,135</u>	(\$ <u>2,058</u> )

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 amounts to \$179.
  - (g) As of December 31, 2015, the weighted average duration of that retirement plan is 13.4 years.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014 were \$65,402 and \$55,990, respectively.

(15) Share-based payment

A. For the year ended December 31, 2015, the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Restricted stocks to employees	2015.8.28	4,008 thousand shares	2 years	Note

Note: Vesting conditions:

(a) The Company's overall operating performance in the previous year should meet the following indicators:

- i. Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.
- ii. Consolidated net income shall grow by at least 10% higher than the average amount over past three years.
- iii. Return on equity shall be at least 15%.

(b) For the employees who have met the vesting conditions since the allocation of restricted stocks, the ratio of vested shares is as follows:

<u>Vesting conditions</u>	<u>Ratio of vested shares</u>
A month after the restricted stocks are kept at the trust	40% of the shares
September 30, 2016	30% of the shares
September 30, 2017	30% of the shares

The restricted shares issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method during the vesting period. Other rights including but not limited to dividends, the distribution rights of bonuses and capital surplus, and share options and voting rights of cash capital, etc., are the same as the Company's issued ordinary shares. At the date of resignation, retirement or termination, the restricted shares are considered as not meeting the vesting conditions if employees resign, retire or are terminated during the vesting period. The Company redeems at no consideration and retires the shares which do not meet the vesting condition. Employees are not required to return the dividends received.

B. The restricted stocks issued by the Company were measured at their fair value which is the closing price of the Company's share at NT\$34 on the grant date.

C. Liabilities arising from share-based payment transactions are shown below:

	<u>Year ended</u> <u>December 31, 2015</u>	<u>Year ended</u> <u>December 31, 2014</u>
Equity-settled	\$ 73,628	\$ -

(16) Share capital

A. As of December 31, 2015, the Company's authorized capital was \$4,000,000, and the paid-in capital was \$3,683,191 with a par value of \$10 (in dollars) per share, and the outstanding common stock was 400,000 thousand shares.

Changes in the number of the Company's ordinary shares outstanding are as follows:

(Unit:shares in thousands)	2015	2014
Balance, beginning of year	358,853	353,379
Stock dividends	1,794	1,767
Employee bonuses	3,664	3,707
Employee restricted shares	4,008	-
Treasury shares repurchased	(9,739)	-
Balance, end of year	358,580	358,853

- B. On June 15, 2015, the Annual Stockholders' Meeting had approved to issue common stock dividends amounting to \$17,943 and employees' stock bonus amounting to \$143,610 at a price of \$39.2 (in dollars) per share based on the Company's closing price at a price of \$41.7 (in dollars) per share on June 12, 2015, and the effect of ex-right and ex-dividend, totaling 3,664 thousand shares. This capitalization had issued a total of 5,458 thousand shares and was approved by the appropriate authorities. The issuance date was set on August 6, 2015, and the Company had completed the registration on August 19, 2015.
- C. On June 9, 2014, the Annual Stockholders' Meeting had approved to issue common stock dividends amounting to \$17,669 and employees' stock bonus amounting to \$159,213 at a price of \$42.94 (in dollars) per share based on the Company's closing price at a price of \$45.1 (in dollars) per share on June 6, 2014, and the effect of ex-right and ex-dividend, totaling 3,707 thousand shares. This capitalization had issued a total of 5,474 thousand shares and was approved by the appropriate authorities. The issuance date was set on July 29, 2014, and the Company had completed the registration on August 12, 2014.
- D. The Board of Directors' meeting on March 10, 2014 adopted a resolution to issue employee restricted ordinary shares (please refer to Note 6(15)). The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. The capital stock increase had been approved by the competent authorities and the registration was completed on September 21, 2015.
- E. Treasury stocks:
- (a) Reason for stocks reacquisition and movements in the number of the Company's treasury stocks are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2015	
		Number of stocks (in thousand)	Carrying amount
The Company	To be reissued to employees	9,739	\$ 389,825

Note: As of December 31, 2014, the Company had no share reacquisitions.



- (b) Pursuant to the R.O.C. Securities and Exchange Law, the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(17) Capital surplus

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

	Share premium	Employee restricted shares	Employee stock option	Total
Balance, beginning of 2015	\$ 1,019,273	\$ -	\$ 110,048	\$ 1,129,321
Share-based payment transactions				
Employee bonuses	106,975	-	-	106,975
Restricted stocks to employees	-	96,191	-	96,191
Balance, end of 2015	<u>\$ 1,126,248</u>	<u>\$ 96,191</u>	<u>\$ 110,048</u>	<u>\$ 1,332,487</u>
	Share premium	Employee restricted shares	Employee stock option	Total
Balance, beginning of 2014	\$ 897,138	\$ -	\$ 110,048	\$ 1,007,186
Share-based payment transactions				
Employee bonuses	122,135	-	-	122,135
Balance, end of 2014	<u>\$ 1,019,273</u>	<u>\$ -</u>	<u>\$ 110,048</u>	<u>\$ 1,129,321</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed sequentially as follows:
  - (a) Payment of all taxes;
  - (b) Offset prior years' operating losses, if any;
  - (c) 10% of the remaining amount shall be set aside as legal reserve;
  - (d) Set aside special reserve in accordance to relevant regulations when necessary; and

- (e) The remainder, if any, to be appropriated shall be resolved by the stockholders at the stockholders' meeting. Bonus distributed to the employees and remuneration paid to the directors and supervisors should account for between 15% ~ 20% and up to 1%, respectively, of the total distributed amount.
- B. The Company's dividend policy is summarized below: the Company is on the development stage of the electronics industry. The dividend policy should be formulated by considering the capital requirements of the new products and promoting the return on equity simultaneously. Therefore the total amounts of stockholders' dividends should not exceed 90% of the total distributable earnings, and then the cash dividend should not be less than 10% of the total amounts of stockholders' dividends. The above mentioned restrictions will not be applicable if total amounts of stockholders' dividends are less than \$0.5(in dollars) per share.
- C. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts of \$205,324, previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. (a) The appropriation of 2014 and 2013 earnings has been approved at the Annual Stockholders' Meeting on June 15, 2015 and June 9, 2014, respectively, and the details are summarized below:

	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 112,858		\$ 80,245	
Special reserve	27,071		( 369,727)	
Cash dividends	825,363	\$ 2.30	689,088	\$ 1.95
Stock dividends	17,943	0.05	17,669	0.05

(b) Subsequent events: The appropriation of 2015 earnings had been proposed at the Board of Directors' meeting on March 15, 2016. Details are summarized below:

	2015	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 115,414	
Special reserve	136,855	
Cash dividends	846,754	\$ 2.35
Stock dividends	18,016	0.05

F. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(24).

