



Annual Report Query : Stock# : 2385
M.O.P.S : <http://mops.twse.com.tw/>
Chicony : <http://www.chicony.com.tw/>

Chicony Electronics Co., Ltd

2014 Annual Report

Dated by 2015 May 15

Chicony Electronics Co., Ltd.

Table of Contents

Page

1. Letter to Shareholders	
1.1 Year 2014 performance.....	1
1.2 Year 2015 outlook	2
1.3 The Company’s development strategies are subject to the external competitive, regulatory, and overall business environments.....	5
2. Company Profile	
2.1 Date of founding.....	6
2.2 Company milestone.....	6
3. Corporate Governance	
3.1 Organization	10
3.2 Organization Members: Directors, Supervisors, General Manager, Vice Presidents, Associate Vice Presidents, and Department Heads	12
3.3 Corporate Governance Operation.....	37
3.4 Audit Fees.....	57
3.5 Change of CPA.....	57
3.6 Chairman, Directors, or Managers Responsible for Finance or Accounting Employed by the Appointed Accounting Firm or Affiliates in the Past Year	57
3.7 Increase/Decrease of Shareholding and Net Changes in Shares Pledged Among Chairman, Supervisor, Managers and Shareholders with over 10% Shareholding	58
3.8 Top Ten Shareholders and Relationships.....	60
3.9 Investments Made in the Same Outside Enterprise by the Company, its Directors, Supervisors and Directly/indirectly Controlled Affiliates, by Combined Numbers of Shares and holding Percentage.....	61
4. Fund-raising Status	
4.1 Capital and Shares	63
4.2 Issuance of Corporate Bonds.....	68
4.3 Issuance of Preferred Stocks	68
4.4 Issuance of GDR	68
4.5 Status of Employee Stock Option Plan.....	68
4.6 Status of Employee New Stock with Restricted Right	68
4.7 Status of New Share Issuance in connection to Mergers or Acquisitions	68
4.8 Status of financing plans and implementation.....	68
5. 2015 Cosolidated Financial Statement for the Years Ended December 31, 2014 and 2013.....	69

1. Letter to Shareholders

Dear Shareholders:

1.1 Year 2014 performance (All in NTD\$)

1.1.1 Operating results

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

1.1.2 Financial highlights and profitability analysis

a. Financial highlights

Units: NTD thousands

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

b. Profitability

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

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

1.1.3 Research and development

In 2014, Chicony spent approximately \$2,182,395 thousands on product development, automation production equipment and process improvement. Our solid R&D capacity and strength will be the major key point to make Chicony stay on top among when surrounded by fierce competition and fast changing of macro environment. Therefore, we established C&T laboratory with National Taipei University of Technology to cultivate 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 related application, LED lighting and PV inverter (solar power converter) energy-saving products, we will also engage to raise the portion of non-PC new product to meet the various market demands and to create more Blue-ocean market opportunity.

1.2 Year 2015 outlook

1.2.1 2015 goals and outlook

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

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

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

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

1.2.2 Business strategies

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

a. Products

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

value-added and differentiated products.

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

b. Production

- (1) To retain a competitive advantage in keyboard, digital video, and power supply products, increase production capacity, and closely monitor product quality.
- (2) To intensify 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 localize the procurement. 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 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 marketing branch offices 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 entry barriers by enhancing I.P. and Know-How.

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

e. Human resources

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

f. Finance

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

1.2.3 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 and the on-line information center for decision making.
- 1.3 The company's development strategies are subject to the external competitive, regulatory, and overall business environments:
Details are provided in the 2015 Outlook.

Chairman: Kent Hsu

Vice President and General Manger: MK Lin

Chief Accounting Officer: Molly Lin

2. Company Profile

2.1 Date of founding: February 22, 1983

2.2 Company milestone

- 1983 – Chicony was founded by former vice chairman Mr. Mark Lee and former vice president Mr. Frank Lu, and registered with \$ 2 million capital for computer peripheral product trading.
- 1985 – Current chairman Kent Hsu joined the company. Production of APPLE and IBM compatible keyboards began.
 - Incremental capital of \$14 million was invested to expand facilities.
 - Sales reached \$39 million
- 1986 – Sales reached \$293 million, approximately 7.5 times the level of the previous year.
- 1987 – A project was established to develop mobile personal computers.
 - Incremental capital of \$47 million was invested to expand facilities.
 - Business units were introduced into the organization (including two major business units for mobile products and keyboards).
 - Purchased HP-3000 computers from Hewlett Packard for computerization.
 - Annual revenue doubled to \$585 million over 1986.
- 1988 – PC Clones Magazine listed Chicony as one of the world’s top five computer keyboard companies.
 - Ministry of Economic Affairs (MOEA) officially approved the investment in Chicony Electronics (Thailand) Co., Ltd.
 - An additional \$57 million capital was generated from cash and earnings.
 - Mass production of LT3400 model laptops began.
 - Annual earning reached \$801 million, up 37% from a year ago.
- 1989 – Keyboard KB-5581 (keyboard with tracking ball) won the Design Award for Excellent Product.
 - Production in Thailand plant officially began the company’s first oversea production expansion.
 - Acquired 4500 ping of space for the Taoyuan Plant in Nankan, Taoyuan.
 - To meet the demands of rapid sales growth, incremental capital of \$78 million was invested, bringing the total paid-in capital to \$198 million.
 - Established the motherboard business unit.
 - Annual sales doubled from the previous year and reached almost \$1.6 billion.
 - MOEA approved the establishment of Chicony Overseas Inc. (COI), dedicated to personal computer products and peripherals, and established to enhance oversea sales network and customer service.
- 1990 – Hipro Electronics (Taiwan) Co., Ltd was established to specialize in the production and sales of power supplies.
 - The company’s trade performance was ranked in the top 100 in Taiwan.
 - The company’s use of its own brand for exports won the Minister of Economy’s Award.
 - The company officially invested in Chicony Overseas Inc. (COI) with a 100% stake. To establish a complete oversea sales and production network, further investments were made through COI in distributors in the USA (Chicony America Inc., CAI), Europe (Chicony Electronics GmbH, CEG), and the production unit in Thailand (Chicony Electronics (Thailand) Co., Ltd (CET)).
 - The Nankan plant in Lujhu Township, Taoyuang, officially began operation.
 - Additional capital of \$ 802 million was raised through a public offering, approved by the SEC, bringing the total paid-in capital to \$1 billion.
- 1991 – General manager, Mark Lee was awarded the Golden Business Award in the 46th Taiwan Excellent Businessman Award.
 - Senior vice president M. K. Lin was awarded the Excellence in Taiwan 9th

- Outstanding Production Manger Award.
- Construction began on the headquarter in Wugu Industrial Park.
 - Additional capital of \$120 million was made from earnings.
 - 1992 – Plans for the motherboard manufacturing plant in Thailand were developed.
 - Keyboard model KB-5591 won the National Product Image Award.
 - 1993 – Chicony’s headquarters in Wugu were officially opened.
 - 1994 – The first keyboard manufacturing plant in China officially opened for production.
 - 1995 – An incremental capital investment of \$380 million was approved by SEC, bringing the total amount of paid-in capital to \$1.5 billion.
 - 1996 – Motherboard business unit was discontinued.
 - A capital reduction and an increment of capital in cash were made, at \$ 300 million.
 - An investment was made in Chicony Electronics (UK) Ltd through Chicony Overseas Inc. to enable the sales of keyboards.
 - 1997 – Hipro Electronics Co., Ltd was listed in Thailand.
 - Keyboard model KWD-601 won Best Product Award from Chip Magazine, German Edition.
 - Mark Lee was voted as the vice-chairman by the Board, and M.K. Lin was promoted to general manager from executive vice president.
 - 1998 – Monthly keyboard sales reached 2.5 million units, ranking number one in the world.
 - Investment was made into Chicony Electronic (Dongguan) Co., Ltd through Chicony Overseas Inc. to set up the production and sales of keyboards
 - Capital increased by \$324.8 million from earned surplus (including employee bonuses) and capital reserves, approved by the SEC, bringing the total paid-in capital to over \$1.82 billion.
 - 1999 – Chicony was publicly listed on the Taiwan Stock Exchange mainboard on January 5th.
 - Increased capital by \$397 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$2.22 billion
 - 2000 – Relisted Hipro from the Stock Exchange of Thailand, and shares were bought back through Chicony Overseas Inc., increasing the company’s shareholding on Hipro from 32.29% to 75.33%.
 - Digital camera business unit established.
 - Laptop computer business unit was discontinued.
 - 2001 – Invested in Chicony Electronic (Suzhou) Co., Ltd through Chicony Overseas Inc. for the production and sales of computer keyboards in the China market.
 - 2002 – Increased the shareholding in Hipro to 99.8%.
 - Increased capital by \$273.3 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$2.49 billion.
 - Founded Chicony Electronics CEZ s.r.o. to better serve the European market.
 - 2003 – Mark Lee resigned as the vice chairman. The Board voted M.K. Lin as the vice chairman and general manager.
 - Increased capital by \$492.32 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital level to \$2.99 billion.
 - 2004 – Increased capital by \$747.2 million from earned surplus (including employee bonuses), approved by the SEC, raising the total level of paid-in capital to over \$3.73 billion.
 - Invested in optical lens company Newmax Electronics Co., Ltd through Unikey Electronics Co., Ltd, obtaining a 28.31% stake.
 - 2005 – Monthly sales of laptop computer keyboards exceeded 1 million units.
 - Capital increased by \$415 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to \$4.15 billion.
 - 2006 – Achieved the worldwide number one position in sales of built-in laptop camera

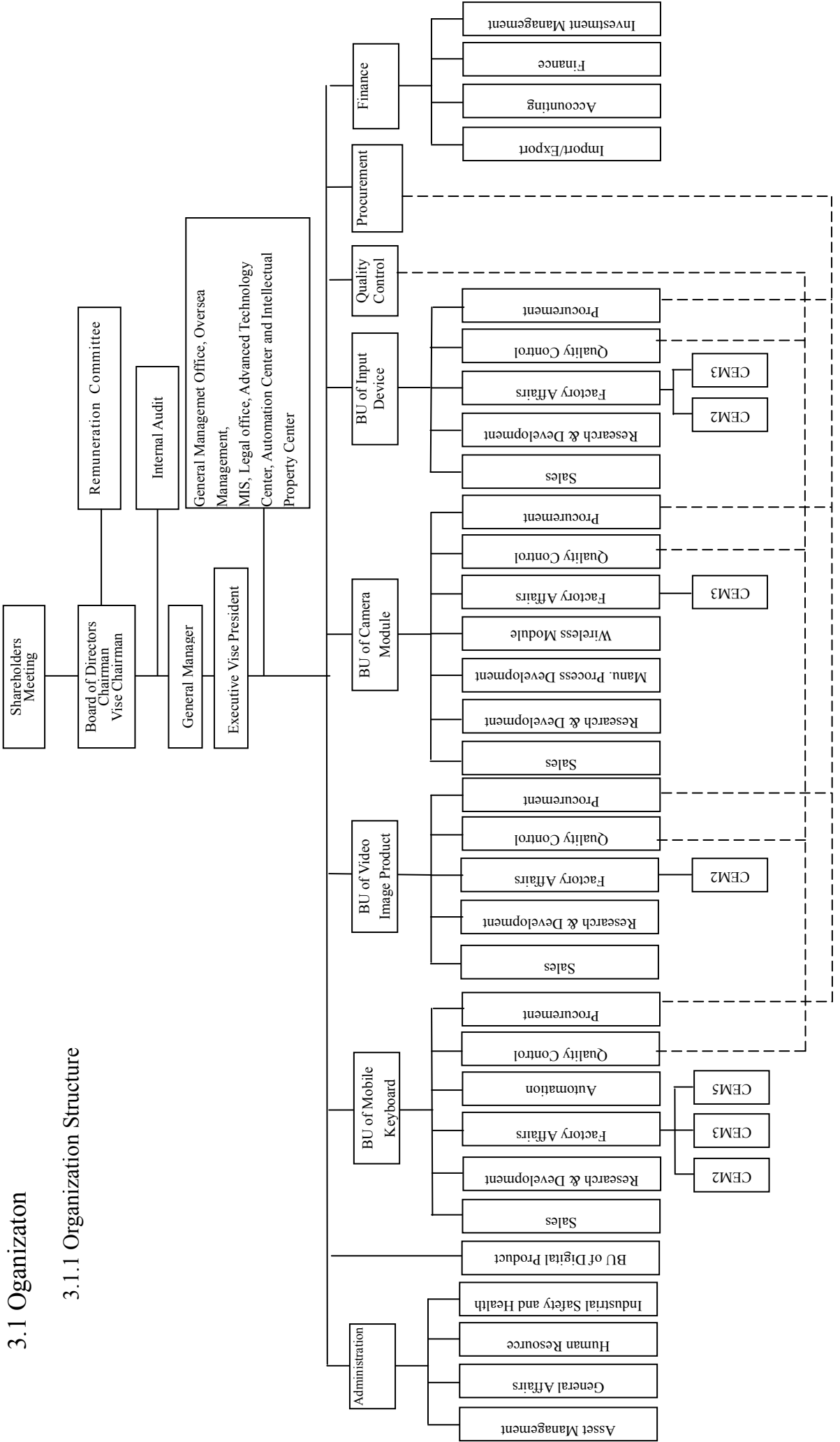
- modules and webcams.
- Webcam monthly sales exceeded 1 million units.
- Capital was increased by \$275.5 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to almost \$4.43 billion.
- 2007
 - Laptop computer keyboard monthly sales exceeded 3 million units.
 - A capital increment of \$583.5 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital over \$5 billion.
- 2008
 - Chicony Electronics (UK) Ltd. ceased operation.
 - Chicony was ranked 73rd among the world's top 100 technology companies by Business Week, US.
 - Capital was increased by \$561 million from earned surplus (including employee bonuses), approved by the SEC, bringing the total level of paid-in capital to \$5.57 billion.
- 2009
 - Chicony stock was selected as part of the MSCI Taiwan Index.
 - For organization restructuring, Hipro Electronics, a 100%-owned subsidiary of Chicony, was merged with Chicony Power Technology Co., Ltd. (including full transfer of assets and liabilities), under the Enterprise Acquisition Law. Additional capital of \$2.08 billion was also invested in Chicony Power Technology Co., Ltd., bringing the company's ownership to 70.39%.
 - A capital increment about \$342 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$5.9 billion.
- 2010
 - Upon approval of registration changes from Ministry of Economic Affairs, the remaining treasury stock reserved for none collateral convertible bond was canceled. A capital decrease of \$108,820.
 - A capital increment about \$343 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$6.2 billion.
 - Established LED business unit under Chicony Power Technology Co., Ltd, profit recognized by Chicony Electronics as equity method investment.
 - Newmax Technology Co., Ltd listed in Taiwan OTC market, profit recognized by Chicony Electronics as equity method investment indirectly.
- 2011
 - To invest in Chicony Electronics (Chong Qing) Co., Ltd. through COI, dedicated to the manufacturing and sales of computer keyboards and digital image products.
 - To invest in Chicony Power Technology (Chong Qing) Co., Ltd. indirectly through Chicony Power Technology Co., Ltd., dedicated to the manufacturing and sales of power supply and LED illumination products.
 - Upon approval of registration changes from Ministry of Economic Affairs, the remaining treasury stock 10 million shares were canceled. A capital decrease of \$100 million, bringing the total paid-in capital to over \$6.1 billion.
 - A capital increment about \$288 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$6.4 billion.
- 2012
 - A capital increment about \$313 million was made from earned surplus (including employee bonuses), approved by the SEC, bringing the total paid-in capital to over \$6.7 billion.
- 2013
 - The subsidiary, Chicony Power Technology Co., Ltd, was listed on the GreTai Securities Market on 3rd January 2013 and was approved to be listed on TWSE on 8th November 2013.
 - A capital increment about \$109 million was approved and made from earned surplus (including employee bonuses), bringing the total paid-in capital to around \$6.8 billion.

- 2014
- A capital increment about \$81 million was approved and made from earned surplus (including employee bonuses), bringing the total paid-in capital to around \$6.9 billion.
 - Listed as the TWSE Taiwan High Compensation 100 Index.
 - Established C&T laboratory with National Taipei University of Technology.

3. Corporate Governance

3.1 Organization

3.1.1 Organization Structure



3.1.2 Major Corporate Functions

<u>Business Units</u>	<u>Description</u>
Input Device Business Unit	Desktop keyboard material procurement, production management, marketing, sales management, after service, and new product development
Mobile Keyboard Business Unit	Portable keyboard product procurement, production management, marketing, sales management, research and development, and after service
Video Image Product Business Unit	Production management of video image products, marketing, sales management, after service, and new product research and development
Camera Module Business Unit	Camera module production management, marketing, sales, after service, and new product research and development
Procurement	IT peripheral product and image product material procurement
Quality Control	Quality control, after service and customer relationship maintenance.
Finance	Finance, accounting, shareholding affairs, customs clearance, and imports/exports for the headquarters and subsidiaries.
Administration	Human resource, general affairs, corporate social responsibilities and industrial safety and health for headquarter and subsidiaries
Internal Audit	Review and evaluate internal control system and policy implementation
MIS	IT planning
Legal	Corporate legal affairs, contract drafting, and reviewing, litigation, patents and intellectual property management.
Advanced Technology Center	R&D on new products for Group and transfer technology for business units
Automation Engineering Center	Consolidate Group automation resources and setup projects of automation implement for business units. Develop and accumulate automation technology capacity for long term period.
Intellectual Property Center	Conduct the affairs of application for patent, infringement comparison, patent reference, design avoidance and patent lawsuit.

3.2 Organization Members: Directors, Supervisors, General Manager, Vice Presidents, Associate Vice Presidents, and Department Heads
 3.2.1. Information of Board Members and Supervisors

a. Information of Board Members and Supervisors (1)

April 19, 2015 Unit: Shares

Title	Nationality	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor	
						Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Chairman	Taiwan	Kent Hsu	11th June 2013	3 years	4th March 1985	78877488	11.34%	80003670	11.51%	39419711	0.57%	-	-	-	-	National Taipei University of Technology Honorary Doctorate, National Taipei University of Technology	Chairman of: Clevo Co.; Epoque Corp. Chairman/legal representative of Chicony Power Technology Co., Ltd. Hipro Electronics, Quan Sun Investment Co Ltd Chun Chin Power Technology., Co., Ltd Chairman of subsidiaries: Chicony (Dongguan) Co., Ltd Chicony (Suzhou) Co., Ltd, Chicony(Chong Qing) Co., Ltd Chicony Power Technology (Suzhou), Co., Ltd Chicony Power Technology (Chong Qing), Co., Ltd Chicony Energy Saving Technology (Shanghai) Co., Ltd. Dong Guan Chicony Power Trading CO., Ltd Hipro (Dongguan), Co., Ltd Guang Sheng Electronics (Nanchang), Co., Ltd Xavi Technologies (Suzhou) Co., Ltd Director of subsidiaries: Chicony Overseas Inc., Chicony Global, US, Czech, Thailand, Mao Feng Electronics, MaoRui Electronics Real Young Electronics Guang Mao International Inc. Chicony America Group Inc., Chicony Power Technology Hong Kong, US, Holding, International Hipro Oversea Inc. XAVI Technologies Corp. XAVI Oversea, Directmax, Systemax Director of Unkey Electronics Co., Ltd	-	-

Title	Nationality	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Title	Name	Relationship
						Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)					
Vice Chairman and President	Taiwan	M.K. Lin	11th June 2013	3 years	12th August 1988	14,705,251	2.12%	13,518,318	1.95%	811,683	0.12%	-	-	6,240,000	0.90%	National Taipei University of Technology EMBA, National ChengChi University Honorary Doctorate, National Taipei University of Technology MaoKui Electronics of Dongguan, Chicony Power Technology Suzhou, Hong Kong, Chong Qing, US, Holdings, International Chicony Energy Saving Technology (Shanghai) Co., Ltd. Dong Guan Chicony Power Trading CO., Ltd. Guang Sheng Electronics (Nanchang) Co., Ltd. XAVI Oversea, Suzhou, Directmax, Systemax WitsLight Guideway Global Had Eri Iou International, and Hol Yu International CEO/Director/Secretary of Chicony US CEO/Director of Chicony America Group Inc., Independent Director of Allied Circuit Co., Ltd. Legal representative and director of Had Eri Iou Electronics Co., Ltd., Genesis Photonics Inc., Alcor Micro, Co. Supervisor of Chicony Electronics (Japan) Co., Ltd. Remuneration Committeeman of Elan Microelectronic Co.	-	-	-	-

Title	Nationality	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor		
						Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Director	Taiwan	Roger Lu	11th June 2013	3 years	18th May 2004	2,341,502	0.34%	2,404,725	0.35%	1,282,372	0.18%	-	-	60,000	0.01%	MBA, National ChengChi University Sales supervisor, Manager, BU head, Assistant vice president, Vice president of Chicony Electronics Co., Ltd	Executive vice president, GM of Chicony (Dongguan) Co., Ltd and MaoRui Electronics Legal Representative Director: Hipro Electronics Co., Ltd Quan Sun Co., Ltd UniKey Electronics Co., Ltd, Newmax Technology Co., Ltd, Chun Chin Power Technology Co., Ltd GM/Director of Chicony (Dongguan) Co., Ltd Director of: Chicony Overseas Inc., US, Czech, Japan, Suzhou, Thailand, Chicony Power Technology Holdings, Chicony Power International Inc. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics Co., Ltd Mao-Feng International Inc. Global Faith Inc. Guang Sheng Electronics (Nanchang) Mao Chun Electronics Co., Ltd. Chicony America Group Inc., Supervisor of: CLEVO Co. Ltd. XAVI Technology Co., Ltd. Shun On Electronic Co., Ltd. Chicony(Chong Qing)	-	-	-

April 19, 2015 Unit: Shares

Director	Nationality	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor		
						Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
	Taiwan	James Wei	11th June 2013	3 years	18th May 2004	1,246,074	0.18%	1,118,023	0.16%	-	-	-	-	551,300	0.08%	Bachelor of Engineering Science, National Cheng Gung University MBA, Da Yeh University Manager of Production Department, Shilin Electrics Co., Ltd. GM and Vice president of VIP Business Unit, Chicony Electronics, Co., Ltd	Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit Legal Representative Director of: Hipro Electronics Co., Ltd Had Eri Iou Industrial Inc. Newmax Technology Co., Ltd Director of: Chicony (Dongguan) Co., Ltd. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics, Co., Ltd. Global Faith Inc. Guang Mao International Inc., Mao Chun Electronics Co., Ltd., Xavi Suzhou, XAVI Oversea, Directmax, and Systemax Supervisor of Chicony (Suzhou) Co., Ltd XAVI Technology Co., Ltd, Chicony Power Technology (Chong Qing), Co., Ltd and Chicony Energy Saving Technology (Shanghai) Co., Ltd. Legal Representative Supervisor of: UniKey Electronics Co., Ltd, Quan Sun Co., Ltd. Chun Chin Power Technology Co., Ltd	Corporate representative Director	Su-Chen Chang	Spouse

April 19, 2015 Unit: Shares

Nationality	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor		
					Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Director	Simon Tsai	11th June 2013	3 years	30th May 2001	28,351	-	28,777	-	58,008	0.01%	-	-	-	-	National Taipei University of Technology EMBA, National Cheng Chi University GM, CLEVO, CO.	Vice Chairman and GM of Clevo Co., Ltd.	-	-	-
Director	Jia-sheng Liu	11th June 2013	3 years	30th May 2001	570,025	0.08%	578,603	0.08%	-	-	-	-	-	-	National Taipei University of Technology Director, Kuofong Motors	None	-	-	-
Supervisor	Jing Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang	11th June 2013	3 years	18 th May 2004	10,534,918	1.52%	10,693,468	1.54%	-	-	-	-	-	-	National Taipei College of Business Vice manager, Ya Peng Enterprise	None	-	-	-

April 19, 2015 Unit: Shares

	Nationality	Name	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder and the Spouse		Selected Education and Experiences	Current Positions at Chicony and Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor		
						Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relation-ship
Supervisor	Taiwan	Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang	11th June 2013	3 years	18 th May 2004	4,111,338	0.59%	4,173,213	0.60%	-	-	-	-	-	-	Business College Finance Department, Shilin Electric Co., Ltd.	None	Director Special Assistant and Head of DCD	James Wei	Spouse
Supervisor	Taiwan	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku	11th June 2013	3 years	18 th May 2004	10,788,306	1.55%	10,950,669	1.58%	-	-	-	-	-	-	Tunghai University Trade Specialist, Bliss Electronic Co., Ltd Senior Specialist, Kuei Mao Electronics	None	Head of VIP BU	Allen Huang	Spouse

Note: The percentage of shareholding is calculated as shares held divided by total outstanding shares.

a. Information of Board Members and Supervisors (2):

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience										Criteria (Note)										Number of Other Public Companies Concurrently Serving as an Independent Director
		An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10								
Chairman: Kent Hsu				V				V			V	V	V	V								
Vice Chairman and GM: M.K. Lin				V				V			V	V	V	V	1							
Director: Roger Lu				V			V	V			V	V	V	V								
Director: James Wei				V			V	V			V		V	V								
Director: Simon Tsai				V			V	V	V		V	V	V	V								
Director: Jia-sheng Liu				V	V	V	V	V	V	V	V	V	V	V								
Supervisor: Jing Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang				V	V		V	V	V	V	V	V	V									
Supervisor: Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang				V	V		V		V	V	V		V									
Supervisor: Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku				V	V		V	V	V	V	V	V	V									

Note: "V" in the boxes indicates that, during the two years before the elected position or during the term of office, directors and supervisors meet the following criteria:

1. Not an employee hired by Company and its affiliates.
2. Not a director or supervisor of the company or any of its affiliate. It does not apply in cases where the person is an independent director of the company, its parent company or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
4. Not a spouse, relative within the second-degree relatives, or lineal relative within the fifth degree, of any of the persons specified in the preceding three notes.
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer or shareholders who hold 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
7. Not as a professional individual nor an owner, partner, director, supervisor, officer or one' spouse of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its affiliates.
8. Not having a marital relationship , or a relative within the second degree of kinship to any other director of the company;
9. Not been a person or any conditions defined in Article 30 of the Company Law.
10. Not a governmental, judicial, person or its representative as defined in Article 27 of the Company Law.

