

**Shuttle Inc.**

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Shuttle Inc.

We have audited the accompanying balance sheets of Shuttle Inc. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of Shuttle Inc. management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shuttle Inc. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

*Deloitte & Touche*

February 4, 2016

### Notice to Readers

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

*For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# SHUTTLE INC.

## BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

| ASSETS                                                                          | 2015                |            | 2014                |            |
|---------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
|                                                                                 | Amount              | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>                                                           |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)                                       | \$ 163,268          | 4          | \$ 367,894          | 8          |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 573                 | -          | 339                 | -          |
| Available-for-sale financial assets - current (Notes 4 and 8)                   | 77,247              | 2          | 83,443              | 2          |
| Trade receivables from unrelated parties (Notes 4, 5 and 9)                     | 26,480              | 1          | 38,459              | 1          |
| Trade receivables from related parties (Notes 4 and 31)                         | 188,273             | 4          | 170,007             | 4          |
| Other receivables (Notes 4 and 9)                                               | 334                 | -          | 557                 | -          |
| Current tax assets (Notes 4 and 24)                                             | 34                  | -          | 435                 | -          |
| Inventories (Notes 4, 5 and 10)                                                 | 176,650             | 4          | 169,067             | 4          |
| Prepayments (Note 11)                                                           | 37,078              | 1          | 52,973              | 1          |
| Other current assets (Note 17)                                                  | 17,771              | -          | 14,121              | -          |
| Total current assets                                                            | <u>687,708</u>      | <u>16</u>  | <u>897,295</u>      | <u>20</u>  |
| <b>NON-CURRENT ASSETS</b>                                                       |                     |            |                     |            |
| Financial assets measured at cost - non-current (Notes 4 and 12)                | 52,301              | 1          | 54,057              | 1          |
| Investments accounted for using equity method (Notes 4 and 13)                  | 2,952,544           | 69         | 2,903,691           | 65         |
| Property, plant and equipment (Notes 4, 14 and 32)                              | 451,665             | 11         | 465,419             | 11         |
| Other intangible assets (Notes 4 and 16)                                        | 7,847               | -          | 16,099              | -          |
| Deferred tax assets (Notes 4 and 24)                                            | 132,099             | 3          | 115,542             | 3          |
| Other non-current assets (Notes 17 and 21)                                      | 8,243               | -          | 7,986               | -          |
| Total non-current assets                                                        | <u>3,604,699</u>    | <u>84</u>  | <u>3,562,794</u>    | <u>80</u>  |
| <b>TOTAL</b>                                                                    | <u>\$ 4,292,407</u> | <u>100</u> | <u>\$ 4,460,089</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>                                                   |                     |            |                     |            |
| <b>CURRENT LIABILITIES</b>                                                      |                     |            |                     |            |
| Trade payables to unrelated parties (Note 18)                                   | \$ 205,272          | 5          | \$ 154,880          | 4          |
| Trade payables to related parties (Note 31)                                     | 6,804               | -          | 9,739               | -          |
| Other payables (Note 19)                                                        | 143,422             | 4          | 214,924             | 5          |
| Current tax liabilities (Notes 4 and 24)                                        | -                   | -          | 1,062               | -          |
| Provisions - current (Notes 4, 5 and 20)                                        | 5,170               | -          | 7,380               | -          |
| Advance receipts                                                                | 1,662               | -          | 3,949               | -          |
| Other current liabilities                                                       | 8,409               | -          | 8,560               | -          |
| Total current liabilities                                                       | <u>370,739</u>      | <u>9</u>   | <u>400,494</u>      | <u>9</u>   |
| <b>NON-CURRENT LIABILITIES</b>                                                  |                     |            |                     |            |
| Deferred tax liabilities (Notes 4 and 24)                                       | 67,675              | 1          | 75,504              | 2          |
| Total liabilities                                                               | <u>438,414</u>      | <u>10</u>  | <u>475,998</u>      | <u>11</u>  |
| <b>EQUITY</b>                                                                   |                     |            |                     |            |
| Ordinary shares                                                                 | 3,483,333           | 81         | 3,484,733           | 78         |
| Capital surplus                                                                 | 235,552             | 6          | 235,640             | 5          |
| Retained earnings                                                               |                     |            |                     |            |
| Legal reserve                                                                   | 79,478              | 2          | 79,478              | 2          |
| Special reserve                                                                 | -                   | -          | 127,501             | 3          |
| Unappropriated earnings (accumulated deficits)                                  | (69,321)            | (2)        | 16,623              | -          |
| Total retained earnings                                                         | 10,157              | -          | 223,602             | 5          |
| Other equity                                                                    | 212,147             | 5          | 127,312             | 3          |
| Treasury shares                                                                 | (87,196)            | (2)        | (87,196)            | (2)        |
| Total equity                                                                    | <u>3,853,993</u>    | <u>90</u>  | <u>3,984,091</u>    | <u>89</u>  |
| <b>TOTAL</b>                                                                    | <u>\$ 4,292,407</u> | <u>100</u> | <u>\$ 4,460,089</u> | <u>100</u> |

