Ticker Number: 2385

Chicony Electronics CO., Ltd.

Annual Report 2015

Report to Shareholders

1. Year 2015 performance (All in NTD$)

1.1 Operating results

Joint efforts by our management team and employees, our Consolidated Revenue increased to $80,663,369 thousands. Our Operation Income amounted to $4,605,263 thousands, while the Net Income amounted to $3,847,991 thousands.

1.2 Financial highlights and profitability analysis

a. Financial highlights

Units: NTD thousands

Item	2015	2014	Increase (decrease)
Operating profit	4,605,263	4,681,669	(1.63%)
Net profit after tax	3,847,991	4,080,939	(5.71%)
Average total assets	58,029,971	53,949,884	7.56%
Average shareholder equity	22,249,419	21,569,176	3.15%

b.Profitability

Item	2015	2014
Return on average assets (%)	6.63	7.64
Return on average shareholder equity (%)	17.29	18.92
Operating profit on end-of-period shareholder equity (%)	65.43	67.38
Net profit margin (%)	4.77	5.09
Earnings per share (EPS) in NTD	5.79	6.22

*The 2015 EPS is unadjusted by employee bonus and plowback funding, which would affect stock share numbers.

1.3 Research and development

In 2015, Chicony spent approximately $2,225,418 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 the “Chicony R&D scholarship” and “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, IoT and VR related application, LED car lighting and smart building green energy solution, our portion of non-PC new product has also exceeded PC products to meet the various market demands and to create more Blue-ocean market opportunity.

2 Year 2016 outlook

2.1 2016 goals and outlook

According to the global economy outlook published by IMF, the 2016 global GDP growth rate is expected to be 3.4%. Due to the factors of price collapse of oil and commodity, interest raise in America, slowing down economy in China, tense situation in Mid-East and refugee crisis in Europe, the global economy growth will face more uncertainty in 2016. The economy in Europe and America will continue to recover. The 2016 GDP growth rate is expected to be 2.8% in America and 1.6% in Europe. The economy growth in China is slowing down with a 6.3% growth rate in 2016. And the economic growth rate is anticipated to be 1.0% in Japan. The electronic industry will benefit from the recovery of mature markets since the strengthened consuming power will extend the high-end products demand to some extent. However, the strong USD will also enhance the debt burden in emerging markets and have impact on the economy growth in 2016.

Due to the weak recovery of global economy, low demand from emergying market, crowding effect of mobile devices, extension of PC usage and the free upgrade strategy of Windows 10, the global PC sales is evidently slowing down with a 15% decline of desktop in 2015. Though the demand of Desktop (DT) was decreasing in 2016, high-end gaming and professional drawing PC are being popular, the demand of PC with new product, such as Virtual Reality (VR) and Augmented Reality (AR) are increasing, so that the decline of PC will be reduced. As for NB, the market was still looked worse than last year. Due to the demand of gaming and 2-in-1 NB, the applied of Cloud and IoT are increasing, we are looking forward to increasing the production in 2016. The recession of tablet will be shortening to 4.8% according to the investigation of Digitimes Resaerch, the main reason was size requirement of tablet has been adjusted. On the basis estimation of IEK, the shipment of smartphone is about 15.8 hundred million pcs; annual growth rate is about 7.7%. It seems an obvious development trend for both high level and low-end smartphone. The demand of smartphone will transferred to Emerging Markets since the penetration rate has been high in Maniland China, Europe and America. As we mentioned above, the average sales price (ASP) will be revised, and the sales amount of mid-level and low-end smartphone will gradually increase.

So far we are putting more and more emphasis on our new production line especially in non-PC industry, such as cloud products like Gaming and Server from our subsidiary Chicony Power Techonology; Wearable electronics, wireless camera and home surveillance from Chicony. The sales revenue of non-PC products has more than 50% in overall. Look into the future, the electronic component industry in Taiwan is under huge pressure because of low growth in end-user market of smartphone, change of competitors and IoT environment. Meanwhile, the electronic component industry in China has rapidly being mature, what we used to depend on is economies of scale was instead of technical upgrade and supply chain acceleration. In the next coming year, we are still facing more challenges especially in multi-applied and complex market condition of IoT.

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 new products such as drone, smart car, VR and AR. The computer peripheral sales units are estimated to reach 256.9 million units, and 136.9 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 and cloud service, wearable device, drone, virtual reality (VR) application, LED car light smart building green energy solution, and wireless power products to enlarge the product scope.

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 Smart Home and the new products such as wearable devices, drone, virtual reality (VR) 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 promote corporate social responsibility items and 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.

(5) 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.

(6) 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 and strengthen the stock and finance affairs of corporate governance.

(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.

Chairman: Kent Hsu

Vice President and General Manger: MK Lin

Chief Accounting Officer: Molly Lin

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2015 AND 2014

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

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

We have audited the accompanying consolidated balance sheets of Chicony Electronics Co., Ltd. and its subsidiaries as of December 31, 2015 and 2014, 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 2015 and 2014 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$1,211,360 thousand and NT$1,179,226 thousand, constituting 2.05% and 2.07% of total consolidated assets as of December 31, 2015 and 2014, respectively. The total revenues of those subsidiaries amounted to NT$2,468,615 thousand and NT$2,457,751 thousand, constituting 3.06% and 3.07% of total consolidated revenues for the years ended December 31, 2015 and 2014. The balance of those long-term investments accounted for using equity method as of December 31, 2015 and 2014 were NT$83,317 thousand and NT$89,591 thousand, constituting 0.14% and 0.16% 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, 2015 and 2014 were (NT$6,275) thousand and NT$4,253 thousand, constituting (0.18%) and 0.10% 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(8) 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 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, 2015 and 2014 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, 2015 and 2014, and have expressed a modified unqualified opinion on such financial statements.

March 21, 2016

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.

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

	Assets	Notes	December 31, 2015	December 31, 2014
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 2,349,599	$ 1,980,696
1110	Financial assets at fair value through profit or loss - current	6(2)	437,429	267,564
1125	Available-for-sale financial assets - current	6(3)	3,969,736	5,151,339
1144	Financial assets carried at cost - current	6(4)	10,617	-
1150	Notes receivable, net		266,456	15,999
1170	Accounts receivable, net	6(5)	18,073,961	18,913,995
1180	Accounts receivable - related parties	7	329,439	241,285
1200	Other receivables		452,479	596,465
130X	Inventories, net	6(7)	9,413,581	10,018,702
1410	Prepayments		972,681	1,305,852
1470	Other current assets	8	141,818	27,886
11XX	**Current Assets**		36,417,796	38,519,783
	Non-current assets			
1523	Available-for-sale financial assets - noncurrent	6(3)	1,596,614	382,573
1543	Financial assets carried at cost - noncurrent	6(4)	917,494	1,097,746
1550	Investments accounted for under the equity method	6(8)	999,597	1,176,824
1600	Property, plant and equipment, net	6(9)	15,461,482	14,204,652
1760	Investment property - net	6(10) and 8	1,968,855	-
1780	Intangible assets	6(11)	263,118	246,430
1840	Deferred income tax assets	6(28)	112,560	194,281
1900	Other non-current assets	6(12) and 8	1,322,668	1,177,469
15XX	**Non-current assets**		22,642,388	18,479,975
1XXX	**Total assets**		$ 59,060,184	$ 56,999,758

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

	Liabilities and Equity	Notes	December 31, 2015	December 31, 2014
	Current liabilities			
2100	Short-term borrowings	6(13) and 8	$ 2,473,216	$ 2,098,920
2120	Financial liabilities at fair value through profit or loss - current	6(2)	107,399	143,388
2150	Notes payable		16,298	31,341
2170	Accounts payable	6(14)	18,588,195	19,115,143
2180	Accounts payable - related parties	7	500,250	425,304
2200	Other payables		7,181,716	6,939,367
2230	Current income tax liabilities		1,082,321	1,135,472
2300	Other current liabilities	6(15)	273,716	567,847
21XX	**Current Liabilities**		30,223,111	30,456,782
	Non-current liabilities			
2540	Long-term borrowings	6(15) and 8	2,389,694	500,000
2570	Deferred income tax liabilities	6(28)	37,189	36,999
2600	Other non-current liabilities		205,673	179,335
25XX	**Non-current liabilities**		2,632,556	716,334
2XXX	**Total Liabilities**		32,855,667	31,173,116
	Equity attributable to owners of parent			
	Share capital	6(18)		
3110	Share capital - common stock		7,038,101	6,948,654
	Capital surplus	6(19)		
3200	Capital surplus		4,090,426	3,602,741
	Retained earnings	6(20)		
3310	Legal reserve		3,477,140	3,069,046
3320	Special reserve		433,524	433,524
3350	Unappropriated retained earnings		8,591,961	8,440,750
	Other equity interest	6(21)		
3400	Other equity interest		(951,489)	(52,986)
3500	**Treasury stocks**	6(18) and 8	(311,277)	(311,277)
31XX	**Equity attributable to owners of the parent**		22,368,386	22,130,452
36XX	**Non-controlling interest**		3,836,131	3,696,190
3XXX	**Total equity**		26,204,517	25,826,642
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant events after the balance sheet date	11		
3X2X	**Total liabilities and equity**		$ 59,060,184	$ 56,999,758

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2016.

CHICONY ELECTRONICS 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
4000	**Sales revenue**	6(22) and 7	$ 80,663,369	$ 80,110,692
5000	**Operating costs**	6(7)(25)(26) and 7	(68,411,552)	(67,564,442)
5900	**Net operating margin**		12,251,817	12,546,250
	Operating expenses	6(25)(26)		
6100	Selling expenses		(3,026,581)	(3,265,651)
6200	General & administrative expenses		(2,394,555)	(2,416,535)
6300	Research and development expenses		(2,225,418)	(2,182,395)
6000	**Total operating expenses**		(7,646,554)	(7,864,581)
6900	**Operating profit**		4,605,263	4,681,669
	Non-operating income and expenses			
7010	Other income	6(23)	735,082	517,712
7020	Other gains and losses	6(24)	233,881	544,979
7050	Finance costs	6(27)	(76,212)	(46,587)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(8)	(168,666)	(91,916)
7000	**Total non-operating income and expenses**		724,085	924,188
7900	**Profit before income tax**		5,329,348	5,605,857
7950	Income tax expense	6(28)	(849,615)	(950,027)
8200	**Profit for the year**		$ 4,479,733	$ 4,655,830

(Continued)

CHICONY ELECTRONICS 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
	Other comprehensive income			
	Components of other comprehensive income that will not be reclassified to profit or loss			
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(16)	($ 28,133)	($ 24,195)
8320	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(344)	57
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(28,477)	(24,138)
	Components of other comprehensive income that will be reclassified to profit or loss			
8361	Other comprehensive income, before tax, exchange differences on translation		148,153	1,107,967
8362	Other comprehensive loss, before tax, available-for-sale financial assets	6(3)	(1,078,453)	(1,472,903)
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for under the equity method		(8,216)	10,885
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(938,516)	(354,051)
8300	**Total other comprehensive loss for the year**		($ 966,993)	($ 378,189)
8500	**Total comprehensive income for the year**		$ 3,512,740	$ 4,277,641
	Profit, attributable to:			
8610	Owners of the parent		$ 3,847,991	$ 4,080,939
8620	Non-controlling interest		$ 631,742	$ 574,891
	Comprehensive income attributable to:			
8710	Owners of the parent		$ 2,926,669	$ 3,699,702
8720	Non-controlling interest		$ 586,071	$ 577,939
	Earnings per share	6(29)		
9750	**Total basic earnings per share**		$ 5.79	$ 6.19
9850	**Total diluted earnings per share**		$ 5.70	$ 6.10

