

# **Chicony Electronics CO., Ltd.**

## **2015 Annual General Shareholders' Meeting**

# **Meeting Agenda**

**Date of the Meeting: June 17, 2015**

**Place of the Meeting: No. 25, Wugong 6th Road, Wugu Dist. New Taipei City**

## Table of Contents

	<u>Page</u>
<b>I 、 Meeting Procedure</b> .....	3
<b>II 、 Meeting Agenda</b> .....	4
<b>1 、 Report Items</b>	
(1) 2014 Operation Results .....	5
(2) Supervisors’ Review Report on 2014 Financial Statements .....	5
(3) Establishment of the Company’s ” Corporate Social Responsibility Best Practice Principles”, ”Ethical Corporate Management Best Practice Principles”, ”Procedure for Ethical Management and Guidelines for Conduct” and “Codes of Ethical Conduct”.....	5
(4) Amendment to ”Rules of Procedure for Directors’ Meeting” .....	5
(5) Other Report Items .....	5
<b>2 、 Acknowledgement Items</b>	
(1) Acknowledgement of the 2014 Financial Results .....	6
(2) Acknowledgement of the 2014 Earnings Distribution .....	6
<b>3 、 Discussion Items</b>	
(1) Proposal for a new share issue through capitalization of earnings and employee bonus for 2014.....	7
(2) Amendment to “Articles of Incorporation” .....	8
(3) Amendment to ”Rules of Procedure for Shareholders’ Meeting” .....	8
(4) Amendment to ”Rules for Directors and Supervisors Election” .....	8
(5) Amendment to ”Operational Procedures for Trading Derivatives” .....	9
<b>4 、 Election Items</b>	
By-election for One Director of 11 <sup>th</sup> Board of Directors .....	9
<b>5 、 Other Discussion Items</b>	
Proposal of Release the Prohibition on Directors from Participation in Competitive Business.....	9
<b>III 、 Attachments</b>	
1 、 2014 Operation Report.....	11
2 、 Supervisors’ Review Report on 2014 Financial Statements .....	16
3 、 2014 Consolidated Financial Statements and CPA Audit Report .....	17
4 、 2014 Profit Distribution Table.....	25
5 、 List of Nominees for Director Election.....	26

Note: The company’s 2014 Financial Reports and 2015 Annual General Shareholders’ Meeting Agenda are available on the ”Market Observation Post System” Website; Please Visit <http://newmops.twse.com.tw/> for details.

# **Chicony Electronics Co., Ltd.**

## **Procedure of 2015 Annual Shareholders' Meeting**

- i. Reports Equity Shares in Attendance
- ii. Chairperson Calls the Meeting to Order
- iii. Chairperson Remarks
- iv. Report Items
- v. Acknowledgement Items
- vi. Discussion Items
- vii. Election Items
- viii. Other Discussion Items
- ix. Questions and Motions
- x. Adjournment

# **Chicony Electronics Co., Ltd.**

## **Agenda of 2015 Annual Shareholders' Meeting**

Date : 09:00AM, June 17, 2015

Place: No. 25, Wugong 6<sup>th</sup> Road, Wugu Dist. New Taipei City (Meeting Room)

### **Reports Equity Shares in Attendance**

### **Chairperson Calls the Meeting to Order**

### **Chairperson Remarks**

### **Report Items :**

1. 2014 Operation Results
2. Supervisors' Review Report on 2014 Financial Statements
3. Establishment of the Company's "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedure for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conduct"
4. Amendment to "Rules of Procedure for Directors' Meeting"
5. Other Report Items

### **Acknowledgement Items :**

1. Acknowledgement of the 2014 Financial Results
2. Acknowledgement of the 2014 Earnings Distribution

### **Discussion Items :**

1. Proposal for a new share issue through capitalization of earnings and employee bonus for 2014
2. Amendment to "Articles of Incorporation"
3. Amendment to "Rules of Procedure for Shareholders' Meeting"
4. Amendment to "Rules for Directors and Supervisors Election"
5. Amendment to "Operational Procedures for Trading Derivatives"

### **Election Items :**

By-election for One Director of 11<sup>th</sup> Board of Directors

### **Other Discussion Items :**

Proposal of Release the Prohibition on Directors from Participation in Competitive Business

### **Questions and Motions**

### **Adjournment**

# Report Items

## **Item 1 : 2014 Operation Results**

**Explanation :** Please refer to Attachment 1 for 2014 Operation Report

## **Item 2 : Supervisors' Review Report on 2014 Financial Statements**

**Explanation :** Please refer to Attachment 2 for Supervisors' Review Report on 2014 Financial Statements

## **Item 3 : Establishment of the Company's "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedure for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conduct"**

**Explanation :**

Passed by the Board Meeting on November 13, 2014, the company's "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedure for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conduct" are established in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", "Sample Template for XXX Co., Ltd. Procedure for Ethical Management and Guidelines for Conduct" and Guidelines for Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies" published by TWSE.

## **Item 4 : Amendment to "Rules of Procedure for Directors' Meeting"**

**Explanation :**

- (1) The company's "Rules of Procedure for Directors' Meeting" is amended in accordance with the company's "Procedure for Ethical Management and Guidelines for Conduct" .