b. Directors, Supervisors, Institutional Shareholder Representatives, and the Main Shareholder of Institutional Shareholders

April 19, 2015

Institutional Shareholder Name	The Main Shareholder of the Institutional Shareholder	Percentage of Shareholding (%)
Dong Ling Investment Co., Ltd.	Kent Hsu	50%
	Teh-yi Wu	18.33%
	Yue-sen Hsu	10%
	Yue-yuan Hsu	5%
	Feng-chu Lin	5%
	Kun-yuan Hsu	5%
	Yue-eh Hsu	5%
	Weng-hsin Hsu	1.67%
Jing Yuan Investment Co., Ltd.	Dong Ling Investment Co., Ltd.	50%
	Teh-yi Wu	28.33%
	Yue-sen Hsu	5.06%
	Yue-yuan Hsu	5%
	Kun-yuan Hsu	5%
	Feng-chu Lin	3.05%
	Yue-eh Hsu	2.89%
	Weng-hsin Hsu	0.67%
Hua Tai Investment Co., Ltd.	Kun-yuan Hsu	20%
	Feng-chu Lin	20%
	Yue-yuan Hsu	16%
	Fu-long Lin	16%
	Teh-yi Wu	12%
	Ying-tao Hsu-Chen	10%
	Yue-eh Hsu	4%
	Weng-hsin Hsu	2%

c. Directors, Supervisors, Institutional Shareholder Representatives, and the Main Shareholder of Institutional Shareholders April 19, 2015

The Main Shareholder of the Institutional Shareholder	The Main Shareholder	Percentage of Shareholding (%)
Dong Ling Investment Co., Ltd.	Kent Hsu	50%
	Teh-yi Wu	18.33%
	Yue-sen Hsu	10%
	Yue-yuan Hsu	5%
	Feng-chu Lin	5%
	Kun-yuan Hsu	5%
	Yue-eh Hsu	5%
	Weng-hsin Hsu	1.67%

3.2.2 Management Team

April 19, 2015 Unit: Shares

Title	Nationality	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Discretion Reserved by the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager, director, or a supervisor		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	Under 18			Title	Name	Relationship
Vice Chairman and GM	Taiwan	M.K. Lin	1st May 2003	13,518,318	1.95% (Note)	811,683	0.12% (Note)	-	-	6,240,000	0.90% (Note)	National Taipei University of Technology EMBA, National ChengChi University Honorary Doctorate, National Taipei University of Technology Guang Mao International Inc. MaoKui Electronics Hipro Overseas Inc., Dongguan, Chicony Power Technology Suzhou, Hong Kong, Chong Qing, US, Holdings, International Chicony Energy Saving Technology (Shanghai) Co., Ltd. Dong Guan Chicony Power Trading CO., Ltd. Guang Sheng Electronics (Nanchang) Co., Ltd. XAVI Oversea, Suzhou, Directmax, Systemax WislLight Guideway Global Had Eri Iou International, and Hoi Yu International CEO/Director/Secretary of Chicony US CEO/Director of Chicony America Group Inc., Independent Director of Allied Circuit Co., Ltd. Legal representative and director of Had Eri Iou Electronics Co., Ltd., Genesis Photonics Inc., Alcor Micro, Co. Supervisor of Chicony Electronics (Japan) Co., Ltd. Remuneration Committeeman of Elan Microelectronic Co.	GM of Chicony Electronics Co., Ltd Chairman/legal representative/CEO of XAVI Technology Co, Ltd, Chairman/legal representative and GM of UniKey Electronics Co., Ltd Vice chairman/legal representative/CEO of Chicony Power Technology Co., Ltd, Vice chairman/legal representative and GM of Hipro Electronics Co., Ltd Chun Chin Power Technology Co., Ltd Quan Sun Co., Ltd. Vice chairman of Chicony (Dongguan) Co. Ltd. Director of Clevo Co., Chicony Oversea Inc., Suzhou, Czech, Thailand, Chong Qing, Mao Feng Electronics,, Real Young Electronics Co., Ltd Global Faith Inc. Guang Mao International Inc. MaoKui Electronics Hipro Overseas Inc., Dongguan, Chicony Power Technology Suzhou, Hong Kong, Chong Qing, US, Holdings, International Chicony Energy Saving Technology (Shanghai) Co., Ltd. Dong Guan Chicony Power Trading CO., Ltd. Guang Sheng Electronics (Nanchang) Co., Ltd. XAVI Oversea, Suzhou, Directmax, Systemax WislLight Guideway Global Had Eri Iou International, and Hoi Yu International CEO/Director/Secretary of Chicony US CEO/Director of Chicony America Group Inc., Independent Director of Allied Circuit Co., Ltd. Legal representative and director of Had Eri Iou Electronics Co., Ltd., Genesis Photonics Inc., Alcor Micro, Co. Supervisor of Chicony Electronics (Japan) Co., Ltd. Remuneration Committeeman of Elan Microelectronic Co.	-	-	-

April 19, 2015 Unit: Shares

Title	Nationality	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Executive vice president, GM of Chicony Electronics (Dongguan) Co., Ltd and MaoRui Electronics (Dongguan) Co., Ltd and MaoRui Electronics Co., Ltd.	Taiwan	Roger Lu	1st May 2003	2,404,725	0.35%	1,282,372	0.18%	-	-	60,000	0.01%	Bachelor and MBA of Business Administration, National ChengChi University, Sales supervisor, manager, associate vice president, vice president of Chicony Electronics Co., Ltd	Executive vice president, GM of Chicony (Dongguan) Co., Ltd and MaoRui Electronics Legal Representative Director: Hipro Electronics Co., Ltd Quan Sun Co., Ltd. UniKey Electronics Co., Ltd, Newmax Technology Co., Ltd, Chun Chin Power Technology Co., Ltd GM/Director of Chicony (Dongguan) Co., Ltd Director of: Chicony Overseas Inc., US, Czech, Japan, Suzhou, Thailand, Chicony Power Technology Holdings, Chicony Power International Inc. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics Co., Ltd Mao-Feng International Inc. Global Faith Inc. Guang Sheng Electronics (Nanchang) Mao Chun Electronics Co., Ltd. Chicony America Group Inc., Supervisor of: CLEVO Co. Ltd. XAVI Technology Co., Ltd. Shun On Electronic Co., Ltd. Chicony(Chong Qing)	-	-	-

April 19, 2015 Unit: Shares

Title	Nationality	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	Taiwan	James Wei	8th March 2006	1,118,023	0.16%	-	-	-	-	551,300	0.08%	Bachelor of Engineering Science, National Cheng Gung University MBA, Da Yeh University Director and Vice Director of Chicony Electronics, Co., Ltd	Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit Legal Representative Director of: Hipro Electronics Co., Ltd Had Eri Iou Industrial Inc. Newmax Technology Co., Ltd Director of: Chicony (Dongguan) Co., Ltd. Hipro Overseas Inc. MaoRui Electronics Co., Ltd. Real Young Electronics, Co., Ltd. Global Faith Inc. Guang Mao International Inc. Mao Chun Electronics Co., Ltd. Xavi Suzhou, XAVI Oversea, Directmax, and Systemax Supervisor of Chicony (Suzhou) Co., Ltd XAVI Technology Co., Ltd, Chicony Power Technology (Chong Qing) Co., Ltd and Chicony Energy Saving Technology (Shanghai) Co., Ltd. Legal Representative Supervisor of: UniKey Electronics Co., Ltd, Quan Sun Co., Ltd. Chun Chin Power Technology Co., Ltd	-	-	-
Chief Strategy Officer	Taiwan	Andrew Lin	16th October 2012	10,590	-	-	-	-	-	10,200	-	Chicago University MBA Master of EECS, Massachusetts Institute of Technology President of Greater China, Macquarie Capital Chief Financial Officer, Lite-On Technology Corporation EE, Fu Jen University, R&D VP of Chicony Electronics Co., Ltd. GM of Chicony(Chong Qing) Co., Ltd Deputy Head of IPD Business Unit	None	-	-	-
Head of IPD Business Unit	Taiwan	Chris Huang	26th October, 2011	1,497,732	0.22%	221,044	0.03%	-	-	72,300	0.01%	Chairman of Suzhou Qun Yang Electronics Co., Ltd Chairman and GM of Suzhou Mao Qun Ltd.	Chairman of Suzhou Qun Yang Electronics Co., Ltd Chairman and GM of Suzhou Mao Qun Ltd.	-	-	-

Title	Nationality	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Head of MKB Business Unit	Taiwan	Hank Liu	1st May 2003	340,252	0.05%	-	-	-	-	58,200	0.01%	Design, National Taipei University of Technology, Executive VP, Sumrex Corp. GM of Chi Mei Specialty Co., Ltd. Vice President, MKB Business Unit, Chicony Electronics Co., Ltd	Chairman and GM of: MaoRui Electronics Director and GM of Chicony (Chong Qing) Co., Ltd Director of: Chicony Electronics Suzhou, Japan Real Young Electronics Co., Ltd. Suzhou Qun Yang Electronics Co., Ltd and XAVI Technology Supervisor of Chicony Power Technology Co., Ltd. Legal Representative Director: Shun On Electronic Co. Limited	-	-	-
Head of VIP Business Unit	Taiwan	Allen Huang	1st February 2006	443,062	0.06%	73,535	0.01%	-	-	60,300	0.01%	Bachelor of Mechanical Engineering, National Tsing Hua University, National Master of Electronics, National Taiwan University of Science and Technology Associate Vice President, Mustek Systems, Inc., Manager, Far Eastern District, Logitech Associate Vice President, DSC Development Department, Chicony Electronics, Co., Ltd	Chairman of Had Eri Iou Industrial Inc. (legal representative) Chairman and GM of: Dong Guan Had Eri Lou Plastics Corporation Director of: Guideway Global Had Eri Iou International Hol Yu International	-	-	-
GM of Chicony America, Inc.	Taiwan	Bruce Chang	17th October 1993	424,994	0.06%	-	-	-	-	39,300	0.01%	Bachelor of Law, National Chung Hsing University, Director/Associate Vice President/Vice President of Sales Department, Chicony	Director/CFO of Chicony America Inc., Director and Secretary of Chicony America Group Inc. Director of: Chicony Power Technology America	-	-	-

April 19, 2015 Unit: Shares

Title	Nationality	Name	Date of Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Head of CM Business Unit	Taiwan	Steve Wu	6st August 2013	468,656	0.07%	65,990	0.01%	-	-	19,200	-	Bachelor of Electronic Engineering, Feng Chia University	Representative Director of Hipro Electronics Co., Ltd. Director of Xavi Technology Co., Ltd and Guang Sheng Electronics (Nanchang) Co., Ltd. GM of Chicony Power (Suzhou)	-	-	-
Special Consultant	Taiwan	Sherman Wei	1st February 2006	10,001	-	-	-	-	-	26,400	-	Bachelor of Engineering Science, National Cheng Gung University, MBA, National Chengchi University, Procurement associate vice president of CLEVO, CO.	Supervisor of XAVI Technology Co., Ltd.	-	-	-
Chief Procurement Officer	Taiwan	Ronnie Chen	1st June, 2011	2,026,265	0.29%	27,010	-	-	-	24,300	-	Commercial Mathematics, National Chiao Tung University, Marketing/Project Dept leader of Liteon Tech., Sales Manager/Procurement Director of Chicony Electronics Co., Ltd. GM of Chicony Thailand, German.	None	-	-	-
Vice President of VIP Business Unit	Taiwan	Daniel Chou	5th July,2011	182,719	0.03%	-	-	-	-	32,400	-	National Taipei College of Business of Business MBA, California State University Sales Manager, SUPER Inc. Sales Manager and Director of Chicony Electronics Co., Ltd. Vice President of CM Business Unit	None	-	-	-
Vice President of CM Business Unit	Taiwan	Rex Li	1st July,2011	352,685	0.05%	65,239	0.01%	-	-	24,000	-	Shipping & Transportation Management ,National Taiwan Ocean University. Sales AVP of Chicony Electronic Co.,Ltd.	None	-	-	-

April 19, 2015 Unit: Shares

Title	Nationality	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Shares	% (Note)	Title	Name	Relationship
Vice President of New Product Development	Taiwan	K.Y. Huang	1st November, 2006	1,139,068	0.16%	810	-	-	-	42,000	0.01%	Commercial Mathematics, Soochow University R&D Manager and Director of IPD Business Unit, Chicony Electronics Co., Ltd.	None	-	-	-
R&D VP of MKB Business Unit	Taiwan	Jensen Tsai	1st May, 2008	160,939	0.02%	-	-	-	-	50,700	0.01%	MBA, Da-Yeh University R&D AVP of MKB Business Unit, Chicony Electronic Co., Ltd.	None	-	-	-
R&D Vice President of VIP Business Unit	Taiwan	Mandy Tsai	1st April, 2010	171,955	0.02%	-	-	-	-	40,800	0.01%	EMBA, National Taiwan University Executive Vice President of Agora Innovation Corp.	None	-	-	-
R&D Vice President of IPD Business Unit	Taiwan	Denny Yang	17th May 2010	37,451	0.01%	-	-	-	-	19,500	-	Bachelor of Control Engineering, National Chiao Tung University Vice President of Sunplus Innovation Technology	None	-	-	-
Procurement Vice President of CM Business Unit	Taiwan	Eric Chang	1st August, 2013	9,951	-	-	-	-	-	13,800	-	EE, Ming Chi university of Technology VP of Compal Computer Associate VP of Taiwan Video & Monitor Corp.	None	-	-	-
Manufacturing Process Development Vice President of CM Business Unit	Taiwan	Polo Tung	1st August, 2013	36,131	-	-	-	-	-	13,800	-	EE, St. John University Special Assistant of Xavi Technologies Senior Associate VP of Hon-hai Precision	None	-	-	-
Special Assistant of Chicony headquarter	Taiwan	Maxwell Liu	5th July, 2011	122,818	0.02%	-	-	-	-	23,400	-	EE, Tunghan University Engineering Manager of Clevo Co., Ltd., R&D AVP of CM Business Unit, Chicony Electronic Co., Ltd.	Vice Chairman and GM of Had Eri Lou Industrial Inc. Ltd. Director of Guideway Global, Had-Eri-Lou International, Hol Yu International, and Dong Guan Had Eri Lou Plastics Corporation	-	-	-

Title	Nationality	Name	Date Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager		
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
Deputy VP of Finance Department	Taiwan	Molly Lin	1st August, 2005	417,047	0.06%	-	-	-	-	39,600	0.01%	Bachelor of Finance, National Taiwan University Master of Accounting, The George Washington University CPA, Cyun Ye CPA Co., Ltd. Accounting manager and accounting director of Chicony Electronics Co., Ltd.	Supervisor of Had Eri Iou Industrial Inc. Director of Chicony Elec. CEZ s.r.o Legal Representative Director: WK Venture Capital IX Maxima Ventures Capital II	-	-	-
Associate VP of Oversea Management Unit	Taiwan	Swallow Chuang	1st February 2006	35	-	817	-	-	-	20,100	-	Bachelor of Business Administration, Feng Chia University, Director of Oversea Management Unit, Chicony Electronics Co., Ltd.	None	-	-	-
AVP of Quality Control, CM Business Unit	Taiwan	Hans Chan	1st September 1999	75,276	0.01%	-	-	-	-	15,300	-	Bachelor of Physics, Tunghai University Quality Control Manager Phillips Electronics N. V. Director of Quality Control Office, Motorola Mobility, Inc.	None	-	-	-
AVP of Automation Center	Taiwan	Eric Tseng	1st April 2010	59,482	0.01%	-	-	-	-	18,300	-	Master of Mechanical Engineering, National Taiwan University Manager of Hauzer Asia Technology Corp. Assistant VP of Askey Computer Corporation	None	-	-	-
AVP of IPD Business Unit	Taiwan	Kuchin To	6th August, 2013	191,288	0.03%	-	-	-	-	31,500	-	Bachelor of Economics Management, University of Oxford Director of IPD Sales, Chicony Electronics Co., Ltd.	None	-	-	-
RD AVP of MKB Business Unit	Taiwan	Janny Chen	6th August, 2013	35,086	0.01%	246,250	0.04%	-	-	22,200	-	ME, National Chiayi University Director of MKB RD, Chicony Electronics Co., Ltd.	None	-	-	-

Title	Nationality	Name	Date of Onboard	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Shares under Trust with Discretion Reserved Under the Holder, the Spouse, and the Children Under 18		Selected Education and Experiences	Positions Held Concurrently in Other Companies	Have a spouse/relative within two degrees of consanguinity serving as a manager	
				Shares	% (Note)	Shares	% (Note)	Shares	% (Note)	Shares	% (Note)			Title	Name	Relationship
AVP of MKB Business Unit	Taiwan	James Yang	4th July, 2014	153,453	0.02%	34,891	0.01%	-	-	7,500	-	Bachelor of St. John's University VP of System Electronics Corp.	None	-	-
Chief Information Officer	Taiwan	Y. Y. Chang	1st December 2014	-	-	-	-	-	-	-	-	Master of University of Pittsburgh VP of Inventec Corp.	None	-	-
Associate of Audit Office	Taiwan	Woody Chou	1st January 2010	-	-	-	-	-	-	-	-	Bachelor and Master of Accounting, National ChengChi University Assistant VP of Audit/Accounting Department, KG Telecom Accounting & Auditing AVP, Financial AVP of XAVI Technology Co., Ltd.	None	-	-

Note: The percentage of shareholding is calculated as shares held divided by total outstanding shares.

Remuneration Paid to Directors

	Director Names			
	Total Remuneration (A+B+C+D)		Total Compensation(A+B+C+D+E+F+G)	
	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities
Under \$2,000,000	Zhih-jian Lin	Zhih-jian Lin	Zhih-jian Lin	Zhih-jian Lin
\$2,000,000 ~ \$4,999,999	Simon Tsai, Jia-sheng Liu, Roger Lu, James Wei	Simon Tsai, Jia-sheng Liu, Roger Lu, James Wei	Simon Tsai, Jia-sheng Liu	Simon Tsai, Jia-sheng Liu
\$5,000,000 ~ \$9,999,999	M.K. Lin	Roger Lu, James Wei	M.K. Lin, Roger Lu, James Wei	Roger Lu, James Wei
\$10,000,000 ~ \$14,999,999	Kent Hsu	Kent Hsu	Kent Hsu	Kent Hsu
\$15,000,000 ~ \$29,999,999	-	-	-	-
\$30,000,000 ~ \$49,999,999	-	-	-	-
\$50,000,000 ~ \$99,999,999	-	-	-	M.K. Lin
Over \$100,000,000	-	-	-	-
Total	7	7	7	7

Note: New stocks issuing by employee stock bonus is an estimate based on a preliminary bonus of 2014; therefore, this chart does not yet include employee bonus sharing.

b. Year 2014 Remunerations Paid to Supervisors

Title	Name	Remunerations Paid to Supervisors						Compensation from Non-consolidated Affiliates		
		Base Compensation (A)		Bonus to Supervisors (B) (Note)		Fee for Affairs (C)			Total Remuneration (A+B+C) as a % of 2013 Net Profit	
		From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities		From Chicony	From All Consolidated Entities
Supervisor	Jin Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang	-	-	6,540,349	6,540,349	-	-	0.16%	0.16%	-
Supervisor	Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang									
Supervisor	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsiung Ku									

Note: The profit sharing is calculated by 2013 individual director distribution ratio multiplied by proposed 2014 director remuneration

	Supervisor Names	
	From Chicony	All Consolidated Entities
Under \$2,000,000	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsiung Ku	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsiung Ku
\$2,000,000 ~ \$4,999,999	Jin Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang, Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang	Jin Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang, Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang
\$5,000,000 ~ \$9,999,999	-	-
\$10,000,000 ~ \$14,999,999	-	-
\$15,000,000 ~ \$29,999,999	-	-
\$30,000,000 ~ \$49,999,999	-	-
\$50,000,000 ~ \$99,999,999	-	-
Over \$100,000,000	-	-
Total	3	3

c. Year 2013 Remunerations paid to resident and Vice President

Title	Name	Base Compensation(A) Note(2)		Severance Pay and Pension (B)		Bonuses and Allowances (C) Note(2)		Employee bonus sharing(D) Note(1)				Total Remuneration (A+B+C+D) as a % of 2013 Net Profit (%)		Exercisable Employee Stock Options		Exercisable Limited Right Stocks		Compensation Paid from Non-consolidated Affiliates	
		From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	Stock	Cash	Stock	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities				
Vice Chairman and GM	M.K. Lin	37,550,076	56,427,790	2,081,214	2,179,926	15,153,440	97,953,522	1,043,800	134,313,531	1,043,800	177,425,531	4.66%	8.21%	-	-	-	-	-	
Executive Vice President, GM of Chicony (Dongguan) Co., Ltd and MaoRui Electronics	Roger Lu																		
Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	James Wei																		
Head of MKB Business Unit	Hank Liu																		
Head of VIP Business Unit	Allen Huang																		
GM of subsidiary	Bruce Chang																		
Chief Procurement Officer	Ronnie Chen																		
Special Consultant	Sherman Wei																		
Head of CM Business Unit	Steve Wu																		
Chief Strategy Officer	Andrew Lin																		
Head of IPD Business Unit	Chris Huang																		
Vice President	Daniel Chou																		
Vice President	Rex Li																		
Vice President	KY Huang																		
Vice President	Jensen Tsai																		
Vice President	Mandy Tsai																		
Vice President	Denny Yang																		
Vice President (Note 4)	Eric Chang																		
Vice President (Note 4)	Polo Tung																		

Note 1: The employee bonus sharing is a proposed amount of 2014.

Note 2: Remuneration disclosure is accrual based.

	President and Vice President Names	
	From Chicony	From All Consolidated Entities
Under \$2,000,000	Steve Wu	-
\$2,000,000~\$4,999,999	M.K. Lin, Roger Lu, James Wei, Sherman Wei, Hank Liu, Allen Huang, Liu, Allen Huang, Bruce Chang, Ronnie Chen, Jensen Tsai, K.Y. Huang, Daniel Chou, Mandy Tsai, Denny Yang, Chris Huang, Rex Li, Eric Chang, Polo Tung	Roger Lu, James Wei, Sherman Wei, Hank Liu, Allen Huang, Ronnie Chen, Rex Li, Steve Wu, Jensen Tsai, K.Y. Huang, Daniel Chou, Mandy Tsai, Denny Yang, Chris Huang, Eric Chang, Polo Tung
\$5,000,000~\$9,999,999	Andrew Lin	Bruce Chang
\$10,000,000~\$14,999,999	-	Andrew Lin
\$15,000,000~\$29,999,999	-	-
\$30,000,000~\$49,999,999	-	-
\$50,000,000~\$99,999,999	-	M.K. Lin
Over \$100,000,000	-	-
Total	19	19

Note: Employee bonus sharing is an estimate based on a preliminary bonus of 2014; therefore, this chart does not yet include employee bonus sharing.

d. Year 2014 Employee Bonus Sharing Granted to Management Team

December 31st, 2014

	Title	Name	Stock (Fair Market Value)	Cash	Total Employee Bonus Sharing	Total Employee Bonus Sharing Paid to Management Team as a % of 2010 Net Profit (%)
Management	Vice Chairman and General Manager	M.K. Lin	153,550,996	2,313,290	155,864,286	3.82%
	Executive vice president, GM of Chicony (Dongguan) Co., Ltd and MaoRui Electronics	Roger Lu				
	Special Assistant of Headquarter and Head of Digital Consuming Device Business Unit	James Wei				
	Special Consultant	Sherman Wei				
	Head of MKB Business Unit	Hank Liu				
	Head of VIP Business Unit	Allen Huang				
	GM of Chicony America	Bruce Chang				
	Chief Procurement Officer	Ronnie Chen				
	Head of CM Business Unit	Steve Wu				
	Chief Strategy Officer	Andrew Lin				
	Head of IPD Business Unit	Chris Huang				
	Sales VP of VIP Business Unit	Daniel Chou				
	Sales VP of CM Business Unit	Rex Li				
	Vice President of ATC Unit	K.Y. Huang				
	R&D VP of MKB Business Unit	Jensen Tsai				
	R&D VP of VIP Business Unit	Mandy Tsai				
	R&D VP of IPD Business Unit	Denny Yang				
	Procurement VP of CM Business Unit	Eric Chang				
	Manufacturing Process Development VP of CM Business Unit	Polo Tung				
	Special Assistant of Headquarter	Maxwell Liu				
	Deputy VP of Finance Department	Molly Lin				
	AVP of Oversea Management Unit	Swallow Chuang				
	AVP of Quality Control Center	Hans Chan				

	AVP of Automation Center	Eric Tseng				
	Sales AVP of IPD Business Unit	Kuchin To				
	R&D AVP of MKB Business Unit	Janmy Chen				
	Sales AVP of MKB Business Unit	James Yang				
	Chief Information Officer	Y.Y. Chang				
	AVP of Audit Office	Woody Chou				

Note: Profit sharing stock value is proposed based on employee bonus sharing stated in company policy.