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2016.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
				Retained Earnings			Other equity interest					
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year 2014												
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(20)											
Appropriation of legal reserve		-	-	378,203	-	(378,203)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	(1,024,085)	1,024,085	-	-	-	-	-	-
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		$ 6,948,654	$ 3,602,741	$ 3,069,046	$ 433,524	$ 8,440,750	$ 1,229,944	($ 1,282,930)	($ 311,277)	$ 22,130,452	$ 3,696,190	$ 25,826,642
Year 2015												
Balance at January 1, 2015		$ 6,948,654	$ 3,602,741	$ 3,069,046	$ 433,524	$ 8,440,750	$ 1,229,944	($ 1,282,930)	($ 311,277)	$ 22,130,452	$ 3,696,190	$ 25,826,642
Appropriation of 2014 earnings	6(20)											
Appropriation of legal reserve		-	-	408,094	-	(408,094)	-	-	-	-	-	-
Distribution of stock dividends		34,743	-	-	-	(34,743)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,231,124)	-	-	-	(3,231,124)	-	(3,231,124)
Profit for 2015		-	-	-	-	3,847,991	-	-	-	3,847,991	631,742	4,479,733
Other comprehensive income (loss) for 2015		-	-	-	-	(22,819)	175,816	(1,075,665)	-	(922,668)	(45,671)	(968,339)
Cash dividends paid to the subsidiaries		-	170,307	-	-	-	-	-	-	170,307	-	170,307
Difference between proceeds from addition and disposal of subsidiary and book value		-	9,353	-	-	-	(1,711)	3,057	-	10,699	-	10,699
Adjustments to share of changes in equity of associates and joint ventures		-	(58,271)	-	-	-	-	-	-	(58,271)	-	(58,271)
Appropriation of employee bonuses		54,704	366,296	-	-	-	-	-	-	421,000	-	421,000
Minority interest adjustment		-	-	-	-	-	-	-	-	-	(446,130)	(446,130)
Balance at December 31, 2015		$ 7,038,101	$ 4,090,426	$ 3,477,140	$ 433,524	$ 8,591,961	$ 1,404,049	($ 2,355,538)	($ 311,277)	$ 22,368,386	$ 3,836,131	$ 26,204,517

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2016.

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

	Notes	For the years ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,329,348	$ 5,605,857
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(26)	2,025,739	1,899,068
Amortization	6(9)(11)	87,546	89,295
Long-term lease amortization	6(12)	12,243	18,792
Reversal of allowance for doubtful accounts		(3,801)	(5,087)
Interest expense	6(27)	76,212	46,587
Interest income	6(23)	(71,602)	(52,387)
Dividend income	6(23)	(228,005)	(210,185)
Gain on valuation of financial assets	6(2)(24)	(565,867)	(415,444)
Investment loss recognized under the equity method		168,666	91,916
Loss on disposal of property, plant and equipment	6(24)	17,400	45,798
Loss on disposal of intangible assets		2,044	-
Gain on investments	6(24)	(162,019)	(645,673)
Gain on reversal of provisions for liabilities-noncurrent	6(24)	-	(66,221)
Impairment loss of non-financial assets	6(11)(24)	53,000	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss - current		360,013	396,295
Notes receivable		(250,457)	27,840
Accounts receivable		1,000,127	(576,348)
Accounts receivable - related parties		(88,154)	(122,878)
Other receivables		(9,280)	13,669
Inventories		651,917	(1,308,377)
Prepayments		335,120	(635,181)
Other current assets		27,165	(26,189)
Changes in operating liabilities			
Notes payable		(15,043)	15,717
Accounts payable		(594,330)	3,083,365
Accounts payable - related parties		74,946	(145,384)
Other payables		442,782	1,093,554
Other current liabilities		114,334	(47,443)
Provisions		-	(224,245)
Other non-current liabilities		(1,795)	(33,688)
Cash flows generated from operations		8,788,249	7,913,023
Interest received		71,741	52,053
Dividend received		228,005	232,867
Interest paid		(78,144)	(41,987)
Income tax paid		(820,855)	(912,304)
Net cash flows provided by operating activities		8,188,996	7,243,652

(Continued)

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

	Notes	For the years ended December 31, 2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acqusition of government grants		$ 198,834	$ -
Increase in other current assets		(141,097)	-
Increase in available-for-sale financial assets		(3,678,560)	(4,147,769)
Proceeds from disposal of available-for-sale financial assets		3,396,981	3,740,399
Increase in financial assets carried at cost – non-current		(431,696)	(652,331)
Return of capital from financial assets carried at cost – non-current		4,205	16,000
Acquisition of property, plant and equipment	6(30)	(2,817,104)	(4,094,872)
Proceeds from disposal of property, plant and equipment		307,884	170,860
Acquisition of investment property	6(10)	(1,893,763)	-
Acquisition of intangible assets	6(11)	(63,004)	(69,863)
Increase in other non-current assets		(762,009)	(321,864)
Cash flows from business combinations		(210,437)	525
Increase in refundable deposits		(114,021)	(56,516)
Net cash flows used in investing activities		(6,203,787)	(5,415,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		374,296	1,401,319
Increase in long-term borrowings		6,847,944	911,060
Decrease in long-term borrowings		(5,369,310)	(1,370,570)
Payment of cash dividends		(3,060,817)	(2,991,280)
Decrease in guarantee deposits		-	(200)
Changes in non-controlling interests		(552,969)	(358,574)
Net cash flows used in financing activities		(1,760,856)	(2,408,245)
Effect of exchange rate changes on cash and cash equivalents		144,550	982,383
Net increase in cash and cash equivalents		368,903	402,359
Cash and cash equivalents at beginning of year	6(1)	1,980,696	1,578,337
Cash and cash equivalents at end of year	6(1)	$ 2,349,599	$ 1,980,696

CHICONY ELECTRONICS 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 Electronics Co., Ltd. (the "Company") was incorporated in 1983 as a company limited by shares under the provisions of the Company Law of the Republic of China. The Company has been a listed company since 1999. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacturing and sales of keyboards and other computer peripheral components.

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 21, 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 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

C. 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 amortization (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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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 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" and the 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) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized past service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and 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.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2015	Ownership(%) December 31, 2014	Description
Chicony Electronics Co., Ltd. (CEC)	Chicony Overseas Inc. (COI)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Unikey Electronics Co., Ltd. (UNIKEY)	Manufacturing and sales of computer and computers peripherals	100%	100%	
"	Hipro Overseas(BVI) Inc. (HOI)	Sales of switching power supplies and other electronic parts and management of overseas acquisitions and investments	100%	100%	
"	Hipro Electronics Ltd. (HEC)	Sales of switching power supplies and other electronic parts	100%	100%	
"	XAVi Technology Corp. (XAVi)	Researching, manufacturing and sales of DSL bridges and routers	48.87%	60.35%	
"	Chicony Electronics (Thailand) Co., Ltd. (CET)	Manufacturing and sales of computer peripherals	100%	100%	
"	Chicony Global Inc. (CGI)	Sales of computer peripherals	100%	100%	
"	Chicony Power Technology Co., Ltd. (CP)	Manufacturing and sales of the plastic goods	49.36%	49.07%	
"	Had Eri Iou Industrial Inc. Ltd.	Manufacturing and sales of plastic goods	50.25%	50.25%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2015	Ownership(%) December 31, 2014	Description
COI	Chicony America Inc. (CAI)	Sales of computer peripherals	100%	100%	
"	Chicony Electronics GmbH. (CEG)	"	-	100%	
"	Chicony Electronics(Dong Guan) Co., Ltd. (CEM2)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Mao-Feng International Inc.(Mao-Feng)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony Electronics(Suzhou) Co., Ltd. (CEM3)	Manufacturing and sales of computers and computer	100%	100%	Note G
"	Global Faith Inc. (GFI)	Sales of computer peripherals Management of overseas acquisitions and investments	60%	60%	
"	Real Young Electronics Co., Ltd. (Real Young)	Design and sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Mao-Ray Electronics (DongGuan) Co., Ltd. (Mao-Ray)	Manufacturing of electronic parts, keyboards and plastic products	100%	100%	
"	Suzhou Mao-Qun Electronics Co., Ltd. (Mao-Qun)	Manufacturing of electronic parts, keyboards and plastic products	60%	60%	
"	Chicony Electronics CEZ s.r.o. (CEZ)	Sales of computer peripherals	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2015	Ownership(%) December 31, 2014	Description
COI	Suzhou Qun-Yang Electronics Co., Ltd. (Qun-Yang)	Manufacturing and sales of electronic parts, keyboard and plastic products	60%	60%	
"	Chicony Electronics Japan Co., Ltd. (CEJ)	Sales of computer peripherals	100%	100%	
"	Kuang Mao International Inc. (Kuang Mao)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony America Group Inc. (CAGI)	Internet solution for E-Commerce solution	100%	100%	
"	Chicony Electronics (Chong-Qing) Co., Ltd. (CEM5)	Manufacturing and sales of computer peripherals	100%	100%	
〃	Hikari Investment GK (Hikari)	Investment holdings	99%	-	Note C
HEC	Quansun Investment Corp. Ltd. (Quansun)	Investment holdings	100%	100%	
"	Qun-Jing Power Co., Ltd. (Qun-Jing)	Sales of computer peripherals and consumer equipment	100%	100%	
CP	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
"	Chicony Power International Inc. (CPI)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2015	Ownership(%) December 31, 2014	Description
CP	Chicony Power USA Inc. (CPUS)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology HongKong Limited (CPHK)	Research and development centre	100%	100%	
"	WitsLight Technology Co., Ltd (WTS)	Design, research and development, manufacturing and sale of LED lighting modules	78.125%	78.125%	Note B
WTS	WitsLight Technology Co., Ltd (WT)	Design, research and development of LED lighting modules and international trade	100%	100%	Note B
"	WitsLight Technology (Kunshan) Co., Ltd (WTK)	Manufacturing and sales of LED lighting modules	100%	100%	Note B
〃	Zhuzhou Torch Auto Lamp CO., Ltd (Zhuzhou Torch)	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic	100%	-	Note F
CPHK	Hipro Electronics(Dong Guan) Co., Ltd. (HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	Note E

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2015	Ownership(%) December 31, 2014	Description
CPHK	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and	100%	100%	
"	Quang Sheng Electronics (Nanchang) Co., Ltd. (GSE)	Production and sales of electronic equipment (magnetic element, circuit board and keyboard) and	100%	100%	
"	Chicony Power Technology (Chong-Qing) Co., Ltd. (CPCQ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and LED lighting	100%	100%	
"	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipments	100%	100%	
"	Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of switching power supplies, LED lighting equipment, and other electronics parts	100%	100%	
XAVi	Directmax International Ltd. (Directmax)	Management of overseas acquisitions and investments	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2015	Ownership(%) December 31, 2014	Description
XAVi	XAVi Overseas Ltd. (XAVi Overseas)	Sales of DSL bridges and routers Management of overseas acquisitions and investments	100%	100%	
"	Systemax Development Ltd.	Sales of DSL bridges and routers	100%	100%	
"	XAVi Technologies (Suzhou) Co., Ltd.	Manufacturing and sales of DSL bridges and routers	100%	100%	
HEI	GUIDWAY GLOBAL LIMITED	Investment	100%	100%	
"	HAD ERI IOU INTERNATIONAL Co., LIMITED (Haderiiou HK)	Investment	100%	100%	
"	HOLYU INTERNATIONAL Co., Ltd.	Sales of plastic toys, plastic hardware molds, plastic cases, components for computer hardware and business	81%	81%	Note A
"	Dong Guan Had Eri Iou Plastics Corporation (Haderiiou DG)	Manufacturing and sales of plastic goods and computer parts	81%	81%	Note D

Note A: Held 57.27% of the voting shares with COI as a whole.