(19) Other equity items

	Currency translation	Available- for-sale investments	Others	Total
Balance, beginning of 2015	\$ 145,661	(\$ 408,757)	\$ -	(\$ 263,096)
Currency translation differences:				
–Group	( 88,653)	-	-	( 88,653)
–Associates	( 1,525)	-	-	( 1,525)
Revaluation				
–Group	-	51,233	-	51,233
–Transfer out	-	( 97,909)	-	( 97,909)
Employee restricted shares				
–Unearned employee compensation	-	-	( 62,643)	( 62,643)
Balance, end of 2015	<u>\$ 55,483</u>	<u>(\$ 455,433)</u>	<u>(\$ 62,643)</u>	<u>(\$ 462,593)</u>
	Currency translation	Available- for-sale investments	Others	Total
Balance, beginning of 2014	\$ 72,235	(\$ 308,259)	\$ -	(\$ 236,024)
Currency translation differences:				
–Group	71,436	-	-	71,436
–Associates	1,990	-	-	1,990
Revaluation				
–Group	-	7,345	-	7,345
–Transfer out	-	( 107,843)	-	( 107,843)
Balance, end of 2014	<u>\$ 145,661</u>	<u>(\$ 408,757)</u>	<u>\$ -</u>	<u>(\$ 263,096)</u>

(20) Other income

	Years ended December 31,	
	2015	2014
Dividend income	\$ 29,537	\$ 21,384
Interest income:		
Interest income from bank deposits	5,996	4,701
Other interest income	4,219	3,464
Other income	71,748	83,849
Total	<u>\$ 111,500</u>	<u>\$ 113,398</u>

(21) Other gains and losses

	Years ended December 31,	
	2015	2014
Net losses on financial assets and liabilities at fair value through profit or loss	(\$ 9,013)	(\$ 42,081)
Net currency exchange gains	58,356	85,921
Losses on disposal of property, plant and equipment	( 14,384)	( 15,172)
Gains on disposal of investments	97,992	107,843
Gains on doubtful debt recoveries	4,598	10,973
Gains on provision recoveries	-	66,221
Others	( 6,364)	( 32,149)
Total	<u>\$ 131,185</u>	<u>\$ 181,556</u>

(22) Finance costs

	Years ended December 31,	
	2015	2014
Interest expense:		
Bank borrowings	<u>\$ 41,576</u>	<u>\$ 33,330</u>

(23) Personnel expenses, depreciation and amortization

	Year ended December 31, 2015		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 2,190,349	\$ 1,399,873	\$ 3,590,222
Depreciation expenses	395,400	151,678	547,078
Amortization expenses	1,974	39,812	41,786
Other non-current assets recognized as expenses	88,895	24,552	113,447
Long-term prepaid rents recognized as expenses	-	3,328	3,328

	Year ended December 31, 2014		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 2,242,854	\$ 1,247,166	\$ 3,490,020
Depreciation expenses	339,633	150,172	489,805
Amortization expenses	1,096	29,747	30,843
Other non-current assets recognized as expenses	52,390	14,224	66,614
Long-term prepaid rents recognized as expenses	-	4,462	4,462

(24) Employee benefit expense

	Year ended December 31, 2015		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 1,961,336	\$ 1,246,020	\$ 3,207,356
Insurance	144,657	73,900	18,557
Pension	26,508	40,157	66,665
Others	57,848	39,796	97,644
Total	<u>\$ 2,190,349</u>	<u>\$ 1,399,873</u>	<u>\$ 3,390,222</u>

	Year ended December 31, 2014		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 2,070,562	\$ 1,108,977	\$ 3,179,539
Insurance	103,153	65,571	168,724
Pension	20,420	36,735	57,155
Others	48,719	35,883	84,602
Total	<u>\$ 2,242,854</u>	<u>\$ 1,247,166</u>	<u>\$ 3,490,020</u>

A. Please refer to Note 6(18) for the earnings distribution policy.

In accordance with the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the distributable profit of the current year, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of stocks or in cash; and in addition thereto such distribution shall be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on November 11, 2015. According to the amended articles, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 10% for employees' compensation and shall not be higher than 1% for directors' and supervisors' remuneration. The amended articles are to be approved in the 2016 annual shareholders' meeting.

B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at \$155,804 and \$148,297, respectively; directors' and supervisors' remuneration was accrued at \$10,387 and \$9,886, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.12% and 0.74% of distributable profit for the year ended December 31, 2015. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$155,804 and \$10,387, and the employees' compensation will be distributed in the form of cash and stocks.

The expenses recognised for the year of 2014 were accrued based on the profit of 2014 and the percentage specified in the Articles of Incorporation of the Company (15% and 1% for employees and directors/supervisors, respectively), taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. Employees' bonus and directors' and supervisors' remuneration of 2014 as resolved by the shareholders at the shareholders' meeting were in agreement with those amounts recognised in the profit or loss for 2014.

For the actual number of stocks distributed as employees' bonus for 2014, please refer to Note 6(16).