3.2.4 Analysis and explanation for Ratio of Remuneration Package, Paid to Directors, Supervisors, Presidents, and Vice Presidents ,Against Year 2014/2013 Net Profit and Correlations among the Remuneration Policies, the Operation Performance and the Future Risks

- a. The policy, standard, and package comprising the remuneration; the correlation between remuneration procedures and operation performance.
 - (1) Directors and supervisors: the remunerations for directors comprise director/supervisor compensation, salary, bonus, profit sharing, and pensions, which are funded according to applicable law. Remunerations for supervisors are director/supervisor compensation.
 - A. Director/Supervisor compensation: It would be, in accordance with the Company's Policy Article 18, decided a total remuneration amount for all directors and supervisors by Annual Shareholder's Meeting each year. Referencing the general industry level, the Board will decide and authorize distribution principles for remuneration to each director and supervisor as well as consideration of participation and contribution level. Chairman has full right to decide and distribute.
 - B.
 - (B1) Salary, bonus, and pension: when a director also acts as an employee of the company or its subsidiary and participates in the company operation, the chairman is authorized by the board to decide the compensation, with consideration of industry compensation level and the employee's contribution.
 - (B2) Director will be fully paid as salary when Company receives director / supervisor remuneration from invested subsidiaries if Director is appointed to be a legal representative director or supervisor of these subsidiaries.
 - (B3) Salary, bonus, and pension mentioned above will be proposed to the Board for recognition of such amount before end of April the year after.
 - (2) General Manager and Vice President: packages paid to the general manager and vice-president currently comprises salary, bonus, employee bonus sharing, and pensions funded according to applicable law.
 - A. The chairman, authorized by the Board, determines the amount for GM, Leader of each business unit and vice presidents of each unit, based on individual participation, contribution, position, seniority, experiences, and potential contributions to the company, with considerations to the industry level.
 - B. Officer will be fully paid as salary when Company receives director/supervisor remuneration from invested subsidiaries if Director is appointed to be a legal representative director or supervisor of these subsidiaries.
 - C. Salary, bonus, and pension mentioned above will be proposed to the Board for recognition of such amount before end of April the year after.

b. 2014 Retained Earnings decreased by \$755,066 thousands than the amount in 2013. Hence, the remuneration distributed to directors, supervisors, general managers and vice presidents also increases. The remunerations and ratios to the net profit of year 2013 and 2014 are listed as follows:

Unit: NTD 000's

	Total Remunerations				Ratios of Remunerations to Net Profit			
	2014		2013		2014		2013	
	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities	From Chicony	From All Consolidated Entities
Directors	35,753	40,322	42,409	58,118	0.88%	0.99%	1.12%	1.54%
Supervisors	6,540	6,540	7,731	7,731	0.16%	0.16%	0.20%	0.20%
President and Vice President	190,142	335,031	179,917	319,695	4.66%	8.21%	4.76%	8.45%

Note: 2014 profit sharing for directors and supervisors is an estimate based on the actual distributions in 2013. The 2014 employee bonus sharing for general managers and vice president is an estimate based on company policies.

c. Correlation to future risk: The comparative risk is lower since revenue of Company keeps on increasing.

3.3 Corporate Governance Operation

3.3.1 Board of Directors Meeting Status

Six meetings were convened in the fiscal year 2014

(A). Directors' attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) [B/A]	Notes
Chairman	Kent Hsu	6	0	100	Mr. Zhih-jian Lin passed away on 10 th Sep. 2014. His duty of director dismissed accordingly.
Director	M.K. Lin	6	0	100	
Director	Roger Lu	6	0	100	
Director	James Wei	6	0	100	
Director	Simon Tsai	3	0	50	
Director	Zhih-jian Lin	2	0	40	
Director	Jia-sheng Liu	6	0	100	
Annotations:					
1. There were no independent directors as per Securities and Exchange Act Article 14-3, to express a dissenting opinion or qualified opinion, which shall be noted in the minutes of the directors meeting.					
2. There were no recusals of Directors due to conflicts of interests in 2014.					
3. Measures taken to strengthen the functionality of the Board:					
(1) Board Policies were amended on March 12, 2014, to strengthen the functionality of the Board.					
(2) In the fiscal year 2014 end up to 31st March, 2015, all board meetings contents, procedures, and principles were implemented in accordance with Board Policies.					

3.3.2 Audit Committee operation and Board Participation of Supervisors: no audit committee is applicable and Supervisor's attendance is listed below:

Board Participation of Supervisors

Six meetings were convened in the fiscal year 2014(A). Attendance was as follows:

Title	Name	Actual Attendance (B)	Attendance Rate (%) (B / A)	Notes
Supervisor	Chin-shun Huang Representative of Jing Yuan Investment Co., Ltd.	5	83	
Supervisor	Su-cheng Chang Representative of Hua Tai Investment Co., Ltd.	6	100	
Supervisor	Chi-hsuang Ku Representative of Dong Ling Investment Co., Ltd.:	6	100	

Annotations:

1. Supervisor composition and responsibilities:

(1) Descriptions of communication between supervisors and shareholders (e.g. channels and methods): information is collected by departments of administration, finance, and audit to present to supervisors, who would make independent judgments on the information hereof, and if necessary, they would, directly or indirectly, communicate with employees and shareholders.

(2) Communication among supervisors, internal auditors, and CPA (e.g. communications, methods, and results relating to company finance and sales).

The internal audit department regularly collects auditing reports on finance, sales, production, and human resource in accordance with company policies and presents to supervisors. In cases of abnormalities found, oral presentations are held in addition to written reports. When supervisors need further details or would like to make recommendations regarding to company finance, sales, production, human resource, or internal audit system, the audit department may be commissioned to conduct further audits or to request improvements to each unit.

When the CPAs review the internal auditing process, problems discovered or recommendations are presented to each supervisor, as well as serious abnormalities found in financial reports, if any.

Board is in charge of composing of Business Report, financial statements and Profit Allocation Proposal, and brings them to each Supervisor. Financial statements hereof are assigned to be audited by CPA firm, Price Water House Coopers Taiwan, which is appointed by Board. After auditing is completed, PWC will issue Audit Report and tender Audit Report to Supervisor. Supervisor will scrutinize reports and information received above, and issue Supervisor's Audit Report when they believe these report and information are consistent with facts.

2. There were no written or otherwise recorded resolutions on which a director had a dissenting opinion or qualified opinion.

3.3.3 Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission:

Items	Implementation Status		Non-implementation and reasons
	Yes	No	
1. Does the Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate practices?	V		None
2. Shareholding Structure & Shareholders' Rights (1) Does the Company have internal operation procedure for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly? (2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V V V V V		(1) None (2) None (3) None (4) None
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and it been implemented accordingly? (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees? (3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis? (4) Does the Company regularly evaluate its external auditors' independence?	V V V V		(1) None (2) None (3) None (4) None

Items	Implementation Status		Non-implementation and reasons
	Yes	No	
4. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders section on its website? Does the Company respond to Stakeholders' questions on corporate responsibilities?	V		None
5. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		None
6. Information Disclosure (1) Has the company established a corporate website to disclose information regarding its financials, business and corporate status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference etc.)?	V V		(1) None (2) None
7. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practice (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relation policies, and purchasing insurance for directors)?	V		(1) None (2) None (3) None (4) None

Items	Implementation Status		Non-implementation and reasons
	Yes	No	
			(5)None
8. Does the Company perform any self-evaluation on its corporate governance practices or appointed any third party to do so? (If yes, please disclose the Board of Director's view on the result of such evaluation).	V		

3.3.4 Operation of Remunerations Committee

a. Information of Members of Remuneration Committee.

Identity (Note)	Criteria	Meet One of the Following Professional Qualification Requirements Together with at Least Five Years Work Experience					Criteria (Note)						Number of Other Public Companies Concurrently Serving as a Member of Remuneration Committee	Note				
		An instructor in or a higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or a private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8						
Others	Name																	
Others	Wang, Rei-Tsai	V					V	V	V	V	V	V	V	V	V	V	1	-
Others	Lin, Ming-Chi	V					V	V	V	V	V	V	V	V	V	V	3	-
Others	Chang, Chi-Liang					V	V	V	V	V	V	V	V	V	V	V	4	-

Note: Please fill in “Directors”, “Independent Directors” or “Others” in the Identity

Note: “✓” in the boxes indicate that, during the two years before the elected position or during the term of office, directors and supervisors meet the following criteria:

1. Not an employee hired by Company and its affiliates.
2. Not a director or supervisor of the company or any of its affiliate. It does not apply in cases where the person is an independent director of the company, its parent company or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural person shareholder who holds shares, together with those held by the person's spouse, minority or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding share of the company or rank as top-10 shareholders.
4. Not a spouse, relative within the second-degree relatives, or lineal relative within the third degree, of any of the persons specified in the preceding three notes.
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer or shareholders who hold 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
7. Not as a professional individual nor an owner, partner, director, supervisor, officer or one' spouse of a sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultation services to the company or its affiliates.
8. Not been a person or any conditions defined in Article 30 of the Company Law.

b. Duties of Remuneration Committee

1. Committee should conduct its well management with diligence and royalty and bring its proposal to Board if any. However, if the proposal is related to Supervisor compensation, these Supervisors compensation should be clearly stated in Company's Article of Incorporation or should be approved with authorization assigned by Annual Meeting of Shareholders to Board.
 - (1.) Periodically review Remunerations Committee Organization Chapter and bring amendment if any.
 - (2.) Setup annual and long term performance targets for Directors, Supervisors and Officers, as well as policies, hierarchy, standards and construction of Remunerations, and periodically reviews them.
 - (3.) Periodically review target achievement of Directors, Supervisors and Officers. Set up component and amount of remuneration for individual. Committee should follow below principles when conduct its duties.
 - (1) Remuneration should be with government laws and regulations and be attractive enough to outstanding candidates.
 - (2) Performance and remuneration of Director and Supervisor should be referenced to remuneration amount of generally practiced in the industry, individual contribution and seniority time, position loading, job performance, other performance, remuneration of same level colleagues, short term and long term target achievement, and Company operation result, which can be used for evaluation of correlation of individual performance, business achievement and future risk
 - (3) Committee should not lead Directors and Officers to pursuit remuneration by ignoring risk consideration.
 - (4) Distribution Ratio of short term bonus to Directors and high level officers and payment time of flexible compensation should be considered for industry and business characteristics.
 - (5) Committee members cannot participate in discussion of self-remuneration case.
3. Remuneration mentioned in the first two paragraphs includes cash compensation, stock warrant, stock bonus, profit sharing, pensions, severance pay, subsidy and compensation in other tangible format. The remuneration package, paid to Directors, Supervisors and officers, should be as same as information disclosed in the annual report of published company.
4. Remunerations of Directors and Officers of subsidiaries should be proposed by Committee before it is turned to Board for discussion if Remuneration is required to be approved by Board of Parent company according to Classified Authorization.

c. Summary of Operation of Remuneration Committee

1. There are three members in the Remuneration Committee.
2. The duration of current members is from June 19 2013 to June 10 2016.
3. Two meetings were convened in the fiscal year 2013. Members' attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Convener	Wang, Rei-Tsai	2	0	100	
Committee	Lin, Ming-Chi	2	0	100	
Committee	Chang, Chi-Liang	2	0	100	
Annotations: None					

3.3.5 Corporate Social Responsibility

Item	Implementation Status		Non-implementation and Reasons
	Yes	No	
1. Implementation of Corporate Governance (1) Does the Company establish Corporate social responsibility policy and evaluate the performance.	V		(1) None
(2) Does the Company conduct training of social responsibility periodically?	V		(2) None
(3) Does the Company assign specific department for the execution of corporate social responsibility, which was authorized by and will report to the Board of Directors?	V		(3) None
(4) Does the Company establish fair salary and appraisal system and integrate the social responsibility policies?	V		(4) None

Item	Implementation Status		Non-implementation and Reasons
	Yes	No	
2. Sustainable Environment Development (1) Does the company commitment to improve resources utilization and the use of renewable materials? (2) Does the Company establish environmental management system designed to fit the industry characteristics	V		(1) None
	V		(2) None
(3) Does the Company pay attention to the impact of climate change on the operation and establish strategies for energy conservation and greenhouse gas reduction?	V		(3) None

Item	Implementation Status		Non-implementation and Reasons
	Yes	No	
<p>3. Promotion of social welfare</p> <p>(1) Does the Company establish related policies and procedures in accordance with related regulation and International Bill of Human Right?</p> <p>(2) Does the Company set up the employee appeal channel and conduct properly?</p> <p>(3) Does the Company provide safe and healthy working environment to the employees and conduct safety and health training periodically?</p> <p>(4) Does the Company set up the channel for periodical employee communication and inform the employees critical operation adjustment in proper ways?</p> <p>(5) Does the Company establish efficient career development program for employees?</p> <p>(6) Does the Company set up policies and appeal procedures for customer protection regarding R&D, purchase, production and service procedures?</p> <p>(7) Does the Company comply with the related regulation and international standards regarding the marketing of the products and service?</p> <p>(8) Before doing business with the supplier, does the Company assess the supplier's record of affection on the environment and society?</p> <p>(9) Does the company include the term of termination of contracts with the suppliers in case the supplier violates its corporate social responsibility policies?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>Description</p> <p>(1) The Company is fully compliant with labor laws and ensures the legal rights of employee salary, benefits, health, and safety. Different gender, race and religion are all on the equal position. A corporate social responsibility system has been established in accordance to the EICC Code of Practice for improvement.</p> <p>(2) The Company has set up its website with "Contact us" section as the employee appeal channel. The website is http://www.chicony.com.tw/.</p> <p>(3) The factories in Suzhou, Dongguan and Chongching are all OHSAS 18001 certified. A testing institution has been commissioned to monitor the level of harmful indoor substances to comply with the regulations. The firefighting and first aid training are held at least once a year. The chemical usage and electronic safety educations are also conducted to the related employees.</p> <p>(4) The management illustrates to the all employees about the operation result and outlook on an annual meeting. The communication channel is also set up in the internal website. Regarding the operation decisions, the employees will be informed via meeting, billboards and E-mail.</p> <p>(5) The Company has specific personnel for imposing training and education periodically.</p> <p>(6) The Company complies with the laws concerning consumer rights and protection, and regards customer satisfaction as one of the most important company policies as well.</p> <p>(7) The Company complies with the related regulation and international standards.</p> <p>(8) Working in line with EICC policies, the Company conducts supplier BULN audits, counseling, and distributes self-evaluation form of supplier corporate social responsibility, and supplier corporate social responsibility performance form. Presently most of the main suppliers have completed the self-evaluation reports.</p> <p>(9) All the Company's contracts signed with external parties are reviewed by the Company's legal office and the Company has the absolute right of negotiation.</p>	<p>(1) None</p> <p>(2) None</p> <p>(3) None</p> <p>(4) None</p> <p>(5) None</p> <p>(6) None</p> <p>(7) None</p> <p>(8) None</p> <p>(9) None</p>

Item	Implementation Status		Non-implementation and Reasons
	Yes	No	
<p>4. Enhancement of Information Disclosure (1) Does the company disclose corporate social responsibility related information with significance and reliability on its website and MOPS?</p>	V		(1) None
<p>5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice", please describe the operational status and differences: In 2012, the Company's Code of Corporation Social Responsibility is stipulated in accordance to both "Listed Companies Corporate Social Responsibility Code of Practice" and "EICC Electronic Industry Code of Conduct". The Codes were listed in the employee manual and the Company's official website. All CSR related items will be disclosure in the annual CSR report and listed on the Company's official website. In sum, the operation and results of the Company's CSR related items are all in accordance with the requirement of the Code of Conduct.</p>			
<p>6. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility (e.g., environment protection, community participation, social contribution, social services, social welfare, consumers' rights, human rights and safety and health): All the important information above will be disclosed periodically on the company's website (http://www.chicony.com.tw/)</p>			
<p>7. Other information regarding products or "Corporate Social Responsibility Report" which are verified by certification bodies. The company's Corporate Social Responsibility Annual Report dated year 2012 has been certified by SGS Taiwan. The reports of 2013 and 2014 are under preparation.</p>			

3.3.6 Implementation of Ethical Corporate Management

Item	Implementation Status		Non-implementation and Reasons
	Yes	No	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures.</p> <p>(1) Does the Company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?</p>	V		(1) The Company's "Ethical Corporate Management Best Practice Principles" has been approved on 10 th session of 11 the board meeting and been reported on the Shareholders' Meeting. The essential concept of "Ethical Corporate Management Best Practice Principles" has been applied to the practice. The Board of Directors and the management of the company have been managing the company with ethics and doing business with fairness and transparency to integrate the policies of ethical operation into the company.
<p>(2) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?</p>	V		(2) The Company's "Ethical Corporate Management Best Practice Principles" has been approved on 10 th session of 11th board meeting and been reported on the Shareholders' Meeting, which is in accordance with the concept of "Procedure for Ethical Management and Guidelines for Conduct". The essential concept of "Procedure for Ethical Management and Guidelines for Conduct" has been applied to the practice.
<p>(3) Does the Company establish appropriate compliance measures for the business activities prescribed on paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies and any other such activities associated with high risk of unethical conduct?</p>	V		(3) The prevention actions for bribery and illegal politic donation has been illustrated in the company's "Procedure for Ethical Management and Guidelines for Conduct". The company's General Administration Dept. has been assigned as the unit for the amendment and execution of "Procedure for Ethical Management and Guidelines for Conduct"

Item	Implementation Status		Non-implementation and Reasons
	Yes	No	
<p>2. Ethic Management Practice</p> <p>(1) Does the company assess the ethic records of whom it has business relationship with and include business and ethics related clauses in the business contracts?</p> <p>(2) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and report directly to the Board of Directors with periodical updates on relevant matters?</p> <p>(3) Does the company establish policies to prevent conflict of interests provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(4) To implement relevant policies on ethical conduct, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?</p> <p>(5) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>	V	V	<p>(1) None</p> <p>(2) None</p> <p>(3) None</p> <p>(4) None</p> <p>(5) None</p>
			<p>Description</p> <p>(1) Except for following "Procedure for Ethical Management and Guidelines for Conduct", the Integrity Commitment is also required for the suppliers to prevent the potential risk of bribery. The principle of ethical operation will be taken into consideration when the commercial contracts and agreements since the discussion between the company and the counterparties.</p> <p>(2) The Company has assigned General Administration Dept. to be in charge of the amendment, implementation and supervision of the execution of "Procedure for Ethical Management and Guidelines for Conduct". The Board of Directors will also help ensure the implementation of the ethical operation.</p> <p>(3) To prevent conflict of interest, the Company's "Codes of Ethical Conduct" has been approved on 10th session of 11 the board meeting and been reported on the Shareholders' Meeting. It is also stated in the company's "Rules of Procedure for Directors' Meeting" and "Procedure for Ethical Management and Guidelines for Conduct" that any director who has the interest conflict is asked to avoid from the discussion and voting on the interest related topics. Should any conflict of interest occur, it will be reported to the General Management Dept. and will be instructed by the direct management.</p> <p>(4) The internal audit is performed periodically and in case of any non-integrity behavior will be reported to the boards.</p> <p>(5) The ethical conduct training is imposed to the new employees periodically.</p>

Item	Implementation Status		Non-implementation and Reasons
	Yes	No	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> <p>(2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?</p> <p>(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p>	V		<p>The Company has set up "Rules for Hotline" to facilitate the communication channel and respond to the question and recommendation promptly.</p> <p>2. "Procedure of internal and external communication" to illustrate the duty and process of internal and external message delivery regarding labor and ethical issues.</p> <p>3. "Rules for opinion box" to establish the procedure for the employee appeals.</p> <p>4. "Rules for employee appeal" to establish the procedure for the employee appeals regarding the unfair treatment and other behaviors that cause damage to the company.</p> <p>All the appeals will be kept in confidential. Any violation against the company's regulation will be asked to stop and the punishment will be executed accordingly. Legal process will also be taken to protect the company's reputation and right, if necessary.</p>
<p>4. Information Disclosure</p> <p>(1) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and MOPS?</p>	V		<p>(1) The Company has set up its website: http://www.chicony.com.tw/, on which the related information regarding corporate governance and ethical management is disclosed.</p>
<p>5. If the company has established corporate governance policies based on TWSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation.</p> <p>No Discrepancy</p>			<p>(1) None</p>
<p>6. Other important information to facilitate better understanding of the corporate conduct and ethics compliance practices :</p> <p>None</p>			

3.3.7 Enquiries and corporate governance policies and related regulations:

“Internal Significant Information Process and Insider Trading Prevention Conducting Code” is formulated to ensure the consistency and accurateness of information disclosure to the public and the prevention of insider trading. Please refer to the company’s website (<http://www.chicony.com.tw>) for more details

3.3.8 Other information that would facilitate the understanding of the Company’s corporate governance:

“CSR Corporate Social Responsibility” and “Investors Relations” section can be found on the company’s website for reference.

3.3.9 Execution Status of Internal Control Systems:

a. Statement of Internal Control Systems

Chicony Electronics Company Limited
Statement of Internal Control Systems

Date: March 25, 2015

Based on the findings of a self-assessment, Chicony Electronics Company Limited states the following with regard to its internal control system during the year 2014:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, on December 31, 2014, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of the Company's Annual Report for the year 2014 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 25, 2015, with none of the four attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Chicony Electronics Co., Ltd.

Chairman: Kent Hsu

General Manager: M.K. Lin

- b. CPA Audit report specially applied for Company's internal control: Not applicable.

4.3.10 Any Punishment Incurred for the Company and its Employees Violating Laws, and Any Punishment, Fault and Improvement Occurred for the Company's Employees against the Regulations of Internal Audit System:
None in the fiscal year 2014 end up to March 31, 2015.

4.3.11 Major Resolutions of Shareholders' Meeting and Board of Directors' Meeting in the fiscal year 2014 end up to March 31st, 2015

Dates of Shareholders' Meeting and Board of Directors' Meeting	Major Resolutions
<p>March 12, 2014 Session 5 11th Annual Board of Directors' Meeting</p>	<ol style="list-style-type: none"> 1. The 2014 Annual General Shareholder Meeting was scheduled at 9am, May 30th, 2014. 2. Approval of the Company's 2013 business report and financial statements (the alone and consolidated). 3. Approval of 2013 earning distribution: the audited net profit for 2013 was NTD\$3,782,029,330 and the statutory surplus reserve of \$378,202,933 and retained earning adjustment of 18,122,420 were set aside in accordance to law. The special surplus reserve of \$1,024,085,102 was also reversed. Together with undistributed net profit from the previous year, \$3,163,787,826, the total amount available for distribution came to \$7,573,576,905. It is proposed to distribute \$3,158,919,424 in cash dividend, and \$4.6 per share. \$34,336,080 was set aside for plowback; and 5 shares were hereof distributed per each one thousand shares as stock dividend. 4. Approval of the new stock issuance by capital increment from earnings: Stock dividends were 3,433,608 shares (NTD\$34,336,080) and 5 shares were hereof distributed per each one thousand shares as stock dividend. Employees' bonus was \$708,465,840, of which was distributed as\$ 341,965,840 in cash and as\$ 366,500,000 in stock shares. The number of shares was calculated by the closing market price of the day prior to AGM, with considerations given to impacts from cash dividend and stock dividend. 5. Approval of the amendments of "Company Code", "Regulations Governing Procedure for Shareholders' Meeting", "The Election Process of Directors and Supervisors", "Asset Acquisition and Disposal Procedures and Financial Derivative Transaction and Handling Procedures". 6. The Company increased the endorsement/guarantee to its subsidiary, Chicony (Suzhou) Co., Ltd. for USDS 5 million, and canceled the NTD 12.01 million endorsement/guarantee to Chicony Power Technology. The total amount of endorsement/guarantee after this meeting came to approximately NTD \$1.27 billions 7. Retroactively recognize the compensations paid in year 2013 to Directors, AVPs-and-higher-level Officers and Finance Officer.
<p>April 8, 2014 Session 6 11th Annual Board of Directors' Meeting</p>	<ol style="list-style-type: none"> 1. Retroactively recognize the sales of shares of Clevo Inc. to the 100% owned subsidiary—Unikey Electronics CO., Guan Sheng Investment Co., Ltd and Chun Chin Investment Co., Ltd amounted to NTD \$1.19 billion. 2. To increase the benefit, the chairman is authorized to determine the purchase of land of residential area in Sanchong at market price.
<p>May 12, 2014 Session 7 11th Annual Board of Directors' Meeting</p>	<ol style="list-style-type: none"> 1. The Company increased the loan to its subsidiary –Unikey Electronics CO., Ltd for NTD\$ 0.5 billion. The period of loan was one year, effective from the date of the loan. The total amount of loan to subsidiary after this meeting came to NTD \$2.3 billion. 2. Directors, supervisors, and important employees are insured with liabilities insurance of US\$ 20 million, covering 1 year, starting from July 31 2014 to July 31, 2015. 3. Dismantle the non-solicitation restriction on the management of the company as the directors and the management within the directly and indirectly invested companies of the company. 4. Retroactively recognize the purchase of land in residential area approved in the previous board meeting. The total price is NTD \$475,611 thousands. After the purchase, the total area will increase to 4,519.8 square meters.
<p>May 30, 2014</p>	<ol style="list-style-type: none"> 1. Acceptance of the Company's 2013 business report and financial statements (stand alone and consolidated).