## **Item 5 : Other Report Items**

**None**

## Acknowledge Items

### **Item 1 : Acknowledgement of the 2014 Financial Results (Proposed by the Board)**

#### **Explanation :**

- (1) 2014 Financial Statements and Business Report were approved by the Board of Directors meeting convened on Mar. 25, 2015.
- (2) The aforementioned financial statements have been audited by Certified Public Accountant Wang, Huei Shyang and Certified Public Accountant Lin, Chun Yao of PwC Taiwan.
- (3) For the 2014 Business Report, please refer to Attachment 1; for the 2014 Financial Statements, please refer to Attachments 3.
- (4) Please proceed to adopt.

#### **Resolution :**

### **Item 2 : Acknowledgement of the 2014 Earnings Distribution (Proposed by the Board)**

#### **Explanation :**

- (1) In Fiscal Year 2014, the Company made a net profit of NT\$4,080,939,422. By setting aside 10% of net profit as legal reserve of NT\$408,093,942 and adding unallocated retained earnings of the previous year of NT\$4,359,810,311, total distributable earnings for the year amounted to NT\$8,032,655,791. NT\$3,231,124,170 will be distributed as shareholders' cash dividend, each share shall receive NT\$4.65. NT\$34,743,270 will be distributed as shareholders' stock dividends, each one thousand shares shall be distributed 5 shares.
- (2) Please refer to Attachment 4 for 2014 Profit Distribution Table
- (3) For distribution of cash dividends, it is proposed that the Board of Directors be authorized to determine the details after the Shareholders' Meeting.
- (4) In the event of buyback of the Company's shares, transfer, conversion or annulment of treasury stocks leading to a change in the number of outstanding shares and a consequent change in stock dividends and dividend yield, it is proposed that the Board of Directors are authorized to duly adjust stocks and cash to be distributed.
- (5) Please proceed to adopt

#### **Resolution :**

## Discussion Items

### **Item 1 : Proposal for a new share issue through capitalization of earnings and employee bonus for 2014 (Proposed by the Board)**

#### **Explanation :**

- (1) Pursuant to the Articles of Incorporation of the Company, the capital amounts to NT\$8,000,000,000, and the paid-in capital amounts to NT\$ 6,948,654,130.
- (2) To meet the substantial need amidst business growth in the Company, it is proposed that the dividend to shareholders appropriated with the unappropriated retained earnings NT\$ 34,743,270 be converted for capital increase to issue 3,474,327 shares at NT\$10 par value. With the calculation based on the shareholders and shareholding percentages as shown through the shareholders register as of the ex-right base (reference) date, five shares shall be allocated for every one thousand shares. The shareholders may, at their discretion, piece together the odd shares that are less than one share after allocation, within five days after the ex-right base (reference) date. Where a shareholder fails to piece together within the specified time limit or waives the right to piece together, and for the odd shares which are still less than one share after they are pieced together, the final odd shares shall be allocated in cash rounded to the whole number of New Taiwan Dollar in accordance with Article 240 of the Company Act for which the chairman shall approach specific people to purchase at the face value.
- (3) In 2014, the bonuses to employees amounted to NT\$ 587,655,277. Of the total, NT\$ 166,655,277 shall be allocated in cash and NT\$ 421,000,000 shall be allocated in stocks. The number of shares to be issued with the capital increase with conversion of stocks shall be duly calculated based on the final price closed on the day preceding the convening of the shareholders' meeting with the impact of ex-rights and ex-dividends taken into account. The bonus to employees with less than one share shall be allocated in cash. For allocation of the bonus to employees, the chairman is bestowed with full powers to handle.
- (4) The rights and obligations of the issue of new shares are as the same with the original shares.
- (5) It is proposed that the Board of Directors be authorized with full powers to deal with the details of new shares issue.
- (6) In the event of a change in the present capital increase to issue new shares due to amendment of laws or decision by the competent authorities of the government, it is proposed that the Board of Directors be authorized with full power to manage as appropriate.

- (7) In case of an impact upon the number of outstanding shares as a result of repurchase of shares by the Company or transfer, revocation of treasury stocks, it is proposed that the Board of Directors be authorized with full power to manage the issue as appropriate.
- (8) Please proceed to adopt.

**Resolution :**

**Item 2 : Amendment to “Articles of Incorporation” (Proposed by the Board)**

**Explanation :**

- (1) Please proceed to adopt.

**Resolution :**

**Item 3 : Amendment to ”Rules of Procedure for Shareholders’ Meeting” (Proposed by the Board)**

**Explanation :**

- (1) The company’s “Rules of Procedure for Shareholders’ Meeting” is amended in accordance with the “Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders’ Meeting” issued by TWSE.
- (2) Please proceed to adopt.

**Resolution :**

**Item 4 : Amendment to ”Rules for Directors and Supervisors Election” (Proposed by the Board)**

**Explanation :**

- (1) The company’s “Rules for Directors and Supervisors Election” is amended in accordance with the “Sample Template for XXX Co., Ltd. Rules for Directors and Supervisors Election” issued by TWSE.
- (2) Please proceed to adopt.

**Resolution :**

## **Item 5 : Amendment to "Operational Procedures for Trading Derivatives" (Proposed by the Board)**

### **Explanation :**

- (1) The company's "Operational Procedures for Trading Derivatives" is amended in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- (2) Please proceed to adopt.

### **Resolution :**

## **Election Items**

### **Item : By-election for One Director of 11th Board of Directors (Proposed by the Board)**

#### **Explanation :**

- (1) According to the company's Article of Incorporation, seven directors shall be elected. Due to the current vacancy of one seat of director, by-election for one director of 11 th Board of Directors is proposed. The tenure is from June 17, 2015 to June 10, 2016.
- (2) According to the related regulation, the director shall be elected by means of candidate nomination system. For the education and experience of the candidate, please refer to the Attachment 5.