Information about employees' compensation (bonus) and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Components of income tax expense:

	Years ended December 31,	
	2015	2014
Income tax payable, end	\$ 144,295	\$ 118,826
Income tax payable, beginning	( 118,826)	( 185,944)
Income tax paid	183,208	236,084
Net change in deferred tax asset	47,070	43,901
Income tax expense	<u>\$ 255,747</u>	<u>\$ 212,867</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 368,020	\$ 203,627
Effects from items allowed by tax regulation	( 107,845)	( 9,096)
Effect from tax credit of investment	( 19,000)	( 18,000)
Tax on undistributed surplus earnings	13,822	36,336
Adjustment in respect of prior years	750	-
Income tax expense	<u>\$ 255,747</u>	<u>\$ 212,867</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	Year ended December 31, 2015		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
— Deferred tax assets (liabilities):			
Provision for inventory price decline and obsolescence	\$ 15,171	(\$ 828)	\$ 14,343
Impairment loss	565	-	565
Unrealized exchange gain	( 11,760)	5,881	( 5,879)
Unrealized year-end bonus	410	( 410)	-
Unrealized loss (gain) on financial assets	904	( 1,929)	( 1,025)
Unrealized commissions expense	80,550	( 47,625)	32,925
Unrealized intercompany profit (loss )	622	( 1,174)	( 552)
Unfunded pension expense	1,826	150	1,976
Unrealized government grants	24,095	( 1,033)	23,062
Others	4,749	( 102)	4,647
Total	<u>\$ 117,132</u>	<u>(\$ 47,070)</u>	<u>\$ 70,062</u>

Year ended December 31, 2014			
	Recognised in		
	January 1	profit or loss	December 31
Temporary differences:			
— Deferred tax assets (liabilities):			
Provision for inventory price decline and obsolescence	\$ 9,489	\$ 5,682	\$ 15,171
Impairment loss	8,009	( 7,444)	565
Unrealized exchange loss (gain)	8,085	( 19,845)	( 11,760)
Unrealized year-end bonus	6,525	( 6,115)	410
Unrealized loss on financial assets	1,898	( 994)	904
Unrealized commissions expense	30,989	49,561	80,550
Unrealized intercompany (loss) profit	( 221)	843	622
Unfunded pension expense	1,698	128	1,826
Unrealized government grants	23,631	464	24,095
Provision for legal claim	55,110	( 55,110)	-
Others	15,820	( 11,071)	4,749
Total	<u>\$ 161,033</u>	<u>(\$ 43,901)</u>	<u>\$ 117,132</u>

D. The Tax Authorities have examined the income tax returns of the Company through 2013.

E. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and after 1998	<u>\$ 1,701,538</u>	<u>\$ 1,546,379</u>

F. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was \$89,492 and \$147,884, respectively. The creditable tax ratio was 10.07% for the year ended December 31, 2014 and is estimated to be 5.26% for 2015.

G. CPCQ applied for the Enterprise Income Tax Law of the People's Republic of China and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing China's Western Development Strategy, which refers to an enterprise whose main business falls within the scope of industry projects set out in the Catalogue of Encouraged Industries in China's Western Territory and whose revenues generated from its main business accounts for 70% or more of its gross income. The applications have been authorized, and CPCQ's income tax shall be paid at the reduced tax rate of 15%.



(26) Earnings per share

Year ended December 31, 2015			
	Amount after tax	Weighted-average number of ordinary shares outstanding (In thousands)	Earnings per share (in NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,154,140	358,875	<u>\$ 3.22</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
-Employees' bonus	-	5,462	
-Employees' restricted shares	-	790	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,154,140</u>	<u>365,127</u>	<u>\$ 3.16</u>

Year ended December 31, 2014			
	Amount after tax	Weighted-average number of ordinary shares outstanding (In thousands)	Earnings per share (in NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,128,575	359,024	<u>\$ 3.14</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
-Employees' bonus	-	5,585	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,128,575</u>	<u>364,609</u>	<u>\$ 3.10</u>

The above weighted-average outstanding shares of common stock have been adjusted according to the earnings distribution approved by the Board of Directors and stockholders.

(27) Business combinations

A. For the years ended December 31, 2015 and 2014, the Group's mergers were as follows:

- (a) In April, 2015, the Group acquired 100% of the share capital of Zhuzhou Torch Auto Lamp CO., Ltd. for \$221,755 (RMB\$44,612 thousand) through WTK and obtained control of Zhuzhou Torch.
- (b) In July, 2014, the Group acquired 78.125% of the share capital of WTS and its subsidiary companies for \$268,785 (US\$9,000 thousand) and obtained control of WTS and its subsidiary companies.
- B. The following table summarizes the consideration paid for WTS Company and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	Years ended December 31,	
	2015	2014
Purchase consideration		
Cash paid	\$ 221,755	\$ 268,785
Fair value of the non-controlling interest	-	60,191
	<u>221,755</u>	<u>328,976</u>
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	11,318	269,310
Accounts receivable	156,292	4,320
Inventories	46,796	8,286
Prepaid expense	1,949	251
Other current assets	-	475
Property, plant and equipment	49,722	4,545
Intangible assets	-	36,986
Other assets	2,267	24
Accounts payable	( 67,382)	( 258)
Other payables	( 56,576)	( 21,782)
Other current liabilities	( 2,595)	( 750)
Other non-current liabilities	-	( 26,250)
Total identifiable net assets	<u>141,791</u>	<u>275,157</u>
Goodwill (shown as intangible assets)	<u>\$ 79,964</u>	<u>\$ 53,819</u>

- C. The operating revenue included in the consolidated statement of comprehensive income since the Group's acquisition of WTS and Zhuzhou Torch Auto Lamp CO., Ltd., contributed by WTS and Zhuzhou Torch was \$387,827. WTS and Zhuzhou Torch also contributed loss before income tax of \$49,925 over the same period. Had WTS and Zhuzhou Torch been consolidated from January 1, 2014, the operating revenue and profit before income tax would have been as follows:

	Years ended December 31,	
	2015	2014
Operating revenue	\$ 26,599,105	\$ 27,409,620
Profit before tax	1,373,666	1,224,079

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The ultimate parent of the Company is Chicony Electronics Co., Ltd., which owns 49.36% of the Company's shares. The remaining 50.64% of the shares are publicly held.

### (2) Significant related party transactions and balances

#### A. Sales of goods:

	Years ended December 31,	
	2015	2014
Sales of goods:		
Entities with joint control or significant influence over the entity	\$ 1,739,061	\$ 1,607,307
Other related parties	303,554	279,060
The parent company	22,043	10
Total	<u>\$ 2,064,658</u>	<u>\$ 1,886,377</u>

The terms of the sales to related parties were not significantly different from those of sales to third parties.

#### B. Purchases of goods:

	Years ended December 31,	
	2015	2014
Purchases of goods:		
Other related parties	<u>\$ 33</u>	<u>\$ 284</u>

The terms of the purchases from related parties were not significantly different from those of purchases to third parties.

#### C. Purchases of services:

	Years ended December 31,	
	2015	2014
Purchases of services:		
Entities with joint control or significant influence over the entity	\$ 15,782	\$ 13,111
The parent company	23,703	30,237
Total	<u>\$ 39,485</u>	<u>\$ 43,348</u>

The purchases from related parties arise mainly from providing the service management to the Group.