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

# SHUTTLE INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

|                                                                               | 2015             |             | 2014             |             |
|-------------------------------------------------------------------------------|------------------|-------------|------------------|-------------|
|                                                                               | Amount           | %           | Amount           | %           |
| OPERATING REVENUE (Notes 4 and 31)                                            |                  |             |                  |             |
| Sales                                                                         | \$ 871,304       | 81          | \$ 1,011,269     | 79          |
| Less: Sales returns and allowances                                            | <u>22,135</u>    | <u>2</u>    | <u>23,359</u>    | <u>2</u>    |
| Net sales                                                                     | 849,169          | 79          | 987,910          | 77          |
| Technical services revenue                                                    | <u>224,358</u>   | <u>21</u>   | <u>302,483</u>   | <u>23</u>   |
| Total operating revenues                                                      | 1,073,527        | 100         | 1,290,393        | 100         |
| OPERATING COSTS (Notes 10 and 31)                                             |                  |             |                  |             |
| Cost of goods sold                                                            | <u>761,607</u>   | <u>71</u>   | <u>856,376</u>   | <u>67</u>   |
| GROSS PROFIT                                                                  | 311,920          | 29          | 434,017          | 33          |
| UNREALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES                          | -                | -           | 17,153           | 1           |
| REALIZED GAIN ON TRANSLATIONS WITH<br>SUBSIDIARIES                            | <u>8,556</u>     | <u>1</u>    | <u>-</u>         | <u>-</u>    |
| REALIZED GROSS PROFIT                                                         | <u>320,476</u>   | <u>30</u>   | <u>416,864</u>   | <u>32</u>   |
| OPERATING EXPENSES (Note 31)                                                  |                  |             |                  |             |
| Selling and marketing expenses                                                | 90,950           | 8           | 118,710          | 9           |
| General and administrative expenses                                           | 113,041          | 11          | 133,589          | 10          |
| Research and development expenses                                             | <u>317,550</u>   | <u>30</u>   | <u>310,004</u>   | <u>24</u>   |
| Total operating expenses                                                      | <u>521,541</u>   | <u>49</u>   | <u>562,303</u>   | <u>43</u>   |
| OTHER REVENUE AND EXPENSES (Note 23)                                          | <u>(56)</u>      | <u>-</u>    | <u>1,783</u>     | <u>-</u>    |
| LOSS FROM OPERATIONS                                                          | <u>(201,121)</u> | <u>(19)</u> | <u>(143,656)</u> | <u>(11)</u> |
| NON-OPERATING INCOME AND EXPENSES                                             |                  |             |                  |             |
| Interest income                                                               | 299              | -           | 3,677            | -           |
| Rental revenue (Note 31)                                                      | 23               | -           | 1,632            | -           |
| Dividend income                                                               | 1,257            | -           | 1,398            | -           |
| Other income (Note 31)                                                        | 10,056           | 1           | 5,954            | 1           |
| Share of the loss of associates accounted for using<br>equity method (Note 4) | (46,253)         | (4)         | (8,733)          | (1)         |
| Gain on disposal of investment properties (Note 15)                           | -                | -           | 15,431           | 1           |
| Loss on disposal of investment (Note 8)                                       | (7)              | -           | (128,139)        | (10)        |
| Foreign exchange loss, net (Note 23)                                          | (1,059)          | -           | (5,731)          | -           |

(Continued)

# SHUTTLE INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

|                                                                                         | 2015                |             | 2014             |             |
|-----------------------------------------------------------------------------------------|---------------------|-------------|------------------|-------------|
|                                                                                         | Amount              | %           | Amount           | %           |
| Valuation gain (loss) on financial instruments at fair value through profit (Note 7)    | \$ 573              | -           | \$ 339           | -           |
| Other losses (Note 31)                                                                  | <u>(1,596)</u>      | <u>-</u>    | <u>(4,580)</u>   | <u>-</u>    |
| Total non-operating income and expenses                                                 | <u>(36,707)</u>     | <u>(3)</u>  | <u>(118,752)</u> | <u>(9)</u>  |
| LOSS BEFORE INCOME TAX                                                                  | (237,828)           | (22)        | (262,408)        | (20)        |
| INCOME TAX BENEFIT (Note 24)                                                            | <u>24,386</u>       | <u>2</u>    | <u>14,989</u>    | <u>1</u>    |
| NET LOSS FOR THE YEAR                                                                   | <u>(213,442)</u>    | <u>(20)</u> | <u>(247,419)</u> | <u>(19)</u> |
| OTHER COMPREHENSIVE INCOME                                                              |                     |             |                  |             |
| Items that will not be reclassified subsequently to profit or loss:                     |                     |             |                  |             |
| Actuarial gain and loss arising from defined benefit plans                              | (3)                 | -           | (5)              | -           |
| Items that may be reclassified subsequently to profit or loss:                          |                     |             |                  |             |
| Exchange differences on translating foreign operations                                  | 94,452              | 9           | 147,721          | 12          |
| Unrealized gain (loss) on available-for-sale financial assets                           | (5,559)             | -           | 107,466          | 8           |
| Share of the other comprehensive income of associates accounted for using equity method | <u>(7,970)</u>      | <u>(1)</u>  | <u>4,182</u>     | <u>-</u>    |
| Other comprehensive income for the year, net of income tax                              | <u>80,920</u>       | <u>8</u>    | <u>259,364</u>   | <u>20</u>   |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                 | <u>\$ (132,522)</u> | <u>(12)</u> | <u>\$ 11,945</u> | <u>1</u>    |
| LOSS PER SHARE (Note 25)                                                                |                     |             |                  |             |
| Basic                                                                                   | <u>\$ (0.63)</u>    |             | <u>\$ (0.71)</u> |             |

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

(Concluded)