Major Resolutions

Dates of Shareholders' Meeting and Board of Directors' Meeting	Major Resolutions
<p>2014 Annual Shareholders' Meeting</p>	<p>2. Approval of 2013 earning distribution. The content was identical to Session 5 in 11th Annual Board Meeting, dated on 12nd March, 2014.</p> <p>3. Approval of the new stock issuance by capital increment from earnings: stock dividends were 3,433,608 shares and employees' stock bonus was 4,710,191 shares \$366,500,000 which were calculated on the basis of closing market price \$77.81, day prior to holding of Shareholders' Conference, with considerations given to impacts from cash dividend and stock dividend. A total of 8,143,799 shares were issued and fractional shares of employee bonus were paid by cash \$38 instead.</p> <p>4. Approval of the amendments of "Company Code", "Governing Procedure for Shareholders' Meeting", "The Election Process of Directors and Supervisors", "Asset Acquisition and Disposal Procedures" and "Financial Derivative Transaction and Handling Procedures".</p> <p>5. The 2013 distribution of cash dividends from the retained earnings: NTD \$4.6 per share was distributed to the shareholders on 10th July, 2014.</p> <p>6. The 2013 distribution of stock dividends from the retained earnings. 5 shares per thousand shares was distributed to the shareholders on 19th August, 2014.</p>
<p>May 30, 2014 Session 8 11th Annual Board of Directors' Meeting</p>	<p>1. The effective date of 2013 cash dividends is approved to be dated on 24th June 2014. The Chairman was authorized to decide the effective date of stock dividends after the new stock issuance by capital increment from plowback and employees' stock bonus is approved by Financial Supervisory Commission of Executive Yuan. The cash and stock dividend rates remains the same as 2014 Annual General Shareholders' Meeting dated 30th May, 2014.</p> <p>2. Amendment to "Regulations of Financial Management"</p> <p>3. Approval of the amendments to subsidiaries' "Guidelines of Endorsements and Guarantees", "Loan Procedure", "Asset Acquisition and Disposal Procedures" and "Financial Derivative Transaction and Handling Procedures".</p>
<p>August 13, 2014 Session 9 11th Annual Board of Directors' Meeting</p>	<p>1. The Company increased the loan to its subsidiary -Unikey Electronics CO., Ltd for NTD\$ 1.6 billion, Guan Sheng Investment Co., Ltd for NTD\$ 500 million and Chun Chin Investment Co., Ltd for NTD\$ 200 million. The period of loan was one year, effective from the date of the loan. The total amount of loan to subsidiary after this meeting came to NTD \$2.3 billion.</p> <p>2. The Company increased the one-year endorsement/guarantee to its subsidiary, Chicony (Suzhou) Co., Ltd. for USD\$5 million and Chicony (Chongqing) Co., Ltd. for USD\$8 million, and cancelled the endorsement/guarantee to Chicony (Suzhou) Co., Ltd. for USD\$5 million. The total amount of endorsement/guarantee after this meeting came to approximately NTD \$1.05 billion.</p>
<p>November 13, 2014 Session 10 11th Annual Board of Directors' Meeting</p>	<p>1. The Company increased the one-year endorsement/guarantee to its subsidiary, Chicony Electronics CEZ s.r.o. for USD\$8 million. The total amount of endorsement/guarantee after this meeting came to approximately NTD \$1.28 billion.</p> <p>2. Establishment of the Company's "Corporate Social Responsibility Best Practice Principles", "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedure for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conduct"</p> <p>3. Approval of the principle of granting employees' bonus proposed by the session 2 of the Remuneration Committee in 2014</p>
<p>January 28, 2015 Session 11 11th Annual Board of Directors' Meeting</p>	<p>1. The approval of the investment of Hikari Investment GK by Chicony Overseas Inc. within the amount of JPY 4.6 billion with 99% ownership, and authorization to the Chairman for the relative affairs in accordance with "Asset Acquisition and Disposal Procedures". The purpose of the investment is for real estate investment in Japan headquarters.</p> <p>2. The approval of the investment of the beneficial right of trust of Shimkawa East building located in Tokyo. The right is sold by Gardenia GK to Hikari Investment GK with JPY 7.21 billion after the appraisal by DTS and Savills. The total land area is 1,249.92 square meters and the total construction area is 10,289.31 square meters.</p> <p>3. Approval of the incremental of budget of the construction of headquarter building from NTD \$2.7 billion to NTD 3.41 billion and authorization to the</p>

Dates of Shareholders' Meeting and Board of Directors' Meeting	Major Resolutions
March 25, 2015 Session 12 11 th Annual Board of Directors' Meeting	<p>Chairman for the relative affairs within the budget.</p> <p>4. Amendment to internal control system and internal audit system.</p> <p>1. The 2015 Annual General Shareholder Meeting was scheduled at 9am, June 17th, 2015.</p> <p>2. Approval of the Company's 2014 business report and financial statements (stand alone and consolidated).</p> <p>3. Approval of 2014 earning distribution: the audited net profit for 2014 was NTD\$4,080,939,422 and the statutory surplus reserve of \$408,093,942. Together with undistributed net profit from the previous year, \$4,359,810,311, the total amount available for distribution came to \$8,032,655,791. It is proposed to distribute \$3,231,124,170 in cash dividend, and \$4.65 per share. \$34,743,270 was set aside for plowback; and 5 shares were hereof distributed per each one thousand shares as stock dividend.</p> <p>4. Approval of the new stock issuance by capital increment from earnings: Stock dividends were 3,474,327 shares (NTD\$34,743,270) and 5 shares were hereof distributed per each one thousand shares as stock dividend. Employees' bonus was \$587,655,277, of which was distributed as\$ 166,655,277 in cash and as\$ 421,000,000 in stock shares. The number of shares was calculated by the closing market price of the day prior to AGM, with considerations given to impacts from cash dividend and stock dividend.</p> <p>5. Approval of the candidate for the by-selection of 11th board member.</p> <p>6. Approval of the amendments of "Company Code", "Regulations Governing Procedure for Board Meeting", "Regulations Governing Procedure for Shareholders' Meeting", "The Election Process of Directors and Supervisors" and "Financial Derivative Transaction and Handling Procedures".</p> <p>7. Approval for the accounting method applied for the investment real estate in Japan.</p> <p>8. Retroactively recognize the compensations paid in year 2013 to Directors, AVPs-and-higher-level Officers and Finance Officer.</p>

3.3.13 Directors or Supervisors Who were on Record or had Submitted Written Declaration for Holding a Different Opinion of Major Resolutions Passed in the fiscal year 2014 end up to March 31st, 2015:

None.

3.3.14 Summary of Resignation or Dismissal of Personnel Associated with Financial Reporting in the fiscal year 2014 end up to March 31st, 2015:

None

3.3.15 Summary of Certificated License of Finance and MIS:

In the Finance Management Department, two people obtained the US CPA license; three people obtained CPA license and one person obtained CTA license.

3.4 Audit Fees

3.4.1 Audit Fee Brackets:

Audit Fee Information

Unit: NTD 000's

Accounting Firm	Name of CPA		Audit Fee	Non-Audit Fee					Audit Period	Remarks
				System Design	Commercial Registration	Human Resource	Others (Note)	Sub-total		
PwC Taiwan	Wang, Huei-shyang	Lin, Chun-yaw	6,680	0	90	0	1,836	1,926	1 st January 2014 to 31 st December 2014	

Note: Non-audit fee for transferring price report, R&D deduction assistance and direct deduction for VAT.

3.4.2 Information Regarding the Company's Independent Auditor

1. No Non-auditing fees paid to the CPA, the accounting firm of the CPA, and its related affiliates accounted for more than 25% of the total of auditing fees.
2. No annual auditing fee increases resulted from change of appointed accounting firms.
3. No auditing fees were reduced by more than 15% than the previous year

3.5 Change of CPA

No changes of CPA over the past 2 years until March 31, 2014.

3.6 Chairman, Directors, or Managers Responsible for Finance or Accounting Employed by the Appointed Accounting Firm or Affiliates in the Past Year: None.

3.7 Increase/Decrease of Shareholding and Net Changes in Shares Pledged Among Chairman, Supervisor, Managers and Shareholders with over 10% Shareholding

Title	Name	Fiscal Year 2014		1 st January to 19 th April, 2015	
		+/- of shareholding	+/- of pledge shares	+/- of shareholding	+/- of pledge shares
Chairman	Kent Hsu (Note 1)	398,028	-	-	-
Vice Chairman and General Manager	M.K. Lin (Note 2)	(893,114)	-	(639,000)	-
Executive vice president, GM of Chicony (Dongguan) Co., Ltd and MaoRui Electronics	Roger Lu (Note 2)	(97,988)	-	-	-
Director, Special Assistant of Headquarter, and Head of DCD Business Unit	James Wei (Note 2)	(137,221)	-	(59,000)	-
Director	Simon Tsai	143	-	-	-
Director	Jia-sheng Liu	2,878	-	-	-
Supervisor	Jing Yuan Investment Co., Ltd. Legal representative: Chin-shun Huang	53,201	-	-	-
Supervisor	Hua Tai Investment Co., Ltd. Legal representative: Su-cheng Chang	20,762	-	-	-
Supervisor	Dong Ling Investment Co., Ltd. Legal representative: Chi-hsuang Ku	54,480	-	-	-
General Manager of Chicony America	Bruce Chang (Note 2)	(66,943)	-	-	-
Chief Procurement Officer	Ronnie Chen (Note 2)	(129,720)	-	(74,000)	-
Special Consultant	Sherman Wei (Note 2)	(50,411)	-	-	-
Head of CM Business Unit	Steve Wu (Note 2)	35,231	-	-	-
Head of MKB Business Unit	Hank Liu (Note 2)	(183,668)	-	(30,000)	-
Head of VIP Business Unit	Allen Huang (Note 2)	(36,489)	-	(50,000)	-
Head of IPD Business Unit	Chris Huang (Note 2)	88,841	-	(27,000)	-
Chief Strategy Officer	Andrew Lin (Note 2)	14,757	-	-	-
Vice President of VIP Business Unit	Daniel Chou (Note 2)	(69,092)	-	(20,000)	-
Vice President of CM Business Unit	Rex Li (Note 2)	29,308	-	-	-
Vice President of Advanced Technology Center	K.Y. Huang (Note 2)	52,160	-	-	-
R&D VP of MKB Business Unit	Jensen Tsai (Note 2)	29,885	-	-	-
R&D VP of VIP Business Unit	Mandy Tsai (Note 2)	(16,700)	-	-	-
R&D VP of IPD Business Unit	Denny Yang (Note 2)	(18,617)	-	-	-
Procurement VP of CM business Unit	Eric Chang (Note 2)	23,751	-	-	-
Manufacturing Process Development VP of CM Business Unit	Polo Tung (Note 2)	19,908	-	-	-
Deputy VP of Finance Department	Molly Lin (Note 2)	(373,013)	-	(15,000)	-

Title	Name	Fiscal Year 2014		1 st January to 19 th April, 2015	
		+/- of shareholding	+/- of pledge shares	+/- of shareholding	+/- of pledge shares
Special Assistant of Headquarter	Maxwell Liu (Note 2)	(218)	-	-	-
Associate VP of Oversea Management Unit	Swallow Chuang (Note 2)	(20,281)	-	-	-
AVP of Quality Control Center	Hans Chan (Note 2)	18,333	-	-	-
AVP of Automation Center	Eric Tseng (Note 2)	23,788	-	-	-
Sales AVP of IPD Business Unit	Ku-Chin To (Note 2)	3,682	-	-	-
R&D AVP of MKB Business Unit	Jenmy Chen (Note 2)	(224,190)	-	-	-
Sales AVP of MKB Business Unit	James Yang (Note 2&3)	-	-	-	-
Chief Information Officer	Y.Y. Chang (Note 2&4)	-	-	-	-
AVP of Audit Office	Woody Chou (Note 2)	(15,278)	-	-	-

Note 1: A major shareholder with over 10% shareholding

Note 2: Shareholding includes trusted shares under reserve by the holder.

Note 3: James Yang came on board on Jul 4, 2014. The changes listed above are between Jul 4, 2014 to April 19, 2015.

Note 4: Y.Y. Chang came on board on Dec 1, 2014. The changes listed above are between Dec 1, 2014 to April 19, 2015.

3.8 Top Ten Shareholders and Relationships

April 19, 2015 Unit: Shares ; %

Name	Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names and Relations of Top 10 Shareholders Who Are of Counterparties Defined in The Statement of Financial Accounting Standard No.6, Spouses, and Relatives Within the Second Degree of Kinship		Remarks
	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)	Names	Relationship	
Kent Hsu	80,003,670	11.51%	3,941,971	0.57%	-	-	UniKey Electronics Co., Ltd Epoque Co.,Ltd. Hipro Electronics Co., Ltd Yue-yuan Hsu	Legal Representative Director Company chairman Company chairman (Legal Representative Director) Sister	
The Investment Account of Standard Chartered Managed by KGI Capital Asia Ltd.	21,273,911	3.06%	-	-	-	-	-	-	
UniKey Electronics Co., Ltd Chairman: M.K. Lin	20,756,055	2.99%	-	-	-	-	Kent Hsu M.K. Lin	Company Director(Legal Representative) 100% Owned Subsidiary of Chicony Company Chairman(Legal Representative)	
The Investment Account of Singapore Government Managed by Citibank Taiwan	18,459,613	2.66%	-	-	-	-	-	-	
Epoque Corp. Chairman: Kent Hsu	17,243,869	2.48%	-	-	-	-	Kent Hsu Yue-yuan Hsu	Company Chairman Company Director	
Hipro Electronics Co., Ltd Chairman: Kent Hsu	15,869,166	2.28%	-	-	-	-	Kent Hsu M.K. Lin Yue-yuan Hsu	Company Chairman(Legal Representative) 100% Owned Subsidiary of Chicony Company Vice Chairman (Legal Representative) Company Supervisor	

Name	Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Names and Relations of Top 10 Shareholders Who Are of Counterparties Defined in The Statement of Financial Accounting Standard No.6, Spouses, and Relatives Within the Second Degree of Kinship		Remarks
	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)	Names	Relationship	
M.K. Lin	13,518,318	1.95%	811,683	0.12%	-	-	UniKey Electronics Co., Ltd	Company Chairman (Legal Representative)	
							Hipro Electronics Co., Ltd	Company Vise Chairman (Legal Representative)	
The Investment Account of Bit Selected Global High Yield Emerging Security Fund Managed by HSBC	13,368,656	1.92%	-	-	-	-	-	-	
Yue-yuan Hsu	12,161,499	1.75%	714,606	0.10%	-	-	Kent Hsu	Brother	
							Epoque Co., Ltd.	Company Director	
							Hipro Electronics Co., Ltd	Legal Supervisor Representative	
The Investment Account of Robeco Capital Growth Fund Managed by HSBC	11,284,010	1.62%	-	-	-	-	-	-	

Note 1: The above excludes shares under trust with discretion reserved under the holder and the spouse

Note 2: The calculation on percentage of shareholding: shares held ÷ 694,865,413 shares

3.9 Investments Made in the Same Outside Enterprise by the Company, its Directors, Supervisors and Directly/indirectly Controlled Affiliates, by Combined Numbers of Shares and Holding Percentage

Date: 31st March 2015 Unit: Shares ; %

Subsidiaries	Company Investment		Direct or Indirect Investment from Directors, Supervisors, and Managers (Note)		Combined Investments	
	Shares	%	Shares	%	Shares	%
Chicony Overseas Inc.	1,000	100.00	-	-	1,000	100.00
Chicony Global Inc.	1,000,000	100.00	-	-	1,000,000	100.00
Chicony Electronics (Thailand) Co., Ltd.	322,427	15.27	1,789,148	84.73	2,111,575	100.00
Chicony Power Technology Co., Ltd.	176,097,272	49.07	44,017,012	12.27	220,114,284	61.34
Hipro Overseas (BVI) Inc.	12,560,000	100.00	-	-	12,560,000	100.00
Hipro Electronics Co., Ltd.	4,660,000	100.00	-	-	4,660,000	100.00

UniKey Electronics Co., Ltd.	15,000,000	100.00	-	-	15,000,000	100.00
XAVi Technology Co., Ltd.	25,549,907	60.35	4,288,720	10.13	29,838,627	70.48
Had Eri Iou Industrial Inc.	15,076,445	50.25	-	-	15,076,445	50.25
Newmax Technology Co.,Ltd	1,267,767	1.25	22,702,035	22.33	23,969,802	23.58

Note: The above shares includes the shares with discretion reserved by the holder under Trust

4. Fund-raising Status

4.1 Capital and Shares

4.1.1 Capitalization

Unit: Share/NT\$

Month / Year	Issue Price (Per share)	Authorized Share Capital		Paid-up Share Capital		Remark					
		Shares	Amount	Shares	Amount	Sources of Capital				Capital Increase by Assets Other than Cash	Other
						Capital Replenishment by Cash	Capital Replenishment by Retained Earnings	Capital Replenishment by Capital Surplus	Total		
Aug/2005	10	500,000,000	5,000,000,000	415,000,000	4,150,000,000	-	415,000,000	-	415,000,000	None	Note 1
Jun/2006	10	500,000,000	5,000,000,000	442,550,000	4,425,500,000	-	275,500,000	-	275,500,000	None	Note 2
Jun/2007	10	600,000,000	6,000,000,000	500,900,000	5,009,000,000	-	583,500,000	-	583,500,000	None	Note 3
Jun/2008	10	600,000,000	6,000,000,000	557,000,000	5,570,000,000	-	561,000,000	-	561,000,000	None	Note 4
Jun/2009	10	700,000,000	7,000,000,000	591,277,832	5,912,778,320	-	34,277,832	-	34,277,832	None	Note 5
Jan/2010	10	700,000,000	7,000,000,000	591,266,950	5,912,669,500	-	(10,882)	-	(10,882)	None	Note 6
Jun/2010	10	700,000,000	7,000,000,000	625,614,398	6,256,143,980	-	34,347,448	-	34,347,448	None	Note 7
Apr/2011	10	700,000,000	7,000,000,000	615,614,398	6,156,143,980	-	(10,000,000)	-	(10,000,000)	None	Note 8
Jun/2011	10	700,000,000	7,000,000,000	644,443,590	6,444,435,900	-	28,829,192	-	28,829,192	None	Note 9
Jun/2012	10	700,000,000	7,000,000,000	675,778,209	6,757,782,090	-	31,334,619	-	31,334,619	None	Note 10
Jun/2013	10	700,000,000	7,000,000,000	686,721,614	6,867,216,140	-	10,943,405	-	10,943,405	None	Note 11
Jun/2014	10	700,000,000	7,000,000,000	694,865,413	6,948,654,130	-	8,143,799	-	8,143,799	None	Note 12

Note 1: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2005 Gin Guan Zhen (I) No.0940124681

Note 2: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 20th June, 2006 Gin Guan Zhen (I) No.0950125028

Note 3: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 25th June, 2007 Gin Guan Zhen (I) No.0960031854

Note 4: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 24th June, 2008 Gin Guan Zhen (I) No.0970031272

Note 5: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 19th June, and 2009 Gin Guan Zhen Fu No.0980030579

Note 6: Treasury Stock Nullification for 10,882 shares; Approved by Ministry of Economic Affairs Statutory Letter dated on 27th January, 2010 Jing Shou Shang Tsi No. 09901019670

Note 7: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2010 Gin Guan Zhen Fu No.0990031695,

Note 8: Treasury Stock Nullification for 10,000,000 shares; Approved by Ministry of Economic Affairs Statutory Letter dated on 18th April, 2011 Jing Shou Shang Tsi No. 10001071940

Note 9: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2011 Gin Guan Zhen Fu No.1000028302,

Note 10: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 22nd June, 2012 Gin Guan Zhen Fu No.1010027651

Note 11: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 21st June, 2013 Gin Guan Zhen Fu No.1020024198

Note 12: Approved by Executive Yuan, Financial Supervisory Commission Statutory Letter dated on 19th June, 2014 Gin Guan Zhen Fu No.1030023361

As of 19th April, 2015

Unit: Share

Type of Stock	Authorized Share Capital			Remark
	Shares outstanding	Unissued shares	Total	
Common stock	694,865,413	5,134,587	700,000,000	Listed Company shares

Shelf Registration: None

4.1.2 Composition of Shareholders

As of 19th April, 2015

Type of Shareholders Quantity	Government Agencies	Financial Institutions	Other Judicial Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	1	16	97	656	17,525	18,295
Shareholding	115	21,820,692	120,599,198	351,224,022	201,221,386	694,865,413
Holding Percentage (Note)	0.00%	3.14%	17.36%	50.54%	28.96%	100.00%

Note: Holding percentage is computed as shareholding divided by total number of issued common stock of 694,865,413 shares.

4.1.3 Distribution Profile of Share Ownership

Face value at NT\$10 per share

as of 19th April, 2015

Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 to 999	10,426	1,720,824	0.25%
1,000 to 5,000	5,351	10,454,040	1.50%
5,001 to 10,000	912	6,315,938	0.91%
10,001 to 15,000	376	4,441,925	0.64%
15,001 to 20,000	180	3,135,143	0.45%
20,001 to 30,000	201	4,851,018	0.70%
30,001 to 40,000	124	4,290,350	0.62%
40,001 to 50,000	81	3,622,702	0.52%
50,001 to 100,000	174	12,390,360	1.78%
100,001 to 200,000	149	21,359,884	3.07%
200,001 to 400,000	103	28,514,591	4.10%
400,001 to 600,000	50	24,912,283	3.59%
600,001 to 800,000	30	20,919,428	3.01%
800,001 to 1,000,000	27	24,221,011	3.49%
1,000,001 or above	111	523,715,916	75.37%
Total	18,295	694,865,413	100.00%

Note: Holding percentage is calculated as shareholding divided by total number of issued common stock of 694,865,413 shares after the Company nullified its treasury stocks followed by capital reduction

4.1.4 Major Shareholders: Shareholders with shareholdings over 5% of total shares outstanding or top 10 holding percentages

As of 19th April, 2015

Major Shareholders	Share	Shareholding (Note 2)	Holding Percentage (Note 1)
Kent Hsu		80,003,670	11.51%
The Investment Account of Standard Chartered Managed by KGI Capital Asia Ltd.		21,273,911	3.06%
Unikey Electronics Co., Ltd.		20,756,055	2.99%
The Investment Account of Singapore Government Managed by Citibank Taiwan		18,459,613	2.66%
Epoque Co., Ltd.		17,243,869	2.48%
Hipro Electronics (Taiwan) Co., Ltd.		15,869,166	2.28%
M. K. Lin		13,518,318	1.95%
The Investment Account of Bit Selected Global High Yield Emerging Security Fund Managed by HSBC		13,368,656	1.92%
Hsu, Yue-Yuan		12,161,499	1.75%
The Investment Account of Robeco Capital Growth Fund Managed by HSBC		11,284,010	1.62%

Note 1: Holding percentage is calculated as shareholding divided by total number of issued common stock of 694,865,413 shares.

Note2: This table does not include the shares under trust where the decision on executing them is exclusively reserved by the holder.

4.1.5 Market Price per Share, Net Worth, Earnings and Other Relevant Information:

Item		Year	2013	2014	As of 31 st March, 2015
Market Price Per Share	Highest		87.20	100.00	90.80
	Lowest		67.50	73.00	84.20
	Average		76.07	83.36	87.92
Net Worth Per Share	Before Distribution		32.31	33.62	33.93
	After Distribution (Note 5)		27.57	Note 7	Note 7
Earnings Per Share	Weighted Average Shares		653,530 K Shares	655,688 K Shares	658,240 K Shares
	Earnings Per Share	Before Adjustment	5.83	6.22	0.91
		After Adjustment	5.81	Note 7	Note 7
Dividends Per Share	Cash Dividends (Note 1)		4.60	Note 7	Note 7
	Shares Dispensed free of charge (Note 1)	From Retained Earnings	0.05	Note 7	Note 7
		From Additional Paid in Capital	NA	Note 7	Note 7
	Accumulated Unpaid Dividend (Note 6)		0	Note 7	Note 7
Return on Investment	Price/Earnings Ratio (Notes 1 & 2)		13.05	13.40	NA
	Price/Dividend Ratio (Notes 1 & 3)		16.54	Note 7	Note 7
	Cash Dividend Yield Rate (Notes 1 & 4)		6.05%	Note 7	Note 7

Note 1: Figures for Year 2013 were filled in accordance to the status of dividend distribution determined by the resolution of the 2014 General Annual Shareholders' Meeting.

Note 2: Price/Earnings Ratio = Current Year Average Market Price Per Share / Earnings Per Share (Before Adjustment)

Note 3: Price/Dividend Ratio = Current Year Average Market Price Per Share / Cash Dividend Per Share

Note 4: Cash Dividend Yield Rate = Cash Dividend Per Share/ Current Year Average Market Price Per Share

Note 5: Number of shares issued for Employee Stock Bonus of 2014 is computed based on the basis of closing market price prior to the holding of the Annual General Shareholders' Meeting and takes into consideration the impact from cash dividend and stock dividend shares; thus, the above listed figures for net worth per share after distribution and adjusted earnings per share have not yet reflected the number of shares paid out for Employee Stock Bonus Dividends.

Note 6: Issuing conditions for equity securities stipulate that current year dividends unpaid may accumulate to years where there are earnings, and should respectively disclose cumulative unpaid dividends as of the end of the current year.

Note 7: Earnings distributions of 2014, after resolution by Board of Directors to distribute cash dividend per share of NTD\$ 4.65, estimated cash dividends as NTD\$ 3,231,124,170; stock dividend as 5 shares per one thousand shares. Preceding earnings distribution proposal of 2014 has not yet approved by AGM resolution.

4.1.6 Dividend Policy of the Company and Status of Dividend Distribution Proposed by Latest Shareholders' Meeting:

1. Dividend policy:

In line with the long-term financial planning of the Company, to achieve sustainable business objectives, future dividend policy is stipulated under the Company's Articles of Incorporation Article no. 19 as follows:

As the Company is in the developing stage of the electronics industry, the dividend policy should take into account the need for funding of new products and the increasing return on investment by the shareholders as objectives. Thus, at least 90% of annual total earnings available for dividend distribution will be allocated as shareholders' dividends, of which at least 10% shall be cash dividends.

However, if the total amount available for dividend distribution is less than NTD\$ 0.5 per share, then the ratios in the preceding paragraph shall not be subjected to restrictions.

2.Dividend distribution of 2013 proposed by Shareholders' meeting in 2014:

(1)Cash dividend is distributed as NTD\$ 4.65 per share: NTD\$3,231,124,170 from retained earnings was set aside for cash dividend distribution.

(2)Stock dividend is 5 shares per one thousand shares: NTD\$ 34,743,270 from retained earnings was set aside to increase capital and to issue new stocks for 3,474,327 shares

4.1.7 Impact to Business Performance and EPS Resulting from Stock Dividend as Proposed by Latest Shareholders' Meeting: Not applicable.

4.1.8. Employee Bonus Sharing and Directors' and Supervisors' Compensation:

1. The Company's Articles of Incorporation Article no. 18 stipulates that "1% of annual financial net earnings (net income after deductions for income tax, 10% contribution to legal reserves, and contribution to special reserves as required by regulation) shall be allocated as compensation for Directors and Supervisors, and 16% as a bonus to employee.

2. The Company adopted the proposal of the 12th session of the 11th Board of Directors' Meeting of 25th March, 2015 to allocate a cash bonus to employees of NTD\$ 166,655,277, a stock bonus to employees of NTD\$ 421,000,000 (with the number of shares allocated in the stock bonus being calculated based on the closing market price day prior to the holding of the Annual General Shareholders' meeting and taking into consideration impacts from cash dividends and stock dividend shares), and compensation to Directors and Supervisors of NTD\$ 36,728,455.