Note B: CPI obtained 78.125% of share capital in WTS in July 2014. WTS and its subsidiaries are included in the consolidated entity starting from the date as control was transferred to CPI, refer to Note 6(31).

Note C: In January 2015, the Board of Directors has resolved COI to acquire 99% of the share capital of Hikari which was established in Japan for US $32,760 thousand and obtained the control of Hikari.

Note D: On March 30, 2015, the Board of Directors of HEI has resolved to liquidate Haderiiou DG.

Note E: On March 23, 2015, the Board of Directors has resolved HDG to increase capital by USD 4,000 thousand and increase capital through capitalisation of earnings by USD 6,000 thousand. The capital increase was reinvestment through CPHK, a subsidiary of Chicony Power in the third area. As of December 31, 2015, HDG has completed the capital increase through capitalisation of earnings by USD 6,000 thousand and the registration has been completed in December 2015.

Note F: WTK has acquired 100% of share ownership in Zhuzhou Torch in April 2015 and Zhuzhou Torch is included in consolidated entities from the date when WTK has obtained control of Zhuzhou Torch. Please refer to Note 6(31).

Note G: On September 21, 2015, the Board of Directors has resolved CEM3 to increase capital through capitalization of earnings by USD 9,500 thousand.

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

As of December 31, 2015 and 2014 the non-controlling interest amounted to $3,836,131 and $3,696,190, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2015		December 31, 2014	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Chicony Power Technology Co., Ltd.	Taiwan	$ 3,327,010	50.64%	$ 3,344,234	50.93%

Summarized financial information of the subsidiaries:

Balance sheets

	Chicony Power Technology Co., Ltd.	
	December 31, 2015	December 31, 2014
Current assets	$ 13,690,605	$ 14,237,400
Non-current assets	4,542,067	4,269,267
Current liabilities	(11,536,592)	(11,821,502)
Non-current liabilities	(71,618)	(56,861)
Total net assets	$ 6,624,462	$ 6,628,304

Statements of comprehensive income

	Chicony Power Technology Co., Ltd.	
	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	$ 26,518,732	$ 27,013,224
Profit before income tax	$ 1,404,995	$ 1,337,462
Income tax expense	(255,747)	(212,867)
Profit for the year	1,149,248	1,124,595
Other comprehensive loss, net of tax	(155,140)	(31,802)
Total comprehensive income for the year	$ 994,108	$ 1,092,793
Comprehensive loss attributable to non-controlling interest	($ 7,432)	($ 1,588)
Dividends paid to non-controlling interest	$ 414,616	$ 347,407

Statements of cash flows

	Chicony Power Technology Co., Ltd.	
	Year ended December 31, 2015	Year ended December 31, 2014
Net cash provided by operating activities	$ 2,053,801	$ 2,209,896
Net cash used in investing activities	(1,102,041)	(1,140,446)
Net cash used in financing activities	(1,077,017)	(666,076)
Effect of exchange rates on cash and cash equivalents	(47,905)	93,713
Increase (decrease) in cash and cash equivalents	(173,162)	497,087
Cash and cash equivalents, beginning of year	886,043	388,956
Cash and cash equivalents, end of year	$ 712,881	$ 886,043

(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 measured. 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 recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) 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 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 and liabilities 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 measured 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 measured 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

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

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) A 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 recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

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

(c) Available-for-sale financial assets

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

(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.

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(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% 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 recognized 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 recognized 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 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 apply cost model and are depreciated using the straight-line method to allocate their cost 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 7~55 years and for the other fixed assets are 1-10 years.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 31 years.

(16) Intangible assets

A. Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and licenses have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 3~10 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1~8 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

D. Other intangible assets are mainly technical skill and amortised on a straight-line basis over its estimated useful life of 2~14 years.

(17) Impairment of non-financial assets

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

B. 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.

C. 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.

(18) Borrowings

A. 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.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) 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.

(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) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.

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

(b) Defined benefit plans

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

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

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

C. 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 recognizes 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’ compensation and directors’ and supervisors’ remuneration

Employees’ compensation and directors’ and supervisors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. 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 recognized 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 recognized 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 recognizes 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 or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(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 manufactures and sells computers and computers peripherals products. 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 expense.

(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. For each business combination, the Group measures at either fair value or the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

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 JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments 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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

Financial asset — equity investment impairment

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgment. In making this judgment, 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 suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgment, 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. Please refer to Note 6(11) for the information of goodwill impairment.

D. Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyzes the reasonableness of related assumptions.

E. Realisability of deferred income tax assets

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

F. 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 judgments 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 revolving funds	$ 23,555	$ 23,785
Checking accounts and demand deposits	2,244,721	1,855,393
Time deposits	81,323	101,518
Total	$ 2,349,599	$ 1,980,696

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. Details of cash and cash equivalents pledged as collaterals are provided in 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				
Non-hedging derivatives				
Forward foreign exchange contracts	$	429,105	$	259,362
Futures		8,324		8,202
Total	$	437,429	$	267,564
Financial liabilities held for trading				
Non-hedging derivatives				
Forward foreign exchange contracts	$	107,399	$	141,668
Exchange rate swaps		-		1,720
Total	$	107,399	$	143,388

A. The Group recognized net gain of $565,867 and $415,444 on financial assets 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:

	December 31, 2015		
Derivative Instruments	Contract Amount (Notional Principal) (In thousands)		Due Date
Financial assets held for trading			
Forward foreign exchange contracts			
－SELL NTD/BUY USD	USD	483,000	2016.1.4~2016.12.30
－SELL RMB/BUY USD	USD	30,069	2016.9.23~2016.10.25
Futures			
－Metals Futures	USD	5,792	2012.1.6
Financial liabilities held for trading			
Forward foreign exchange contracts			
－SELL NTD/BUY USD	USD	5,000	2016.10.3
－SELL USD/BUY RMB	USD	80,000	2016.7.5~2016.10.25

Derivative Instruments	December 31, 2014 Contract Amount (Notional Principal) (In thousands)		Due Date
Financial assets held for trading			
Forward foreign exchange contracts			
—SELL USD/BUY RMB	USD	57,000	2015.1.26~2015.12.23
—SELL NTD/BUY USD	USD	260,000	2015.3.31~2016.1.6
Futures			
—TAIEX Futures	$	37,300	2015.2.28
—Metals Futures	USD	5,792	2012.1.6
Financial liabilities held for trading			
Forward foreign exchange contracts			
—SELL USD/BUY RMB	USD	336,000	2015.1.7~2015.12.16
—SELL NTD/BUY USD	USD	80,000	2015.3.31
—SELL USD/BUY NTD	USD	4,000	2015.1.7
Exchange rate swaps			
—SELL USD/BUY NTD	USD	4,000	2015.1.12

(a) Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to buy (sell) various forward foreign currencies and these contracts are not accounted for under hedge accounting.

(b) Exchange rate swaps

The Group entered into exchange rate swap contracts with financial institutions to hedge exchange rate risk of import and export proceeds. However, these exchange rate swap contracts are not accounted for under hedge accounting.

(c) Futures

The Group entered into futures contracts, which are stock index futures, to earn the spread. As of December 31, 2015, there were no margin deposits for these contracts. The Group entered into futures contracts and commodity swap to hedge price risk of raw materials. However, these futures are not accounted for under hedge accounting.

C. Due to the financial meltdown in 2008, listed stocks amounting to $1,180,881 that were initially classified as 'financial assets at fair value through profit or loss' were reclassified to 'available-for-sale financial assets' on July 24, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

(a) The balance of the above mentioned reclassified assets as of December 31, 2015 and 2014 is as follows:

	Decemer 31, 2015 Book value/Fair value	Decemer 31, 2014 Book value/Fair value
Listed stocks	$ 198,349	$ 311,198

(b) The relevant information in fair value change of the reclassified financial assets is as follows:

	Years ended December 31,	
	2015	2014
	Gain recognized in comprehensive income	Loss recognized in comprehensive income
Listed stocks	($ 112,848)	($ 93,675)

The accumulated total changes in fair value of the above that were recognized in other comprehensive income before January 1, 2014 amounted to $268,035.

(c) If the above financial assets were not classified to "available-for-sale financial assets" on July 24, 2008, the Group would have recognized net gain (loss) as follows:

	Years ended December 31,	
	2015	2014
Listed stocks	($ 112,848)	($ 93,675)

(d) The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	December 31, 2015	December 31, 2014
Current items:		
Listed stocks	$ 5,553,987	$ 5,694,055
Emerging stocks	52,022	-
Convertible bonds	281,562	10,000
Beneficiary certificates	128,818	33,539
Subtotal	6,016,389	5,737,594
Valuation adjustment	(2,046,653)	(586,255)
Total	$ 3,969,736	$ 5,151,339
Non-current items:		
Listed stocks	$ 1,469,350	$ 1,282,851
Beneficiary certificates	645,598	-
Subtotal	2,114,948	1,282,851
Valuation adjustment	(518,334)	(900,278)
Total	$ 1,596,614	$ 382,573

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 period 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 restriction.

B. The Group's beneficiary certificate, Fuh Hwa Securities Investment Trust Fund is a private equity fund. The Trust Fund's only invested share started to be listed in the Taiwan Stock Exchange since 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 ($916,276) and ($828,029) in other comprehensive income (loss) for fair value change and reclassified ($162,178) and ($644,873) from equity to profit or loss for the years ended December 31, 2015 and 2014, respectively.