D. Accounts receivable:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receivables from related parties:		
Entities with joint control or significant influence over the entity	\$ 1,065,773	\$ 527,466
Other related parties	143,694	127,617
The parent company	<u>11,031</u>	<u>107</u>
Total	<u>\$ 1,220,498</u>	<u>\$ 655,190</u>

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest.

E. Other receivables:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Advance payment for related parties:		
Entities with joint control or significant influence over the entity	<u>\$ 367</u>	<u>\$ 2,883</u>

F. Other payables:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payables to related parties:		
Entities with joint control or significant influence over the entity	\$ 258	\$ 32,758
The parent company	<u>1,627</u>	<u>7,211</u>
Total	<u>\$ 1,885</u>	<u>\$ 39,969</u>

The payables to related parties arise mainly from services, collections, and operating leases.

G. Operating leases:

(a) Rental expense arising from leases in office and plants from related parties is as follows:

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Rental expense:		
— with joint control or significant influence over the entity	\$ 34,097	\$ 33,311
— The parent company	<u>1,124</u>	<u>996</u>
Total	<u>\$ 35,221</u>	<u>\$ 34,307</u>

(b) As of December 31, 2015, the main lease contracts between the Company and related parties are as follows:

<u>Lessor</u>	<u>Lease subject</u>	<u>Rental calculation and payment</u>
— Entities with joint control or significant influence over the entity	Property, plant and equipment	RMB ¥6,768 (in thousands) per year
— The parent company	Property, plant and equipment	\$115 per month

(3) Remuneration information of key management

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	\$ 105,204	\$ 106,422
Post-employment benefits	1,222	1,485
Total	<u>\$ 106,426</u>	<u>\$ 107,907</u>

8. DETAILS OF PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2015	December 31, 2014	
Time deposits ( shown as other current assets)	\$ -	\$ 6,000	Guarantee for engineering
Refundable deposits ( shown as non-current assets)	-	18,961	Guarantee for forward and futures contracts
"	13,005	12,439	Guarantee for rentals
"	8,221	9,041	Others
	<u>\$ 21,226</u>	<u>\$ 46,441</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

- A. An insurance company in America exercised the right of insurance subrogation to file an indictment case against the Company in an Arizona Court to request for compensation for fire damage and related losses due to the failure of the laptop computer's power adapter produced by the Company. The Company had notified the insurance company and hired a lawyer through the insurer. However, as of December 31, 2015, the Company is unable to determine the probable outcome of the case and its impact on the financial statements.
- B. The Company's customer had sued for damages at a Florida Court. The consumer of the Company's customer had claimed that the laptop computer which was produced by the Company's customer had caused the fire and physical injury. During the lawsuit process, the Company's customer had sued the Company to indemnify the losses of its consumer and related loss and expense caused by the lawsuit. The Company had notified the insurance company and hired a lawyer through the insurer. However, as of December 31, 2015, the Company is unable to determine the probable outcome of the case and its impact on the financial statements.

(2) Commitments

- A. As of December 31, 2015, for bank loans, financing forward exchange contracts, and bill purchased purposes, the Group provided standby promissory notes totaling \$14,270,630 as security.
- B. As of December 31, 2015 and 2014, due to the Group's leasing of plants, offices and parking

lots, the Group shall pay rental expense as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Not later than one year	\$ 48,957	\$ 76,635
Later than one year but not later than five years	<u>7,735</u>	<u>30,168</u>
	<u>\$ 56,692</u>	<u>\$ 106,803</u>

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	\$ 17,132	\$ 8,452

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. The appropriation of 2015 earnings and proposal of employees' compensation and supervisors' and directors' remuneration distribution have been resolved by the Board of Directors on March 15, 2016, please see Note 6(18) and (24).
- B. On March 15, 2016, the Board of Directors has resolved the Company to issue employee restricted stocks, totaling 1,910 thousand shares without consideration. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

#### 12. OTHERS

- (1)A. In January 2012, Dell Products (Manufacturing) Limited (abbreviated as Dell) had filed an indictment case with the Ireland Supreme Court to charge the Company as a co-defendant. In the case, the plaintiff (Thomas McDonagh & Sons) had claimed that Dell's customer, which is ICI Dulux Paint Limited (abbreviated as ICI,) had produced paint mixing machines (which contained Dell's brand-name desktop computers and also Dell desktop power adapters produced by the Company) that had caused the fire in its factory and caused the related losses. Therefore, the plaintiff (Thomas McDonagh & Sons) had claimed its loss of EUR 1,273 thousand dollars from the defendant. During the lawsuit process, ICI had claimed Dell as the third party in this lawsuit, and Dell therefore also had claimed the Company as the fourth party in this lawsuit. Additionally, Dell had filed a declaratory judgment with the Williamson County, Texas District Court to charge Hipro Electronics Ltd. (HEC), and Chicony Power USA, Inc. (CPUS). Dell claimed that the Company, HEC, and CPUS should compensate the losses and attorneys' fees for the Ireland lawsuit in accordance with to Master Purchase Agreement which was signed with HEC in 1995. Dell withdrew the lawsuit in February, 2015, the Company also paid related settlement in December, 2014, and February, 2015, and the total amount was \$20,603 (US 673 thousand dollars).
- B. Comarco, Inc. (abbreviated as Comarco) had ordered 90W NB Adapter from the Company, as of March 2010, Comarco still had US\$1,153 thousand unpaid and caused the Company inventory loss of US\$550 thousand; the Company filed an indictment against Comarco with the

Orange County Superior Court in April 2011 and June 2012, to request Comarco to pay the unpaid accounts receivable and compensate for the inventory loss, amounting to US\$1,703 thousand in total; however, Comarco filed a cross-complaint against the Company in May 2011, claiming that Comarco had recalled its products because the adapters the Company had provided was defective, and therefore Comarco requested compensation of US\$4,900 thousand from the Company for the losses. In April 2013, Comarco requested an additional amount of compensation, therefore the total compensation was raised to US\$15,000 thousand. In September 2013, Comarco raised the total compensation to US\$24,734 thousand based on the damage experts' assessment. The U.S. jury rendered a verdict of the lawsuit mentioned above in February 5, 2013: Comarco should pay the unpaid payment of US\$1,153 thousand to the Company, and the Company should pay compensation amounting to US\$10,880 thousand to Comarco. The Company did not agree with the conclusion the court reached, however, the Company had signed a Memorandum of understanding and official settlement agreement and release with Comarco in May, 2014 after considering uncertainty and related impact of follow-up litigation. After offsetting the payables of both parties, the Company should pay US\$7,600 thousand to Comarco. As a result, the Company recognised gains on provision recoveries of \$99,931 and impairment losses of accounts receivable of \$33,710, resulting in net gains of \$66,221. Additionally, the Company actually paid compensation amounting to \$118,020 (US\$4,000 thousand) and \$106,225 (US\$3,600 thousand) in May and June, 2014, respectively.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

(3) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(4).