**SHUTTLE INC.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

|                                                                                           | Share Capital<br>(Notes 22 and 26) | Capital Surplus<br>(Notes 22 and 26) | Retained Earnings |                 | Unappropriated<br>Earnings<br>(Accumulated<br>Deficits)<br>(Notes 22 and 24) | Other Equity (Notes 8 and 26)                                      |                                                                        |                              |                              | Total Equity |
|-------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------|-------------------|-----------------|------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------|------------------------------|--------------|
|                                                                                           |                                    |                                      | Legal Reserve     | Special Reserve |                                                                              | Exchange<br>Differences on<br>Translating<br>Foreign<br>Operations | Unrealized Gain<br>(Loss) on<br>Available-for-sale<br>Financial Assets | Unearned<br>Employee Benefit | Treasury Shares<br>(Note 22) |              |
| BALANCE, JANUARY 1, 2014                                                                  | \$ 3,503,603                       | \$ 237,724                           | \$ 32,952         | \$ 215,275      | \$ 465,258                                                                   | \$ 14,014                                                          | \$ (141,515)                                                           | \$ (27,459)                  | \$ (29,141)                  | \$ 4,270,711 |
| Appropriation of the 2013 earnings                                                        |                                    |                                      |                   |                 |                                                                              |                                                                    |                                                                        |                              |                              |              |
| Legal reserve                                                                             | -                                  | -                                    | 46,526            | -               | (46,526)                                                                     | -                                                                  | -                                                                      | -                            | -                            | -            |
| Special reserve                                                                           | -                                  | -                                    | -                 | (87,774)        | 87,774                                                                       | -                                                                  | -                                                                      | -                            | -                            | -            |
| Cash dividends distributed by the Company - NT\$0.7 per share                             | -                                  | -                                    | -                 | -               | (242,459)                                                                    | -                                                                  | -                                                                      | -                            | -                            | (242,459)    |
|                                                                                           | -                                  | -                                    | 46,526            | (87,774)        | (201,211)                                                                    | -                                                                  | -                                                                      | -                            | -                            | (242,459)    |
| Share-based payment arrangement                                                           | (18,870)                           | (2,084)                              | -                 | -               | -                                                                            | -                                                                  | -                                                                      | 22,903                       | -                            | 1,949        |
| Buyback of common shares                                                                  | -                                  | -                                    | -                 | -               | -                                                                            | -                                                                  | -                                                                      | -                            | (58,055)                     | (58,055)     |
| Net loss for the year ended December 31, 2014                                             | -                                  | -                                    | -                 | -               | (247,419)                                                                    | -                                                                  | -                                                                      | -                            | -                            | (247,419)    |
| Other comprehensive income for the year ended December 31, 2014, net of income tax        | -                                  | -                                    | -                 | -               | (5)                                                                          | 147,721                                                            | 111,648                                                                | -                            | -                            | 259,364      |
| Total comprehensive income (loss) for the year ended December 31, 2014                    | -                                  | -                                    | -                 | -               | (247,424)                                                                    | 147,721                                                            | 111,648                                                                | -                            | -                            | 11,945       |
| BALANCE, DECEMBER 31, 2014                                                                | 3,484,733                          | 235,640                              | 79,478            | 127,501         | 16,623                                                                       | 161,735                                                            | (29,867)                                                               | (4,556)                      | (87,196)                     | 3,984,091    |
| Appropriation of the 2014 earnings                                                        |                                    |                                      |                   |                 |                                                                              |                                                                    |                                                                        |                              |                              |              |
| Special reserve                                                                           | -                                  | -                                    | -                 | (127,501)       | 127,501                                                                      | -                                                                  | -                                                                      | -                            | -                            | -            |
| Share-based payment arrangement                                                           | (1,400)                            | (88)                                 | -                 | -               | -                                                                            | -                                                                  | -                                                                      | 3,912                        | -                            | 2,424        |
| Net loss for the year ended December 31, 2015                                             | -                                  | -                                    | -                 | -               | (213,442)                                                                    | -                                                                  | -                                                                      | -                            | -                            | (213,442)    |
| Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax | -                                  | -                                    | -                 | -               | (3)                                                                          | 94,452                                                             | (13,529)                                                               | -                            | -                            | 80,920       |
| Total comprehensive income (loss) for the year ended December 31, 2015                    | -                                  | -                                    | -                 | -               | (213,445)                                                                    | 94,452                                                             | (13,529)                                                               | -                            | -                            | (132,522)    |
| BALANCE, DECEMBER 31, 2015                                                                | \$ 3,483,333                       | \$ 235,552                           | \$ 79,478         | \$ -            | \$ (69,321)                                                                  | \$ 256,187                                                         | \$ (43,396)                                                            | \$ (644)                     | \$ (87,196)                  | \$ 3,853,993 |