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

E. The Group recognized no interest income for the convertible bonds for the years ended December 31, 2015 and 2014.

F. As of December 31, 2015 and 2014, no available-for-sale financial assets owned by the Group were pledged to others.

(4) Financial assets measured at cost

	December 31, 2015	December 31, 2014
Current items:		
Unlisted stocks	$ 10,617	$ -
Non-current items:		
Unlisted stocks	$ 822,024	$ 517,155
Beneficiary certificates	169,265	654,386
Less: accumulated impairment	(73,795)	(73,795)
Total	$ 917,494	$ 1,097,746

A. Based on the Group's intention, its investment in stocks and beneficiary certificates above should be classified as available-for-sale financial assets. However, the stocks above are not traded in active market, and no sufficient industry information of companies similar to them is available. Thus, the fair value of the investment in the stocks above 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. Based on the objective information that LumenMax Corporation was reorganized due to financial difficulty, the Group assessed and recognized impairment loss of $73,795 on equity investments –LumenMax Corporation for the years ended December 31, 2015 and 2014.

D. As of December 31, 2015 and 2014, no financial assets measured at cost held by the Group were pledged to others.

(5) Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	$ 18,177,026	$ 19,009,325
Less: allowance for bad debts	(103,065)	(95,330)
	$ 18,073,961	$ 18,913,995

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

B. The credit quality information of accounts receivable is provided in Note 12(4) C.

(6) Transfer of financial assets

The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable and does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognized the transferred accounts receivable. As of December 31, 2015, details of the guarantee notes issued for the factoring agreement are provided in Note 9(2).

As of December 31, 2015 and 2014, the outstanding accounts receivable sold were as follows:

December 31, 2015					
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
SMBC	$ 74,265	$ 74,265	$ 393,960	$ 74,265	1.28%~1.37%
Taishin Bank	40,067	40,067	393,960	29,547	1.10%
E.SUN BANK	220,324	220,324	492,450	193,040	1.32%~1.65%
Ta Chong Bank	201,154	199,487	590,940	169,411	1.15%~1.30%
	$ 535,810	$ 534,143	$ 1,871,310	$ 466,263	

December 31, 2014					
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
SMBC	$ 146,378	$ 146,378	$ 379,440	$ 146,378	1.16%~1.20%
Taishin Bank	153,300	153,300	189,720	120,156	1.50%
Ta Chong Bank	386,013	378,557	474,300	328,848	1.35%~1.45%
	$ 685,691	$ 678,235	$ 1,043,460	$ 595,382	

(7) Inventories

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,243,887	($ 393,179)	$ 2,850,708
Work in process	1,617,327	(75,668)	1,541,659
Finished goods	5,464,207	(762,169)	4,702,038
Inventory in transit	319,176	-	319,176
Total	$ 10,644,597	($ 1,231,016)	$ 9,413,581

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,924,899	($ 556,567)	$ 3,368,332
Work in process	2,267,978	(137,298)	2,130,680
Finished goods	5,066,084	(840,408)	4,225,676
Inventory in transit	294,014	-	294,014
Total	$ 11,552,975	($ 1,534,273)	$ 10,018,702

The cost of inventories recognized as expense for the period:

	Years ended December 31,	
	2015	2014
Cost of inventories sold	$ 67,755,469	$ 66,997,701
Provision for inventory obsolescence and market price decline	659,142	575,865
Others	(3,059)	(9,124)
	$ 68,411,552	$ 67,564,442

The inventory gains represent income from sale of scraps and wastes and the gain on physical count.

(8) Investments accounted for under the equity method

A. Investments accounted for under the equity method were as follows:

	Years ended December 31,	
	December 31, 2015	December 31, 2014
Newmax Technology Co., Ltd (Newmax)	$ 916,280	$ 1,087,233
Sky-Fine Investment Limited (Sky-Fine)	83,317	89,591
	$ 999,597	$ 1,176,824

B. The share of profit (loss) of associates accounted for using equity method are as follows for the years ended December 31, 2015 and 2014:

	Years ended December 31, 2015	Years ended December 31, 2014
Newmax Technology Co., Ltd (Newmax)	($ 159,271)	($ 91,944)
Sky-Fine Investment Limited (Sky-Fine)	(9,395)	28
	($ 168,666)	($ 91,916)

C. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio December 31, 2015	Shareholding ratio December 31, 2014	Nature of relationship	Methods of measurement
Newmax	Taiwan	22.32%	22.32%	Owns at least 20% of the voting rights	Equity method

(b) The summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	Newmax December 31, 2015	Newmax December 31, 2014
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	$ 2,252,058	$ 3,023,336
Share in associate's net assets (Note)	$ 502,659	$ 674,809

Note: Differences between carrying amount were mainly arising from the difference of initial investment cost less the fair value of acquired identifiable net assets and the unrealized gain (loss) on transactions between associates.

Statement of comprehensive income

	Newmax	
	Years ended December 31,	
	2015	2014
Revenue	$ 985,961	$ 1,623,711
Loss for the period from continuing operations	($ 713,211)	($ 411,619)
Other comprehensive (loss) income, net of tax	(58,067)	56,916
Total comprehensive loss	($ 771,278)	($ 354,703)

(c) As of December 31, 2015 and 2014, the carrying amount of the Group's individually immaterial associates amounted to $83,317 and $89,591, respectively.

	Years ended December 31,	
	2015	2014
Profit (loss) for the period from continuing operations	($ 32,395)	$ 99
Other comprehensive income, net of tax	10,759	14,569
Total comprehensive (loss) income	($ 21,636)	$ 14,668

D. For the share of other comprehensive income of associates, the financial statements of the Group's associate accounted for using equity method –Sky-Fine for the years ended December 31, 2015 and 2014 were audited by other independent accountants.

E. The Group's investment in Newmax Technology Co., Ltd. has quoted market price. The fair value of Newmax Technology Co., Ltd. as at December 31, 2015 and 2014 was $385,595 and $890,270, respectively.

(9) Property, plant and equipment

	Land	Buildings	Machinery	Tooling equipment	Test equipment	Construction in progress	Others	Total
At January 1, 2015								
Cost	$2,134,598	$4,511,512	$6,397,794	$4,879,676	$1,902,380	$2,420,507	$2,912,665	$ 25,159,132
Accumulated depreciation and impairment	-	(1,280,799)	(2,962,278)	(3,495,702)	(1,245,605)	-	(1,970,096)	(10,954,480)
	$2,134,598	$3,230,713	$3,435,516	$1,383,974	$ 656,775	$2,420,507	$ 942,569	$ 14,204,652
2015								
Opening net book amount	$2,134,598	$3,230,713	$3,435,516	$1,383,974	$ 656,775	$2,420,507	$ 942,569	$ 14,204,652
Additions	70	35,913	690,822	524,615	122,796	1,108,561	425,147	2,907,924
Acquired from business combinations	-	-	47,531	-	-	-	2,191	49,722
Disposals	(50,876)	(705)	(154,170)	(77,502)	(2,269)	(19,156)	(20,606)	(325,284)
Reclassifications	-	348,389	98,528	175,253	40,899	(65,981)	110,420	707,508
Depreciation	-	(206,897)	(576,976)	(587,169)	(223,534)	-	(414,136)	(2,008,712)
Net exchange differences	1,487	(39,915)	(18,859)	(3,688)	(5,918)	(4,250)	(3,185)	(74,328)
Closing net book amount	$2,085,279	$3,367,498	$3,522,392	$1,415,483	$ 588,749	$3,439,681	$1,042,400	$ 15,461,482
At December 31, 2015								
Cost	$2,085,279	$4,802,940	$6,609,336	$5,429,217	$1,972,456	$3,439,681	$3,475,504	$ 27,814,413
Accumulated depreciation and impairment	-	(1,435,442)	(3,086,944)	(4,013,734)	(1,383,707)	-	(2,433,104)	(12,352,931)
	$2,085,279	$3,367,498	$3,522,392	$1,415,483	$ 588,749	$3,439,681	$1,042,400	$ 15,461,482

	Land	Buildings	Machinery	Tooling equipment	Test equipment	Construction in progress	Others	Total
At January 1, 2014								
Cost	$ 1,374,409	$ 3,651,145	$ 5,853,523	$ 4,346,875	$ 1,625,056	$ 1,481,226	$ 2,450,786	$20,783,020
Accumulated depreciation and impairment	-	(1,117,572)	(2,604,192)	(2,766,135)	(1,000,630)	-	(1,552,411)	(9,040,940)
	$ 1,374,409	$ 2,533,573	$ 3,249,331	$ 1,580,740	$ 624,426	$ 1,481,226	$ 898,375	$11,742,080
2014								
Opening net book amount	$ 1,374,409	$ 2,533,573	$ 3,249,331	$ 1,580,740	$ 624,426	$ 1,481,226	$ 898,375	$11,742,080
Additions	757,813	75,512	647,895	284,848	179,213	2,113,462	177,911	4,236,654
Acquired from business combinations	-	-	3,234	-	-	-	1,311	4,545
Disposals	-	(7,184)	(157,316)	(16,365)	(6,161)	(12,647)	(16,985)	(216,658)
Reclassifications	-	725,735	174,759	142,128	43,804	(1,161,534)	233,831	158,723
Depreciation	-	(160,279)	(551,160)	(617,411)	(199,771)	-	(370,447)	(1,899,068)
Net exchange differences	2,376	63,356	68,773	10,034	15,264	-	18,573	178,376
Closing net book amount	$ 2,134,598	$ 3,230,713	$ 3,435,516	$ 1,383,974	$ 656,775	$ 2,420,507	$ 942,569	$14,204,652
At December 31, 2014								
Cost	$ 2,134,598	$ 4,511,512	$ 6,397,794	$ 4,879,676	$ 1,902,380	$ 2,420,507	$ 2,912,665	$25,159,132
Accumulated depreciation and impairment	-	(1,280,799)	(2,962,278)	(3,495,702)	(1,245,605)	-	(1,970,096)	(10,954,480)
	$ 2,134,598	$ 3,230,713	$ 3,435,516	$ 1,383,974	$ 656,775	$ 2,420,507	$ 942,569	$14,204,652

A. Amount of borrowing costs capitalized as part of investment property and the range of the interest rates for such capitalization are as follows:

	Years ended December 31,	
	2015	2014
Amount capitalised	$ 44,534	$ 25,002
Interest rate	1.08%~1.80%	0.72%~1.92%

B. As of December 31, 2015 and 2014, no property, plant and equipment owned by the Group were pledged to others.

(10) Investment property

	Land	Buildings	Total
At January 1, 2015			
Cost	$ -	$ -	$ -
Accumulated depreciation and impairment	-	-	-
	$ -	$ -	$ -
2015			
Opening net book amount as at January 1	$ -	$ -	$ -
Additions－from acquisitions	1,417,447	476,316	1,893,763
Depreciation charge	-	(17,027)	(17,027)
Net exchange differences	69,368	22,751	92,119
Closing net book amount as at December 31	$ 1,486,815	$ 482,040	$ 1,968,855
At December 31, 2015			
Cost	$ 1,486,815	$ 499,626	$ 1,986,441
Accumulated depreciation and impairment	-	(17,586)	(17,586)
	$ 1,486,815	$ 482,040	$ 1,968,855

As of December 31, 2014, the Group did not hold any investment property.