B. Financial risk management policies

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

specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2015			
	Foreign Currency			Book Value
	Amount			
	(In Thousands)	Exchange Rate		(NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 228,614	32.830	\$	7,505,398
USD:RMB	197,231	6.5924		6,475,094
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ 189,301	32.830	\$	6,214,752
USD:RMB	226,620	6.5924		7,439,935



- iii. Total exchange gain (loss), including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014, amounted to \$58,356 and \$85,921, respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2015				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 75,054	\$ -	
USD:RMB	1%	64,751	-	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 62,148	\$ -	
USD:RMB	1%	74,399	-	

Year ended December 31, 2014				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 76,392	\$ -	
USD:RMB	1%	57,215	-	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 62,371	\$ -	
USD:RMB	1%	87,653	-	

#### Price risk

- i. The Group's equity securities, which are classified on the consolidated balance sheet as either available-for-sale or at fair value through profit or loss, are exposed to price risk. The Group diversifies its portfolio to manage the price risk arising from its investments. Diversification of the portfolio is done within the restrictions set by the Group.

- ii. The Group invests mainly in listed stocks. The prices of equity securities would change due to the changes of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, the Group's shareholders' equity would have increased/decreased for the years ended December 31, 2015 and 2014 by \$11,823 and \$9,070, respectively, as a result of unrealized gain or loss on available-for-sale financial assets.

#### Interest rate risk

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

As of December 31, 2015 and 2014, if interest rates on USD-denominated borrowings had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have been \$0 and \$1,028 lower/higher, respectively.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by its clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each internal operating entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial positions, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with restrictions set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- ii. For the years ended December 31, 2015 and 2014, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality information of accounts receivable (including related parties) that are neither past due nor impaired is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Group 1	\$ 3,830,220	\$ 3,920,555
Group 2	<u>3,810,426</u>	<u>4,111,954</u>
	<u>\$ 7,640,646</u>	<u>\$ 8,032,509</u>

Group 1: Low-risk customers which have larger scale of operations.

Group 2: Other normal-risk customers.

iv. The aging analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2015	December 31, 2014
Up to 30 days	\$ 408,227	\$ 16,564
31 to 120 days	331,295	-
	<u>\$ 739,522</u>	<u>\$ 16,564</u>

vii. The analysis of the Group's accounts receivable that were impaired is as follows:

Individual provision	2015	2014
At January 1	\$ 2,598	\$ 13,842
Provision for impairment	-	33,710
Acquired from business combinations	12,161	-
Reversal of impairment	( 4,598)	( 10,973)
Writes-offs during the period	-	( 34,007)
Effect of exchange rate changes	( 60)	26
At December 31	<u>\$ 10,101</u>	<u>\$ 2,598</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(13)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2015 and 2014, the Group held money market position of \$1,521,270 and \$1,666,939, respectively, which are expected to generate sufficient cash inflows to cover liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted

cash flows.

Non-derivative financial liabilities:

December 31, 2015	Less than 1 year	Over 1 year
Short-term borrowings	\$ 1,212,737	\$ -
Notes payable	1,818	-
Accounts payable (including related parties)	8,483,069	-
Other payables (including related parties)	1,613,401	-

Non-derivative financial liabilities:

December 31, 2014	Less than 1 year	Over 1 year
Short-term borrowings	\$ 664,365	\$ -
Notes payable	141	-
Accounts payable (including related parties)	8,533,828	-
Other payables (including related parties)	1,996,034	-
Long-term borrowings (including current portion)	411,060	-

(4) Fair value estimation

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(3).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, convertible bonds and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in private placement of listed shares and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain derivative instruments is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 7,257	\$ -	\$ 7,257
Futures contracts	-	-	8,324	8,324
Available-for-sale financial assets				
Equity securities	518,197	52,982	-	571,179
Debt securities	250,603	-	-	250,603
Beneficiary certificates	611,092	-	-	611,092
Total	<u>\$ 1,379,892</u>	<u>\$ 60,239</u>	<u>\$ 8,324</u>	<u>\$ 1,448,455</u>
December 31, 2014	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ -	\$ 8,017	\$ 8,017
Available-for-sale financial assets				
Equity securities	785,223	121,799	-	907,022
Total	<u>\$ 785,223</u>	<u>\$ 121,799</u>	<u>\$ 8,017</u>	<u>\$ 915,039</u>
Financial liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 32,920</u>	<u>\$ -</u>	<u>\$ 32,920</u>

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Convertible bond</u>
Market quoted price	Closing price	Net asset value	Closing price
(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.			

- E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2015 and 2014, there was no transfer into or out from Level 3.
- G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

(1) General information

The chief operating decision-maker considers the business from a geographic and product type perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China and US.

The Group's company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2) Measurement of segment information

A. The accounting policies of operating departments are the same as the accounting policies summarized in Note 4.

B. The Group evaluates performance based on external revenue and segment income which had already eliminated the effect of segment transactions.