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

# SHUTTLE INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

|                                                                                              | 2015             | 2014             |
|----------------------------------------------------------------------------------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                  |                  |                  |
| Loss before income tax                                                                       | \$ (237,828)     | \$ (262,408)     |
| Adjustments for:                                                                             |                  |                  |
| Depreciation                                                                                 | 14,473           | 14,947           |
| Amortization                                                                                 | 90,911           | 119,632          |
| Impairment loss recognized (reversal of impairment loss) on trade receivables                | 1,329            | (8,191)          |
| Compensation expense                                                                         | 3,168            | 12,426           |
| Valuation gain on financial assets and liabilities at fair value through profit or loss, net | (573)            | (339)            |
| Interest expenses                                                                            | 18               | 2                |
| Interest income                                                                              | (299)            | (3,677)          |
| Dividend income                                                                              | (1,257)          | (1,398)          |
| Share of loss of associates accounted for using equity method                                | 46,253           | 8,733            |
| (Gain) loss on disposal of property, plant and equipment                                     | 56               | (1,783)          |
| Gain on disposal of investment properties                                                    | -                | (15,431)         |
| Loss on disposal of investment                                                               | 7                | 128,139          |
| Provision for loss on inventory                                                              | 2,461            | 5,696            |
| Unrealized gain on the transactions with subsidiaries                                        | -                | 17,153           |
| Realized gain on the transactions with subsidiaries                                          | (8,556)          | -                |
| Net (gain) loss on foreign currency exchange                                                 | (3,027)          | 478              |
| Changes in operating assets and liabilities:                                                 |                  |                  |
| Financial assets held for trading                                                            | 339              | (6,646)          |
| Trade receivables                                                                            | 12,843           | (15,897)         |
| Trade receivable from related parties                                                        | (18,266)         | 125,069          |
| Other receivables                                                                            | 577              | 923              |
| Inventories                                                                                  | (10,044)         | (3,590)          |
| Prepayment                                                                                   | (64,676)         | (75,810)         |
| Other current assets                                                                         | (3,650)          | (4,290)          |
| Trade payable                                                                                | 48,547           | (17,892)         |
| Trade payables to related parties                                                            | (2,935)          | (3,560)          |
| Other payables                                                                               | (71,053)         | (97,948)         |
| Advance receipts                                                                             | (2,391)          | 2,492            |
| Provisions                                                                                   | (2,210)          | (34,787)         |
| Other current liabilities                                                                    | <u>(151)</u>     | <u>(135)</u>     |
| Cash used in operations                                                                      | (205,934)        | (118,092)        |
| Interest paid                                                                                | (18)             | (2)              |
| Income tax paid                                                                              | <u>(1,062)</u>   | <u>(7,522)</u>   |
| Net cash used in operating activities                                                        | <u>(207,014)</u> | <u>(125,616)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                  |                  |                  |
| Acquisition of available-for-sale financial assets                                           | (5,000)          | (127,692)        |
| Proceeds from disposal of available-for-sale financial assets                                | 5,630            | 146,169          |
| Acquisition of investments accounted for using equity method                                 | -                | (15,160)         |

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# SHUTTLE INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

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|                                                                                      | 2015              | 2014              |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| Capital reduction of financial assets carried at cost                                | \$ 1,756          | \$ 1,300          |
| Acquisition of property, plant and equipment (Note 27)                               | (1,067)           | (5,624)           |
| Proceeds from disposal of property, plant and equipment                              | -                 | 2,054             |
| Acquisition of intangible assets                                                     | (2,088)           | (8,308)           |
| Proceeds from disposal of investment properties                                      | -                 | 96,404            |
| Decrease in other financial assets                                                   | -                 | 188,327           |
| Decrease (increase) in other noncurrent assets                                       | (260)             | 1,556             |
| Interest received                                                                    | 346               | 3,901             |
| Cash dividends received                                                              | <u>1,257</u>      | <u>1,398</u>      |
| Net cash generated from investing activities                                         | <u>574</u>        | <u>284,325</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                          |                   |                   |
| Increase (decrease) in guarantee deposits                                            | -                 | (100)             |
| Return of subscription price of restricted shares for employees                      | (1,200)           | (14,766)          |
| Cash dividends paid to owners of the Company                                         | -                 | (242,459)         |
| Payments for buy-back of ordinary shares                                             | <u>-</u>          | <u>(58,055)</u>   |
| Net cash used in financing activities                                                | <u>(1,200)</u>    | <u>(315,380)</u>  |
| EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF<br>CASH HELD IN FOREIGN CURRENCIES | <u>3,014</u>      | <u>2,757</u>      |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                                            | (204,626)         | (153,914)         |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                            | <u>367,894</u>    | <u>521,808</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                     | <u>\$ 163,268</u> | <u>\$ 367,894</u> |

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

(Concluded)



# SHUTTLE INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

Shuttle Inc. (the “Company”) was incorporated in June 1983. The Company is engaged in manufacturing and selling laptops, barebones, mainboards, other computer peripherals, and in providing related technical services. The Company’s shares were listed and traded on the Taiwan GreTai Securities Market (the “TGTSM”) on December 8, 1998 until the shares became listed and traded on the Taiwan Stock Exchange (the “TWSE”) since March 17, 2000.

The financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on February 4, 2016.

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

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Company’s accounting policies:

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

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the financial statements were authorized for issue, the FSC has not announced their effective dates.

| <u>New IFRSs</u>                             | <u>Effective Date<br/>Announced by IASB (Note 1)</u> |
|----------------------------------------------|------------------------------------------------------|
| Annual Improvements to IFRSs 2010-2012 Cycle | July 1, 2014 (Note 2)                                |
| Annual Improvements to IFRSs 2011-2013 Cycle | July 1, 2014                                         |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 (Note 3)                             |
| IFRS 9 “Financial Instruments”               | January 1, 2018                                      |

(Continued)

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”                          | January 1, 2018                                      |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB                             |
| Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”                    | January 1, 2016                                      |
| Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”                                      | January 1, 2016                                      |
| IFRS 14 “Regulatory Deferral Accounts”                                                                                   | January 1, 2016                                      |
| IFRS 15 “Revenue from Contracts with Customers”                                                                          | January 1, 2018                                      |
| IFRS 16 “Leases”                                                                                                         | January 1, 2019                                      |
| Amendment to IAS 1 “Disclosure Initiative”                                                                               | January 1, 2016                                      |
| Amendment to IAS 7 “Disclosure Initiative”                                                                               | January 1, 2017                                      |
| Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”                                          | January 1, 2017                                      |
| Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”                   | January 1, 2016                                      |
| Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”                                                             | January 1, 2016                                      |
| Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”                                                      | July 1, 2014                                         |
| Amendment to IAS 27 “Equity Method in Separate Financial Statements”                                                     | January 1, 2016                                      |
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”                      | January 1, 2014                                      |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”                                       | January 1, 2014                                      |
| IFRIC 21 “Levies”                                                                                                        | January 1, 2014                                      |

(Concluded)

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

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

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company’s accounting policies.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, share of other comprehensive income of subsidiaries, and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

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

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity (including structured entity) that is controlled by the Company.