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31, 2015
Rental income from investment property	$ 83,982
Direct operating expenses arising from the investment property that generated rental income during the period	$ 50,155

B. The fair value of the investment property held by the Group as at December 31, 2015 was $1,803,077, respectively, which was valued by independent valuers. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Year ended December 31, 2015
Gross margin	4.4%
Growth rate	0.3%
Discount rate	4.1%

C. Information on investment property that was pledged to others as collaterals is provided in Notes 6(15) and 8.

(11) Intangible assets

	Trademarks and patents	Software	Goodwill	Others	Total
At January 1, 2015					
Cost	$ 44,962	$ 249,732	$ 120,125	$ 66,904	$ 481,723
Accumulated amortization and impairment	(33,590)	(169,201)	-	(32,502)	(235,293)
	$ 11,372	$ 80,531	$ 120,125	$ 34,402	$ 246,430
2015					
Opening net book amount	$ 11,372	$ 80,531	$ 120,125	$ 34,402	$ 246,430
Additions	15,986	38,761	-	8,257	63,004
Acquired from business combinations	-	-	79,964	-	79,964
Disposals-cost	(35,787)	(118,190)	-	(8,382)	(162,359)
Disposals-accumulated amortization	35,787	116,146	-	8,382	160,315
Reclassifications	-	13,347	-	-	13,347
Amortization	(13,800)	(67,480)	-	(6,266)	(87,546)
Impairment loss	-	-	(53,000)	-	(53,000)
Net exchange differences	3	(168)	2,617	511	2,963
Closing net book amount	$ 13,561	$ 62,947	$ 149,706	$ 36,904	$ 263,118
At December 31, 2015					
Cost	$ 25,221	$ 179,168	$ 149,706	$ 68,056	$ 422,151
Accumulated amortization and impairment	(11,660)	(116,221)	-	(31,152)	(159,033)
	$ 13,561	$ 62,947	$ 149,706	$ 36,904	$ 263,118

	Trademarks and patents	Software	Goodwill	Others	Total
At January 1, 2014					
Cost	$ 33,929	$ 238,217	$ 58,600	$ 5,785	$ 336,531
Accumulated amortization and impairment	(25,017)	(139,696)	-	(3,602)	(168,315)
	$ 8,912	$ 98,521	$ 58,600	$ 2,183	$ 168,216
2014					
Opening net book amount	$ 8,912	$ 98,521	$ 58,600	$ 2,183	$ 168,216
Additions	11,015	58,848	-	-	69,863
Acquired from business combinations	-	478	53,819	36,508	90,805
Disposals-cost	(100)	(51,012)	-	-	(51,112)
Disposals-accumulated amortization	100	51,012	-	-	51,112
Reclassifications	-	-	-	(2,174)	(2,174)
Amortization	(8,570)	(77,788)	-	(2,937)	(89,295)
Net exchange differences	15	472	7,706	822	9,015
Closing net book amount	$ 11,372	$ 80,531	$ 120,125	$ 34,402	$ 246,430
At December 31, 2014					
Cost	$ 44,962	$ 249,732	$ 120,125	$ 66,904	$ 481,723
Accumulated amortization and impairment	(33,590)	(169,201)	-	(32,502)	(235,293)
	$ 11,372	$ 80,531	$ 120,125	$ 34,402	$ 246,430

A. Details of amortization on intangible assets are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Cost of revenue	$ 2,219	$ 2,196
Selling expenses	6,901	4,302
Administrative expenses	43,828	53,615
Research and development expenses	34,598	29,182
	$ 87,546	$ 89,295

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

	December 31, 2015	December 31, 2014
Asia	$ 139,281	$ 74,514
America	10,425	45,611
	$ 149,706	$ 120,125

C. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount. For the years ended December 31, 2015 and 2014, the Group recognized impairment loss on goodwill amounting to $53,000 and $0, respectively.

D. Details of goodwill acquired from business combinations in 2015 and 2014 are provided in Note 6(31).

(12) Other non-current assets

	December 31, 2015	December 31, 2014
Long-term prepaid rents - land use right	$ 346,517	$ 226,961
Guarantee deposits paid	230,361	116,340
Prepayments for business facilities	260,495	295,463
Others	485,295	538,705
	$ 1,322,668	$ 1,177,469

A. As of December 31, 2015, the Group signed a land use right contract with Bureau of Land Resources for use of the land in municipality of Chongqing, WuJiang City of Jiangsu Province and Dongguan City of Guangdong Province with term of 50 years. All rentals had been paid on the contract date, shown as 'Long-term prepaid rents - Land use right'. However, the local government of Chongqing has negotiated with the Group in October 2014 for collecting certain land use right in Chongqing and returning related rents to the Group. The Group recognized rental expenses of $12,243 and $18,792 for the years ended December 31, 2015 and 2014, respectively.

B. As of December 31, 2015 and 2014, CEM3, CEM5 and CPCQ received the local government grants amounting to $316,709 and $326,983, respectively, as a reward for the local investment, which were deducted from the cost of land use right.

C. Information on other non-current assets that were pledged to others as collaterals is provided in Note 8.

(13) Short-term borrowings

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank unsecured borrowings	$ 2,353,216	0.69%~1.77%	None
Bank secured borrowings	120,000	1.61%	Time deposits
	$ 2,473,216		

Type of borrowings	December 31, 2014	Interest rate range	Collateral
Bank unsecured borrowings	$ 2,098,920	0.86%~1.30%	None

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

B. Information about the short-term borrowings that were pledged to others as collaterals is provided in Note 8.

(14) Accounts payable

	December 31, 2015	December 31, 2014
Accounts payable	$ 14,702,478	$ 15,119,979
Estimated accounts payable	3,885,717	3,995,164
	$ 18,588,195	$ 19,115,143

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015
Long-term bank borrowings				
E.Sun Bank (Series A)	Borrowing period is from March 20, 2014 to March 20, 2019; borrowing is repayable in installments by own funds or through refinancing at the maturity date of syndicated contract.	1.60%	None	$ 1,000,000
Sumitomo Mitsui Banking Corporation	Borrowing period is from December 1, 2015 to December 1, 2017; interest is repayable monthly until the principal is matured.	0.77%	None	408,734
Sumitomo Mitsui Banking Corporation (Secured borrowings)	Borrowing period is from March 13, 2015 to March 12, 2022; interest is repayable monthly until the principal is matured.	0.78%	Investment property	980,960
				$ 2,389,694

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2014
Long-term bank borrowings				
E.Sun Bank (Series A)	Borrowing period is from March 20, 2014 to March 20, 2019; borrowing is repayable in installments by own funds or through refinancing at the maturity date of syndicated contract.	1.63%	None	$ 500,000
TCB Bank	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)
				$ 500,000

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

A. As of December 31, 2015 and 2014, the Company's Chairman had issued promissory notes to guarantee the long-term loans, please see Note 9(2).

B. A long-term syndicated construction loan facility amounting to $5,000,000 (Series A: $2,000,000 can be financed in batches but credit revolvable; Series B: $3,000,000, credit revolvable; Series C: USD 100,000,000, credit revolvable; the amount drawdown by Series B and Series C cumulatively must be below $3,000,000.). For five years was signed by the Company, with E. Sun Commercial Bank as the lead bank in January, 2014. The loan facility will be used for medium-term operations, and repayments will be in accordance with contract requirements. In September 2015, the credit amount of series A was renewed to $1,000,000, resulting in total loan facility amounting to $4,000,000. As of December 31, 2015, $1,000,000 has been drawndown. The main contents of the contract are as follows:

(a) The Group should maintain financial ratios based on annual consolidated financial statements as follows:

i. Current ratio is above 100%,

ii. Financial liabilities divided by net tangible assets is under 200%,

iii. Time interest earned is above 300%, and

iv. Net tangible assets are above $15,000,000,

If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios meet the requirements, there is no breach of contract.

(b) The Company should use the debts for its intended purpose (not for treasury stock, capital expenditures, cash dividends and investments) and prepare the appropriate books and records for cash disbursements for future examination. Lenders do not take responsibility for supervision.

(c) If the Company needs additional operating capital, the Company should issue stocks for cash, borrow from stockholders, or other means. If the borrower obtains capital from stockholders, the Company should get the commitment from stockholders that the creditors' rights are subordinated, and the interest rate should not be over the lowest rate mentioned in the contract. The borrower should repay the principal, interests, and all the related expenses before repaying the advances made by the borrower's stockholders.

(d) Parts of the credit rights of qualified accounts receivable of the Company should be transferred to the lead bank after the contract date. These qualified accounts receivable plus the balance of the special-purpose bank account should be over 45% of the facility of Series B and Series C as a whole.

As of December 31, 2015, the Company did not violate any of the above requirements.

C. A long-term syndicated construction loan facility amounting to $6,000,000 (Series A: $3,000,000 can be financed in batches but credit revolvable; Series B: $3,000,000, credit revolvable; Series C: USD 96,000,000, credit revolvable; the amount drawdown by Series B and Series C cumulatively must be below $3,000,000.) for three years was signed by the Company, with E. Sun Commercial Bank as the lead bank in July, 2011. The loan facility will be used for medium-term operations, and repayments will be in accordance with contract requirements.

The Company has repaid all the amounts mentioned above in January, 2014.

D. A long-term syndicated construction loan facility amounting to $4,500,000 for a period of five years was signed by CP with Taiwan Cooperative Bank as the lead bank in October 2015. The construction loan is for repaying for medium-term operations. The loan can be drawn down in United States Dollars or New Taiwan Dollars. As of December 31, 2015, abovementioned loan facility has not been withdrawn.

E. A long-term syndicated construction loan facility amounting to $5,000,000 for a period of three years was signed by CP with Taiwan Cooperative Bank as the lead bank in May 2012 (CP applied to reduce credit line by $3,000,000 on June 30, 2014. The credit line was decreased 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 under the contract, respectively). The construction loan is for repaying the 2009 syndicated construction loan and for medium-term operations. The loan can be drawn down in United States Dollars or New Taiwan Dollars. The main contents of the contract are as follows:

(a) CP's annual consolidated financial statements should maintain financial ratios as follows:

i. Current ratio is above 100%,

ii. Financial liabilities divided by net tangible assets after subtracting cash and cash equivalents is under 250%,

iii. Time interest earned is above 300%, and

iv. Net tangible assets are above $2,500,000,

If CP does not conform to the contract, CP should adjust within nine months. If the adjusted financial ratios meet the requirements, there is no breach of contract.

(b) CP 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 undrawn balance should be above 70%. The remainder of undrawn balance is CP's expected drawdown amounts plus the remainder of undrawn amounts. If the ratio cannot be maintained appropriately, CP 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 CP drawdowns the credit for the first time. 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 quarterly, 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) The Group should maintain voting power over CP above 51% and also have control power over CP's operations. However, for the compilation of rules governing the listed companies, 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".

The Company has repaid all the amounts mentioned above in June 2015.

F. The Group has the following undrawn borrowing facilities:

	December 31, 2015	December 31, 2014
Floating rate:		
Expiring within one year	$ -	$ 1,888,940
Expiring beyond one year	7,636,245	4,500,000
	$ 7,636,245	$ 6,388,940

(16) 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 monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. 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 contribution to cover the deficit by next March.