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

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

<u>Year ended December 31, 2015</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>US</u>	<u>Total</u>
Revenue from external customers	<u>\$24,142,680</u>	<u>\$ 1,337,058</u>	<u>\$ 1,038,994</u>	<u>\$26,518,732</u>
Segment profit	<u>\$ 625,334</u>	<u>\$ 1,231,866</u>	<u>\$ 64,365</u>	<u>\$ 1,921,565</u>

<u>Year ended December 31, 2014</u>	<u>Taiwan</u>	<u>Mainland China</u>	<u>US</u>	<u>Total</u>
Revenue from external customers	<u>\$24,915,387</u>	<u>\$ 1,542,524</u>	<u>\$ 555,313</u>	<u>\$27,013,224</u>
Segment profit	<u>\$ 501,714</u>	<u>\$ 880,898</u>	<u>\$ 285,682</u>	<u>\$ 1,668,294</u>

(4) Reconciliation for segment income

A. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

B. A reconciliation of reportable segment profit to the profit before tax for the years ended December 31, 2015 and 2014 is provided as follows:

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Reportable segment profit	\$ 1,921,565	\$ 1,668,294
Unclassified related profit and loss	( 698,282)	( 581,137)
Non-operating revenue and expense	181,712	250,305
Profit before tax	<u>\$ 1,404,995</u>	<u>\$ 1,337,462</u>

(5) Information on products and services

Revenue from third parties is mainly derived from the sale of electronic component products, consumer electronic products and other electronic products as follows:

	Years ended December 31,	
	2015	2014
Electronic component products	\$ 16,354,058	\$ 19,857,206
Consumer electronic products	10,116,290	7,109,649
Other electronic products	48,384	46,369
Total	<u>\$ 26,518,732</u>	<u>\$ 27,013,224</u>

(6) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	\$ 21,318,523	\$ 3,290,166	\$ 23,197,502	\$ 3,283,416
US	4,759,405	90,186	3,213,058	116,634
Europe	419,252	-	578,078	-
Others	21,552	-	24,586	-
Total	<u>\$ 26,518,732</u>	<u>\$ 3,380,352</u>	<u>\$ 27,013,224</u>	<u>\$ 3,400,050</u>

Non-current assets include property, plant and equipment, intangible assets and other non-current assets, but exclude financial instruments and deferred income tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2015 and 2014 is as follows:

	Year ended December 31, 2015	
	Revenue	Segment
Company A	\$ 4,032,240	Taiwan
Company B	2,869,753	"
	Year ended December 31, 2014	
	Revenue	Segment
Company A	\$ 5,217,009	Taiwan
Company B	2,171,458	"



CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2015

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2015 (Note 2)		Balance at December 31, 2015 (Note 3)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)		Ceiling on total loans granted (Note 6)	Footnote																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
					Other receivables - related parties	YES								\$	65,750	\$	65,660			\$	34,143	1.3	2	\$	-	working capital	-	None	None	\$	1,100,923	\$	1,100,923																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2015.

Note 3: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Note 4: The numbers filled in the column of 'Nature of loan' are as follows:

(1) The business transaction is '1'.

(2) The short-term financing is '2'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: (1) Total financing amount should not exceed the Company's stockholders' equity and

a. the total financing amount to any individual party should not exceed 40% of the Company's stockholders' equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the Company's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.

(2) Total financing amount should not exceed 40% of the subsidiary's stockholders' equity and

a. the total financing amount to any individual party should not exceed 40% of the subsidiary's stockholders' equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the subsidiary's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.

(3) Loans for foreign companies whose voting rights are 100% directly or indirectly held by the Company are not limited to the restriction of 40% of the lending company's net assets based on the latest audited or reviewed financial statements. However, limit on loans granted to a single company is 30% of the Company's net assets based on the latest audited or reviewed financial statements, and the financing period should not exceed 3 years.

(4) Except for (3), the financing period should not exceed one year.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2015

Table 2

Expressed in thousands of NTD (Except as otherwise indicated)														
Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed			Maximum outstanding endorsement/ guarantee amount as of December 31, 2015	Outstanding endorsement/ guarantee amount at December 31, 2015	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 3)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 3)	Provision of guarantees to the party in Mainland China (Note 3)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)	Subsidiary										
0	The Company	CPI			\$ 164,375	\$ 164,150	\$ 164,150	\$ -		\$ 2.50	\$ 3,219,263	Y	-	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following categories; fill in the number of category each case belongs to:

(1) The Company is the subsidiary of the party.

(2) The Company have business dealings with the party.

(3) The party is the subsidiary of the Company.

(4) Subsidiaries which the Company has shares exceeding 90% directly or indirectly.

(5) The party which own the Company's shares exceeding 50% directly or indirectly.

Note 3: (1) Total guarantee amount of the Company is limited to 49% of the Company's stockholders' equity. The Company's guarantee to each individual entity is limited to 80% of the total guarantee amount.

(2) Total guarantee amount is limited to subsidiaries' stockholders' equity. The subsidiaries' guarantee to each individual entity is limited to 50% of the total guarantee amount.

(3) Total guarantee amount of the Group is limited to 49% of the Company's stockholders' equity. The Group's guarantee to each individual entity is limited to 80% of the total guarantee amount.

(4) Total guarantee amount, except the above mentioned restriction, to any individual party should not exceed the amount of sale/purchase during the year for the purpose of business.

(5) Guarantee between the subsidiaries where the Company has shares exceeding 90% directly or indirectly should not exceed 10% of the Company's stockholders' equity, except the subsidiaries that the Company has shares exceeding 100% directly or indirectly.

(6) Total guarantee amount is limited to the Company's stockholders' equity when the Company or its subsidiaries take guarantee procedures to the entity whose stockholder's equity is lower than 50% of its stockholders' equity.