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

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

g. Property, plant and equipment

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

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

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

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Other intangible assets

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

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

j. Impairment of tangible and intangible assets

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

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

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

k. Financial instruments

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

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

#### 1) Financial assets

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

##### a) Measurement category

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

##### i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

##### ii. Available-for-sale financial assets

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

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

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

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

### iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, trade receivables, other receivables, and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

### b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, other receivables, and refundable deposits, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

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

1. Provisions

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation by the management of the Company.

m. Revenue recognition

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



1) Sale of goods

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Rendering of services

Technical service revenue is recognized based on contractual sales volume and price.

3) Dividend and interest income

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

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

n. Leasing

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

## 2) Retirement benefits

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

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

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

## p. Share-based payment arrangements

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration, and should be returned, they are recognized as payables. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - restricted shares for employees.

## q. Taxation

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

### 1) Current tax

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

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

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### **a. Estimated impairment of trade receivables**

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

### **b. Write-down of inventory**

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

### **c. Provisions**

The Company estimates the amount of provision for expected cost of warranty per month based on the number of units sold, the rate of return of units for maintenance after selling and the warranty expense in the past.

## 6. CASH AND CASH EQUIVALENTS

|                                                         | <u>December 31</u> |                   |
|---------------------------------------------------------|--------------------|-------------------|
|                                                         | <b>2015</b>        | <b>2014</b>       |
| Cash on hand                                            | \$ 300             | \$ 300            |
| Checking accounts and demand deposits                   | 162,968            | 272,594           |
| Cash equivalents                                        |                    |                   |
| Time deposits with maturities of less than three months | <u>-</u>           | <u>95,000</u>     |
|                                                         | <u>\$ 163,268</u>  | <u>\$ 367,894</u> |

The market rate intervals of cash in bank, repurchase agreements collateralized by bonds and time deposits with maturities of less than three months at the end of the reporting period were as follows:

|                                                         | <u>December 31</u> |             |
|---------------------------------------------------------|--------------------|-------------|
|                                                         | <b>2015</b>        | <b>2014</b> |
| Demand deposits                                         | 0.001%-0.13%       | 0.01%-0.17% |
| Time deposits with maturities of less than three months | -                  | 0.83%-0.89% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                        | <u>December 31</u> |               |
|----------------------------------------|--------------------|---------------|
|                                        | <b>2015</b>        | <b>2014</b>   |
| Financial assets held for trading      |                    |               |
| Derivatives (not designated for hedge) |                    |               |
| Forward exchange contracts             | <u>\$ 573</u>      | <u>\$ 339</u> |

The Company did not apply hedge accounting on the aforementioned contracts at the balance sheet date.

Forward exchange contracts as of balance sheet dates were as follows:

|                          | <b>Currency</b> | <b>Maturity Period</b> | <b>Contract Amount<br/>(In Thousands)</b> |
|--------------------------|-----------------|------------------------|-------------------------------------------|
| <u>December 31, 2015</u> |                 |                        |                                           |
| Sell                     | EUR/NTD         | 2016.01.06-2016.04.28  | EUR4,501/NTD163,030                       |
| Sell                     | JPY/NTD         | 2016.01.25-2016.07.28  | JPY164,400/NTD44,080                      |
| <u>December 31, 2014</u> |                 |                        |                                           |
| Sell                     | EUR/NTD         | 2015.01.05-2015.04.29  | EUR4,575/NTD176,103                       |
| Sell                     | JPY/NTD         | 2015.01.05-2015.06.29  | JPY34,620/NTD9,426                        |

The Company entered into derivative contracts during the years ended December 31, 2015 and 2014 to manage exposures due to exchange rate and interest rate fluctuations.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                                                                                                 | <u>December 31</u>                    |                    |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------|
|                                                                                                                 | <b>2015</b>                           | <b>2014</b>        |
| Domestic emerging stocks                                                                                        | \$ <u>77,247</u>                      | \$ <u>83,443</u>   |
| <b>Unrealized Gain (Loss) on Available-for-sale Financial assets</b>                                            |                                       |                    |
|                                                                                                                 | <u>For the Year Ended December 31</u> |                    |
|                                                                                                                 | <b>2015</b>                           | <b>2014</b>        |
| Balance, beginning of year                                                                                      | \$ (29,867)                           | \$ (141,515)       |
| Unrealized loss on available-for-sale financial assets                                                          | (5,566)                               | (20,673)           |
| Disposal loss on available-for-sale financial assets                                                            | 7                                     | 128,139            |
| Share of unrealized loss on available-for-sale financial assets of associates accounted for using equity method | <u>(7,970)</u>                        | <u>4,182</u>       |
| Balance, end of year                                                                                            | \$ <u>(43,396)</u>                    | \$ <u>(29,867)</u> |

## 9. TRADE RECEIVABLES AND OTHER RECEIVABLES

|                                | <u>December 31</u> |                  |
|--------------------------------|--------------------|------------------|
|                                | <b>2015</b>        | <b>2014</b>      |
| Trade receivables              | \$ 28,678          | \$ 39,328        |
| Less: Allowance doubtful debts | <u>(2,198)</u>     | <u>(869)</u>     |
|                                | <u>\$ 26,480</u>   | <u>\$ 38,459</u> |
| Other receivables              | <u>\$ 334</u>      | <u>\$ 557</u>    |

### a. Trade receivables

The average credit terms range from 90 to 120 days from month end. No interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Except for special situations that the Company recognized an allowance for impairment loss of 100% against all receivables over 60 days because historical experience had been that receivables that are past due beyond 60 days were not recoverable. Allowance for impairment loss were recognized against trade receivables between 30 days and 60 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize any allowance for impairment loss, because there was no a significant change in credit quality and the amounts were still considered recoverable.