#### **Resolution :**

## **Other Discussion Items**

### **Item : Proposal of Release the Prohibition on Directors from Participation in Competitive Business (Proposed by the Board)**

#### **Explanation :**

- (1) The newly elected director might invest or engage in other firms that engage in business scope same as or similar to ours. To help promote business operation in a smooth way without obstructions, under the premise of not impairing the interests of the Company, it is duly proposed to the shareholders' meeting in accordance with Article 209 of the Company Act that the non-competition pledge obligations upon directors should be lifted.
- (2) Please refer to Attachment 5 for the education, experience and the list of Position held concurrently in other companies of the new director candidate.

- (3) After new director of 11th board is elected, the facts of their serving other companies as directors or managerial officers shall be declared to the Board of Directors annually.
- (4) Please proceed to adopt.

**Resolution :**

## **Questions and Motions**

### **Adjournment**

## Attachment 1

### Chicony Electronics Co., Ltd. 2014 Operation Report

#### 1. Year 2014 performance (All in NTD\$)

##### 1.1 Operating results

Joint efforts by our management team and employees, our Consolidated Revenue increased by 7.5% to \$80,110,692 thousands. Our Operation Income also raised by 10.1%, to \$4,681,669 thousands, while the Net Income amounted to \$4,080,939 thousands.

##### 1.2 Financial highlights and profitability analysis

###### a. Financial highlights

Units: NTD thousands

Item	2014	2013	Increase (decrease)
Operating profit	4,681,669	\$4,252,729	10.09%
Net profit after tax	4,080,939	3,782,029	7.90%
Average total assets	53,949,884	48,462,685	11.32%
Average shareholder equity	25,064,976	21,511,424	16.52%

###### b. Profitability

Item	2014	2013
Return on average assets (%)	7.64	7.95
Return on average shareholder equity (%)	16.28	17.58
Operating profit on end-of-period shareholder equity (%)	67.38	61.93
Net profit margin (%)	5.09	5.07
Earnings per share (EPS) in NTD	6.22	5.83

\*The 2014 EPS is unadjusted by employee bonus and plowback funding, which would affect stock share numbers.

##### 1.3 Research and development

In 2014, Chicony spent approximately \$2,182,395 thousands on product development, automation production equipment and process improvement. Our solid R&D capacity and strength will be the major key point to make Chicony stay on top among when surrounded by fierce competition and fast changing of macro environment. Therefore, we established C&T laboratory with National Taipei University of Technology to cultivate internal R&D staffs and hire outstanding R&D candidates, and step close to industry new development trend. Besides continuously invests in R&D for tablet input/output devices, camera module for tablets and smart phones, sports camera, power supply, multi-functional high quality digital video products integrated with wireless communication, NOT related application, LED lighting and PV inverter (solar power converter) energy-saving products, we will also engage to raise the portion of non-PC new product to meet the various market demands and to create more Blue-ocean market opportunity.

## 2 Year 2015 outlook

### 2.1 2015 goals and outlook

According to the global economy outlook published by IMF, the 2015 global GDP growth rate is expected to be 3.8%, a slightly increase of 0.5% compared with 2014. The global economy is regarded as continuously optimistic. Furthermore, economy in Europe and America continue to recover. The 2015 GDP growth rate is expected to be 3.1% in America, which is the top among developed countries. After the decline in 2012, Europe has seen positive growth in the past two years. However, Japan is facing the doubt of decline due to the trade and financial deficit. The economic growth rate is anticipated to be 0.8%. The electronic industry will benefit from the recovery of mature market since the strengthened consuming power will extend the high-end market demand to some extent.

If we look at the developing trend of electronic products, smart mobile devices (including smart phone and tablet) is the main driver of the growth among current 3C applications. In terms of smart phone, the global smart phone market will see continuous growth. Despite of slowing down, the growth rate is around 17% with shipment of 1.43 billion units in 2014. The shipment of tablet in 2014 is 240 million units, and it is expected to reach 276 million units with 16.4% growth in 2015. However, the spread of large-size smart phone has threatened the demand for tablet and lead to a quick collapse of the tablet ASP. The tablet market gradually steps into mature period with low growth. Consumers no longer have the same passion with tablets and turn their attention back to PC again. The enterprises have also started the cycle of PC replacement. It is anticipated that in 2015 the global PC shipment will reach 320 million units, which is a 1.9% growth compared with 2014.

The global economy is moving gradually in the positive direction; especially the high-end electronic product market is expected to be driven by the recovery of demand for consuming electronic product in the developed countries. However the Taiwanese electronics component industry is still facing stress from the slowing down growth of smart mobile devices, the change of competition environment and the rapid change in the IoT area. The rapid rise of electronics component industry in China has also become critical competition to the industry in Taiwan. The strength of scale economy has been gradually replaced by the Chinese companies, who are also speeding up the technology upgrade and industry chain establishment. The diversification of IoT applications and the complexity of the IoT market have formed the challenge to the electronic component industry. The company operation will still face many challenges in the coming year.

Our team will face the rapid change and challenges with confidence and optimistic by integrating all resources and devoting in the development of keyboard, digital image, power supply and other niche products. Moreover, to keep the consistent revenue growth, we will also expand business into non-PC industry. The computer peripheral sales units are estimated to reach 275.78 million units, and 128.63 million units in consumer and other electronic goods.