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

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	($ 346,024)	($ 338,454)
Fair value of plan assets	197,690	214,999
Net defined benefit liability	($ 148,334)	($ 123,455)

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

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	($ 338,454)	$ 214,999	($ 123,455)
Current service cost	(4,480)	-	(4,480)
Interest (expense) income	(5,933)	3,864	(2,069)
	(348,867)	218,863	(130,004)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,028	2,028
Change in demographic assumptions	(13,389)	-	(13,389)
Change in financial assumptions	(10,978)	-	(10,978)
Experience adjustments	(5,794)	-	(5,794)
	(30,161)	2,028	(28,133)
Pension fund contribution	-	4,999	4,999
Paid Pension	33,004	(28,200)	4,804
Balance at December 31	($ 346,024)	$ 197,690	($ 148,334)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	($ 319,080)	$ 221,053	($ 98,027)
Current service cost	(5,085)	-	(5,085)
Interest (expense) income	(5,806)	4,432	(1,374)
	(329,971)	225,485	(104,486)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	698	698
Change in demographic assumptions	(5,530)	-	(5,530)
Change in financial assumptions	(4,520)	-	(4,520)
Experience adjustments	(14,843)	-	(14,843)
	(24,893)	698	(24,195)
Pension fund contribution	-	5,226	5,226
Paid Pension	16,410	(16,410)	-
Balance at December 31	($ 338,454)	$ 214,999	($ 123,455)

(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 utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 utilization 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 are less than aforementioned rates, government shall make payment for the deficit after 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	1.375%~1.700%	1.750%~2.250%
Future salary increases	2.500%~3.000%	0.500%~3.000%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in Taiwan and the analysis of present value of affected defined benefit obligation is as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 8,507)	$ 8,880	$ 8,596	($ 8,290)
December 31, 2014				
Effect on present value of defined benefit obligation	($ 7,845)	$ 8,185	$ 7,936	($ 7,656)

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 method and assumptions used for the preparation of sensitivity analysis during 2015 and 2014 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 amounts to $4,802.

(g) As of December 31, 2015, the weighted average duration of that retirement plan is 9.1~13.4 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	8,392
1-2 year(s)		9,670
2-5 years		76,397
Over 5 years		80,919
	$	175,378

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 overseas subsidiaries of the Company have defined contribution plans.

(c) 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.

(d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014 were $642,749 and $497,171, respectively.

(17) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	August 28, 2015	4,008 thousand shares	2 years	Note

Note: Vesting conditions:

i. The Company's overall operating performance in the previous year should meet the following indicators:

(A) Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.

(B) Consolidated net income shall grow by at least 10% higher than the average amount over past three years.

(C) Return on equity shall be at least 15%.

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

Vesting conditions	Ratio of vested shares
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 resign, 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 CP. were measured at their fair value which is the closing price of CP.'s shares at NT$34 on the grant date.

(c) Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2015	2014
Equity-settled	$ 73,628	$ -

B. (a) For the year ended December 31, 2015, XAVi's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	September 30, 2015	670 thousand shares	-	Vested immediately

(b) Details of the share-based payment arrangements are as follows:

	2015	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -
Options granted	670	16
Options exercised	(664)	16
Options expired	(6)	-
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

(c) XAVi's fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Share price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	September 30, 2015	$12.90	$16.00	40.80%	0.06	0.00%	0.80%	0.0081

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

(d) Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2015	2014
Equity-settled	$ 5	$ -

(18) Share capital

A. As of December 31, 2015, the Company's authorized capital was $8,000,000, and the paid-in capital was $7,038,101 with a par value of $10 (in dollars) per share, and the outstanding common stock was 800,000 thousand shares.

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

	2015 (Note)	2014 (Note)
At January 1	694,865	686,722
Common stock dividends	3,475	3,433
Employee bonuses	5,470	4,710
At December 31	703,810	694,865

Note: (a) Shares in thousands.

(b) The number of the Company's ordinary shares outstanding, including shares held by the subsidiaries.

B. The stockholders' meeting held on June 17, 2015 had approved to issue common stock dividends amounting to $34,743 and employees' stock bonus amounting to $421,000 at a price of $76.96 (in dollars) based on the previous closing price of $82.00 (in dollars) before the day of the stockholders' meeting, issuing 5,470 thousand shares. A total of 8,945 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issued date was set on August 17, 2015, and the Company had completed the related registration on August 25, 2015.

C. The stockholders' meeting held on May 30, 2014 had approved to issue common stock dividends amounting to $34,336 and employees' stock bonus amounting to $366,500 at a price of $77.81 (in dollars) based on the previous closing price of $82.8 (in dollars) before the day of the stockholders' meeting on May 29, 2014, issuing 4,710 thousand shares. A total of 8,144 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issued date was set on July 15, 2014, and the Company had completed the related registration on August 8, 2014.

D. Treasury Stock

A summary of the Company's common stock owned by its subsidiaries as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		
Name of company holding the shares	Reason for reacquisition	Number of shares(in thousand)	Carrying amount	Fair value (in dollars) (per share)
UNIKEY	For investment	20,860	$ 205,795	$ 72.20
HEC	For investment	15,948	105,482	72.20

		December 31, 2014		
Name of company holding the shares	Reason for reacquisition	Number of shares(in thousand)	Carrying amount	Fair value (in dollars) (per share)
UNIKEY	For investment	20,756	$ 205,795	$ 88.50
HEC	For investment	15,869	105,482	88.50

(19) 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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

A summary of the Company's capital surplus as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2013
Share premium	$ 2,259,282	$ 1,892,986
Treasury share transaction	802,600	632,293
Difference between consideration and carrying amount of subsidiaries acquired or disposed	656,421	647,068
Changes in ownership interests in subsidiaries	301,740	360,011
Net change in equity of associates	70,383	70,383
	$ 4,090,426	$ 3,602,741

(20) Retained earnings

A. According to the Company's Articles of Incorporation, the Company's net income (less income tax and prior years' losses, if any) is appropriated in the following order:

(a) 10% for legal reserve, until the legal reserve equals the total capital stock balance;

(b) special reserve in accordance with Article 41 of the R.O.C. Securities Exchange Act and the related R.O.C. SFC regulations;

(c) 1% as directors' and supervisors' remuneration; and

(d) 16% as employees' bonus;

The Board of Directors should present the distribution of the remaining earnings for the approval of the shareholders at the shareholders' meeting.

B. The Company's dividend policy is summarized below: the Company is in the development of electronics industry, the dividend policy should be formulated by achieving both targets that supply the new products capital requirement and increase the return on shareholders' investment. Therefore, the total dividend each year cannot be above of the total distributable earnings, and the cash dividend cannot be less than 90% of the total dividend paid.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

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

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company elected to reclassify the unrealized revaluation increment and cumulative translation adjustment to unappropriated earnings and accrue special reserve by $435,487 on initial application of IFRSs.

E. The appropriation of 2014 and 2013 earnings has been resolved at the shareholders' meeting on June 17, 2015 and May 30, 2014, respectively, and the details are summarized below:

	Years ended December 31,			
	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 408,094		$ 378,203	
Reversal of special reserve	-		(1,024,085)	
Stock dividends	34,743	$ 0.05	34,336	$ 0.05
Cash dividends	3,231,124	4.65	3,158,919	4.60

F. Subsequent events: The appropriation of 2015 earnings had been proposed at the Board of Directors' meeting on March 21, 2016. However, the appropriation of earnings for 2015 was yet to be resolved at the shareholders' meeting in 2016. Details are summarized below:

	Year ended December 31, 2015	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 384,799	
Special reserve	517,964	
Stock dividends	35,191	$ 0.05
Cash dividends	3,026,383	4.30

G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(26).

(21) Other equity items

	2015		
	Available-for-sale investments	Currency translation	Total
At January 1, 2015	($ 1,282,930)	$ 1,229,944	($ 52,986)
Revaluation			
-Group	(910,429)	-	(910,429)
-Associates	(1)	-	(1)
Transfer	(162,178)	-	(162,178)
Currency translation differences:			
-Group	-	184,031	184,031
-Associates	-	(8,215)	(8,215)
Transfer	-	(1,711)	(1,711)
At December 31, 2015	($ 2,355,538)	$ 1,404,049	($ 951,489)

	2014		
	Available-for-sale investments	Currency translation	Total
At January 1, 2014	$ 140,176	$ 167,564	$ 307,740
Revaluation			
-Group	(778,234)	-	(778,234)
-Associates	1	-	1
Transfer	(644,873)	-	(644,873)
Currency translation differences:			
-Group	-	1,051,496	1,051,496
-Associates	-	10,884	10,884
At December 31, 2014	($ 1,282,930)	$ 1,229,944	($ 52,986)

(22) Net revenue

	Years ended December 31,	
	2015	2014
Sales revenue	$ 80,561,927	$ 80,017,860
Other operating revenue	101,442	92,832
Total	$ 80,663,369	$ 80,110,692

(23) Other income

	Years ended December 31, 2015	Years ended December 31, 2014
Rental revenue	$ 84,943	$ 364
Interest income	71,602	52,387
Dividend income	228,005	210,185
Others	350,532	254,776
Total	$ 735,082	$ 517,712

(24) Other gains and losses

	Years ended December 31, 2015	Years ended December 31, 2014
Net gains on financial assets and liabilities at fair value through profit or loss	$ 565,867	$ 415,444
Reversal of allowance for doubtful accounts	3,801	5,087
Net currency exchange losses	(248,243)	(447,347)
Loss on disposal of property, plant and equipment	(17,400)	(45,798)
Gains on disposal of investments	162,019	645,673
Impairment loss on non-financial assets	(53,000)	-
Gain on reversal of provisions	-	66,221
Others	(179,163)	(94,301)
Total	$ 233,881	$ 544,979

(25) Expenses by nature

	Year ended December 31, 2015		
	Costs of revenue	Operating expense	Total
Employee benefit expense	$ 7,459,168	$ 3,368,881	$ 10,828,049
Depreciation on property, plant and equipment	1,677,146	331,566	2,008,712
Amortization on intangible assets	2,219	85,327	87,546

	Year ended December 31, 2014		
	Costs of revenue	Operating expense	Total
Employee benefit expense	$ 7,228,084	$ 3,539,405	$ 10,767,489
Depreciation on property, plant and equipment	1,526,856	372,212	1,899,068
Amortization on intangible assets	2,196	87,099	89,295

(26) Employee benefit expense

	Year ended December 31, 2015		
	Costs of revenue	Operating expense	Total
Wages and salaries	$ 6,607,479	$ 2,969,214	$ 9,576,693
Labor and health insurance fees	148,107	147,635	295,742
Pension costs	511,975	137,323	649,298
Other personnel expenses	191,607	114,709	306,316
Total	$ 7,459,168	$ 3,368,881	$ 10,828,049

	Year ended December 31, 2014		
	Costs of revenue	Operating expense	Total
Wages and salaries	$ 6,579,885	$ 3,165,460	$ 9,745,345
Labor and health insurance fees	108,153	144,901	253,054
Pension costs	374,239	126,975	501,214
Other personnel expenses	165,807	102,069	267,876
Total	$ 7,228,084	$ 3,539,405	$ 10,767,489

A. Details of the Company’s Articles of Incorporation are provided in Note 6(20).

However, in accordance with the Company Act amended on 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 shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, 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 12, 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 11% for employees’ compensation and shall not be higher than 1% for directors’ and supervisors’ remuneration. The amended articles will be resolved in the shareholders’ meeting in 2016.