The aging of receivables was as follows:

|              | <b>December 31</b> |                  |
|--------------|--------------------|------------------|
|              | <b>2015</b>        | <b>2014</b>      |
| Not overdue  | \$ 23,833          | \$ 38,424        |
| 1-30 days    | 747                | 20               |
| 31-60 days   | 2,659              | 15               |
| Over 61 days | <u>1,439</u>       | <u>869</u>       |
|              | <u>\$ 28,678</u>   | <u>\$ 39,328</u> |

The above aging schedule was based on the past due days from end of credit term.

The aging of receivables that were past due but not impaired was as follows:

|              | <b>December 31</b> |              |
|--------------|--------------------|--------------|
|              | <b>2015</b>        | <b>2014</b>  |
| 1-30 days    | \$ 747             | \$ 20        |
| Over 61 days | <u>570</u>         | <u>-</u>     |
|              | <u>\$ 1,317</u>    | <u>\$ 20</u> |

The above aging schedule was based on the past due days from end of credit term.

Movements of the allowance for doubtful trade receivables were as follows:

|                                      | <b>For the Year Ended December 31</b> |                |
|--------------------------------------|---------------------------------------|----------------|
|                                      | <b>2015</b>                           | <b>2014</b>    |
| Balance, beginning of year           | \$ 869                                | \$ 9,060       |
| Add: Provision for doubtful accounts | 1,329                                 | -              |
| Less: Impairment losses reversed     | <u>-</u>                              | <u>(8,191)</u> |
| Balance, end of year                 | <u>\$ 2,198</u>                       | <u>\$ 869</u>  |

b. Other receivables

Other receivables are individually assessed for impairment and considered to be impaired when there is objective evidence of impairment. As of December 31, 2015, there was no past due other receivables and the Company had not recognized allowance for impairment on other receivables.

## 10. INVENTORIES

|                 | <b>December 31</b> |                   |
|-----------------|--------------------|-------------------|
|                 | <b>2015</b>        | <b>2014</b>       |
| Finished goods  | \$ 128,604         | \$ 118,617        |
| Work in process | 3,104              | -                 |
| Raw materials   | 44,715             | 50,228            |
| Merchandise     | <u>227</u>         | <u>222</u>        |
|                 | <u>\$ 176,650</u>  | <u>\$ 169,067</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014, was \$761,607 thousand and \$856,376 thousand, respectively, which included \$2,461 thousand and \$5,696 thousand loss on write-downs of inventories, respectively.

## 11. PREPAYMENTS

|                                  | <u>December 31</u> |                  |
|----------------------------------|--------------------|------------------|
|                                  | <b>2015</b>        | <b>2014</b>      |
| Prepaid expenses - mold template | \$ 31,183          | \$ 43,530        |
| Other prepaid expenses           | <u>5,895</u>       | <u>9,443</u>     |
|                                  | <u>\$ 37,078</u>   | <u>\$ 52,973</u> |

## 12. FINANCIAL ASSETS MEASURED AT COST

|                                 | <u>December 31</u> |                  |
|---------------------------------|--------------------|------------------|
|                                 | <b>2015</b>        | <b>2014</b>      |
| Domestic unquoted common shares | \$ 44,949          | \$ 46,705        |
| Domestic emerging market stocks | <u>7,352</u>       | <u>7,352</u>     |
|                                 | <u>\$ 52,301</u>   | <u>\$ 54,057</u> |

The above stocks are classified as available-for-sale financial assets based on financial assets categories.

Since the range of fair values measurement is significant and difficult to reasonably evaluate the possibilities of the estimations, the fair values of the investments cannot be reliably measured, thus the above stocks investment owned by the Company were carried at costs less any impairment losses at the balance sheet date.

The Company received from investee cash of \$1,756 thousand and \$1,300 thousand in 2015 and 2014, respectively, as return of capital.

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in Subsidiaries

|                              | <u>December 31</u>  |                     |
|------------------------------|---------------------|---------------------|
|                              | <b>2015</b>         | <b>2014</b>         |
| Unlisted companies           |                     |                     |
| Holco (BVI) Inc.             | \$ 2,621,099        | \$ 2,447,837        |
| Gold Fountain Limited        | 215,270             | 334,770             |
| Hong Yi Investment Co., Ltd. | <u>116,175</u>      | <u>121,084</u>      |
|                              | <u>\$ 2,952,544</u> | <u>\$ 2,903,691</u> |

The Company invested in Gold Fountain Limited the amounts of \$15,160 thousand in 2014.

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

|                              | <u>December 31</u> |             |
|------------------------------|--------------------|-------------|
|                              | <b>2015</b>        | <b>2014</b> |
| Holco (BVI) Inc.             | 100%               | 100%        |
| Gold Fountain Limited        | 100%               | 100%        |
| Hong Yi Investment Co., Ltd. | 100%               | 100%        |

The Company's share of profit (loss) and other comprehensive income (loss) of the subsidiaries was recorded based on the audited financial statements for the years ended December 31, 2015 and 2014.