(7) Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2015

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2015				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Common stock	-	Available-for-sale financial assets - current	762	\$	40	\$	40
The Company	Common stock	The Company's chairman is the director of the securities issuer	Available-for-sale financial assets - current	4,538,000	143,174	0.66	143,174	-
The Company	Common stock	-	Available-for-sale financial assets - current	300,000	14,325	0.07	14,325	-
The Company	Common stock	-	Available-for-sale financial assets - current	920,000	61,548	0.21	61,548	-
The Company	Common stock	The Company's chairman is the director of the securities issuer	Available-for-sale financial assets - current	11,808,940	93,881	3.67	93,881	-
The Company	Common stock	-	Available-for-sale financial assets - current	100,000	24,050	0.10	24,050	-
The Company	Common stock	-	Available-for-sale financial assets - current	1,908,000	44,361	0.37	44,361	-
The Company	Common stock	-	Available-for-sale financial assets - current	426,319	33,082	0.12	33,082	-
The Company	Common stock	-	Available-for-sale financial assets - current	250,000	11,375	0.05	11,375	-
The Company	Common stock	-	Available-for-sale financial assets - current	337,000	14,744	0.22	14,744	-
The Company	Common stock	-	Available-for-sale financial assets - current	500,000	59,500	0.34	59,500	-
The Company	Common stock	-	Available-for-sale financial assets - current	20,000	4,520	0.01	4,520	-
The Company	Bond	-	Available-for-sale financial assets - current	70,000	6,853	0.47	6,853	-
The Company	Bond	-	Available-for-sale financial assets - current	2,500,000	243,750	5.00	243,750	-
The Company	Beneficiary certificates	-	Available-for-sale financial assets - non-current	24,900,000	565,977	-	565,977	-
The Company	Private equity	The Company's chairman is the director of the securities issuer	Available-for-sale financial assets - non-current	8,699,899	52,982	2.70	52,982	-
The Company	Common stock	-	Investments carried at cost - current	549,176	10,617	1.00	-	-
The Company	Common stock	-	Investments carried at cost - non-current	234,069	-	1.67	-	-
The Company	Common stock	Corporate director	Investments carried at cost - non-current	1,500,000	15,000	5.00	-	-
The Company	Common stock	-	Investments carried at cost - non-current	1,000,000	10,000	1.00	-	-
The Company	Common stock	-	Investments carried at cost - non-current	220,000	14,520	0.39	-	-
The Company	Common stock	The Company's independent director is the chairman of the securities issuer, and the Company is its supervisor	Investments carried at cost - non-current	7,500,000	75,000	9.38	-	-
CPI	Common stock	-	Available-for-sale financial assets - current	8,300,000	13,597	0.27	13,597	-
CPI	Beneficiary certificates	-	Available-for-sale financial assets - current	857,000	45,115	-	45,115	-
CPI	Common stock	-	Investments carried at cost - non-current	1,145,266	37,599	-	-	-

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2015

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions			Percentage of total notes/accounts receivable (payable)	Footnote
						Unit price	Credit term	Balance		
The Company	KAPOK	Other related party	Sales	(\$ 281,316)	1	60 days	Note 1	\$ 87,888	1	-
The Company	CPUS	Subsidiary	Sales	( 443,704)	2	90 days	Note 1	Note 1	84,105	1
The Company	Chicony Electronics (Dong Guan)	Affiliate	Sales	( 174,368)	1	90 days	Note 1	Note 1	109,653	2
CPI	The Company	The Company	Sales	( 21,829,853)	95	45 days	Note 1	Note 1	5,211,790	85
CPI	HDG	Subsidiary	Sales	( 495,490)	2	45 days	Note 1	Note 1	-	-
CPI	Chicony Electronics (Suzhou)	Affiliate	Sales	( 363,767)	2	90 days	Note 1	Note 1	337,841	6
CPI	Mao-Ray (Dong Guan)	Affiliate	Sales	( 112,720)	-	90 days	Note 1	Note 1	15,926	-
HDG	CPI	Subsidiary	Sales	( 11,584,543)	100	45 days	Note 1	Note 1	2,067,415	79
CPSZ	CPI	Subsidiary	Sales	( 6,854,198)	86	45 days	Note 1	Note 1	2,907,355	83
CPSZ	Chicony Electronics (Suzhou)	Affiliate	Sales	( 627,769)	8	90 days	Note 1	Note 1	376,835	11
CPSZ	Mao-Ray (Dong Guan)	Affiliate	Sales	( 183,165)	2	90 days	Note 1	Note 1	96,884	3
CPSZ	Chicony Electronics (Chong-Qing)	Affiliate	Sales	( 217,528)	3	90 days	Note 1	Note 1	99,049	3
GSE	CPI	Subsidiary	Sales	( 486,417)	43	45 days	Note 1	Note 1	92,652	27
GSE	CPSZ	Subsidiary	Sales	( 405,495)	36	60 days	Note 1	Note 1	100,865	29
GSE	CPCQ	Subsidiary	Sales	( 151,599)	13	60 days	Note 1	Note 1	46,076	13
CPCQ	CPI	Subsidiary	Sales	( 3,576,530)	91	45 days	Note 1	Note 1	866,622	86
CPCQ	CPSZ	Subsidiary	Sales	( 329,162)	9	60 days	Note 1	Note 1	138,925	14
The Company	CPI	Subsidiary	Purchases	21,829,853	100	45 days	Note 2	Note 2	5,211,790	100
CPI	HDG	Subsidiary	Purchases	11,584,543	52	45 days	Note 2	Note 2	2,067,415	29
CPI	CPSZ	Subsidiary	Purchases	6,854,198	30	45 days	Note 2	Note 2	2,907,355	41
CPI	GSE	Subsidiary	Purchases	486,417	2	45 days	Note 2	Note 2	92,652	1
CPI	CPCQ	Subsidiary	Purchases	3,576,530	16	45 days	Note 2	Note 2	866,622	12
CPUS	The Company	The Company	Purchases	443,704	100	90 days	Note 2	Note 2	84,105	100
HDG	CPI	Subsidiary	Purchases	495,490	46	45 days	Note 2	Note 2	-	-
CPSZ	CPCQ	Subsidiary	Purchases	329,162	5	60 days	Note 2	Note 2	138,925	4
CPSZ	GSE	Subsidiary	Purchases	405,495	6	60 days	Note 2	Note 2	100,865	3
CPCQ	GSE	Subsidiary	Purchases	151,599	5	60 days	Note 2	Note 2	46,076	3

Note 1: The terms of the sales to related parties were not significantly different from those of sales to third parties.