The stock bonus to employees of NTD\$ 421,000,000 is 10.32% of the net income after tax of NTD\$ 4,080,939 thousand; and 71.6% of the total employee bonus of 587,655 thousand.

The amount of employee bonus and Directors and Supervisors' compensation as proposed by the Board of Directors' meeting totaled NTD\$ 624,383,732, and was identical to the amount estimated in the annual financial report of 2014. It is imputed that EPS is NTD\$6.22 based on the proposed amount paid to employees' bonus, and remuneration of Director and Supervisor.

3. Company's actual allocation and distribution of Directors and Supervisors' compensation and employees' bonus from earnings of 2013 in 2014 is as follows:

(1) Actual distribution of Directors and Supervisors' compensation was NTD\$ 44,279,115 and employees' bonus was NTD\$ 708,465,840, identical to the original amount of distribution approved by the Board of Directors' meeting. The employees' bonus consists of a stock bonus of NTD\$ 366,499,962(equal to new stock 4,710,191 shares), and a cash bonus NTD\$ 341,965,878. The number of shares of employee's stock bonus was 57.84% of that of capital increment from earnings from 2013 earnings. Persons receiving the allotment were employees of the Company and employees of the subsidiaries with in which the Company has a shareholding of more than 50%.

(2)The amount of employee bonus and Directors and Supervisors' compensation as proposed by the Board of Directors' meeting totaled NTD\$ 752,744,955, and was identical to the amount estimated in the annual financial report of 2013.

4.1.9 Status of the Company's Treasury Stock:

Reacquisition of common stock: None

4.2 Issuance of Corporate Bonds: The Company did not issue any corporate bonds.

4.3 Issuance of Preferred Stocks: The Company did not issue any preferred stocks.

4.4 Issuance of GDR: The Company did not issue any GDR.

4.5 Status of Employee Stock Option Plan: The Company did not adopt any Employee Stock Option Plan.

4.6 Status of New Shares with Restricted Employee's Right: The Company did not issue any new shares with restricted employee's right.

4.7 Status of New Share Issuance in connection to Mergers or Acquisitions: The Company did not engage in activities of new share issuance in connection to mergers or acquisitions.

4.8 Status of financing plans and implementation:

4.8.1 As of 31st March, 2015, Status of Previous Respective Issuances including Pending Securities Private Placements or Undisclosed Benefits of Completed Plans for the Most Recent Three Years: None.

4.8.2 According to the Purposes of the Various Plans of the Preceding Paragraph, Comparison of the Outcomes of Their Execution and Originally Projected Benefits: None.

5. Consolidated Financial Statements for the Year 2014 and 2013

**CHICONY ELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2014 AND 2013**

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

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

We have audited the consolidated balance sheets of Chicony Electronics Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended, expressed in thousands of New Taiwan dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2014 and 2013 financial statements of certain wholly-owned consolidated subsidiaries and long-term investments accounted for using equity method. The total assets of those subsidiaries amounted to NT\$1,179,226 thousand and NT\$1,295,599 thousand, constituting 2.07% and 2.55% of total consolidated assets as of December 31, 2014 and 2013, respectively. The total revenues of those subsidiaries amounted to NT\$2,457,751 thousand and NT\$2,317,964 thousand, constituting 3.07% and 3.11% of total consolidated revenues for the years ended December 31, 2014 and 2013. The balance of those long-term investments accounted for using equity method as of December 31, 2014 and 2013 were NT\$89,591 thousand and NT\$1,276,165 thousand, constituting 0.16% and 2.51% of total consolidated assets, respectively. The share of comprehensive income (loss) recognized (including the share of profit (loss) of associates and joint ventures accounted for under equity method and the share of other comprehensive income of associates and joint ventures accounted for under equity method) for the years ended December 31, 2014 and 2013 were (NT\$975) thousand and (NT\$47,819) thousand, constituting (0.03%) and (0.86%) of consolidated comprehensive income, respectively. These statements were audited by other independent accountants whose reports thereon were furnished to us and our opinion herein insofar as it relates to the amounts included in the consolidated financial statements and information disclosed in Notes 6(7) and 13 relative to these subsidiaries and long-term investments accounted for using equity method, is based solely on the reports of the other independent accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Chicony Electronics Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013 and the results of their financial performance and cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Chicony Electronics Co., Ltd. as of and for the years ended December 31, 2014 and 2013, and have expressed a modified unqualified opinion on such financial statements.

March 25, 2014

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
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

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

(Continued)

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

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

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

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

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

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

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

Notes	Equity attributable to owners of the parent										Total equity
	Retained Earnings				Other equity interest						
	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	
	\$ 6,757,782	\$ 1,610,162	\$ 2,306,419	\$ 433,524	\$ 7,410,565	\$ 645,897	\$ 849,885	\$ 311,277	\$ 16,711,393	\$ 2,008,145	\$ 18,719,538
6(18)	-	-	384,424	-	(384,424)	-	-	-	-	-	-
	-	-	-	1,024,085	(1,024,085)	-	-	-	-	-	-
	67,578	-	-	-	(67,578)	-	-	-	-	-	-
	-	-	-	-	(2,770,691)	-	-	(2,770,691)	(2,770,691)	-	(2,770,691)
	-	-	-	-	3,782,029	-	-	-	3,782,029	347,712	4,129,741
	-	-	-	-	(8,279)	813,461	990,061	-	1,795,243	69,141	1,864,384
	-	147,937	-	-	-	-	-	-	147,937	-	147,937
	-	70,383	-	-	(9,842)	-	-	-	60,541	-	60,541
	-	959,448	-	-	-	-	-	-	959,448	-	959,448
	41,856	280,144	-	-	-	-	-	-	322,000	-	322,000
	\$ 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
	\$ 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
6(18)	-	-	378,203	-	(378,203)	-	-	-	-	-	-
	-	-	-	(1,024,085)	1,024,085	-	-	-	-	-	-
	34,336	-	-	-	(34,336)	-	-	-	(3,158,919)	-	(3,158,919)
	-	-	-	-	(3,158,919)	-	-	-	(3,158,919)	574,891	4,655,830
	-	-	-	-	4,080,939	-	-	-	4,080,939	-	4,080,939
	-	-	-	-	(20,511)	1,062,380	(1,423,106)	-	(381,237)	3,048	(378,189)
	-	167,639	-	-	-	-	-	-	167,639	-	167,639
	-	(106)	-	-	-	-	-	-	(106)	-	(106)
	-	47,736	-	-	-	-	-	-	47,736	-	47,736
	47,102	319,398	-	-	-	-	-	-	366,500	-	366,500
	\$ 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

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

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

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

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

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

CHICONY ELECTRONICS CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

(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 25, 2015.

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”)

None.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendments to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011
Government loans (amendments to IFRS 1)	January 1, 2013
Disclosures— Transfers of financial assets (amendments to IFRS 7)	July 1, 2011
Disclosures— Offsetting financial assets and financial liabilities (amendments to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendments to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendments to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009—2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRSs has no significant impact on the consolidated financial statements of the Group, except for the following:

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. Also, 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 using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. Also, the standard requires disclosures about fair value measurements. 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.

For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate	January 1, 2016
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, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 special purpose entities) over which the Group has the power to lead the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (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. 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(%)		Description
			December 31, 2014	December 31, 2013	
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	60%	63%	
"	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%	50%	Note C Note D
"	Had Eri Iou Industrial Inc. Ltd.	Manufacturing and sales of plastic goods	50%	50%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Description
			December 31, 2014	December 31, 2013	
COI	Chicony America Inc. (CAI)	Sales of computer peripherals	100%	100%	
"	Chicony Electronics GmbH. (CEG)	"	100%	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 peripherals	100%	100%	
"	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%	
"	Suzhou Qun-Yang Electronics Co., Ltd. (Qun-Yang)	Manufacturing and sales of electronic parts, keyboard and plastic products	60%	60%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Description
			December 31, 2014	December 31, 2013	
COI	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%	
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.	Investment holdings	100%	100%	
"	Chicony Power International Inc. (CPI)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	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%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Description
			December 31, 2014	December 31, 2013	
CP	WitsLight Technology Co., Ltd (WTS)	Design, research and development, manufacturing and sale of LED lighting modules	78.125%	-	Note 2
"	WitsLight Technology Co., Ltd (WT)	Design, research and development of LED lighting modules and international trade	100%	-	Note 2
"	WitsLight Technology (Kunshan) Co., Ltd (WTK)	Manufacturing and sales of LED lighting modules	100%	-	Note 2
CPHK	Hipro Electronics(Dong Guan) Co., Ltd. (HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Manufacturing and sales of electronic components and LED lighting equipment	100%	100%	
"	Quang Sheng Electronics (Nanchang) Co., Ltd. (GSE)	Manufacturing and sales of electronic components and transformers	100%	100%	
"	Chicony Power Technology (Chong-Qing) Co., Ltd. (CPCQ)	Manufacturing and sales of electronic components and LED lighting equipment	100%	100%	
"	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipments	100%	100%	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Description
			December 31, 2014	December 31, 2013	
CPHK	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%	
"	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	Sales of plastic goods and computer parts	100%	100%	
"	HAD ERI IOU INTERNATIONAL Co., LIMITED (Haderiiou HK)	Sales of plastic goods	100%	100%	
"	HOLYU INTERNATIONAL Co., Ltd.	Investment	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 A: Held 57.27% of the voting shares with COI as a whole.

Note B: CPI obtained 78% 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.

Note C: The meeting of Board of Directors of CP on March 10, 2014 adopted a resolution to issue employee restricted ordinary shares at no consideration. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. As of December 31, 2014, the above employee restricted ordinary shares have not been issued.

Note D: HDG plans to raise additional cash of USD 4,000 thousand dollars which will be invested by CP through a company in the third area.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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

The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

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

(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. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. 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) 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 3~5 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.

(16) 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.

(17) 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 recognised 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.

(18) Notes and accounts payable

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

(19) 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.

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

Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition.

(21) 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.

(22) 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, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognized.

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 termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognized as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus 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. However, if 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 should be recognized based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(23) 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, 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.

(24) 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, and is included in equity attributable to the Company's equity holders.

(25) 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.

(26) 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.

(27) 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.

(28) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(29) Operating segments

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

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

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

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

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 judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer an additional loss of \$1,486,879 in its 2014 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

In principle, sales revenues are recognized when the earning process is completed. The Group estimates 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 reviews the reasonableness of the estimates periodically.

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

The Group assesses impairment based on its subjective judgement 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 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.

D. 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 judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

E. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates.

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand and petty cash	\$ 23,785	\$ 163,104
Checking accounts and demand deposits	1,855,393	1,365,429
Time deposits	101,518	49,804
Total	<u>\$ 1,980,696</u>	<u>\$ 1,578,337</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

C. Details of cash and cash equivalents pledged as collaterals are provided in Note 8.

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

Items	December 31, 2014	December 31, 2013
Financial assets held for trading		
Non-hedging derivatives		
Forward foreign exchange contracts	\$ 259,362	\$ 107,789
Exchange rate swaps	-	1,669
Futures	8,202	7,554
Total	<u>\$ 267,564</u>	<u>\$ 117,012</u>
Financial liabilities held for trading		
Non-hedging derivatives		
Forward foreign exchange contracts	\$ 141,668	\$ -
Exchange rate swaps	1,720	11,986
Total	<u>\$ 143,388</u>	<u>\$ 11,986</u>

- A. The Group recognized net gain of \$415,444 and \$402,696 on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively.

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

Derivative Instruments	December 31, 2014		
	Contract Amount (Notional Principal)		Due Date
	(In thousands)		
Financial assets held for trading			
Forward foreign exchange contracts			
– SELL USD/BUY RMB	USD	57,000	104.1.26~104.12.23
– SELL NTD/BUY USD	USD	260,000	104.3.31~105.1.6
Futures			
– TAIEX Futures	\$	37,300	104.2.28
– Metals Futures	USD	5,792	101.1.6
Financial liabilities held for trading			
Forward foreign exchange contracts			
– SELL USD/BUY RMB	USD	336,000	104.1.7~104.12.16
– SELL NTD/BUY USD	USD	80,000	104.3.31
– SELL USD/BUY NTD	USD	4,000	104.1.7
Exchange rate swaps			
– SELL USD/BUY NTD	USD	4,000	104.1.12
Derivative Instruments	December 31, 2013		
	Contract Amount (Notional Principal)		Due Date
	(In thousands)		
Financial assets held for trading			
Exchange rate swaps			
– SELL USD/BUY RMB	USD	10,000	103.1.16
Forward foreign exchange contracts			
– SELL USD/BUY RMB	USD	122,000	103.1.15~103.6.24
Futures			
– Metals Futures	USD	5,792	101.1.6
Financial liabilities held for trading			
Exchange rate swaps			
– SELL USD/BUY NTD	USD	36,500	103.1.3~103.1.27

(a) Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to buy (sell) US dollars to hedge exchange rate risk of import export proceeds. However, these forward foreign exchange 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, 2014, margin deposits for these contracts were \$10,011, with excess margin of \$8,536. The Group entered into futures contracts 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, 2014 and 2013 is as follows:

	<u>Decemer 31, 2014</u>	<u>Decemer 31, 2013</u>
	<u>Book value/Fair value</u>	<u>Book value/Fair value</u>
Listed stocks	\$ 331,198	\$ 1,099,218

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

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	<u>Gain recognized in</u>	<u>Loss recognized in</u>
	<u>comprehensive income</u>	<u>comprehensive income</u>
Listed stocks	(\$ 93,675)	\$ 505,712

The accumulated total changes in fair value of the above that were recognized in loss and other comprehensive income before January 1, 2013 amounted to \$361,710.

(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:

	<u>Amount</u>
For the period from July 24, 2008 to December 31, 2008	(\$ 427,793)
For the year ended December 31, 2009	651,679
For the year ended December 31, 2010	255,090
For the year ended December 31, 2011	(387,402)
For the year ended December 31, 2012	(235,576)
For the year ended December 31, 2013	505,712
For the year ended December 31, 2014	(93,675)
	<u>\$ 268,035</u>

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, 2014	December 31, 2013
Current items:		
Listed stocks	\$ 5,694,055	\$ 4,591,828
Convertible bonds	10,000	-
Beneficiary certificates	33,539	31,644
Subtotal	5,737,594	4,623,472
Valuation adjustment	(586,255)	914,572
Total	<u>\$ 5,151,339</u>	<u>\$ 5,538,044</u>
Non-current items:		
Listed stocks	\$ 1,282,851	\$ 1,282,852
Valuation adjustment	(900,278)	(928,203)
Total	<u>\$ 382,573</u>	<u>\$ 354,649</u>

- A. The above 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 recognized (\$1,472,902) and \$988,889 in other comprehensive income (loss) for fair value change for the years ended December 31, 2014 and 2013, respectively.
- C. The Group's counterparties of debt instrument investments the Group invests in have good credit quality. The maximum exposure to credit risk at balance sheet date is the carrying amount of available-for-sale financial assets – debt instruments.
- D. The Group recognized no interest income for the convertible bonds for the years ended December 31, 2014 and 2013.
- E. As of December 31, 2014 and 2013, no available-for-sale financial assets owned by the Group were pledged to others.

(4) Financial assets measured at cost

	December 31, 2014	December 31, 2013
Non-current items:		
Unlisted stocks	\$ 571,541	\$ 532,354
Beneficiary certificates	600,000	-
Accumulated impairment	(73,795)	(73,795)
Total	<u>\$ 1,097,746</u>	<u>\$ 458,559</u>

- A. Based on the Group's intention, its investment in stocks 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. 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, 2014 and 2013.
- C. As of December 31, 2014 and 2013, no financial assets measured at cost held by the Group were pledged to others.

(5) Accounts receivable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts receivable	\$ 19,009,325	\$ 18,438,612
Less: allowance for sales returns and discounts	-	(1)
Less: allowance for bad debts	(95,330)	(115,458)
	<u>\$ 18,913,995</u>	<u>\$ 18,323,153</u>

- A. The Group entered into an agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is liable for the losses incurred if these accounts receivable are not collected. Therefore, the Group did not derecognise these accounts receivable. The proceeds from the advance were included in ‘short-term loans’. As of December 31, 2014, details of the guarantee notes issued for contracts of selling accounts receivable are provided in Note 9(2). As of December 31, 2014 and 2013, the outstanding accounts receivable sold were as follows:

<u>December 31, 2014</u>				
<u>Purchaser of accounts receivable</u>	<u>Accounts receivable sold</u>	<u>Amount advanced</u>	<u>Other accounts receivable (retention)</u>	<u>Collateral</u>
SMBC	\$ 146,378	\$ 146,378	\$ -	-
Taishin Bank	153,300	120,156	33,144	-
Ta Chong Bank	378,557	328,848	49,709	-
	<u>\$ 678,235</u>	<u>\$ 595,382</u>	<u>\$ 82,853</u>	

<u>December 31, 2013</u>				
<u>Purchaser of accounts receivable</u>	<u>Accounts receivable sold</u>	<u>Amount advanced</u>	<u>Other accounts receivable (retention)</u>	<u>Collateral</u>
SMBC	\$ 115,960	\$ 115,960	\$ -	-
Taishin Bank	102,419	77,540	24,879	-
Ta Chong Bank	138,953	116,200	22,753	-
	<u>\$ 357,332</u>	<u>\$ 309,700</u>	<u>\$ 47,632</u>	

- B. The maximum exposure to credit risk at December 31, 2014 and 2013, was the carrying amount of each class of accounts receivable.
- C. The Group does not hold any collateral as security.

D. The credit quality information of accounts receivable is provided in Note 12(3) C.

(6) Inventories

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,924,899	(\$ 556,567)	\$ 3,368,332
Work in process	2,424,143	(293,463)	2,130,680
Finished goods	5,066,084	(840,408)	4,225,676
Inventory in transit	294,014	-	294,014
Total	\$ 11,709,140	(\$ 1,690,438)	\$ 10,018,702

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,321,380	(\$ 426,056)	\$ 2,895,324
Work in process	1,877,762	(245,490)	1,632,272
Finished goods	4,650,090	(759,063)	3,891,027
Inventory in transit	283,416	-	283,416
Total	\$ 10,132,648	(\$ 1,430,609)	\$ 8,702,039

The cost of inventories recognised as expense for the period:

	2014	2013
Cost of inventories sold	\$ 66,997,701	\$ 62,629,686
Provision for inventory obsolescence and market price decline	575,865	484,086
Others	(9,124)	(13,563)
	\$ 67,564,442	\$ 63,100,209

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

(7) Investments accounted for under the equity method

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

	December 31, 2014	December 31, 2013
Newmax Technology Co., Ltd (Newmax)	\$ 1,087,233	\$ 1,190,827
Sky-Fine Investment Limited (Sky-Fine)	89,591	85,338
	\$ 1,176,824	\$ 1,276,165

B. The share of profit (loss) of associates accounted for using equity method are as follows:

	<u>2014</u>	<u>2013</u>
Newmax Technology Co., Ltd (Newmax)	(\$ 91,944)	\$ 33,661
Sky-Fine Investment Limited (Sky-Fine)	<u>28</u>	<u>2,333</u>
	<u>(\$ 91,916)</u>	<u>\$ 35,994</u>

C. 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, 2014 and 2013 were audited by other independent accountants.

D. For the share of other comprehensive income of associates, the financial statements of the Group's associate accounted for using equity method – Newmax for the year ended December 31, 2013 were audited by other independent accountants.

E. The financial information of the Group's principal associates is summarized below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
December 31, 2014					
Newmax	\$ 4,482,483	\$ 1,459,147	\$ 1,623,712	(\$ 411,619)	22.32%
Sky-Fine	<u>226,104</u>	<u>14,201</u>	<u>-</u>	<u>99</u>	29.00%
	<u>\$ 4,708,587</u>	<u>\$ 1,473,348</u>	<u>\$ 1,623,712</u>	<u>(\$ 411,520)</u>	
December 31, 2013					
Newmax	\$ 6,741,079	\$ 3,261,691	\$ 3,230,785	\$ 163,314	22.32%
Sky-Fine	<u>212,216</u>	<u>9,381</u>	<u>-</u>	<u>8,043</u>	29.00%
	<u>\$ 6,953,295</u>	<u>\$ 3,271,072</u>	<u>\$ 3,230,785</u>	<u>\$ 171,357</u>	

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, 2014 and 2013, was \$890,270 and \$1,456,187, respectively.

(8) Property, plant and equipment

	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)
<u>2014</u>	<u>\$ 1,374,409</u>	<u>\$ 2,533,573</u>	<u>\$ 3,249,331</u>	<u>\$ 1,580,740</u>	<u>\$ 624,426</u>	<u>\$ 1,481,226</u>	<u>\$ 898,375</u>	<u>\$ 11,742,080</u>
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	<u>\$ 2,134,598</u>	<u>\$ 3,230,713</u>	<u>\$ 3,435,516</u>	<u>\$ 1,383,974</u>	<u>\$ 656,775</u>	<u>\$ 2,420,507</u>	<u>\$ 942,569</u>	<u>\$ 14,204,652</u>
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)
	<u>\$ 2,134,598</u>	<u>\$ 3,230,713</u>	<u>\$ 3,435,516</u>	<u>\$ 1,383,974</u>	<u>\$ 656,775</u>	<u>\$ 2,420,507</u>	<u>\$ 942,569</u>	<u>\$ 14,204,652</u>

	Land	Buildings	Machinery	Tooling equipment	Test equipment	Construction in progress	Others	Total
At January 1, 2013								
Cost	\$ 1,758,574	\$ 3,501,903	\$ 4,888,739	\$ 3,599,142	\$ 1,280,285	\$ 482,439	\$ 2,006,167	\$17,517,249
Accumulated depreciation and impairment	-	(1,108,292)	(2,046,420)	(2,079,469)	(814,438)	-	(1,196,316)	(7,244,935)
	<u>\$ 1,758,574</u>	<u>\$ 2,393,611</u>	<u>\$ 2,842,319</u>	<u>\$ 1,519,673</u>	<u>\$ 465,847</u>	<u>\$ 482,439</u>	<u>\$ 809,851</u>	<u>\$10,272,314</u>
2013								
Opening net book amount	\$ 1,758,574	\$ 2,393,611	\$ 2,842,319	\$ 1,519,673	\$ 465,847	\$ 482,439	\$ 809,851	\$10,272,314
Additions	-	103,956	540,503	395,118	341,355	1,609,402	295,264	3,285,598
Disposals	(33,910)	(8,526)	(73,717)	(83,082)	(7,890)	-	(17,690)	(224,815)
Reclassifications	(350,292)	173,732	301,254	381,748	8,558	(620,366)	140,680	35,314
Depreciation	-	(142,694)	(386,022)	(632,717)	(186,192)	-	(332,311)	(1,679,936)
Net exchange differences	37	13,494	24,994	-	2,748	9,751	2,581	53,605
Closing net book amount	<u>\$ 1,374,409</u>	<u>\$ 2,533,573</u>	<u>\$ 3,249,331</u>	<u>\$ 1,580,740</u>	<u>\$ 624,426</u>	<u>\$ 1,481,226</u>	<u>\$ 898,375</u>	<u>\$11,742,080</u>
At December 31, 2013								
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)
	<u>\$ 1,374,409</u>	<u>\$ 2,533,573</u>	<u>\$ 3,249,331</u>	<u>\$ 1,580,740</u>	<u>\$ 624,426</u>	<u>\$ 1,481,226</u>	<u>\$ 898,375</u>	<u>\$11,742,080</u>

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
Amount capitalised	\$ 25,002	\$ 23,848
Interest rate	0.72%~1.92%	1.32%~1.68%

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Intangible assets

	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)
	<u>\$ 8,912</u>	<u>\$ 98,521</u>	<u>\$ 58,600</u>	<u>\$ 2,183</u>	<u>\$ 168,216</u>
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 amortisation	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	<u>\$ 11,372</u>	<u>\$ 80,531</u>	<u>\$ 120,125</u>	<u>\$ 34,402</u>	<u>\$ 246,430</u>
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)
	<u>\$ 11,372</u>	<u>\$ 80,531</u>	<u>\$ 120,125</u>	<u>\$ 34,402</u>	<u>\$ 246,430</u>

	Trademarks and patents	Software	Goodwill	Others	Total
At January 1, 2013					
Cost	\$ 28,852	\$ 153,373	\$ 58,355	\$ 25,185	\$ 265,765
Accumulated amortization and impairment	(19,735)	(95,296)	-	(19,839)	(134,870)
	<u>\$ 9,117</u>	<u>\$ 58,077</u>	<u>\$ 58,355</u>	<u>\$ 5,346</u>	<u>\$ 130,895</u>
<u>2013</u>					
Opening net book amount	\$ 9,117	\$ 58,077	\$ 58,355	\$ 5,346	\$ 130,895
Additions	6,429	97,075	-	4,580	108,084
Disposals-cost	-	(24,708)	-	(23,980)	(48,688)
Disposals-accumulated amortization	-	24,661	-	23,980	48,641
Amortization	(6,646)	(57,211)	-	(7,743)	(71,600)
Net exchange differences	12	627	245	-	884
Closing net book amount	<u>\$ 8,912</u>	<u>\$ 98,521</u>	<u>\$ 58,600</u>	<u>\$ 2,183</u>	<u>\$ 168,216</u>
At December 31, 2013					
Cost	\$ 33,929	\$ 238,217	\$ 58,600	\$ 5,785	\$ 336,531
Accumulated amortization and impairment	(25,017)	(139,696)	-	(3,602)	(168,315)
	<u>\$ 8,912</u>	<u>\$ 98,521</u>	<u>\$ 58,600</u>	<u>\$ 2,183</u>	<u>\$ 168,216</u>

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

	Year ended December 31, 2014	Year ended December 31, 2013
Cost of revenue	\$ 2,196	\$ 1,501
Selling expenses	4,302	23,381
Administrative expenses	53,615	26,087
Research and development expenses	29,182	20,631
	<u>\$ 89,295</u>	<u>\$ 71,600</u>

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

	December 31, 2014	December 31, 2013
Asia	\$ 74,514	\$ 17,532
America	45,611	41,068
	<u>\$ 120,125</u>	<u>\$ 58,600</u>

C. Details of goodwill acquired from business combinations in 2014 are provided in Note 6(29).

D. The Group applied value in use method when calculating recoverable amount of goodwill and determined the recoverable amount to be greater than the carrying amount; thus, no impairment was identified.