#### 14. PROPERTY, PLANT, AND EQUIPMENT

|                                                | <b>Land</b>       | <b>Buildings</b>  | <b>Machinery<br/>and<br/>Equipment</b> | <b>Transportation<br/>Equipment</b> | <b>Miscellaneous<br/>Equipment</b> | <b>Other<br/>Equipment</b> | <b>Total</b>      |
|------------------------------------------------|-------------------|-------------------|----------------------------------------|-------------------------------------|------------------------------------|----------------------------|-------------------|
| <u>Cost</u>                                    |                   |                   |                                        |                                     |                                    |                            |                   |
| Balance at January 1, 2014                     | \$ 273,000        | \$ 231,640        | \$ 47,644                              | \$ 19,675                           | \$ 28,988                          | \$ 16,573                  | \$ 617,520        |
| Additions                                      | -                 | 350               | 924                                    | -                                   | 94                                 | 4,417                      | 5,785             |
| Disposal                                       | -                 | (1,840)           | -                                      | (4,960)                             | (202)                              | (766)                      | (7,768)           |
| Balance at December 31, 2014                   | <u>\$ 273,000</u> | <u>\$ 230,150</u> | <u>\$ 48,568</u>                       | <u>\$ 14,715</u>                    | <u>\$ 28,880</u>                   | <u>\$ 20,224</u>           | <u>\$ 615,537</u> |
| <u>Accumulated depreciation and impairment</u> |                   |                   |                                        |                                     |                                    |                            |                   |
| Balance at January 1, 2014                     | \$ -              | \$ 59,260         | \$ 43,201                              | \$ 12,537                           | \$ 15,279                          | \$ 12,611                  | \$ 142,888        |
| Depreciation expense                           | -                 | 3,809             | 2,494                                  | 2,519                               | 4,345                              | 1,492                      | 14,659            |
| Disposal                                       | -                 | (1,672)           | -                                      | (4,894)                             | (202)                              | (661)                      | (7,429)           |
| Balance at December 31, 2014                   | <u>\$ -</u>       | <u>\$ 61,397</u>  | <u>\$ 45,695</u>                       | <u>\$ 10,162</u>                    | <u>\$ 19,422</u>                   | <u>\$ 13,442</u>           | <u>\$ 150,118</u> |
| Carrying amounts at<br>December 31, 2014       | <u>\$ 273,000</u> | <u>\$ 168,753</u> | <u>\$ 2,873</u>                        | <u>\$ 4,553</u>                     | <u>\$ 9,458</u>                    | <u>\$ 6,782</u>            | <u>\$ 465,419</u> |
| <u>Cost</u>                                    |                   |                   |                                        |                                     |                                    |                            |                   |
| Balance at January 1, 2015                     | \$ 273,000        | \$ 230,150        | \$ 48,568                              | \$ 14,715                           | \$ 28,880                          | \$ 20,224                  | \$ 615,537        |
| Additions                                      | -                 | 124               | 645                                    | -                                   | 74                                 | -                          | 843               |
| Disposal                                       | -                 | (2,480)           | (2,845)                                | -                                   | (1,533)                            | (2,370)                    | (9,228)           |
| Balance at December 31, 2015                   | <u>\$ 273,000</u> | <u>\$ 227,794</u> | <u>\$ 46,368</u>                       | <u>\$ 14,715</u>                    | <u>\$ 27,421</u>                   | <u>\$ 17,854</u>           | <u>\$ 607,152</u> |
| <u>Accumulated depreciation and impairment</u> |                   |                   |                                        |                                     |                                    |                            |                   |
| Balance at January 1, 2015                     | \$ -              | \$ 61,397         | \$ 45,695                              | \$ 10,162                           | \$ 19,422                          | \$ 13,442                  | \$ 150,118        |
| Depreciation expense                           | -                 | 4,347             | 2,492                                  | 1,921                               | 3,888                              | 1,825                      | 14,473            |
| Disposal                                       | -                 | (2,480)           | (2,721)                                | -                                   | (1,533)                            | (2,370)                    | (9,104)           |
| Balance at December 31, 2015                   | <u>\$ -</u>       | <u>\$ 63,264</u>  | <u>\$ 45,466</u>                       | <u>\$ 12,083</u>                    | <u>\$ 21,777</u>                   | <u>\$ 12,897</u>           | <u>\$ 155,487</u> |
| Carrying amounts at<br>December 31, 2015       | <u>\$ 273,000</u> | <u>\$ 164,530</u> | <u>\$ 902</u>                          | <u>\$ 2,632</u>                     | <u>\$ 5,644</u>                    | <u>\$ 4,957</u>            | <u>\$ 451,665</u> |



Depreciation expense is computed using the straight-line method over the following estimated service lives:

|                           |             |
|---------------------------|-------------|
| Buildings                 |             |
| Main building             | 56-60 years |
| Renovation engineering    | 3 years     |
| Air conditioner equipment | 6-8 years   |
| Machinery and equipment   | 1-6 years   |
| Transportation equipment  | 5 years     |
| Miscellaneous equipment   | 5 years     |
| Other equipment           | 2-6 years   |

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

## 15. INVESTMENT PROPERTIES

|                                      | Land            | Buildings       |
|--------------------------------------|-----------------|-----------------|
| <u>Cost</u>                          |                 |                 |
| Balance at January 1, 2014           | \$ 69,954       | \$ 19,315       |
| Additions                            | -               | -               |
| Disposals                            | <u>(69,954)</u> | <u>(19,315)</u> |
| Balance at December 31, 2014         | <u>\$ -</u>     | <u>\$ -</u>     |
| <u>Accumulated depreciation</u>      |                 |                 |
| Balance at January 1, 2014           |                 | \$ 8,008        |
| Depreciation expenses                |                 | 288             |
| Disposals                            |                 | <u>(8,296)</u>  |
| Balance at December 31, 2014         |                 | <u>\$ -</u>     |
| Carrying amount at December 31, 2014 |                 | <u>\$ -</u>     |

The investment properties held by the Company were depreciated over their estimated useful lives, using the straight-line method:

|                        |             |
|------------------------|-------------|
| Buildings              |             |
| Main buildings         | 40-60 years |
| Renovation engineering | 10-35 years |
| Air-conditioning       | 2 years     |

The Company disposed an investment property on November 2014. The carrying amount of that investment property at the time of sale was \$96,404 thousand, and the disposal gain was \$15,431 thousand.