Note 2: The terms of the purchases to related parties were not significantly different from those of purchases to third parties.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2015

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Overdue receivables			Amount collected subsequent to the balance sheet date	Allowance for Creditor Counterparty doubtful accounts
				Turnover rate	Amount	Action taken		
			\$					Expressed in thousands of NTD (Except as otherwise indicated)
CPI	CPHK	Subsidiary	1,193,366	-	-	-	-	-
CPI	CPUS	Subsidiary	164,745	-	-	-	-	-
The Company	Chicony Electronics (Dong Guan)	Affiliate	109,653	2.47	-	-	-	-
	Chicony Electronics (Suzhou)	Affiliate	337,841	2.15	-	-	-	-
CPI	The Company	The Company	5,211,790	4.19	-	-	-	-
HDG	CPI	Subsidiary	2,067,415	5.77	-	-	-	-
CPSZ	Chicony Electronics (Suzhou)	Affiliate	376,835	2.28	-	-	-	-
CPSZ	CPI	Subsidiary	2,907,355	2.89	-	-	-	-
CPCQ	CPI	Subsidiary	866,622	3.67	-	-	-	-
CPCQ	CPSZ	Subsidiary	138,925	4.51	-	-	-	-
GSE	HDG	Subsidiary	106,378	1.73	-	-	-	-
GSE	CPSZ	Subsidiary	100,865	3.20	-	-	-	-

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2015

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	CPI	1	Sales	\$ 443,704	Note 4	1.67
1	CPI	The Company	2	Sales	21,829,853	Note 4	82.32
1	CPI	The Company	2	Accounts receivable - related-party	5,211,790	Note 4	28.58
1	CPI	HDG	3	Sales	495,490	Note 4	1.87
1	CPI	CPHK	3	Other receivable - related- party	1,193,366	Note 5	12.68
2	HDG	CPI	3	Sales	11,584,543	Note 4	43.68
2	HDG	CPI	3	Accounts receivable - related-party	2,067,415	Note 4	11.34
3	CPCQ	CPI	3	Sales	3,576,530	Note 4	13.49
3	CPCQ	CPI	3	Accounts receivable - related-party	866,622	Note 4	4.75
3	CPCQ	CPSZ	3	Sales	329,162	Note 4	1.81
4	CPSZ	CPI	3	Sales	6,854,198	Note 4	25.85
4	CPSZ	CPI	3	Accounts receivable - related-party	2,907,355	Note 4	15.95
5	GSE	CPI	3	Sales	486,417	Note 4	1.83
5	GSE	CPSZ	3	Sales	405,495	Note 4	1.53

Other transactions between the parent company and subsidiaries not exceeding 1% of the consolidated total revenue or total assets are not disclosed. Those transactions are shown in other assets and revenue.

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Depends on the transaction quantity and the market situation.

Note 5: The terms of related parties loans depend on both parties' operation situation.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2015

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2015				Net profit (loss) of the investee for the year ended December 31, 2015	Investment income(loss) recognised by the Company for the year ended December 31, 2015	Footnote
				Currency	Balance as at December 31, 2015	Currency	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value			
The Company	Chicony Power Holdings Inc. (CPH)	BVI	Investment holdings	TWD	\$ 326,350	TWD	\$ 326,350	10,000,000	100	\$ 2,719,541	\$ 626,801	\$ 600,106	Subsidiary
The Company	Newmax Technology Co., Ltd.	Taiwan	Manufacturing and sales of lenses	TWD	358,590	TWD	358,590	2,762,779	2.72	298,923	( 713,211)	( 19,397)	Investment accounted under equity method
CPH	Chicony Power International Inc. (CPI)	Cayman Island	Sales of switching power supplies and other electronic parts	USD	10,000	USD	10,000	10,000,000	100	2,752,308	626,870	-	Subsidiary
CPI	Chicony Power USA, Inc. (CPUS)	U.S.A	Sales of switching power supplies and other electronic parts	USD	1,317	USD	1,317	1,500,000	100	17,246	7,699	-	Subsidiary
CPI	Chicony Power Technology Hong Kong Limited (CPHK)	Hong Kong	Research and development center and investment holdings	HKD	85,800	HKD	85,800	46,800,000	100	1,890,034	471,105	-	Subsidiary
CPI	WisLight Technology Co., Ltd (WTS)	Samoa	Design, R&D, manufacturing and sales of LED lighting module	USD	9,000	USD	9,000	10,000,000	78.125	253,941	( 22,362)	-	Subsidiary
WTS	WisLight Technology Co., Ltd.(WT)	Taiwan	Design, R&D, manufacturing and sales of LED lighting module	TWD	5,000	TWD	5,000	500,000	100	( 66,900)	( 13,691)	-	Subsidiary

Expressed in thousands of NTD  
(Except as otherwise indicated)

**CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
Information on investments in Mainland China

Year ended December 31, 2015

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of		Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2015 (Note 2)		Book value of investments in Mainland China as of December 31, 2015		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Footnote
				December 31, 2015		December 31, 2015				December 31, 2015		December 31, 2015			
				Remitted to Mainland China	Remitted back to Taiwan										
Hipro Electronics (Dong Guan) Co., Ltd.	Manufacturing and sales of switching power supplies and other electronics parts	\$ 593,135	2.(1)	\$ -	-	\$ -	-	\$ 114,408	100.00	\$ 83,034	\$ 83,034	\$ -	\$ 1,049,374	-	-
Chicony Power Technology (Suzhou) Co., Ltd	Manufacturing and sales of electronics components and LED lighting equipment	239,442	2.(1)	-	-	45,197	-	45,197	100.00	304,570	304,570	1,355,942	-	-	
Quang Sheng Electronics (Nanchang) Co., Ltd.	Manufacturing and sales of electronics components and transformers	131,175	2.(1)	-	-	33,573	-	33,573 (	100.00	( 5,573)	( 4,140)	225,853	-	-	
Chicony Power Technology (Chong Qing) Co., Ltd.	Manufacturing and sales of electronics components and LED lighting equipment	301,744	2.(1)	-	-	-	-	-	100.00	82,660	82,660	415,666	-	-	
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipment	44,379	2.(1)	-	-	-	-	-	100.00	77	77	48,177	-	-	
Chicony Power Technology Trading (Dong Guan) Co., Ltd.	Importing and exporting of power supplies, LED lighting equipment, and other electronics	10,491	2.(1)	-	-	-	-	-	100.00	247	247	10,180	-	-	
WistLight Technology (Kushun) Co., Ltd.	Manufacturing and sales of LED lighting equipment	331,859	2.(2)	-	-	-	-	-	78.125	118	92	202,585	-	-	
Zhuzhou Torch Auto Lamp CO., Ltd	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	228,654	2.(2)	-	-	-	-	(	78.125	26,331)	4,440	177,970	-	-	



Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 193,178	\$ 774,827	\$ 3,941,954

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

1. Directly invest in a company in Mainland China..

2. Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The third areas are as follows:

(1) Chicony Power Technology Hong Kong Limited.

(2) Witslight Technology Co., Ltd.

3. Others

Note 2: Based on the financial statements audited by the investee companies' CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.



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