### 2.2 Business strategies

Chicony will keep the idea of sustainable and honest operation. Guided by the principle of “No Quality, No sales”, we are committed to provide the most satisfactory services and keep revenue and profit growing to reward to the shareholders, employees and the society. Our strategies for products, production, marketing, R&D, human resource, and finance are explained as follows:

#### a. Products

(1) To continue developing in keyboard, digital image, power supply, and other high

value-added and differentiated products.

- (2) To continue developing in wireless, Bluetooth and ultra slim keyboards compatible with Tablet, multi-functional digital video products integrated with wireless communication and cloud function and cloud data center service to increase the revenue.
- (3) To develop the related application of IOT and Smart Home, input/output devices on smart phone, smart TV and cloud service, wearable device, LED illumination and PV inverter products, and wireless power products to enlarge the product scope.
- (4) To develop non-PC new blue-ocean products that meet market needs.

#### b. Production

- (1) To retain a competitive advantage in keyboard, digital video, and power supply products, increase production capacity, and closely monitor product quality.
- (2) To enhance the VMI (Vendor Managed Inventory) system with the information provided by EDI and ERP to quickly react to customer needs by enhancing flexibility in delivery, stocking, and production.
- (3) To enhance greater bargain power and efficiently reduce material costs, by integrating group procurement resources.
- (4) To purchase the key component with the original suppliers directly to cut down the material costs.
- (5) To continue to find key material suppliers for vertical integration, in order to enhance mutual complementarities and to expand benefit sharing from economic scale.
- (6) Maintain the relationship with the suppliers on China to strengthen the procurement localization. Take advantage of widely declined oil price to reduce the material cost and to enlarge the CRP amount.
- (7) Through automation implement and new production processes engineering to enhance productivity and release the pressure caused by the increasing labor cost in China.

#### c. Marketing

- (1) To integrate product categories and to satisfy customer needs with a “one-stop shopping” approach. Maximize profitability with efficient marketing resource consuming.
- (2) To change product portfolios and increase the weight of high value-added products to generate higher profit.
- (3) To expand customers and extend products market shares of Keyboard, PC Camera, DV, NB/Tablet build-in Camera Module and Power Supply.
- (4) To strengthen the application of IoT and SmartHome and the new products such as wearable devices and wireless powers.
- (5) To expand the Chinese domestic market for each product category
- (6) To expand the revenue to non-PC and niche products.
- (7) To expand the international marketing spot in America and Japan.

#### d. Research and development

- (1) To collaborate with major international hardware/software providers to co-develop new products with patent values.

- (2) To set up the barriers to entry with technology strength with I.P. Know-How.
- (3) To continue VA/VE (value analysis/value engineering) and improve product design to increase product efficiency and reduce the costs of production.
- (4) To establish the “Chicony R&D scholarship” to excavate more excellent R&D manpower to enhance overall R&D capability and efficiency.
- (5) To continuously devote into the development of new products to seek for the blue-ocean product in the future.
- (6) To establish the Intellectual Property Center to conduct the acquirement and protection of patents, and the cross-licensing of patents as well. °

e. Human resources

- (1) To set up human resources management index to help each business unit and subsidiaries eternally operate in priority categories, in order to reach Group annual profit goals.
- (2) To cultivate employees for professional technique and help develop themselves, by continuous professional and management training.
- (3) To help employees develop stable self-career plan with position rotation and job deputy, and, there through, the work capacity and position experience can be continuously applied and inherited for eternal operation purpose.
- (4) To build up corporate social responsibility policy, which is make up in form of annual report, allied with Company’s operation and be the basis to implement corporate social responsibility criteria.
- (5) To allocate certain ratio of the company’s earning for donation to educational and medical groups; cooperate with the schools to set up the mechanism of industrial and academic cooperation for manpower reservation.
- (6) To gain insight into government human resource policies in global each area, especially in Asian countries, and form strategies for of optimal mutual benefit for both sides.
- (7) More care with employees and keep the excellent manpower with the profound retaining system

f. Finance

- (1) To supervise budget control of the company and in management of accounts receivable, inventory, and cash turnover.
- (2) Strictly manage the tax-preserving materials and ensure the conduct of tax-preserving materials meet the legal regulation everywhere so that the company can continuously benefit from the custom tax.
- (3) To continually improve the debt ratio.
- (4) To adequately hedge against fluctuations in exchange rates and raw material costs.
- (5) To well conduct tax planning for Chicony group by overviewing of relevant tax law and regulation of each country.
- (6) To minimize the interest cost and to plan the middle and long term fund facility according to the trend of interest rate.
- (7) Keep seeking for the companies with growth potential or complementary strength for investment or further strategy alliance.

## 2.3 Important production and marketing policies

- a. Continue to concentrate resources on the top 10 global brands of manufacturers in

personal computers, notebooks, webcams, digital video peripherals, and mobile phone. By increasing our shares among these growing companies, we aim to expand our global market shares and strengthen our position.

- b.Utilize the competitive advantages based on Group's diversified product portfolios, collective sales and integrated procurement.
- c.Continue to establish just-in-time supplying warehouses to shorten product delivery time and gain advantages over competitors.
- d.Keep reviewing and adjusting production process on the optimum track, and head up to production automation to increase integrated efficiency.
- e.Establish VMI (Vendor Managed Inventory) to enhance overall material delivery efficiency and reduce stocks of inventory.
- f.Strengthen the existing ERP system, apply the management index information to establish the war room with timely information for decision making.