B. For the years ended December 31, 2015 and 2014, employees’ compensation was accrued at $544,809 and $587,655, respectively; directors’ and supervisors’ remuneration was accrued at $33,848 and $36,728, respectively. The aforementioned amounts were recognized in salary expenses.

The employees’ compensation and directors’ and supervisors’ remuneration were estimated and accrued based on 11.73% and 0.73% of distributable profit of current year for the year ended December 31, 2015. The employees’compensation and directors’ and supervisors’ remuneration resolved by the Board of Directors were $544,809 and $33,848, respectively, and the employees’ compensation will be distributed in the form of cash and shares.

The expenses recognized for the year of 2014 were accrued based on the net income of 2014 and the percentage as prescribed by the Company's Articles of Incorporation (16% for employees' bonus and 1% for directors' and supervisors' remuneration, 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' meeting were in agreement with those amounts recognized in the profit or loss of 2014. Actual number of shares distributed as employees' bonus for 2014 is 5,470 thousand shares, which is calculated based on the fair value of $76.96. 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.

(27) Finance costs

	Years ended December 31,	
	2015	2014
Finance costs		
Interest expense of bank borrowings	$ 120,746	$ 71,589
Less: capitalisation of qualifying assets	(44,534)	(25,002)
	$ 76,212	$ 46,587

(28) Income tax

A. Components of income tax expense:

	Years ended December 31,	
	2015	2014
Current tax:		
Current tax on profits for the period	$ 712,347	$ 786,384
Tax on undistributed surplus earnings	53,172	124,503
Adjustments in respect of prior years	2,185	9,571
Total current tax	767,704	920,458
Deferred tax:		
Origination and reversal of temporary differences	81,911	29,569
Income tax expense	$ 849,615	$ 950,027

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2015	Years ended December 31, 2014
Tax calculated based on profit before tax and statutory tax rate	$ 845,703	$ 846,038
Effects from items adjusted in accordance with tax regulation	(51,445)	(30,085)
Prior year income tax underestimation	2,185	9,571
Additional 10% tax on undistributed earnings	53,172	124,503
Income tax expense	$ 849,615	$ 950,027

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:			
Unrealized exchange gain	($ 11,760)	$ 5,881	($ 5,879)
Unrealized profit (loss) from sale	622	(1,174)	(552)
Provision for inventory price decline and obsolescence	30,318	(4,370)	25,948
Allowance for doubtful accounts in excess of tax limit	112	(66)	46
Unrealized accrued expense	98,560	(65,616)	32,944
Long-term investment loss	6,978	(6,978)	-
Unrealized compensation	60,936	(8,019)	52,917
Impairment loss	565	-	565
Others	7,950	(1,379)	6,571
Total	$ 194,281	($ 81,721)	$ 112,560
—Deferred tax liability:			
Reserve for land revaluation increment tax	($ 21,756)	$ -	($ 21,756)
Long-term investment gain	(12,205)	-	(12,205)
Temporary differences of fixed assets for tax and financial purposes	(3,038)	(190)	(3,228)
Total	($ 36,999)	($ 190)	($ 37,189)

	Year ended December 31, 2014		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
—Deferred tax assets:			
Unrealized exchange loss	$ 8,084	($ 19,844)	($ 11,760)
Unrealized profit (loss) from sales	(221)	843	622
Provision for inventory price decline and obsolescence	17,400	12,918	30,318
Allowance for doubtful accounts in excess of tax limit	1,425	(1,313)	112
Unrealized accrued expense	45,972	52,588	98,560
Long-term investment loss	12,663	(5,685)	6,978
Unrealized compensation revenue	55,562	5,374	60,936
Provision for legal claim	55,110	(55,110)	-
Impairment loss	8,009	(7,444)	565
Others	19,658	(11,708)	7,950
Total	$ 223,662	($ 29,381)	$ 194,281
—Deferred tax liability:			
Reserve for land revaluation increment tax	($ 21,756)	$ -	($ 21,756)
Long-term investment gain	(12,205)	-	(12,205)
Temporary differences of fixed assets for tax and financial purposes	(2,850)	(188)	(3,038)
Total	($ 36,811)	($ 188)	($ 36,999)

D. Expiration dates of unused net operating loss carryforward and amounts of unrecognized deferred tax assets are as follows:

December 31, 2015				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2006	$ 48,484	$ 24,250	$ 24,250	2016
2009	7,496	7,496	7,496	2019
2010	3,022	3,022	3,022	2020
2013	524	524	524	2023
2014	1,992	1,992	1,992	2024
2015	1,857	1,857	1,857	2025

December 31, 2014				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2006	$ 48,484	$ 24,250	$ 24,250	2016
2009	7,496	7,496	7,496	2019
2010	3,022	3,022	3,022	2020
2013	524	524	524	2023
2014	1,992	1,992	1,992	2024
2015	1,857	1,857	1,857	2025

E. As of December 31, 2015 and 2014, the amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2015	December 31, 2014
Deductible temporary differences	$ 915,652	$ 817,662

F. As of December 31, 2015, the Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and before 1997	$ 17,867	$ 17,867
Earnings generated in and after 1998	8,574,094	8,422,883
	$ 8,591,961	$ 8,440,750

H. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was $604,357 and $608,679, respectively. The creditable tax rate is estimated to be 7.05% for 2015.

I. The actual imputation credits for the Company's distribution of cash dividends and stock dividends of 2014 were 8.73% and 9.91%, respectively.

(29) Earnings per share

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,847,991	664,498	$ 5.79
Diluted earnings per share			
Employees' bonus	-	10,049	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,847,991	674,547	$ 5.70

	Year ended December 31, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 4,080,939	658,979	$ 6.19
Diluted earnings per share			
Employees' bonus	-	9,905	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 4,080,939	668,884	$ 6.10

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.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31, 2015	Years ended December 31, 2014
Purchase of property, plant and equipment	$ 2,907,924	$ 4,236,654
Add: opening balance of payable on equipment	179,439	37,657
Less: ending balance of payable on equipment	(270,259)	(179,439)
Cash paid during the period	$ 2,817,104	$ 4,094,872

(31) Business combinations

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

(a) In April 2015, the Group acquired 100% of the share capital of Zhuzhou Torch for $221,755(RMB $44,612 thousand) through WTK and obtained the 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 (USD 9,000 thousand) through CPI and obtained the control of WTS.

B. The following table summarizes the consideration paid for abovementioned subsidiaries and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	Years ended December 31,	
	2015	2014
Purchase consideration		
Cash	$ 221,755	$ 268,785
Fair value of the non-controlling interest	-	60,191
	221,755	328,976
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
prepayments	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	141,791	275,157
Goodwill (shown as “Intangible assets”)	$ 79,964	$ 53,819

The operating revenue included in the consolidated statement of comprehensive income since the Group’s acquisition of WTS and Zhuzhou Torch contributed by WTS and Zhuzhou Torch was $264,376. 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 (loss) before income tax would have shown as follows:

	Years ended December 31,	
	2015	2014
Operating revenue	$ 80,743,742	$ 80,383,637
Profit before income tax	5,298,019	5,492,475

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

	Years ended December 31,	
	2015	2014
Sales of goods:		
Other related parties	$ 669,650	$ 604,965

The terms of the sales to related parties were the same as those to third parties, with reasonable discounts. In general, the collection periods ranged from 60 to 90 days.

B. Purchases of goods:

	Years ended December 31,	
	2015	2014
Purchases of goods:		
Associates	$ 523,858	$ 418,966
Other related parties	1,512,075	1,749,589
Total	$ 2,035,933	$ 2,168,555

The terms of the purchases from related parties were the same as those to third parties.

C. Receivables from related parties:

	December 31, 2015	December 31, 2014
Accounts receivable:		
Other related parties	$ 329,439	$ 241,285

D. Payables to related parties:

	December 31, 2015	December 31, 2014
Accounts payable:		
Associates	$ 147,161	$ 69,947
Other related parties	353,089	355,357
Total	$ 500,250	$ 425,304

(2) Key management compensation

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	$ 353,829	$ 512,266
Termination benefits	2,573	3,665
	$ 356,402	$ 515,931

8. PLEDGED ASSETS

(1) The Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2015	Book value December 31, 2014	Purpose
Time deposits (shown as other financial assets - current)	$ 141,097	$ 6,000	Guarantee for tariff, provisional attachment and bank borrowing
Time deposits (shown as other financial assets - noncurrent)	-	15,263	Guarantee for taxes and social insurance
Pledged bank deposit (shown as other financial assets - noncurrent)	-	188	Guarantee for construction
Refundable deposits (shown as other financial assets - non-current)	230,361	116,340	Guarantee for rental and future deposits, etc.
Investment property	1,968,855	-	Long-term borrowings
	$ 2,340,313	$ 137,791	

(2) As of December 31, 2015, UNIKEY and HEC have pledged the Company's common stock (shown as "treasury stock") amounting to 8,500,000 and 12,600,000 shares, respectively, as pledge for loans.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

A. An insurance company in the United States has filed a lawsuit in Arizona State court on behalf of the insurees, claiming compensation from CP. The appellant claimed that the insurees' use of laptop power supply has caused fire and resulted in property damage. The Company had informed its insurance company and the insurance company has appointed lawyers to handle this case. As of December 31, 2015, CP could not determine the possible results and impact from this lawsuit.

B. A customer of CP has filed a lawsuit in Florida State court, claiming compensation from CP. A buyer claimed for compensation for a laptop produced by the customer of CP that burst into fire and resulted in damages to the buyer's body and thus filed a lawsuit in Florida State court. The appellant filed a lawsuit demanding that CP pay for the compensation to the buyer and bear the loss and expenses resulting from the lawsuit with the buyer. The Company had informed its insurance company and the insurance company has appointed lawyers to handle this case. As of December 31, 2015, CP could not determine the possible results and impact from this lawsuit.

(2) Commitments

A. As of December 31, 2015, the Group had unused letters of credit for purchases of raw materials amounting to approximately $32,031.

B. As of December 31, 2015, for bank loans, financing forward exchange contracts, bill purchased and accounts receivable factoring purposes, the Group provided standby promissory notes totaling $40,290,095 as security.

C. The Company's Board of Directors had resolved to increase the headquarter's building construction budget proposal amounting to $3,410,000. The related construction will be conducted in accordance with the overall construction schedule. As of December 31, 2015, the capital expenditures that have not been incurred amounted to $772,930.

D. Mao-Ray and Dong Guan Had Eri Iou Plastic Corporation have aggregate minimum commitments under the agreements with local government for the lease of land from 1998 to 2042. The related leasing and management fee each year is $30,176.