(10) Other non-current assets

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Long-term prepaid rents - land use right	\$ 226,961	\$ 404,863
Guarantee deposits paid	116,340	59,824
Prepayments for business facilities	295,463	334,202
Others	467,936	399,807
	<u>\$ 1,106,700</u>	<u>\$ 1,198,696</u>

A. As of December 31, 2014, 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 recognised rental expenses of \$18,792 and \$18,695 for the years ended December 31, 2014 and 2013, respectively.

B. As of December 31, 2014 and 2013, CEM3, CEM5 and CPCQ received the local government grants amounting to \$326,983 and \$368,105 respectively, as a reward for the local investment, which was deducted from the cost of land use right.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 2,098,920	0.86%~1.30%	None
<u>Type of borrowings</u>	<u>December 31, 2013</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 697,601	1.07%~1.70%	None

As of December 31, 2014, the Group had issued promissory notes as guarantee for the short-term loans. Please see Note 9(2).

(12) Accounts payable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts payable	\$ 15,119,979	\$ 11,018,031
Estimated accounts payable	3,995,164	5,013,489
	<u>\$ 19,115,143</u>	<u>\$ 16,031,520</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Long-term bank borrowings				
E.Sun Bank (Series A)	Borrowing period is from March 20, 2014 to March 20, 2016; interest is repayable until the principal is matured. (Note 1)	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 2)	1.48%	None	411,060
Less: current portion (shown as other current liabilities)				(411,060)
				<u>\$ 500,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2013</u>
Long-term bank borrowings				
E.Sun Bank (Series A)	Borrowing period is from November 14, 2013 to February 12, 2014; interest is repayable until the principal is matured. (Note 2)	1.50%	None	\$ 446,925
TCB Bank	Borrowing period is from December 30, 2013 to March 30, 2014; interest is repayable until the principal is matured. (Note 2)	2.27%	None	923,645
Less: current portion (shown as other current liabilities)				(446,925)
				<u>\$ 923,645</u>

Note 1: Revolving credit in five years starting from the first drawdown, each credit period limited to 90 to 180 days.

Note 2: Revolving credit in three years starting from the first drawdown, each credit period limited to 90 to 180 days.

A. As of December 31, 2014 and 2013, 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 revolving; Series B: \$3,000,000, credit revolving; Series C: USD 100,000,000, credit revolving; 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. As of December 31, 2014, \$500,000 has been drawdown. 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, 2014, 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 revolving; Series B: \$3,000,000, credit revolving; Series C: USD 96,000,000, credit revolving; 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 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 250%,
- iii. Time interest earned is above 300%, and
- iv. Net tangible assets are above \$11,000,000,

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 65% of the facility of Series B and Series C as a whole.

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

D. 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 and \$2,300,000 on September 29, 2014 and December 29, 2014 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".

As of December 31, 2014, CP did not violate any of the above requirements.

E. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Floating rate:		
Expiring within one year	\$ 1,888,940	\$ 5,553,075
Expiring beyond one year	<u>4,500,000</u>	<u>4,076,355</u>
	<u>\$ 6,388,940</u>	<u>\$ 9,629,430</u>

(14) Pensions

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

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Present value of funded obligations	(\$ 334,033)	(\$ 320,359)
Fair value of plan assets	<u>220,965</u>	<u>226,840</u>
Net liability in the balance sheet	<u>(\$ 113,068)</u>	<u>(\$ 93,519)</u>

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

	<u>2014</u>	<u>2013</u>
Present value of funded obligations		
At January 1	(\$ 320,359)	(\$ 302,978)
Current service cost	(5,085)	(5,237)
Interest expense	(5,884)	(4,637)
Actuarial loss	(24,893)	(9,037)
Benefits paid	19,836	1,530
Curtailment or settlement profit and loss	<u>2,352</u>	<u>-</u>
At December 31	<u>(\$ 334,033)</u>	<u>(\$ 320,359)</u>

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

	<u>2014</u>	<u>2013</u>
Fair value of plan assets		
At January 1	\$ 226,840	\$ 220,150
Expected return on plan assets	4,574	4,148
Actuarial profit (loss)	698 (	1,220)
Employer contributions	8,689	5,292
Benefits paid	(19,836)	(1,530)
At December 31	<u>\$ 220,965</u>	<u>\$ 226,840</u>

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

	<u>2014</u>	<u>2013</u>
Current service cost	\$ 5,085	\$ 5,237
Interest cost	5,884	4,637
Expected return on plan assets	(4,574) (	4,148)
Curtailment or settlement profit and loss	(2,352)	-
Current pension costs	<u>\$ 4,043</u>	<u>\$ 5,726</u>

Details of cost and expenses recognized in comprehensive income statements are as follows:

	<u>2014</u>	<u>2013</u>
Selling expenses	\$ 1,255	\$ 1,229
General and administrative expenses	277	2,136
Research and development expenses	2,511	2,361
	<u>\$ 4,043</u>	<u>\$ 5,726</u>

(f) Amounts recognized under other comprehensive income are as follows:

	<u>2014</u>	<u>2013</u>
Recognition for current period	(\$ 24,195)	(\$ 10,257)
Accumulated amount	<u>(\$ 75,993)</u>	<u>(\$ 51,798)</u>

(g) 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. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund

Utilization Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's 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.

The actual return on plan assets of the Company for the years ended December 31, 2014 and 2013 were \$5,272 and \$2,928, respectively.

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

	<u>2014</u>	<u>2013</u>
Discount rate	<u>1.75%~2.25%</u>	<u>1.75%~2.00%</u>
Future salary increases	<u>0.50%~3.00%</u>	<u>2.00%~3.00%</u>
Expected return on plan assets	<u>1.75%~2.00%</u>	<u>1.75%~2.00%</u>

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

(i) Historical information of experience adjustments was as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Present value of defined benefit obligation	(\$ 334,033)	(\$ 320,359)	(\$ 302,978)
Fair value of plan assets	<u>220,965</u>	<u>226,840</u>	<u>220,150</u>
Deficit in the plan	(<u>\$ 113,068</u>)	(<u>\$ 93,519</u>)	(<u>\$ 82,828</u>)
Experience adjustments on plan liabilities	(<u>\$ 14,843</u>)	(<u>\$ 14,269</u>)	(<u>\$ 15,902</u>)
Adjustment of actuarial assumption on plan liabilities	(<u>\$ 10,050</u>)	<u>\$ 5,232</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 698</u>	(<u>\$ 1,220</u>)	(<u>\$ 2,137</u>)

(j) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2014 amount to \$4,600.

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 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, 2014 and 2013 were \$497,171 and \$427,321, respectively.

(15) Provisions

	<u>Legal claims</u>
At January 1, 2014	\$ 324,176
Reversal for the period (Note)	(99,931)
Write-offs for the period (Note)	(224,245)
At December 31, 2014	<u>\$ -</u>

	<u>Legal claims</u>
At January 1, 2013	\$ -
Additional provisions	324,176
At December 31, 2013	<u>\$ 324,176</u>

Analysis of total provisions:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Non-current	\$ -	\$ 324,176

Please see Note 12(1).

(16) Share capital

- A. As of December 31, 2014, the Company's authorized capital was \$8,000,000, and the paid-in capital was \$6,948,654 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:

	<u>2014</u>	<u>2013</u>
At January 1	686,722	675,778
Common stock dividends	3,433	6,758
Employee bonuses	4,710	4,186
At December 31	<u>694,865</u>	<u>686,722</u>

- B. 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.

C. Treasury Stock

A summary of the Company's common stock owned by its subsidiaries as of December 31, 2014 and 2013 are as follows:

		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
		December 31, 2013		
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	20,653	\$ 205,795	\$ 74.90
HEC	For investment	15,790	105,482	74.90

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be 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.

	December 31, 2014	December 31, 2013
Share premium	\$ 1,892,986	\$ 1,573,588
Treasury share transaction	632,293	464,655
Difference between proceeds from disposal of subsidiary and book value	647,068	647,174
Changes subsidiaries associated enterpries and joint ventures by using the equity method	430,394	382,657
	<u>\$ 3,602,741</u>	<u>\$ 3,068,074</u>

(18) 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 unrealised revaluation increment and cumulative translation adjustment to unappropriated earnings and accrue special reserve by \$435,487 on initial application of IFRSs.
- E. For the years ended December 31, 2014 and 2013, employees' bonus was accrued at \$587,655 and \$708,466, respectively; directors' and supervisors' remuneration was accrued at \$36,728 and \$44,279, respectively. The estimates were based on net income after tax, legal reserve and special reserve, in accordance with the Company's Articles of Incorporation (16% as employees' bonuses, and 1% as directors' and supervisors' remuneration). Employees' bonus and directors' and supervisors' remuneration of 2013 as resolved by the stockholders were in agreement with those amounts recognized in the 2013 financial statements. Actual number of

shares distributed as employees' bonus for the year ended December 31, 2013 is 4,710 thousand shares. Calculation basis of the shares is based on the share price of \$77.81.

F. Subsequent events: The appropriation of 2014 earnings had been proposed at the Board of Directors' meeting on March 25, 2015. Details are summarized below:

	2014	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 408,094	
Stock dividends	34,743	\$ 0.05
Cash dividends	3,265,867	4.65

G. The appropriation of 2013 and 2012 earnings has been passed at the shareholders' meeting on May 30, 2014 and June 11, 2013, respectively, and the details are summarized below:

	2013		2012	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 378,203		\$ 384,424	
(Reversal of) special reserve	(1,024,085)		1,024,085	
Stock dividends	34,336	\$ 0.05	67,578	\$ 0.10
Cash dividends	3,158,919	4.60	2,770,691	4.10

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

(19) Other equity items

	2014		
	Available-for-sale investments	Currency translation	Total
At January 1, 2014	\$ 140,176	\$ 167,564	\$ 307,740
Revaluation			
-Group	(869,398)	-	(869,398)
-Associates	1	-	1
Transfer	(553,709)	-	(553,709)
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)

	2013		
	Available-for-sale investments	Currency translation	Total
At January 1, 2013	(\$ 849,885)	(\$ 645,897)	(\$ 1,495,782)
Revaluation			
-Group	1,608,043	-	1,608,043
Transfer	(617,982)	-	(617,982)
Currency translation differences:			-
-Group	-	802,625	802,625
-Associates	-	10,836	10,836
At December 31, 2013	<u>\$ 140,176</u>	<u>\$ 167,564</u>	<u>\$ 307,740</u>

(20) Net revenue

	Year ended December 31, 2014	Year ended December 31, 2013
Sales revenue	\$ 80,017,860	\$ 74,388,621
Other operating revenue	92,832	150,527
Total	<u>\$ 80,110,692</u>	<u>\$ 74,539,148</u>

(21) Other income

	Year ended December 31, 2014	Year ended December 31, 2013
Rental revenue	\$ 364	\$ 1,749
Interest income	52,387	32,950
Dividend income	210,185	153,962
Others	254,776	252,199
Total	<u>\$ 517,712</u>	<u>\$ 440,860</u>

(22) Other gains and losses

	Year ended December 31, 2014	Year ended December 31, 2013
Net gains on financial assets and liabilities at fair value through profit or loss	\$ 415,444	\$ 402,696
Reversal of allowance for doubtful accounts	5,087	42,637
Net currency exchange losses	(447,347)	(329,017)
Loss on disposal of property, plant and equipment	(45,798)	(11,778)
Gains on disposal of investments	645,673	591,139
Impairment losses	-	(20,556)
Legal claim losses	-	(324,176)
Gain on reversal of provisions	66,221	-
Others	(94,301)	(12,038)
Total	<u>\$ 544,979</u>	<u>\$ 338,907</u>

(23) Expenses by nature

	Year ended December 31, 2014		
	<u>Costs of revenue</u>	<u>Operating expense</u>	<u>Total</u>
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
	<u>\$ 8,757,136</u>	<u>\$ 3,998,716</u>	<u>\$ 12,755,852</u>
	Year ended December 31, 2014		
	<u>Costs of revenue</u>	<u>Operating expense</u>	<u>Total</u>
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 charges on intangible assets	2,196	87,099	89,295
	<u>\$ 8,757,136</u>	<u>\$ 3,998,716</u>	<u>\$ 12,755,852</u>

(24) Employee benefit expense

	Year ended December 31, 2014		
	<u>Costs of revenue</u>	<u>Operating expense</u>	<u>Total</u>
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	<u>\$ 7,228,084</u>	<u>\$ 3,539,405</u>	<u>\$ 10,767,489</u>

	Year ended December 31, 2013		
	<u>Costs of revenue</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 6,039,315	\$ 3,136,501	\$ 9,175,816
Labor and health insurance fees	85,666	133,415	219,081
Pension costs	316,253	116,794	433,047
Other personnel expenses	125,468	99,068	224,536
Total	<u>\$ 6,566,702</u>	<u>\$ 3,485,778</u>	<u>\$ 10,052,480</u>

(25) Finance costs

	Year ended <u>December 31, 2014</u>	Year ended <u>December 31, 2013</u>
Interest expense of bank borrowings	\$ 71,589	\$ 109,318
Less: capitalisation of qualifying assets	(25,002)	(23,848)
	<u>\$ 46,587</u>	<u>\$ 85,470</u>

(26) Income tax

A. Components of income tax expense:

	Year ended <u>December 31, 2014</u>	Year ended <u>December 31, 2013</u>
Current tax:		
Current tax on profits for the period	\$ 786,760	\$ 894,743
Additional 10% tax on undistributed earnings	124,503	-
Adjustments in respect of prior years	9,571	17,455
Total current tax	920,834	912,198
Deferred tax:		
Origination and reversal of temporary differences	29,193	(58,919)
Income tax expense	<u>\$ 950,027</u>	<u>\$ 853,279</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2014	Year ended December 31, 2013
Tax calculated based on profit before tax and statutory tax rate	\$ 846,038	\$ 893,903
Effects from items adjusted in accordance with tax regulation	(30,085)	(58,079)
Prior year income tax underestimation	9,571	17,455
Additional 10% tax on undistributed earnings	124,503	-
Income tax expense	<u>\$ 950,027</u>	<u>\$ 853,279</u>

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

	Year ended December 31, 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 intercompany profit	(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	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	<u>\$ 223,662</u>	<u>(\$ 29,381)</u>	<u>\$ 194,281</u>
— Deferred tax liability:			
Reserve for land revaluation increment tax	(\$ 21,756)	\$ -	(\$ 21,756)
Long-term investment gain etc.	(12,205)	-	(12,205)
Temporary differences of fixed assets for tax and financial purposes	(2,850)	(188)	(3,038)
Total	<u>(\$ 36,811)</u>	<u>(\$ 188)</u>	<u>(\$ 36,999)</u>

	Year ended December 31, 2013		
	Recognised in		
	January 1	profit or loss	December 31
Temporary differences:			
— Deferred tax assets:			
Unrealized exchange loss	\$ 19,704	(\$ 11,620)	\$ 8,084
Unrealized intercompany profit	1,469	(1,690)	(221)
Provision for inventory price decline and obsolescence	13,162	4,238	17,400
Allowance for doubtful accounts in excess of tax limit	1,518	(93)	1,425
Unrealized accrued expense	66,246	(20,274)	45,972
Long-term investment loss	-	12,663	12,663
Unrealized compensation revenue	36,307	19,255	55,562
Provision for legal claim	-	55,110	55,110
Impairment loss	6,035	1,974	8,009
Others	10,799	8,859	19,658
Tax benefit resulting from operating loss carryforwards	2,094	(2,094)	-
Investment tax credits	7,010	(7,010)	-
Total	<u>\$ 164,344</u>	<u>\$ 59,318</u>	<u>\$ 223,662</u>
— Deferred tax liability:			
Reserve for land revaluation increment tax	(\$ 21,756)	\$ -	(\$ 21,756)
Long-term investment gain etc.	(12,205)	-	(12,205)
Temporary differences of fixed assets for tax and financial purposes	(2,451)	(399)	(2,850)
Total	<u>(\$ 36,412)</u>	<u>(\$ 399)</u>	<u>(\$ 36,811)</u>

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

December 31, 2014					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year	
2009	\$ 7,496	\$ 7,496	\$ 7,496	2019	
2010	3,022	3,022	3,022	2020	
2014	5,009	5,009	5,009	2024	

December 31, 2013

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2009	\$ 7,496	\$ 7,496	\$ 7,496	2019
2010	3,022	3,022	3,022	2020
2013	524	524	524	2023

E. As of December 31, 2014 and 2013, the amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deductible temporary differences	\$ <u>145,657</u>	\$ <u>68,809</u>

F. As of December 31, 2014, the Company's income tax returns through 2012 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Earnings generated in and before 1997	\$ 17,867	\$ 17,867
Earnings generated in and after 1998	8,422,883	6,909,828
	<u>\$ 8,440,750</u>	<u>\$ 6,927,695</u>

H. As of December 31, 2014 and 2013, the balance of the imputation tax credit account was \$608,679 and \$460,418, respectively. The creditable tax rate is estimated to be 7.21% for 2014.

I. The actual imputation credits for the Company's distribution of cash dividends and stock dividends of 2013 were 8.34% and 9.63%, respectively.

(27) Earnings per share

	<u>Year ended December 31, 2014</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,080,939	655,688	<u>\$ 6.22</u>
<u>Diluted earnings per share</u>			
Employees' bonus	-	<u>9,905</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 4,080,939</u>	<u>665,593</u>	<u>\$ 6.13</u>

Year ended December 31, 2013			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,782,029	651,225	\$ <u>5.81</u>
<u>Diluted earnings per share</u>			
Employees' bonus	-	12,411	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>3,782,029</u>	<u>663,636</u>	\$ <u>5.70</u>

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

(28) Non-cash transactions

Investing activities with partial cash payments:

	Year ended December 31, 2014	Year ended December 31, 2013
Purchase of fixed assets	\$ 4,236,654	\$ 3,285,598
Add: opening balance of payable on equipment	37,657	11,010
Less: ending balance of payable on equipment	(179,439)	(37,657)
Cash paid during the period	\$ <u>4,094,872</u>	\$ <u>3,258,951</u>

(29) Business combinations

- A. On July 1, 2014, CP acquired 78.125% of the share capital of WitsLight Technology Co., Ltd. (abbreviated as WTS) and its subsidiary companies for US\$9,000 and obtained control of WTS and its subsidiary companies.
- B. The following table summarizes the consideration paid for WTS and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in WTS:

Purchase consideration	<u>July 1, 2014</u>
Cash	\$ 268,785
Fair value of the non-controlling interest	<u>60,191</u>
	<u>328,976</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	269,310
Accounts receivable	4,320
Inventories	8,286
prepayments	251
Other current assets	475
Property, plant and equipment	4,545
Intangible assets	36,986
Other assets	24
Accounts payable	(258)
Other payables	(21,782)
Other current liabilities	(750)
Other non-current liabilities	<u>(26,250)</u>
Total identifiable net assets	<u>275,157</u>
Goodwill	<u>\$ 53,819</u>

C. The operating revenue included in the consolidated statement of comprehensive income since July 1, 2014 contributed by WTS and its subsidiaries was \$247,822. WTS and its subsidiaries also contributed loss before income tax of \$18,194 over the same period. Had WTS and its subsidiaries been consolidated from January 1, 2014, the operating revenue would be increased by \$3,797 and profit before income tax would be decreased by \$9,313 in consolidated statement of comprehensive income.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

	<u>Year ended</u> <u>December 31, 2014</u>	<u>Year ended</u> <u>December 31, 2013</u>
Sales of goods:		
Other related parties	<u>\$ 604,965</u>	<u>\$ 305,471</u>

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:

	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
Purchases of goods:		
Associates	\$ 418,966	\$ 558,708
Other related parties	<u>1,749,589</u>	<u>1,829,132</u>
Total	<u>\$ 2,168,555</u>	<u>\$ 2,387,840</u>

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

C. Receivables from related parties:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts receivable:		
Other related parties	<u>\$ 241,285</u>	<u>\$ 118,407</u>

D. Payables to related parties:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts payable:		
Associates	\$ 69,947	\$ 76,541
Other related parties	<u>355,357</u>	<u>494,147</u>
Total	<u>\$ 425,304</u>	<u>\$ 570,688</u>

(2) Key management compensation

	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
Salaries and other short-term employee benefits	\$ 512,266	\$ 384,981
Termination benefits	<u>3,665</u>	<u>2,167</u>
	<u>\$ 515,931</u>	<u>\$ 387,148</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>	
Time deposits (shown as other financial assets - current)	\$ 6,000	\$ -	Guarantee for tariff, provisional attachment and bank borrowing
Time deposits (shown as other financial assets - noncurrent)	15,263	15,460	Guarantee for taxes and social insurance
Pledged bank deposit (shown as other financial assets - noncurrent)	188	1,222	Guarantee of construction
Refundable deposits (shown as other financial assets - non-current)	<u>116,340</u>	<u>59,824</u>	Guarantee for rental and future deposits, etc.
	<u>\$ 137,791</u>	<u>\$ 76,506</u>	

(2) As of December 31, 2014, 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, 2014, 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 burst into fire and resulted in damages to the buyer's body and thus filed a lawsuit in Florida State court. The appellant filed the lawsuit claiming CP to pay for the compensation to the buyer and 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, 2014, CP could not determine the possible results and impact from this lawsuit.

(2) Commitments

- A. The Group had unused letters of credit for purchases of raw materials amounting to approximately \$120,241.

B. For bank loans, financing forward exchange contracts, bill purchased and accounts receivable factoring purposes, the Group provided standby promissory notes totaling \$33,592,006 as security.

C. At the Company's Board of Directors' meeting on March 15, 2013, the Company's Board of Directors had approved the headquarter's building construction budget proposal amounting to \$2,700,000. The related construction will be conducted in accordance with the overall construction schedule. As of December 31, 2014, the capital expenditures that have not been incurred amounted to \$1,046,366.

Subsequent events: Total budget for construction was set to be \$3,410,000 as resolved by the Board of Directors on January 28, 2015.

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, Haderiou DG, CAI, CEG, CPSZ, GSE, CPHK and CPUS had leasing commitments, which are summarized below:

	December 31, 2014	December 31, 2013
Not later than one year	\$ 85,062	\$ 101,829
Later than one year but not later than five years	121,509	91,746
Later than five years	282,936	318,238
	<u>\$ 489,507</u>	<u>\$ 511,813</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please see Note 6 (18) F. for the details on appropriation of the 2014 earnings.

(2) Please refer to Note 9(2)C. for budget for the Group's headquarters building.

(3) 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 judgement 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 (US\$673 thousand).

(4) On January 28, 2015, the Board of Directors has resolved that COI establish Hikari Investment GK. The investment amount is JPY4,600,000 thousand and the investee used JPY7,210,000 thousand to acquire an investment property in Tokyo district.

(5) On March 20, 2015, the Board of Directors has resolved to liquidate Haderiou (DG) Plastics Corporation.

(6) On March 23, 2015, the Board of Directors has resolved to indirectly invest in Hipro Electronics (Dong Guan) Co., Ltd. Details are provided in Note 4(3)B.

12. OTHERS

(1) 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 defected, 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 USD 7,600 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 recognised net gain of \$66,221. The actual compensation paid in May and June 2014 was \$118,020 (USD 4,000 thousand) and \$106,225 (USD 3,600 thousand), respectively.

(2) Capital management

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

(3) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to 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.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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, 2014 and 2013 would have increased/decreased by \$70,208 and \$59,063, 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, 2014 and 2013, the Group's borrowings at variable rate were denominated in the NTD and USD.

At December 31, 2014 and 2013, if market interest rates had been 0.25% higher with all other variables held constant, other comprehensive income for the years ended December 31, 2014 and 2013 would have been \$2,024 and \$5,945 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:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Group 1	\$ 9,216,770	\$ 10,705,237
Group 2	<u>9,561,612</u>	<u>7,213,408</u>
	<u>\$ 18,778,382</u>	<u>\$ 17,918,645</u>

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:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Up to 30 days	\$ 261,079	\$ 364,726
31 to 120 days	113,314	151,350
121 to 210 days	2,505	6,837
Over 210 days	<u>-</u>	<u>2</u>
	<u>\$ 376,898</u>	<u>\$ 522,915</u>

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

- (1) As of December 31, 2014 and 2013, the Group's accounts receivable that were impaired amounted to \$95,330 and \$115,458, respectively.
- (2) Movements on the Group provision for impairment of accounts receivable are as follows:

<u>Individual provision</u>	<u>2014</u>	<u>2013</u>
At January 1	\$ 115,458	\$ 155,299
Provision of impairment	33,710	-
Reversal of bad debts	(5,087)	(42,637)
Write-offs during the period	(53,151)	-
Effect of exchange rate changes	<u>4,400</u>	<u>2,796</u>
At December 31	<u>\$ 95,330</u>	<u>\$ 115,458</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities 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. 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, 2014	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 2,098,920	\$ -
Notes payable	31,341	-
Accounts payable (including related	19,540,447	-
Other payables (including related party)	6,939,367	-
Long-term borrowings (including current portion)	-	534,638

Non-derivative financial liabilities:

December 31, 2013	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 697,601	\$ -
Notes payable	15,624	-
Accounts payable (including related	16,602,208	-
Other payables (including related party)	6,044,149	-
Long-term borrowings (including current portion)	446,925	955,626

Derivative financial liabilities

As of December 31, 2014 and 2013, the Group's derivative financial liabilities were all less than one year.

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2014 and 2013.