3 The company's development strategies are subject to the external competitive, regulatory, and overall business environments

Chairman: Kent Hsu

Vice President and General Manger: MK Lin

Chief Accounting Officer: Molly Lin

## **Attachment 2**

### **Chicony Electronics Co., Ltd. Supervisors' Review Report on 2014 Financial Statements**

To: Shareholders' Meeting 2015

The Board of Directors of Chicony Electronics Co., Ltd prepared and presented the 2014 business report, financial statements, and the statement of retained earnings. The financial statements were audited by the PwC Taiwan, appointed by Board, and an independent auditor's report was issued by it.

Supervisors have audited the above-mentioned reports that were composed and presented by the Board of Directors. They have been audited and it is concluded the reports are presented fairly according to Corporate Law and other related regulation ; therefore, a Supervisor's Report is hereby issued in accordance with Company Law Article 219.

Supervisor:

Jing Yuan Investment Co., Ltd. Legal Representative: Huang, Chin Shun

Supervisor:

Hua Tai Investment Co., Ltd. Legal Representative: Chang, Su-Chen

Supervisor:

Dong Ling Investment Co., Ltd. Legal Representative: Ku, Chi-Hsuan

25st March, 2015

### **Attachment 3**

#### **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors and Shareholders of CHICONY ELECTRONICS CO., LTD.

We have audited the consolidated balance sheets of Chicony Electronics Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended, expressed in thousands of New Taiwan dollars. 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 2014 and 2013 financial statements of certain wholly-owned consolidated subsidiaries and long-term investments accounted for using equity method. The total assets of those subsidiaries amounted to NT\$1,179,226 thousand and NT\$1,295,599 thousand, constituting 2.07% and 2.55% of total consolidated assets as of December 31, 2014 and 2013, respectively. The total revenues of those subsidiaries amounted to NT\$2,457,751 thousand and NT\$2,317,964 thousand, constituting 3.07% and 3.11% of total consolidated revenues for the years ended December 31, 2014 and 2013. The balance of those long-term investments accounted for using equity method as of December 31, 2014 and 2013 were NT\$89,591 thousand and NT\$1,276,165 thousand, constituting 0.16% and 2.51% of total consolidated assets, respectively. The share of comprehensive income (loss) recognized (including the share of profit (loss) of associates and joint ventures accounted for under equity method and the share of other comprehensive income of associates and joint ventures accounted for under equity method) for the years ended December 31, 2014 and 2013 were (NT\$975) thousand and (NT\$47,819) thousand, constituting (0.03%) and (0.86%) of consolidated comprehensive income, respectively. These statements were audited by other independent accountants whose reports thereon were furnished to us and our opinion herein insofar as it relates to the amounts included in the consolidated financial statements and information disclosed in Notes 6(7) and 13 relative to these subsidiaries and long-term investments accounted for using equity method, is based solely on the 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 audit 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chicony Electronics Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013 and the results of their financial performance and cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements 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 Electronics Co., Ltd. as of and for the years ended December 31, 2014 and 2013, and have expressed a modified unqualified opinion on such financial statements.

March 25, 2014

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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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

## Attachment 3-1

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
YEARS ENDED DECEMBER 31  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2014 AMOUNT	December 31, 2013 AMOUNT
<b>Current assets</b>			
Cash and cash equivalents	6(1)	\$ 1,980,696	\$ 1,578,337
Financial assets at fair value through profit or loss - current	6(2)	267,564	117,012
Available-for-sale financial assets - current	6(3)	5,151,339	5,538,044
Notes receivable, net		15,999	43,839
Accounts receivable, net	6(5)	18,913,995	18,323,153
Accounts receivable - related parties	7	241,285	118,407
Other receivables		596,465	385,510
Inventories, net	6(6)	10,018,702	8,702,039
Prepayments		1,376,621	670,420
Other current assets	8	27,886	1,222
<b>Current Assets</b>		<u>38,590,552</u>	<u>35,477,983</u>
<b>Non-current assets</b>			
Available-for-sale financial assets - noncurrent	6(3)	382,573	354,649
Financial assets carried at cost - noncurrent	6(4)	1,097,746	458,559
Investments accounted for under the equity method	6(7)	1,176,824	1,276,165
Property, plant and equipment, net	6(8)	14,204,652	11,742,080
Intangible assets	6(9)	246,430	168,216
Deferred income tax assets	6(26)	194,281	223,662
Other non-current assets	6(10) and 8	1,106,700	1,198,696
<b>Non-current assets</b>		<u>18,409,206</u>	<u>15,422,027</u>
<b>Total assets</b>		<u>\$ 56,999,758</u>	<u>\$ 50,900,010</u>

(Continued)

**CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**YEARS ENDED DECEMBER 31**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2014 AMOUNT	December 31, 2013 AMOUNT
<b>Current liabilities</b>			
Short-term borrowings	6(11)	\$ 2,098,920	\$ 697,601
Financial liabilities at fair value through profit or loss - current	6(2)	143,388	11,986
Notes payable		31,341	15,624
Accounts payable	6(12)	19,115,143	16,031,520
Accounts payable - related parties	7	425,304	570,688
Other payables		6,939,367	6,044,149
Current income tax liabilities		1,135,472	1,127,318
Other current liabilities	6(13)	567,847	650,405
<b>Current Liabilities</b>		<b>30,456,782</b>	<b>25,149,291</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6(13)	500,000	923,645
Provisions for liabilities - noncurrent	6(15)	-	324,176
Deferred income tax liabilities	6(26)	36,999	36,811
Other non-current liabilities	6(14)	179,335	162,778
<b>Non-current liabilities</b>		<b>716,334</b>	<b>1,447,410</b>
<b>Total Liabilities</b>		<b>31,173,116</b>	<b>26,596,701</b>
<b>Equity attributable to owners of parent</b>			
<b>Share capital</b>			
Share capital - common stock	6(16)	6,948,654	6,867,216
<b>Capital surplus</b>			
Capital surplus	6(17)	3,602,741	3,068,074
<b>Retained earnings</b>			
Legal reserve	6(18)	3,069,046	2,690,843
Special reserve		433,524	1,457,609
Unappropriated retained earnings		8,440,750	6,927,695
<b>Other equity interest</b>			
Other equity interest	6(19)	( 52,986)	307,740
<b>Treasury stocks</b>	6(16)	( 311,277)	( 311,277)
<b>Equity attributable to owners of the parent</b>		<b>22,130,452</b>	<b>21,007,900</b>
<b>Non-controlling interest</b>		<b>3,696,190</b>	<b>3,295,409</b>
<b>Total equity</b>		<b>25,826,642</b>	<b>24,303,309</b>
<b>Significant contingent liabilities and unrecognized contract commitments</b>	9		
<b>Significant events after the balance sheet date</b>	11		
<b>Total liabilities and equity</b>		<b>\$ 56,999,758</b>	<b>\$ 50,900,010</b>

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

See report of independent accountants dated March 25, 2015.

**CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Notes	For the years ended December 31,	
		2014	2013
<b>Sales revenue</b>	6(20) and 7	\$ 80,110,692	\$ 74,539,148
<b>Operating costs</b>	6(6)(23)(24) and 7	( 67,564,442)	( 63,100,209)
<b>Net operating margin</b>		12,546,250	11,438,939
<b>Operating expenses</b>	6(14)(23)(24)		
Selling expenses		( 3,265,651)	( 2,725,831)
General & administrative expenses		( 2,416,535)	( 2,400,186)
Research and development expenses		( 2,182,395)	( 2,060,193)
<b>Total operating expenses</b>		( 7,864,581)	( 7,186,210)
<b>Operating profit</b>		4,681,669	4,252,729
<b>Non-operating income and expenses</b>			
Other income	6(21)	517,712	440,860
Other gains and losses	6(22)	544,979	338,907
Finance costs	6(25)	( 46,587)	( 85,470)
Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	( 91,916)	35,994
<b>Total non-operating income and expenses</b>		924,188	730,291
<b>Profit before income tax</b>		5,605,857	4,983,020
Income tax expense	6(26)	( 950,027)	( 853,279)
<b>Profit for the year</b>		<u>\$ 4,655,830</u>	<u>\$ 4,129,741</u>
<b>Other comprehensive income</b>			
Cumulative translation differences of foreign operations		\$ 1,107,967	\$ 849,270
Unrealized (loss) gain on valuation of available-for-sale financial assets		( 1,472,903)	1,013,546
Actuarial loss on defined benefit plan		( 24,195)	( 10,257)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		10,942	11,825
<b>Total other comprehensive (loss) income for the year</b>		<u>(\$ 378,189)</u>	<u>\$ 1,864,384</u>
<b>Total comprehensive income for the year</b>		<u>\$ 4,277,641</u>	<u>\$ 5,994,125</u>
<b>Profit, attributable to:</b>			
Owners of the parent		<u>\$ 4,080,939</u>	<u>\$ 3,782,029</u>
Non-controlling interest		<u>\$ 574,891</u>	<u>\$ 347,712</u>
<b>Comprehensive income attributable to:</b>			
Owners of the parent		<u>\$ 3,699,702</u>	<u>\$ 5,577,272</u>
Non-controlling interest		<u>\$ 577,939</u>	<u>\$ 416,853</u>
<b>Earnings per share</b>	6(27)		
<b>Total basic earnings per share</b>		<u>\$ 6.22</u>	<u>\$ 5.81</u>
<b>Total diluted earnings per share</b>		<u>\$ 6.13</u>	<u>\$ 5.70</u>