E. The subsidiaries, XAVi, CP, UNIKEY, Mao-Ray, CAI, CPCQ, HDG, CPSZ, GSE, CPHK and CPUS had leasing commitments, which are summarized below:

	December 31, 2015	December 31, 2014
Not later than one year	$ 107,496	$ 85,062
Later than one year but not later than five years	157,516	121,509
Later than five years	186,422	282,936
	$ 451,434	$ 489,507

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please see Note 6 (20) F. and 6(26) for the details on appropriation of the 2015 earnings.

12. OTHERS

(1) A. In January 2012, Dell Products (Manufacturing) Limited (abbreviated as Dell) had filed an indictment in Ireland Supreme Court to charge against CP as co-defendant. In the case, the original 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 CP) that had caused the fire in its factory and caused the related losses. Therefore, the original plaintiff (Thomas McDonagh & Sons) had requested compensation of EUR 1,273 thousand dollars from its defendant. During the lawsuit process, ICI had made Dell as co-defendant, and Dell therefore also had made CP as co-defendant. Additionally, Dell had filed a declaratory judgment in Williamson County, Texas District Court to charge against the Company, HEC, and CPUS. Dell claimed that the Company, HEC, and CPUS should compensate the losses and the attorneys' fees in Ireland lawsuit according to the Master Purchase Agreement which it had signed with HEC in 1995.

B. Dell has withdrawn the above lawsuit in February 2015. Chicony Power Technology Co., Ltd. paid the settlement in December 2014 and February 2015 which amounted to $20,603 (USD 673 thousand).

(2) Comarco, Inc. (abbreviated as Comarco) had ordered 90W NB Adapter from CP. As of March 2010, Comarco still had USD 1,153 thousand unpaid and inventory loss of USD 550 thousand; CP filed an indictment against Comarco in Orange County Superior Court in April 2011 and June 2012 respectively, to request Comarco pay the accounts receivable remaining, amounting to USD 1,703 thousand in total; however, Comarco filed a counterclaim against CP in May 2011, claiming that Comarco had recalled its products because the adapters CP had provided was defective, and therefore Comarco requested compensation of USD 4,900 thousand from CP for the losses. In April 2013, Comarco requested an additional amount for compensation; therefore the total compensation was raised to USD 15,000 thousand. In September 2013, Comarco raised the total compensation to USD 24,734 thousand based on the damage remedy appraisal expert. The U.S. jury reached a judicial decision of the lawsuit mentioned above in February 5, 2013: Comarco should pay the unpaid payment of USD 1,153 thousand to CP; and CP should pay compensation amounting to USD 10,880 thousand to Comarco. CP disagreed with the verdict, but has signed a Memorandum of Understanding with Comarco in May 2014 in consideration of changes and related effects from the subsequent lawsuit. An official settlement agreement and release was signed and CP paid USD7,600 thousand to Comarco after offsetting amounts paid by both parties. In general, except for gain on reversal of provisions of $99,931 and impairment loss of related accounts receivable of $33,710, CP recognized net gain of $66,221. The actual compensation paid in May and June 2014 was $118,020 (USD4,000 thousand) and $106,225 (USD3,600 thousand), respectively.

(3) 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.

(4) 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 (including related parties), other receivables, other current assets, other non-current assets, short-term loans, notes payable, accounts payable (including related parties) 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(5).

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 minimize potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(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

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, recognized assets and liabilities and net investments in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group uses derivative financial instruments such as foreign exchange contracts and swap contracts to hedge the expected transaction of recognized foreign currency assets/liabilities to reduce the fair value risk and cash flow risk arising from fluctuations in exchange rates.

D. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). 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			Year ended December 31, 2015		
				Sensitivity analysis		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	USD 445,864	32.8300	$ 14,637,715	1%	$ 146,377	$ -
USD:RMB (Note)	USD 810,709	6.5924	26,615,576	1%	266,156	-
Financial liabilities						
Monetary items						
USD:NTD	USD 815,297	32.8300	$ 26,766,201	1%	$ 267,662	$ -
USD:RMB (Note)	USD 793,682	6.5924	26,056,580	1%	260,566	-
JPY:USD (Note)	JPY 3,916,882	0.0083	1,067,307	1%	10,673	-

	December 31, 2014			Year ended December 31, 2014		
				Sensitivity analysis		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	USD 494,640	31.6200	$ 15,640,517	1%	$ 156,405	$ -
USD:RMB (Note)	USD 781,426	6.2512	24,708,690	1%	247,087	-
Financial liabilities						
Monetary items						
USD:NTD	USD 764,808	31.6200	$ 24,183,229	1%	$ 241,832	$ -
USD:RMB (Note)	USD 875,154	6.2512	27,672,369	1%	276,724	-

Note: The functional currencies of certain subsidiaries belonging to the Group are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

Total exchange (loss) gain, including realized 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($248,243) and ($447,347), respectively.

Price risk

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

The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by $52,936 and $55,233, respectively.

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 rate were denominated in the NTD, USD and JPY.

At December 31, 2015 and 2014, if market interest rates had been 0.25% higher with all other variables held constant, other comprehensive income for the years ended December 31, 2015 and 2014 would have been $6,346 and $2,024 higher, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization 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. 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 party) that are neither past due nor impaired is as follows:

	December 31, 2015	December 31, 2014
Group 1	$ 9,461,033	$ 9,216,770
Group 2	7,831,116	9,561,612
	$ 17,292,149	$ 18,778,382

Group 1: Low-risk customers with larger scale of operations and better credits.

Group 2: Other normal-risk customers.

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

	December 31, 2015	December 31, 2014
Up to 30 days	$ 633,697	$ 261,079
31 to 120 days	475,976	113,314
121 to 215 days	1,578	2,505
	$ 1,111,251	$ 376,898

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

(1) As of December 31, 2015 and 2014, the Group's accounts receivable that were impaired amounted to $103,065 and $95,330, respectively.

(2) Movements on the Group provision for impairment of accounts receivable are as follows:

Individual provision	2015	2014
At January 1	$ 95,330	$ 115,458
Provision of impairment	-	33,710
Reversal of bad debts	(3,801)	(5,087)
Write-offs during the period	-	(53,151)
Acquired from business combinations	12,161	-
Effect of exchange rate changes	(625)	4,400
At December 31	$ 103,065	$ 95,330

(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 at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. 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 at December 31, 2015 and 2014, the Group held money market position of $6,306,397 and $7,108,250, respectively, that are expected to readily generate cash inflows for managing 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	$ 2,482,978	$ -
Notes payable	16,298	-
Accounts payable (including related parties)	19,088,445	-
Other payables (including related parties)	7,181,716	-
Long-term borrowings (including current portion)	-	2,494,480

Non-derivative financial liabilities:

December 31, 2014	Less than 1 year	Over 1 year
Short-term borrowings	$ 2,100,304	$ -
Notes payable	31,341	-
Accounts payable (including related parties)	19,540,447	-
Other payables (including related parties)	6,939,367	-
Long-term borrowings (including current portion)	411,060	534,638

Derivative financial liabilities

As of December 31, 2015 and 2014, the Group's derivative financial liabilities were all less than one year.

(3) Fair value information

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(4)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

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 (including emerging stocks), beneficiary certificates and convertible bonds, 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	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 429,105	$ -	$ 429,105
Futures contracts	-	-	8,324	8,324
Derivative financial assets for hedging available-for-sale financial assets				
Equity securities	3,651,413	166,064	-	3,817,477
Debt securities	272,798	-	-	272,798
Beneficiary certificates	1,476,075	-	-	1,476,075
Total	$ 5,400,286	$ 595,169	$ 8,324	$ 6,003,779
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 107,399	$ -	$ 107,399

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 259,362	$ -	$ 259,362
Futures contracts	-	185	8,017	8,202
Available-for-sale financial assets				
Equity securities	5,107,670	381,757	-	5,489,427
Debt securities	-	10,600	-	10,600
Beneficiary certificates	33,885	-	-	33,885
Total	$ 5,141,555	$ 651,904	$ 8,017	$ 5,801,476
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or				
Forward exchange contracts	$ -	$ 141,668	$ -	$ 141,668
SWAP	-	1,720	-	1,720

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:

	Listed shares	Emerging stocks	Open-end fund	Convertible bond
Market quoted price	Closing price	Average trades 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.

(c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts are usually valued based on the current forward exchange rate.

(d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group’s financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group’s management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet date. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(e) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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. The Group treasury is in charge of valuation procedures for fair value measurements being categorized 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 source of information is independent, reliable and in line with other sources 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. <u>SUPPLEMENTARY DISCLOSURES</u>

(1) <u>Significant transactions information</u>

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: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 5.

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 6.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(24) and 12(4).

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

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

14. SEGMENT INFORMATION

(1) General information

The Group operates business from a geographic perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China, America, and Europe.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on a measure of adjusted EBITDA. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Group treasury, which manages the cash position of the group. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(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:

Year ended December 31, 2015	Taiwan	Mainland China	America	Europe	Total
Revenue from external customers	$ 59,915,694	$ 17,984,271	$ 1,819,184	$ 944,220	$ 80,663,369
Segment profit	$ 1,770,255	$ 4,267,899	$ 612,120	$ 68,274	$ 6,718,548

Year ended December 31, 2014	Taiwan	Mainland China	America	Europe	Total
Revenue from external customers	$ 59,507,153	$ 18,020,200	$ 1,495,757	$ 1,087,582	$ 80,110,692
Segment profit	$ 1,887,643	$ 3,472,348	$ 1,272,269	$ 37,772	$ 6,670,032

(4) Reconciliation for segment income

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2015 and 2014 is provided as follows:

	Years ended December 31, 2015	Years ended December 31, 2014
Reportable segments income	$ 6,718,548	$ 6,670,032
Related loss not yet classified	(2,113,285)	(1,988,363)
Total non-operating revenue and expenses	724,085	924,188
Income before tax from continuing operations	$ 5,329,348	$ 5,605,857

(5) Information on products and services

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

	Years ended December 31, 2015	Years ended December 31, 2014
Computer peripheral products	$ 39,182,665	$ 41,780,729
Consumer electronic products	26,908,776	21,707,033
Other electronic products	14,571,928	16,622,930
Total	$ 80,663,369	$ 80,110,692

(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
Domestic	$ 59,915,694	$ 5,498,684	$ 59,507,153	$ 4,756,922
Asia	17,984,271	13,170,103	18,020,200	10,563,486
US	1,819,184	89,641	1,495,757	113,939
Europe	944,220	4,394	1,087,582	7,095
Total	$ 80,663,369	$ 18,762,822	$ 80,110,692	$ 15,441,442

The Group’s geographical revenue information is determined based on the area collecting the accounts receivable.

Non-current assets include property, plant and equipment, investment assets, intangible assets and other assets, but excluding financial assets and deferred income tax assets.

(7) Major customer information

	Year ended December 31, 2015		
	Revenue	%	Selling department
Company A	$ 9,412,409	12	Asia

	Year ended December 31, 2014		
	Revenue	%	Selling department
Company A	$ 9,336,801	12	Asia

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