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 259,362	\$ -	\$ 259,362
Futures contracts	-	-	8,202	8,202
Derivative financial assets for hedging available-for-sale financial assets				
Equity securities	5,038,723	484,589	-	5,523,312
Debt securities	10,600	-	-	10,600
Total	<u>\$ 5,049,323</u>	<u>\$ 743,951</u>	<u>\$ 8,202</u>	<u>\$ 5,801,476</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	\$ -	\$ 141,668	\$ -	\$ 141,668
Forward exchange contracts	-	1,720	-	1,720
SWAP	<u>\$ -</u>	<u>\$ 143,388</u>	<u>\$ -</u>	<u>\$ 143,388</u>

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 107,789	\$ -	\$ 107,789
SWAP	-	1,669	-	1,669
Futures contracts	-	-	7,554	7,554
Derivative financial assets for hedging available-for-sale financial assets				
Equity securities	<u>5,539,022</u>	<u>353,671</u>	<u>-</u>	<u>5,892,693</u>
Total	<u>\$ 5,539,022</u>	<u>\$ 463,129</u>	<u>\$ 7,554</u>	<u>\$ 6,009,705</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
SWAP	<u>\$ -</u>	<u>\$ 11,986</u>	<u>\$ -</u>	<u>\$ 11,986</u>

- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.
- C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- E. Specific valuation techniques used to value financial instruments include:
- (a) Quoted market prices or dealer quotes for similar instruments.
 - (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
 - (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others:

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 (Note 4)	Balance at December 31, 2014 (Note 5)	Actual amount drawn down at December 31, 2014	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 1.2)	Ceiling on total loans granted (Note 1.2)	Notes
0	The Company	Qun-Jing	Other receivables	Yes	\$ 400,000	\$ 200,000	\$ 195,200	1.50%	2	\$ -	Working capital	\$ -	-	\$ -	\$ 6,639,136	\$ 8,852,181	-
0	The Company	Quansun	Other receivables	Yes	1,000,000	500,000	473,900	1.50%	2	-	Working capital	-	-	\$ -	\$ 6,639,136	8,852,181	-
0	The Company	UNIKEY	Other receivables	Yes	3,200,000	1,600,000	1,409,600	1.50%	2	-	Working capital	-	-	\$ -	\$ 6,639,136	8,852,181	-
1	COI	The Company	Other receivables	Yes	3,198,825	2,055,300	1,562,028	1.50%	2	-	Working capital	-	-	-	US\$ 208,627	US\$ 208,627	-
					(USD 105,000)	(USD 65,000)	(USD 49,400)										
1	COI	CGI	Other receivables	Yes	2,437,200	1,581,000	1,442,504	1.50%	2	-	Working capital	-	-	\$ -	\$ 6,639,136	\$ 8,852,181	-
					(USD 80,000)	(USD 50,000)	(USD 45,620)										
1	COI	CEM3	Other receivables	Yes	274,185	-	-	-	2	-	Working capital	-	-	\$ -	\$ 6,639,136	\$ 8,852,181	-
					(USD 9,000)												
1	COI	CET	Other receivables	Yes	60,850	31,620	18,972	1.50%	2	-	Working capital	-	-	-	US\$ 208,627	US\$ 208,627	-
					(USD 2,000)	(USD 1,000)	(USD 600)										
1	COI	KUM	Other receivables	Yes	199,206	199,206	199,206	1.50%	2	-	Working capital	-	-	\$ -	\$ 6,639,136	\$ 8,852,181	-
					(USD 6,300)	(USD 6,300)	(USD 6,300)										
1	COI	CEM5	Other receivables	Yes	1,064,875	632,400	505,920	1.50%	2	-	Working capital	-	-	-	\$ 6,639,136	\$ 8,852,181	-
					(USD 35,000)	(USD 20,000)	(USD 16,000)										

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 (Note 4)	Balance at December 31, 2014 (Note 5)	Actual amount drawn down at December 31, 2014	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 1, 2)	Ceiling on total loans granted (Note 1, 2)	Notes
1	COI	Real Young	Other receivables	Yes	\$ 126,480 (USD 4,000)	\$ 126,480 (USD 4,000)	\$ 126,480 (USD 4,000)	1.50%	2	-	Working capital	-	-	\$ 6,639,136	\$ 8,852,181	-	
2	Mao-Feng	CGI	Other receivables	Yes	973,600 (USD 32,000)	948,600 (USD 30,000)	846,180 (USD 26,761)	1.50%	2	-	Working capital	-	-	\$ 6,639,136	\$ 8,852,181	-	
3	CEM3	Mao-Qun	Other receivables	Yes	394,600 (RMB 80,000)	203,500 (RMB 40,000)	203,500 (RMB 40,000)	2.00%~7.00%	2	-	Working capital	-	-	RMB 553,892	RMB 553,892	-	
3	CEM3	CEM5	Other receivables	Yes	305,250 (RMB 60,000)	305,250 (RMB 60,000)	178,063 (RMB 35,000)	4.20%	2	-	Working capital	-	-	\$ 6,639,136	\$ 8,852,181	-	
4	Guideway	HEI	Other receivables	Yes	63,240 (USD 2,000)	63,240 (USD 2,000)	63,240 (USD 2,000)	-	2	-	Working capital	-	-	US\$ 2,965	US\$ 2,965	-	
4	Guideway	Haderiou DG	Other receivables	Yes	45,698 (USD 1,500)	-	-	-	2	-	Working capital	-	-	US\$ 2,965	US\$ 2,965	-	
5	Haderiou HK	HEI	Other receivables	Yes	22,209 (USD 729)	15,810 (USD 500)	15,810 (USD 500)	-	2	-	Working capital	-	-	US\$ 960	US\$ 960	-	
5	Haderiou HK	Haderiou DG	Other receivables	Yes	9,140 (USD 300)	-	-	-	2	-	Working capital	-	-	US\$ 960	US\$ 960	-	
6	HEC	Quansun	Other receivables	Yes	145,000	145,000	145,000	1.50%	2	-	Working capital	-	-	\$ 559,183	\$ 559,183	-	

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 (Note 4)	Balance at December 31, 2014 (Note 5)	Actual amount drawn down at December 31, 2014	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 1.2)	Ceiling on total loans granted (Note 1.2)	Notes
7	HOI	CGI	Other receivables	Yes	\$ 1,875,066 (USD 59,300)	\$ 1,875,066 (USD 59,300)	\$ 1,849,770 (USD 58,000)	1.50%	2	-	Working capital	\$ -	-	\$ 6,639,136	\$ 8,852,181	-	
7	HOI	Real Young	Other receivables	Yes	101,184 (USD 3,200)	101,184 (USD 3,200)	101,184 (USD 3,200)	1.50%	2	-	Working capital	-	-	\$ 6,639,136	\$ 8,852,181	-	
7	HOI	HEC	Other receivables	Yes	790,500 (USD 25,000)	790,500 (USD 25,000)	701,964 (USD 22,200)	1.50%	2	-	Working capital	-	-	US\$ 34,230	US\$ 34,230	-	
8	XAVi	Systemax	Other receivables	Yes	60,930 (USD 2,000)	-	-	-	2	-	Working capital	-	-	\$ 280,228	\$ 280,228	-	
9	CEM2	CEM5	Other receivables	Yes	301,410 (RMB 60,000)	152,625 (RMB 30,000)	30,525 (RMB 6,000)	1.31%	2	-	Working capital	-	-	\$ 6,639,136	\$ 8,852,181	-	
10	HOLYU International Co., Ltd.	HEI	Other receivables	Yes	36,558 (USD 1,200)	-	-	-	2	-	Working capital	-	-	US\$ 499	US\$ 499	-	
11	HDG	CPCQ	"	"	185,870 (RMB 37,000)	-	-	-	2	-	Working capital	-	-	RMB 77,716	RMB 77,716	-	
12	CPSZ	CPCQ	"	"	125,588 (RMB 25,000)	-	-	-	2	-	Working capital	-	-	RMB 84,756	RMB 84,756	-	

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 (Note 4)	Balance at December 31, 2014 (Note 5)	Actual amount drawn down at December 31, 2014	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Value	Limit on loans granted to a single party (Note 1, 2)	Ceiling on total loans granted (Note 1, 2)	Notes	
12	CPSZ	WTK	"	"	\$ 152,625	\$ 152,625	\$ 147,538	1.60%	2	\$ -	Working capital	\$ -	-	-	RMB 84,756	RMB 84,756	-	
					(RMB 30,000)	(RMB 30,000)	(RMB 29,000)											
13	CPI	CPCQ	"	"	379,440	379,440	379,440	1.60%	1	3,975,314	Working capital	-	-	-	\$ 1,969,900	\$ 2,626,534	-	
					(USD 12,000)	(USD 12,000)	(USD 12,000)											
13	CPI	CPUS	"	"	158,100	158,100	153,673	1.60%	2	-	Working capital	-	-	-	\$ 1,969,900	\$ 2,626,534	-	
					(USD 5,000)	(USD 5,000)	(USD 4,860)											
13	CPI	CPHK	"	"	1,122,510	1,122,510	1,113,024	1.60%	2	-	Working capital	-	-	-	\$ 1,969,900	\$ 2,626,534	-	
					(USD 35,500)	(USD 35,500)	(USD 35,200)											
14	WTS	WT	"	"	34,782	34,782	21,375	1.60%	2	-	"	-	-	-	\$ 3,579	\$ 3,579	-	
					(USD 1,100)	(USD 1,100)	(USD 676)											

Note 1: In accordance with the financing procedures of the Company, total financing amount should not exceed 40% of the Company's stockholders' equity and

- the total financing amount to any individual party should not exceed 30% of the Company's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.
- the total financing amount to any individual party should not exceed 30% of the Company's stockholders' equity for the purpose of loan.
- the financing period should not exceed one year.

Note 2: In accordance with the financing procedures of the subsidiary, total financing amount should not exceed 40% of the subsidiary's stockholders' equity and

- the total financing amount to any individual party should not exceed 40% of the subsidiary's stockholders' equity for the purpose of short-term financing.
- the total financing amount to any individual party should not exceed 50% of the subsidiary's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.
- for the purpose of loan between the Company's foreign subsidiaries, for which the Company both have 100% shares directly or indirectly, the individual financing amount should not exceed 40% of the Company's stockholders' equity and the total financing amount should not exceed 40% of the Company's stockholders' equity
- The limit on the loans to granted by a subsidiary to a single subsidiary of which the subsidiary – CP directly or indirectly holds 100% of its voting shares is not restricted to 40% of the lending company's net asset based on the latest audited or reviewed consolidated financial statements. The ceiling on total loans is 40% of CP's net asset based on the latest audited or reviewed consolidated financial statements. The limit on loans to a single party is 30% of CP's net asset based on the latest audited or reviewed consolidated financial statements and the lending period may not exceed 3 years.
- except for the financing period should not exceed one year.

Note 3: The numbers filled in the column of 'Nature of loan are as follows:

- (1) The business transaction is '1'.
- (2) The short-term financing is '2'.

Note 4: The maximum balance is the maximum outstanding balance during the year ended December 31, 2014.

Note 5: The ending balance had been approved at the Board of Directors' meeting.

B. Provision of endorsements and guarantees to others:

Number	Endorser/guarantor	Company name	Relationship with the endorser/guarantor (Note 1)	Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount as of December 31, 2014	Outstanding endorsement/guarantee amount at December 31, 2014	Actual amount drawn down	Amount of endorsements/guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/guarantees provided (Note 2.3)	Relationship with the endorser/guarantees (Note 4)	Footnote
0	The Company	HEI	1	\$ 5,532,613	\$ 30,000	\$ -	\$ -	\$ -	-	\$ 11,065,226	1	-
0	The Company	CEZ	1	5,532,613	505,920	505,920	159,691	-	1.96%	11,065,226	1	-
0	The Company	CEM3	1	5,532,613	(USD 16,000)	(USD 16,000)	(EUR 4,161)	-	1.22%	11,065,226	1, 3	-
0	The Company	CEM5	1	5,532,613	(USD 17,000)	(USD 10,000)	(USD 5,000)	-	1.96%	11,065,226	1, 3	-
1	CP	CPI	3	2,574,003	(USD 16,000)	(USD 16,000)	(USD 8,000)	-	2.41%	3,217,504	1	-
1	CP	CPHK	3	2,574,003	299,050	158,100	158,100	-	-	3,217,504	1	-
1	CP	CPCQ	3	2,574,003	(USD 10,000)	(USD 5,000)	(USD 5,000)	-	-	3,217,504	1, 3	-

Note 1: The relationships of parties guaranteed are as follows:

- a. the Company is the subsidiary of the party
- b. the Company has business dealings with the party
- c. the party is the subsidiary of the Company
- d. Subsidiaries which the Company has shares exceeding 90% directly or indirectly
- e. the party which has the Company's shares exceeding 50% directly or indirectly

Note 2: In accordance with the guarantee procedure of the Company, the total guarantee amount is limited to 50% of the Company's capital. The Company's guarantee to each entity is limited to 50% of the total guarantee amount. The grand total guarantee amount of the Group is limited to 50% of the Company's capital, and other restrictions are as follows:

a. the total guarantee amount, except the above mentioned restriction, to any individual party should not exceed the higher amount of sales/purchase during the year for the purpose of business.

b. the total guarantee amount is limited to the Company's stockholders' equity when the Company takes guarantee procedure to the entity whose stockholders' equity is lower than 50% of its paid-in capital.

Note 3: In accordance with the guarantee procedures of the subsidiary, CP, the total guarantee amount is limited to 49% of the subsidiary's paid-in capital. CP's guarantee to each entity is limited to 50% of the total guarantee amount. The total guarantee amount of the Company and its subsidiaries should not exceed 50% of the Company's paid-in capital, and the individual guarantee amount should not exceed 50% of the total guarantee amount. Other restrictions are as follows:

a. the total guarantee amount to any individual party should not exceed the higher amount of sales/purchase during the year for the purpose of business.

b. guarantee between the subsidiaries where the Company has shares exceeding 90% directly or indirectly should not exceed 10% of the Company's paid-in capital, except the subsidiaries that the Company has shares exceeding 100% directly or indirectly.

c. the total guarantee amount is limited to the Company's stockholders' equity when the Company or its subsidiary take guarantee procedures to the entity whose stockholders' equity is lower than 50% of its paid-in capital.

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

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	As of December 31, 2014			Footnote
					Book value	Ownership (%)	Fair value	
The Company	Common stock	Common chairman	Available-for-sale financial assets - current	12,048,608	\$ 596,406	1.76%	\$ 596,406	-
The Company	Common stock	Corporate director	"	20,474,387	141,479	14.13%	141,479	-
The Company	Common stock	-	"	658,697	190,693	0.65%	190,693	-
The Company	Common stock	-	"	2,440,000	70,882	2.97%	70,882	-
The Company	Common stock	-	"	1,337,761	22,675	0.39%	22,675	-
The Company	Common stock	-	"	3,727,000	131,563	0.71%	131,563	-
The Company	Common stock	-	"	5,000	150	0.00%	150	-
The Company	Bond	-	"	100,000	10,600	0.04%	10,600	-
The Company	The third unsecured convertible bonds	-	"	-	-	-	-	-
The Company	Private equity	-	Available-for-sale financial assets - non-current	18,568,443	259,958	5.42%	259,958	-
The Company	Common stock	-	Financial assets measured at cost - non-current	13,125	131	2.35%	-	-
The Company	Common stock	-	"	3,000,000	30,000	-	-	-
The Company	Common stock	-	"	315,000	3,150	4.29%	-	-
The Company	Common stock	-	"	93,000	-	0.40%	-	-
The Company	Common stock	-	"	1,600,000	16,000	5.78%	-	-
The Company	Preferred stock	-	"	8,480,000	84,800	9.13%	-	-
The Company	Common stock	-	"	10,000,000	100,000	15.38%	-	-
The Company	Common stock	CP appointed as corporate director	"	188,353	-	1.35%	-	-
The Company	Beneficiary certificate	-	"	27,000,000	270,000	0.00%	270,000	-
CP	Common stock	-	Available-for-sale financial assets - current	300,000	21,480	0.07%	21,480	-
CP	Common stock	-	"	920,000	97,060	0.21%	97,060	-
CP	Common stock	-	"	265,000	47,567	-	47,567	-
CP	Common stock	-	"	11,808,940	200,162	-	200,162	-
CP	Common stock	-	"	380,000	110,010	-	110,010	-
CP	Common stock	-	"	1,908,000	67,352	0.37%	67,352	-
CP	Common stock	Common chairman	"	4,538,000	224,631	0.66%	224,631	-
CP	Private equity	-	Available-for-sale financial assets - non-current	8,699,899	121,799	2.54%	121,799	-
CP	Common stock	CP appointed as corporate director	Financial assets measured at cost - non-current	234,069	-	1.67%	-	-
CP	Beneficiary certificate	-	"	27,000,000	270,000	0.00%	-	-
HEC	Common stock	Common chairman	Available-for-sale financial assets - current	11,370,823	562,856	1.66%	562,856	-
HEC	Common stock	The Company	"	15,869,166	1,404,421	2.28%	1,404,421	Note 2
UNIKEY	Common stock	"	"	20,756,055	1,836,911	2.99%	1,836,911	Note 3

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	As of December 31, 2014			Footnote
					Book value	Ownership (%)	Fair value	
UNIKEY	Common stock	Common chairman	Available-for-sale financial assets - current	\$ 19,153,000	\$ 948,074	2.80%	\$ 948,074	-
COI	Common stock	"	"	9,202,000	455,499	1.35%	455,499	-
COI	Common stock	-	"	1,108,722	320,975	1.09%	320,975	-
COI	Common stock	-	"	3,404,000	7,011	0.11%	7,011	-
COI	Common stock	-	"	208,052	74,338	0.20%	74,338	-
COI	Common stock	Corporate director	"	4,760,414	32,894	3.29%	32,894	-
COI	Common stock	-	"	4,970,000	4,256	0.65%	4,256	-
COI	Common stock	-	"	91,000	1,542	0.03%	1,542	-
COI	Common stock	-	"	6,300,000	56,521	0.63%	56,521	-
COI	Common stock	-	"	1,183,137	74,222	0.01%	74,222	-
COI	Beneficiary certificate	-	Financial assets measured at cost - non-current	1,720	54,386	0.00%	-	-
CGI	Beneficiary certificate	-	Available-for-sale financial assets - current	650,000	33,885	0.00%	33,885	-
CPI	Common stock	-	"	8,400,000	16,961	0.28%	16,961	-
HEI	Common stock	-	Available-for-sale financial assets - non-current	66,128	816	0.06%	816	-
Quansun	Common stock	-	Financial assets measured at cost - non-current	8,140,000	209,278	21.71%	-	Note 4
Quansun	Common stock	Common chairman	Available-for-sale financial assets - current	7,100,000	351,450	1.04%	351,450	-
Qun-Jing	Common stock	"	"	2,100,000	103,950	0.31%	103,950	-
XAVi	Common stock	Affiliated company	"	3,873,500	174,195	1.08%	174,195	-
XAVi	Beneficiary certificate	-	Financial assets measured at cost - non-current	6,000,000	60,000	0.00%	-	-

Note 1: The above list is based on listed companies, OTC companies, beneficiary certificates, and companies which issue stocks, since investee companies hold many marketable securities which could not all be listed.

Note 2: Provided 12,600,000 shares pledged for short-term loan.

Note 3: Provided 8,500,000 shares pledged for short-term loan.

Note 4: The Company holds over 20% ownership interest of the entity, however, based on objectives indicators, the Company has no significant influence on the entity.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital:

Investor Company	Marketable securities	General ledger account	Counterparty (Note 1)	Relationship with the investor (Note 1)	Balance as at January 1, 2014		Addition		Disposal (Note 2)				Balance as at December 31, 2014	
					Number of shares	Amount (Note 2)	Number of shares (Note 3)	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount (Note 2)
The Company	Clevo Co.	Available-for-sale financial assets-current	-	-	30,666,608	\$ 1,322,119	2,197,000	\$110,980	20,815,000	\$ 1,232,268	\$ 897,715	\$ 334,553	12,048,608	\$ 535,384
The Company	PharmaEngine Inc.	"	-	-	758,697	151,695	1,161,000	298,474	1,261,000	329,387	292,087	37,300	658,697	158,082
UNIKEY	Clevo Co.	"	-	-	8,353,000	472,169	10,800,000	643,817	-	-	-	-	19,153,000	1,115,986
Quansun	"	"	-	-	-	-	7,100,000	422,189	-	-	-	-	7,100,000	422,189
COI	Merrimack Pharmaceuticals Inc.	"	-	-	496,594	51,207	1,032,415	168,473	1,320,957	331,549	187,341	144,208	208,052	32,339

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Based on book value, without considering the allowance.

Note 3: Includes the stock dividend from the investee.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more:

Real estate acquired by The Company	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:			Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction				Amount
The Company	Land	2014/4/15	\$ 475,611	\$ 475,611	Third party	-	-	-	\$ -	Market price and valuations by professional valuers	Business operation	-

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 NTS 100 million or 20% of paid-in capital or more:

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 3)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote (Note 2.)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
The Company	CEM2	Subsidiary owned by COI	Purchases	\$ 15,516,613	54	30-60 days	Note 1	(\$ 11,573,218)	74	-
CEM2	The Company	The parent company of COI	Sales	(15,516,613)	85	30-60 days	Note 2	11,573,218	100	-
The Company	CEM3	Subsidiary owned by Mao-Feng	Purchases	(7,214,817)	25	30-60 days	Note 1	(2,638,681)	17	-
CEM3	The Company	The parent company of COI	Sales	(7,214,817)	36	30-60 days	Note 2	2,638,681	55	-
The Company	Mao-Ray	Subsidiary owned by Real Young	Purchases	(3,672,820)	13	30-60 days	Note 1	(1,195,650)	8	-
Mao-Ray	The Company	The parent company of COI	Sales	(3,672,820)	64	30-60 days	Note 2	1,195,650	75	-
CPSZ	Mao-Ray	Affiliated company	Sales	(220,118)	3	90 days	Note 2	93,643	4	-
Mao-Ray	CPSZ	Affiliated company	Purchases	220,118	4	90 days	Note 1	(93,643)	12	-
CPSZ	CEM3	Affiliated company	Sales	(731,282)	9	90 days	Note 2	172,943	7	-
CEM3	CPSZ	Affiliated company	Purchases	731,282	4	90 days	Note 1	(172,943)	4	-
CPI	Mao-Ray	Affiliated company	Sales	(194,420)	1	90 days	Note 2	34,230	1	-
Mao-Ray	CPI	Affiliated company	Purchases	194,420	4	90 days	Note 1	(34,230)	4	-
CP	CPUS	Affiliated company	Sales	(317,961)	1	90 days	Note 2	76,517	1	-
CPUS	CP	Affiliated company	Purchases	317,961	100	90 days	Note 1	(76,517)	100	-
CPI	CP	Affiliated company	Sales	(22,840,980)	95	45 days	Note 2	4,417,862	84	-
CP	CPI	Affiliated company	Purchases	22,840,980	100	45 days	Note 1	(4,417,862)	100	-
HDG	CPI	Affiliated company	Sales	(11,761,203)	100	45 days	Note 2	1,948,203	69	-
CPI	HDG	Affiliated company	Purchases	11,761,203	51	45 days	Note 1	(1,948,203)	32	-
CPI	CPSZ	Affiliated company	Sales	(336,407)	1	45 days	Note 2	-	-	-
CPSZ	CPI	Affiliated company	Purchases	336,407	5	45 days	Note 1	-	-	-
CPI	HDG	Affiliated company	Sales	(593,841)	2	45 days	Note 2	-	-	-
HDG	CPI	Affiliated company	Purchases	593,841	52	45 days	Note 1	-	-	-
CPSZ	CPI	Affiliated company	Sales	(6,620,085)	82	45 days	Note 2	1,836,818	79	-
CPI	CPSZ	Affiliated company	Purchases	6,620,085	28	45 days	Note 1	(1,836,818)	28	-
GSE	CPI	Affiliated company	Sales	(905,991)	71	45 days	Note 2	46,478	15	-
CPI	GSE	Affiliated company	Purchases	905,991	4	45 days	Note 1	(46,478)	1	-
CPCQ	CPI	Affiliated company	Sales	(4,010,694)	95	45 days	Note 2	1,083,210	95	-
CPI	CPCQ	Affiliated company	Purchases	4,010,694	17	45 days	Note 1	(1,083,210)	16	-

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 3)	Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
CPSZ	WTK	Affiliated company	Sales	(243,603)	3	90 days	Note 2	90 days	145,654	6	-	
WTK	CPSZ	Affiliated company	Purchases	243,603	100	90 days	Note 1	90 days	(145,654)	100	-	
WTK	CEM3	Affiliated company	Sales	(246,283)	99	90 days	Note 2	90 days	157,014	99	-	
CEM3	WTK	Affiliated company	Purchases	246,283	1	90 days	Note 1	90 days	(157,014)	3	-	
CGI	CAI	Affiliated company	Sales	(967,682)	7	60-90 days	Note 2	60-90 days	362,571	14	-	
CAI	CGI	Affiliated company	Purchases	967,682	100	60-90 days	Note 1	60-90 days	(362,571)	100	-	
CGI	CEZ	Affiliated company	Sales	(998,276)	7	60-90 days	Note 2	60-90 days	145,683	6	-	
CEZ	CGI	Affiliated company	Purchases	998,276	98	60-90 days	Note 1	60-90 days	(145,683)	91	-	
CEM2	CGI	Affiliated company	Sales	(2,370,910)	13	60-90 days	Note 2	60-90 days	-	-	-	
CGI	CEM2	Affiliated company	Purchases	2,370,910	20	60-90 days	Note 1	60-90 days	-	-	-	
Mao-Ray	CGI	Affiliated company	Sales	(1,735,320)	30	60-90 days	Note 2	60-90 days	386,082	25	-	
CGI	Mao-Ray	Affiliated company	Purchases	1,735,320	15	60-90 days	Note 1	60-90 days	(386,082)	41	-	
CEM3	CGI	Affiliated company	Sales	(7,679,068)	39	60-90 days	Note 2	60-90 days	537,098	11	-	
CGI	CEM3	Affiliated company	Purchases	7,679,068	65	60-90 days	Note 1	60-90 days	(537,098)	58	-	
Real Young	CEM2	Affiliated company	Sales	(330,416)	99	60-90 days	Note 2	60-90 days	32,757	92	-	
CEM2	Real Young	Affiliated company	Purchases	330,416	2	60-90 days	Note 1	60-90 days	(32,757)	1	-	
Mao-Ray	Real Young	Affiliated company	Sales	(331,596)	6	60-90 days	Note 2	60-90 days	-	-	-	
Real Young	Mao-Ray	Affiliated company	Purchases	331,596	100	60-90 days	Note 1	60-90 days	-	-	-	
Mao-Qun	CEM3	Affiliated company	Sales	(218,157)	96	60-90 days	Note 2	60-90 days	53,759	100	-	
CEM3	Mao-Qun	Affiliated company	Purchases	218,157	1	60-90 days	Note 1	60-90 days	(53,759)	1	-	
CGI	CEM2	Affiliated company	Sales	(528,316)	4	60-90 days	Note 2	60-90 days	5,856	-	-	
CEM2	CGI	Affiliated company	Purchases	528,316	3	60-90 days	Note 1	60-90 days	(5,856)	-	-	
Systemax	XAVi	Affiliated company	Sales	(2,528,712)	100	45-180 days	Note 2	45-180 days	352,892	91	-	
XAVi	Systemax	Affiliated company	Purchases	2,528,712	100	45-180 days	Note 1	45-180 days	(352,892)	99	-	
XAVi Suzhou	Systemax	Affiliated company	Sales	(2,423,904)	100	45-180 days	Note 2	45-180 days	310,745	97	-	
Systemax	XAVi Suzhou	Affiliated company	Purchases	2,423,904	100	45-180 days	Note 1	45-180 days	(310,745)	96	-	
CEM5	ChongQing ShunOn	Other related party	Purchases	380,454	22	60-90 days	Note 1	60-90 days	-	-	-	
CEM3	JiaXing ShunOn	Other related party	Purchases	507,813	3	60-90 days	Note 1	60-90 days	(2,674)	-	-	
CEM3	Farwin	Other related party	Purchases	424,198	2	60-90 days	Note 1	60-90 days	(107,961)	2	-	
CP	KAPOK	Other related party	Sales	(229,420)	1	60 days	Note 2	60 days	70,524	1	-	
CEM3	Newmax	Associates	Purchases	343,363	2	60-90 days	Note 1	60-90 days	(54,436)	1	-	
CEM3	CEM5	Affiliated company	Sales	(164,427)	1	60-90 days	Note 2	60-90 days	58,544	3	-	

Purchaser/seller	Counterparty	Relationship with the counterparty (Note 3)	Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
CEM5	CEM3	Affiliated company	Purchases	164,427	9	60-90 days	Note 1	60-90 days	(58,544)	14	-	
Qun-Yang	CEM3	Affiliated company	Sales	(137,210)	94	60-90 days	Note 2	60-90 days	33,243	99	-	
CEM3	Qun-Yang	Affiliated company	Purchases	137,210	1	60-90 days	Note 1	60-90 days	(34,414)	1	-	
CEM3	Jim Yu	Other related party	Purchases	156,802	1	60-90 days	Note 1	60-90 days	(46,461)	1	-	
CEM3	KAPOK	Other related party	Sales	(325,773)	2	60 days	Note 2	60 days	113,689	2	-	
CP	CEM2	Affiliated company	Sales	(141,775)	1	90 days	Note 2	90 days	31,251	-	-	
CEM2	CP	Affiliated company	Purchases	141,775	1	90 days	Note 1	90 days	(31,251)	1	-	
CPCQ	CPSZ	Affiliated company	Sales	(227,782)	5	60 days	Note 2	60 days	222	-	-	
CPSZ	CPCQ	Affiliated company	Purchases	227,782	3	60 days	Note 1	60 days	(222)	-	-	
GSE	CPSZ	Affiliated company	Sales	(213,987)	17	60 days	Note 2	60 days	152,241	48	-	
CPSZ	GSE	Affiliated company	Purchases	213,987	3	60 days	Note 1	60 days	(152,241)	7	-	
GSE	CPCQ	Affiliated company	Sales	(158,012)	12	60 days	Note 2	60 days	114,881	37	-	
CPCQ	GSE	Affiliated company	Purchases	158,012	4	60 days	Note 1	60 days	(114,881)	10	-	

Note 1: Terms and the prices of purchases are the same as those to third-parties.