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

See report of independent accountants dated March 25, 2015.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent										
		Share capital - common stock	Total capital surplus, additional paid-in capital	Retained Earnings			Other equity interest				Non-controlling interest	Total equity
				Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total		
<b>Year 2013</b>												
Balance at January 1, 2013		\$ 6,757,782	\$ 1,610,162	\$ 2,306,419	\$ 433,524	\$ 7,410,565	(\$ 645,897 )	(\$ 849,885 )	(\$ 311,277 )	\$ 16,711,393	\$ 2,008,145	\$ 18,719,538
Appropriation of 2012 earnings	6(18)	-	-	384,424	-	( 384,424 )	-	-	-	-	-	-
Appropriation of legal reserve		-	-	-	1,024,085	( 1,024,085 )	-	-	-	-	-	-
Appropriation of special reserve		-	-	-	-	( 67,578 )	-	-	-	-	-	-
Distribution of stock dividends		67,578	-	-	-	( 67,578 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 2,770,691 )	-	-	-	( 2,770,691 )	-	( 2,770,691 )
Profit for 2013		-	-	-	-	3,782,029	-	-	-	3,782,029	347,712	4,129,741
Other comprehensive income (loss) for 2013		-	-	-	-	( 8,279 )	813,461	990,061	-	1,795,243	69,141	1,864,384
Cash dividends paid to the subsidiaries		-	147,937	-	-	-	-	-	-	147,937	-	147,937
Adjustments to share of changes in equity of associates and joint ventures		-	70,383	-	-	( 9,842 )	-	-	-	60,541	-	60,541
Difference between proceeds from addition and disposal of subsidiary and book value		-	959,448	-	-	-	-	-	-	959,448	-	959,448
Appropriation of employee bonuses		41,856	280,144	-	-	-	-	-	-	322,000	-	322,000
Minority interest adjustment		-	-	-	-	-	-	-	-	-	870,411	870,411
Balance at December 31, 2013		<u>\$ 6,867,216</u>	<u>\$ 3,068,074</u>	<u>\$ 2,690,843</u>	<u>\$ 1,457,609</u>	<u>\$ 6,927,695</u>	<u>\$ 167,564</u>	<u>\$ 140,176</u>	<u>(\$ 311,277 )</u>	<u>\$ 21,007,900</u>	<u>\$ 3,295,409</u>	<u>\$ 24,303,309</u>
<b>Year 2014</b>												
Balance at January 1, 2014		\$ 6,867,216	\$ 3,068,074	\$ 2,690,843	\$ 1,457,609	\$ 6,927,695	\$ 167,564	\$ 140,176	(\$ 311,277 )	\$ 21,007,900	\$ 3,295,409	\$ 24,303,309
Appropriation of 2013 earnings	6(18)	-	-	378,203	-	( 378,203 )	-	-	-	-	-	-
Appropriation of legal reserve		-	-	-	( 1,024,085 )	1,024,085	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	( 34,336 )	-	-	-	-	-	-
Distribution of stock dividends		34,336	-	-	-	( 34,336 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 3,158,919 )	-	-	-	( 3,158,919 )	-	( 3,158,919 )
Profit for 2014		-	-	-	-	4,080,939	-	-	-	4,080,939	574,891	4,655,830
Other comprehensive income (loss) for 2014		-	-	-	-	( 20,511 )	1,062,380	( 1,423,106 )	-	( 381,237 )	3,048	( 378,189 )
Cash dividends paid to the subsidiaries		-	167,639	-	-	-	-	-	-	167,639	-	167,639
Adjustments to share of changes in equity of associates and joint ventures		-	( 106 )	-	-	-	-	-	-	( 106 )	-	( 106 )
Difference between proceeds from addition and disposal of subsidiary and book value		-	47,736	-	-	-	-	-	-	47,736	-	47,736
Appropriation of employee bonuses		47,102	319,398	-	-	-	-	-	-	366,500	-	366,500
Minority interest adjustment		-	-	-	-	-	-	-	-	-	( 177,158 )	( 177,158 )
Balance at December 31, 2014		<u>\$ 6,948,654</u>	<u>\$ 3,602,741</u>	<u>\$ 3,069,046</u>	<u>\$ 433,524</u>	<u>\$ 8,440,750</u>	<u>\$ 1,229,944</u>	<u>(\$ 1,282,930 )</u>	<u>(\$ 311,277 )</u>	<u>\$ 22,130,452</u>	<u>\$ 3,696,190</u>	<u>\$ 25,826,642</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2015.

**CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31,</u>	
		<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Consolidated profit before tax for the year		\$ 5,605,857	\$ 4,983,020
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(8)	1,899,068	1,679,936
Amortization	6(9)	89,295	71,600
Long-term lease amortization	6(10)	18,792	18,695
Reversal of allowance for doubtful accounts	12	( 5,087 )	( 42,637 )
Interest expense	6(25)	46,587	85,470
Interest income	6(21)	( 52,387 )	( 32,950 )
Dividend income	6(21)	( 210,185 )	( 153,962 )
Impairment loss on financial assets	6(22)	-	20,556
Gain on valuation of financial assets	6(2)(22)	( 415,444 )	( 402,696 )
Investment loss (gain) recognized under the equity method	6(7)	91,916	( 35,994 )
Loss on disposal of property, plant and equipment	6(22)	45,798	11,778
Gain on investments	6(22)	( 645,673 )	( 591,139 )
Provisions for liabilities-noncurrent	6(15)	-	324,176
Gain on reversal of provisions for liabilities-noncurrent	6(15)	( 66,221 )	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets and liabilities at fair value through profit or loss - current		396,295	332,422
Notes receivable		27,840	48,989
Accounts receivable		( 576,348 )	( 1,192,795 )
Accounts receivable - related parties		( 122,878 )	( 26,235 )
Other receivables		13,669	218,221
Inventories		( 1,308,377 )	( 160,612 )
Prepayments		( 705,950 )	( 70,529 )
Other current assets		( 26,189 )	( 572 )
Net changes in liabilities relating to operating activities			
Notes payable		15,717	3,691
Accounts payable		3,083,365	2,076,017
Accounts payable - related parties		( 145,384 )	( 109,920 )
Other payables		1,093,554	1,456,370
Other current liabilities		( 47,443 )	20,712
Provisions		( 224,245 )	-
Other non-current liabilities		( 33,688 )	32,389
Cash generated from operations		<u>7,842,254</u>	<u>8,564,001</u>
Interest received		52,053	35,362
Dividend received		232,867	153,962
Interest paid		( 41,987 )	( 102,326 )
Income tax paid		( 912,304 )	( 795,243 )
Net cash provided by operating activities		<u>7,172,883</u>	<u>7,855,756</u>

(Continued)

**CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31,</u>	
		<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in available-for-sale financial assets		(\$ 4,147,769 )	(\$ 3,062,819 )
Proceeds from disposal of available-for-sale financial assets		3,740,399	2,987,161
Increase in financial assets carried at cost – non-current		( 652,331 )	( 106,277 )
Return of capital from financial assets carried at cost – non-current		16,000	5,850
Increase in long-term investments accounted for under the equity method– non subsidiaries		-	( 282,739 )
Proceeds from disposal of long-term investments accounted for under equity method		-	567,493
Acquisition of property, plant and equipment	6(28)	( 4,094,872 )	( 3,258,951 )
Proceeds from disposal of property, plant and equipment		170,860	213,037
Receipt of government subsidies (recognized as deduction to "other non-current assets")		-	119,101
Acquisition of intangible assets	6(9)	( 69,863 )	( 108,084 )
Proceeds from disposal of intangible assets		-	47
Increase in other non-current assets		( 251,095 )	( 771,366 )
Increase in refundable deposits		( 56,516 )	( 17,737 )
Cash flow from business combination		525	-
Net cash used in investing activities		<u>( 5,344,662 )</u>	<u>( 3,715,284 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease (increase) in short-term borrowings		1,401,319	( 1,006,296 )
Increase in long-term borrowings		911,060	5,036,790
Decrease in long-term borrowings		( 1,370,570 )	( 8,518,035 )
Payment of cash dividends		( 2,991,280 )	( 2,622,754 )
(Decrease) increase in guarantee deposits		( 200 )	14,857
Changes in non-controlling interests		( 358,574 )	1,933,762
Net cash used in financing activities		<u>( 2,408,245 )</u>	<u>( 5,161,676 )</u>
Effect of exchange rate changes on cash and cash equivalents		982,383	761,048
Increase (decrease) in cash and cash equivalents		402,359	( 260,156 )
Cash and cash equivalents at beginning of year	6(1)	<u>1,578,337</u>	<u>1,838,493</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,980,696</u>	<u>\$ 1,578,337</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2015.

## Attachment 4

### Chicony Electronics Co., Ltd. 2014 Profit Distribution Table

Unit: NTD

Item	Amount
Undistributed Earnings after Adjustment	
Undistributed Earnings at the Beginning of the Period (Note 1)	\$4,380,321,401
deduct : Adjustment for Retained Earnings of 2014(Note 2)	(20,511,090)
Total	\$4,359,810,311
Distributable Earnings from Current Year	
Net Income of 2014	\$4,080,939,422
deduct : 10% Legal Reserve	(408,093,942)
Total	\$3,672,845,480
Distributable Earnings as of the end of the Year	\$8,032,655,791
Dividends Distribution	
Cash Dividends (4.65 per share)	(\$3,231,124,170)
Stock Dividends (0.05 per share)	(34,743,270)
Total	(\$3,265,867,440)
Undistributed Earnings at the end of the Period	4,766,788,351
Note :	
<ol style="list-style-type: none"> <li>1. Undistributed earnings after the resolution for the 2013 earning distribution on 2014 Shareholders' Meeting</li> <li>2. Adjustment for Retained Earnings resulting from accounting conduct in 2014, which include: <ol style="list-style-type: none"> <li>(1) Defined pension benefit plan actuarial losses (\$17,073,111)</li> <li>(2) Retained Earnings Adjustment due to investment with equity method (\$3,437,979)</li> </ol> </li> <li>3. In accordance with the Company's Articles of Incorporation, the remuneration to directors and supervisors and bonus to employees are enumerated below: <ol style="list-style-type: none"> <li>(1) Remuneration to directors and supervisors NT\$ 36,728,455.</li> <li>(2) Bonus to employees NT\$ 587,655,277.</li> </ol>                     (Bonuses to employees to be allocated in stocks, the number of shares shall be duly calculated based on the final price closed on the date preceding the shareholders' meeting with consideration of the ex-right and ex-dividend impact taken into account.)                 </li> <li>4. In the event that the final decision that is later resolved by the shareholders' meeting on the amounts of the remuneration to directors and supervisors and bonus to employees differs from the original anticipated amounts, the discrepancy shall be duly handled based on the change in accounting principles, to be entered as the profit and/or loss for the 2015 fiscal year.</li> <li>5. The aggregate total of the outstanding shares: 694,865,413 shares.</li> </ol>	

## Attachment 5

### Chicony Electronics Co., Ltd. List of Nominees for Director Election

Name	Shareholding (Note)	Education	Experience	Position Held Concurrently in Other Companies		
				Company	Relation with the Company	Position
Hank Liu	340,252	Industrial Design, National Taipei University of Technology	Executive VP, Sunrex Corp. GM, Chi Mei Specialty Co., Ltd. GM of MKB Business Unit, Chicony Electronics Co., Ltd	Suzhou Qun Yang Electronics Co.,Ltd	Indirectly Invested by the company	Director
				XAVi Technology	Directly Invested by the Company	Director
				Shun On Electronic Co., Ltd.	Directly Invested by the Company	Legal Representative Director

Note: Number of shares as of April 19, 2015