Note 2: The terms and prices of sales to related parties were the same as those to third parties, with reasonable discounts.

Note 3: Affiliate includes subsidiary and parent, and associates.

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

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2014 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date
					Amount	Action taken	
Accounts receivable							
The Company	CEM3	The parent company of COI	\$ 279,687	1.07	\$ -	-	\$ -
CGI	CAI	Affiliated company	362,571	2.64	-	-	-
CGI	CEZ	Affiliated company	145,683	5.79	-	-	-
CEM2	The Company	The parent company of COI	11,573,218	1.48	-	-	-
Mao-Ray	The Company	Affiliated company	1,195,650	5.90	-	-	-
Mao-Ray	CGI	Affiliated company	386,082	4.92	-	-	-
CEM3	The Company	The parent company of COI	2,638,681	3.52	-	-	-
CEM3	CGI	Affiliated company	537,098	6.05	-	-	-
CEM3	KAPOK	Other related party	113,689	2.71	-	-	-
CPI	CP	Affiliated company	4,417,862	5.68	-	-	-
CPSZ	CPI	Affiliated company	1,836,818	3.69	-	-	-
CPSZ	WTK	Affiliated company	145,654	3.34	-	-	-
CPSZ	CEM3	Affiliated company	172,943	2.99	-	-	-
GSE	CPSZ	Affiliated company	152,241	2.79	-	-	-
GSE	CPCQ	Affiliated company	114,881	2.67	-	-	-
CPCQ	CPI	Affiliated company	1,083,210	4.61	-	-	-
HDG	CPI	Affiliated company	1,948,203	7.54	-	-	-
XAVi Suzhou	Systemax	Affiliated company	310,745	11.19	-	-	-
Systemax	XAVi	Affiliated company	352,892	11.20	-	-	-
WTK	CEM3	Affiliated company	157,014	3.14	-	-	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2014 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date
					Amount	Action taken	
<u>Other receivables</u>							
The Company	UNIKKEY	Subsidiary owned by the Company	\$ 1,415,401	-	-	-	\$ -
The Company	Qun-Jing	Subsidiary owned by the Company	196,012	-	-	-	-
The Company	Quansun	Subsidiary owned by the Company	475,848	-	-	-	-
The Company	Real Young	Subsidiary owned by the Company	1,068,069	-	-	-	-
COI	The Company	The Company	1,580,988	-	-	-	-
COI	CGI	The Company	1,641,813	-	-	-	-
COI	Kuang Mao	Affiliated company	207,434	-	-	-	-
COI	CEM5	Affiliated company	507,487	-	-	-	-
COI	Real Young	Affiliated company	131,655	-	-	-	-
Mao-Feng	The Company	Affiliated company	352,219	-	-	-	-
Mao-Feng	CGI	Affiliated company	1,034,514	-	-	-	-
CEM3	Mao-Qun	Affiliated company	204,354	-	-	-	-
CEM3	CEM5	Affiliated company	178,068	-	-	-	-
CPI	CPCQ	Affiliated company	383,516	-	-	-	-
CPI	CPUS	Affiliated company	156,180	-	-	-	-
CPI	CPHK	Affiliated company	1,131,327	-	-	-	-
CGI	CEM2	Affiliated company	7,207,407	-	-	-	-
HEC	Quansun	Affiliated company	145,590	-	-	-	-
HOI	CGI	Affiliated company	1,887,486	-	-	-	-
HOI	Real Young	Affiliated company	102,921	-	-	-	-
HOI	HEC	Affiliated company	704,860	-	-	-	-
CPSZ	WTK	Affiliated company	147,982	-	-	-	-
XAVi	XAVi Suzhou	Affiliated company	118,461	-	-	-	-

I. The Group entered into forward foreign exchange contracts, futures contracts, and SWAP with Far Easter International Bank and other banks. During the year 2014, the Group entered into contracts amounting to USD 2,289,286 thousand and NTD 37,300 thousand in total. For the detailed transaction information, please refer to Note 6(2).

J. Significant inter-company transactions during the year ended December 31, 2014:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	The Company	UNIKY	1	Other receivables - related party	\$ 1,415,401	Note 5	2.48%
"	The Company	Real Young	1	Other receivables - related party	1,068,069	Note 5	1.87%
1	CEM2	The Company	2	Sales	15,516,613	Note 4	19.37%
"	CEM2	The Company	2	Accounts receivable - related party	11,573,218	Note 4	20.30%
"	CEM2	CGI	3	Sales	2,370,910	Note 4	2.96%
2	CEM3	The Company	2	Sales	7,214,817	Note 4	9.01%
"	CEM3	The Company	2	Accounts receivable - related party	2,638,681	Note 4	4.63%
"	CEM3	CGI	3	Sales	7,679,068	Note 4	9.59%
3	HDG	CPI	3	Sales	11,761,203	Note 4	14.68%
"	HDG	CPI	3	Accounts receivable - related party	1,948,203	Note 4	3.42%
4	CPI	CP	3	Sales	22,840,980	Note 4	28.51%
"	CPI	CP	3	Accounts receivable - related party	4,417,862	Note 4	7.75%
"	CPI	CPI	3	Other receivables - related party	1,131,327	Note 5	1.98%
5	CGI	CAI	3	Sales	967,682	Note 4	1.21%
"	CGI	CEZ	3	Sales	998,276	Note 4	1.25%
"	CGI	CEM2	3	Other receivables - related party	7,207,407	Note 6	12.64%
6	CPSZ	CPI	3	Sales	6,620,085	Note 4	8.26%
"	CPSZ	CPI	3	Accounts receivable - related party	1,836,818	Note 4	3.22%
7	CPCQ	CPI	3	Sales	4,010,694	Note 4	5.01%
"	CPCQ	CPI	3	Accounts receivable - related party	1,083,210	Note 4	1.90%
8	Mao-Ray	The Company	2	Sales	3,672,820	Note 4	4.58%
"	Mao-Ray	The Company	2	Accounts receivable - related party	1,195,650	Note 4	2.10%
"	Mao-Ray	CGI	3	Sales	1,735,320	Note 4	2.17%
9	GSE	CPI	3	Sales	905,991	Note 4	1.13%
10	Systemax	XAVI	3	Sales	2,528,712	Note 4	3.16%
11	XAVI Suzhou	Systemax	3	Sales	2,423,904	Note 4	3.03%
12	COI	The Company	2	Other receivables - related party	1,580,988	Note 5	2.77%
"	COI	CGI	3	Other receivables - related party	1,641,813	Note 5	2.88%
13	HOI	CGI	3	Other receivables - related party	1,887,486	Note 5	3.31%
"	HOI	HEC	3	Other receivables - related party	704,860	Note 5	1.24%
14	Mao-Feng	CGI	3	Other receivables - related party	1,034,514	Note 5	1.81%

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

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

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

Note 4: Sales to related parties were basically the same as those to third parties, with consideration of transaction quantities and market situation, the payment terms were basically the same as third parties .

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

Note 6: Receivables from advances and service charges.

(2) Information on investees (not including investees in Mainland China)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income(loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
The Company	COI	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	\$ 265,326	\$ 265,326	1,000	100%	\$ 16,557,367	\$ 2,194,518	\$ 2,196,544	Subsidiary
The Company	CEI	Thailand	Manufacturing and sales of computer peripherals	33,920	33,920	322,427	15.27%	193	-	-	Subsidiary
The Company	UNIKEY	Taiwan R.O.C.	Manufacturing and sales of computers and computer peripherals	150,000	150,000	15,000,000	100%	125,943	75,569	(18,924)	Subsidiary
The Company	HEI	Taiwan R.O.C.	Manufacturing and sales of computers and computer peripherals	212,139	212,139	15,076,445	50.25%	141,338	(91,805)	(45,144)	Subsidiary
The Company	HOI	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	412,003	412,003	12,560,000	100%	2,705,892	36,706	36,706	Subsidiary
The Company	IHEC	Taiwan R.O.C.	Sales of switching power supplies and other electronic parts	2,330	2,330	4,660,000	100%	(6,464)	73,907	1,272	Subsidiary
The Company	XAVi	Taiwan R.O.C.	Researching, manufacturing and selling the DSL bridges and routers	195,619	197,303	25,549,907	60.35%	422,189	184,203	113,251	Subsidiary
The Company	CGI	Malaysia	Sales of computers and computer peripherals	33,027	33,027	1,000,000	100%	3,313,489	457,067	403,553	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income(loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
The Company	CP	Taiwan R.O.C.	Manufacturing and sales of computer peripherals	\$ 1,298,408	\$ 1,298,408	176,097,272	49.07%	\$ 3,218,146	\$ 1,128,575	\$ 556,144	Subsidiary
The Company	Newmax	Taiwan R.O.C.	Manufacturing and sales of lenses	114,099	114,099	1,267,767	1.25%	109,645	(411,619)	(5,145)	Investments accounted for using equity method
UNIKEY	Real Young	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	41,490	41,490	1,275,000	13.95%	62,166	76,848	-	Sub-subsidiary
UNIKEY	Newmax	Taiwan R.O.C.	Manufacturing and sales of lenses	506,950	506,950	17,778,489	17.49%	528,782	(411,619)	-	Investments accounted for using equity method
COI	CAI	U.S.A	Sales of computers and computer peripherals	US\$ 3,250	US\$ 3,250	3,250,000	100%	87,505	(780)	-	Sub-subsidiary
COI	CEG	Germany	Sales of computers and computer peripherals	US\$ 2,099	US\$ 2,099	3,758	100%	2,394	(999)	-	Sub-subsidiary
COI	CAGI	U.S.A	Internet solution for E-Commerce solution	US\$ 3,105	US\$ 3,105	12,400,000	100%	(1,070)	(47)	-	Sub-subsidiary
COI	Mao-Feng	BVI	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 2,294	US\$ 2,294	2,294,000	100%	7,591,112	945,702	-	Sub-subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income(loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
COI	CET	Thailand	Manufacturing and sales of computer peripherals	US\$ 7,823	US\$ 7,823	1,789,141	84.73%	\$ 34,021	-	Sub-subsidiary	
COI	KUM	Samoa	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 2,271	US\$ 2,271	2,284,142	100%	(121,809)	(2,906)	Sub-subsidiary	
COI	CEZ	Czech Republic	Sales of computers and computer peripherals	US\$ 7	US\$ 7	-	100%	154,231	17,527	Sub-subsidiary	
COI	GFI	Cayman Islands	(1) Sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 2,392	US\$ 2,392	2,310,000	60%	(168,699)	(38,181)	Sub-subsidiary	
COI	Real Young	BVI	(1) sales of computer peripherals (2) Management of overseas acquisitions & investments	US\$ 8,072	US\$ 8,072	7,864,780	86.05%	392,249	76,848	Sub-subsidiary	
COI	CEJ	Japan	Sales of computers and computer peripherals	US\$ 95	US\$ 95	-	100%	5,913	791	Sub-subsidiary	
COI	HOLYU International Co., Ltd.	Samoa	Investment holdings	US\$ 2,424	US\$ 2,424	2,423,921	17.00%	(42,262)	(144,020)	Sub-subsidiary	
CP	CPH	BVI	Investment holdings	US\$ 10,000	US\$ 10,000	10,000,000	100%	2,221,002	568,098	Sub-subsidiary	
CP	Newmax	Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 358,590	\$ 358,590	2,762,779	2.72%	319,845	(411,619)	Investments accounted for using equity method	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income(loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
CPH	CPI	Cayman Islands	Sales of switching power supplies and other electronic parts	US\$ 10,000	US\$ 10,000	10,000,000	100%	\$ 2,227,009	\$ 568,012	-	Sub-subsi-diary
CPI	CPUS	U.S.A	Sales of switching power supplies and other electronic parts	US\$ 1,317	US\$ 1,317	1,500,000	100%	8,952	(4,840)	-	Sub-subsi-diary
CPI	CPHK	Hong Kong	Research and development center	HKD 85,800	HKD 85,800	46,800,000	100%	1,502,621	302,059	-	Sub-subsi-diary
CPI	WitsLight Technology Co., Ltd	Samoa	Design, research and development, manufacturing and sales of LED lighting modules	HKD 9,000	HKD -	10,000,000	78%	278,303	(27,564)	-	Sub-subsi-diary
WTS	WT	Taiwan R.O.C.	Design, research and development of LED lighting modules and international trade	HKD 5,000	HKD -	500,000	100%	(53,078)	(8,951)	-	Sub-subsi-diary
KUM	Sky-Fine	Samoa	Sales of computers and computer peripherals	US\$ 2,493	US\$ 2,493	310,423	29%	89,591	29	-	Investments accounted for using equity method
HEC	Quansun	Taiwan R.O.C.	Investment holdings	\$ 80,000	\$ 80,000	8,000,000	100%	(59,217)	14,297	-	Sub-subsi-diary
HEC	Qun Jung	Taiwan R.O.C.	Manufacturing and sales of computer peripherals	\$ 1,000	\$ 1,000	100,000	100%	(90,154)	3,978	-	Sub-subsi-diary
HEC	Newmax	Taiwan R.O.C.	Manufacturing and sales of lenses	\$ 127,694	\$ 127,694	873,000	0.86%	134,288	(411,619)	-	Investments accounted for using equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income(loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
XAVI	Directmax	BVI	Management of overseas acquisitions & investments	US\$ 5,250	US\$ 2,750	5,250,000	100%	\$ 164,612	\$ -	Sub-subsi-dary	
Directmax	XAVI Overseas	BVI	(1)Sales of DSL bridges and routers (2)Management of overseas acquisitions	US\$ 5,000	US\$ 2,500	5,000,000	100%	80,108	38,069	Sub-subsi-dary	
Directmax	Systemax	BVI	Sales of DSL bridges and routers	US\$ 250	US\$ 250	250,000	100%	84,504	89,162	Sub-subsi-dary	
HEI	GUIDEWAY	BVI	Sales of plastic goods	\$ 1,746	\$ 1,746	50,000	100%	223,274 (	12,182)	Sub-subsi-dary
HEI	Haderriou HK	Hong Kong	Sales of plastic goods	\$ 45	\$ 45	10,000	100%	81,820 (	16,491)	Sub-subsi-dary
HEI	HOLYU International Co., Ltd.	Samoa	(1)Sales of plastic goods (2)Investment holdings	\$ 187,421	\$ 187,421	6,497,308	44.81%	17,670 (	144,020)	Sub-subsi-dary
GUIDEWAY	HOLYU International Co., Ltd.	Samoa	(1)Sales of plastic goods (2)Investment holdings	US\$ 3,603	US\$ 3,603	3,602,500	24.84%	9,795 (	144,020)	Sub-subsi-dary
Haderriou HK	HOLYU International Co., Ltd.	Samoa	(1)Sales of plastic goods (2)Investment holdings	US\$ 1,603	US\$ 1,603	1,602,500	11.05%	4,357 (	144,020)	Sub-subsi-dary

(3) Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee as of December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2014 (Note 2)	Book value of investments in Mainland China as of December 31, 2014	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014	Footnote (Note 1)
					Remitted to Mainland China	Remitted back to Taiwan							
Chicony Electronics (Dong Guan) Co., Ltd.	Main business activities: Manufacturing and sales of computer keyboards	\$ 322,150	2	\$ 317,555	\$ -	\$ -	\$ 317,555	\$ 289,479	100%	(2)B	\$ 2,832,635	\$ -	(2)A
Mao-Ray Electronics (Dong Guan) Co., Ltd.	Manufacturing of electronics parts, keyboards and plastic products	277,530	2	236,374	-	-	236,374	87,617	100%	(2)B	729,881	-	(2)B
Chicony Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of computer keyboards	672,440	2	329,424	-	-	329,424	286,564	100%	(2)B	7,045,034	-	(2)C
Hipro Electronics (Dong Guan) Co., Ltd.	Manufacturing of switching power supplies and other electronic parts	401,343	2	286,935	-	-	286,935	99,064	49.07%	(2)B	485,167	-	(2)G and Note 4
Chicony Power Technology (Suzhou) Co., Ltd.	Manufacturing of switching power supplies and other electronic parts	239,442	2	194,245	-	-	194,245	149,932	49.07%	(2)B	529,121	-	(2)G and Note 4
XAVI Technology (Suzhou) Co., Ltd.	Manufacturing and sales of DSL bridges	159,942	2	83,954	75,988	-	159,942	38,086	60.35%	(2)B	50,209	-	(2)H and Note 4
Haderiou (Dong Guan)	Manufacturing and sales of plastic goods	375,838	2	303,352	-	-	303,352	182,251	57.27%	(2)B	40,881	-	(2)F and Note 4
Suzhou Mao-Qun Electronics Co., Ltd.	Manufacturing and sales of computer keyboards	124,911	2	93,661	-	-	93,661	34,787	60%	(2)B	150,504	-	(2)D and Note 4

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee as of December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2014 (Note 2)	Book value of investments in Mainland China as of December 31, 2014	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014	Footnote (Note 1)
					Remitted to Mainland China	Remitted back to Taiwan							
Suzhou Qun-Yang Electronics Co., Ltd.	Manufacturing and sales of computer keyboards	\$ 4,804	2	-	-	-	-	(\$ 17,273)	60%	(\$ 10,364)	(\$ 32,344)	-	(2)D and Note 4
Quang Sheng Electronics (Nangchang) Co., Ltd.	Manufacturing of switching power supplies and other electronic parts	131,175	2	97,602	-	-	97,602	21,288	49.07%	10,446	115,463	-	(2)G and Note 4
Far win (Kunshan) Co, Ltd	Manufacturing of printed circuit parts and sensor parts	146,759	2	-	-	-	-	4,184	29%	1,213	41,264	-	(2)E and Note 4
Chicony Power Technology (Chong Qing) Co., Ltd.	Manufacturing and sales of electronic parts	301,744	2	-	-	-	-	26,801	49.07%	13,151	167,509	-	(2)G and Note 4
Chicony Electronics (Chong-Qing) Co., Ltd.	Manufacturing and sales of computer peripherals	435,788	2	-	-	-	-	210,009	100%	210,009	699,422	-	(2)A and Note 4
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipments	44,379	2	-	-	-	-	1,606	49.07%	788	24,041	-	(2)G and Note 4
Chicony Power Technology Trading (Dong Guan) Co., Ltd.	Importing and exporting of switching power supplies, LED lighting equipments, and other electronics parts	10,491	2	-	-	-	-	(769)	49.07%	(377)	5,067	-	(2)G and Note 4
Far win (Chong-Qing) Co, Ltd	Manufacturing of printed circuit parts and sensor parts	4,832	2	-	-	-	-	(8,151)	29%	(2,364)	(862)	-	(2)E and Note 4
WitsLight Technology (Kunshan) Co., Ltd.	Manufacturing and sales of LED lighting modules	268,770	2	-	-	-	-	(7,507)	38%	(2,878)	59,853	-	2(9) and Note 4

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
2,348,228 \$ (USD 74,264 thousand)	2,523,402 \$ (USD 79,804 thousand)	13,278,271 \$

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China..
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China (the third area is Chicony Power Technology Hong Kong Limited), the investing companies includes:
 - A. Chicony Overseas Inc.
 - B. Real Young Elec. Co., Ltd.
 - C. Mao-Feng International Inc.
 - D. Global Faith Inc.
 - E. Kuang Mao International Inc.
 - F. HOLYU International Co., Ltd.
 - G. Chicony Power Technology Hong Kong Limited (CPHK)
 - H. XAVI Overseas Ltd.
 - I. Wits Light Technology Co., Ltd.

(3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2014' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
- C. Others (the financial statements are audited and attested by CPA which is engaged with the investee)

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

Note 4: Calculated based on the Company's ending combined shareholding ratio.

Note 5: On June 25, 2014, the Investment Commission, Ministry of Economic Affairs has approved CPI to invest in a company in Samoa through reinvestment and indirectly invest in WitsLight Technology (Kunshan) Co., Ltd. The investment amount is \$268,785 (USD\$9,000 thousand).

B. Significant transactions, price, credit term and unrealised gain and loss arising from transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas : Please refer to Note 13(1).

13. 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's central treasury function, 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:

	Taiwan	Mainland China	America	Europe	Total
<u>Year ended December 31, 2014</u>					
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
<u>Year ended December 31, 2013</u>					
Revenue from external customers	\$ 54,715,446	\$ 15,924,863	\$ 2,521,930	\$ 1,376,909	\$ 74,539,148
Segment profit (loss)	\$ 2,475,744	\$ 3,294,014	\$ 205,850	(\$ 9,282)	\$ 5,966,326

(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, 2014 and 2013 is provided as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Reportable segments income	\$ 6,670,032	\$ 5,966,326
Related loss not yet classified	(1,988,363)	(1,713,597)
Total non-operating revenue and expenses	924,188	730,291
Income before tax from continuing operations	<u>\$ 5,605,857</u>	<u>\$ 4,983,020</u>

(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:

	Year ended December 31, 2014	Year ended December 31, 2013
Computer peripheral products	\$ 44,449,797	\$ 43,492,152
Consumer electronic products	31,687,628	28,253,975
Other electronic products	3,973,267	2,793,021
Total	<u>\$ 80,110,692</u>	<u>\$ 74,539,148</u>

(6) Geographical information

Geographical information for the years ended December 31, 2014 and 2013 is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Revenue	Non-current assets	Revenue	Non-current assets
Domestic	\$ 59,507,153	\$ 4,756,922	\$ 54,715,446	\$ 2,493,347
Asia	18,020,200	10,563,486	15,924,863	10,230,162
US	1,495,757	113,939	2,521,930	313,588
Europe	1,087,582	7,095	1,376,909	12,071
Total	<u>\$ 80,110,692</u>	<u>\$ 15,441,442</u>	<u>\$ 74,539,148</u>	<u>\$ 13,049,168</u>

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

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

(7) Major customer information

	<u>Year ended December 31, 2014</u>		
	<u>Revenue</u>	<u>%</u>	<u>Selling department</u>
Company A	<u>\$ 9,336,801</u>	<u>12</u>	Asia

	<u>Year ended December 31, 2013</u>		
	<u>Revenue</u>	<u>%</u>	<u>Selling department</u>
Company A	<u>\$ 8,857,867</u>	<u>12</u>	Asia

CHICONY ELECTRONICS Co., LTD.

Chairman : Kent Hsu

Dated by 2015 May 15