## 16. OTHER INTANGIBLE ASSETS

|                   | <u>December 31</u> |                  |
|-------------------|--------------------|------------------|
|                   | 2015               | 2014             |
| Computer software | <u>\$ 7,847</u>    | <u>\$ 16,099</u> |

|                                      | <b>Computer<br/>Software</b> |
|--------------------------------------|------------------------------|
| <u>Cost</u>                          |                              |
| Balance at January 1, 2014           | \$ 80,820                    |
| Additions                            | <u>8,308</u>                 |
| Balance at December 31, 2014         | <u>\$ 89,128</u>             |
| <u>Accumulated amortization</u>      |                              |
| Balance at January 1, 2014           | \$ 65,300                    |
| Amortization expense                 | <u>7,729</u>                 |
| Balance at December 31, 2014         | <u>\$ 73,029</u>             |
| Carrying amount at December 31, 2014 | <u>\$ 16,099</u>             |
| <u>Cost</u>                          |                              |
| Balance at January 1, 2015           | \$ 89,128                    |
| Additions                            | 2,088                        |
| Disposals                            | <u>(24,215)</u>              |
| Balance at December 31, 2015         | <u>\$ 67,001</u>             |
| <u>Accumulated amortization</u>      |                              |
| Balance at January 1, 2015           | \$ 73,029                    |
| Amortization expense                 | 10,340                       |
| Disposals                            | <u>(24,215)</u>              |
| Balance at December 31, 2015         | <u>\$ 59,154</u>             |
| Carrying amount at December 31, 2015 | <u>\$ 7,847</u>              |

The cost of computer software was amortized by the straight-line method over 2 to 3 years.

#### 17. OTHER ASSETS - CURRENT AND NON-CURRENT

|                            | <u>December 31</u> |                  |
|----------------------------|--------------------|------------------|
|                            | 2015               | 2014             |
| Current                    |                    |                  |
| Overpaid sales tax         | \$ 16,543          | \$ 12,990        |
| Other                      | <u>1,228</u>       | <u>1,131</u>     |
|                            | <u>\$ 17,771</u>   | <u>\$ 14,121</u> |
| Non-current                |                    |                  |
| Refundable deposits        | \$ 7,219           | \$ 6,986         |
| Net defined benefit assets | <u>1,024</u>       | <u>1,000</u>     |
|                            | <u>\$ 8,243</u>    | <u>\$ 7,986</u>  |

## 18. TRADE PAYABLES

|                            | <u>December 31</u> |                   |
|----------------------------|--------------------|-------------------|
|                            | <u>2015</u>        | <u>2014</u>       |
| Trade payables - operating | \$ <u>205,272</u>  | \$ <u>154,880</u> |

## 19. OTHER PAYABLES

|                                                                            | <u>December 31</u> |                   |
|----------------------------------------------------------------------------|--------------------|-------------------|
|                                                                            | <u>2015</u>        | <u>2014</u>       |
| Accrued salary and compensation                                            | \$ 79,423          | \$ 74,446         |
| Advertising and promotion fees payable                                     | 17,254             | 22,505            |
| Payable for mold template                                                  | 15,038             | 24,076            |
| Royalties payable                                                          | 6,129              | 4,315             |
| Payables for insurance                                                     | 4,807              | 5,196             |
| Payable for professional service                                           | 3,023              | 3,137             |
| Accrual bonuses to employees and remuneration to directors and supervisors | -                  | 55,716            |
| Payable for purchase of equipment                                          | -                  | 224               |
| Others                                                                     | <u>17,748</u>      | <u>25,309</u>     |
|                                                                            | <u>\$ 143,422</u>  | <u>\$ 214,924</u> |

## 20. PROVISIONS

|                                  | <u>December 31</u> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <u>2015</u>        | <u>2014</u>       |
| Warranties                       | \$ <u>5,170</u>    | \$ <u>7,380</u>   |
|                                  |                    | <b>Warranties</b> |
| Balance at January 1, 2014       |                    | \$ 42,167         |
| Reverse                          |                    | (26,325)          |
| Usage                            |                    | <u>(8,462)</u>    |
| Balance at December 31, 2014     |                    | 7,380             |
| Additional provisions recognized |                    | 9,050             |
| Usage                            |                    | <u>(11,260)</u>   |
| Balance at December 31, 2015     |                    | <u>\$ 5,170</u>   |

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local legislation on sale of goods. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

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

|                                                                  | <b>December 31</b> |                   |
|------------------------------------------------------------------|--------------------|-------------------|
|                                                                  | <b>2015</b>        | <b>2014</b>       |
| Present value of defined benefit obligation                      | \$ 94              | \$ 56             |
| Fair value of plan assets                                        | <u>(1,118)</u>     | <u>(1,056)</u>    |
| Net defined benefit asset (reported as other non-current assets) | <u>\$ (1,024)</u>  | <u>\$ (1,000)</u> |

Movements in net defined benefit liability (asset) were as follows:

|                                                                       | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability (Asset)</b> |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|------------------------------------------------------|
| Balance at January 1, 2014                                            | \$ 24                                                              | \$ (973)                                 | \$ (949)                                             |
| Service cost                                                          |                                                                    |                                          |                                                      |
| Current service cost                                                  | 24                                                                 | -                                        | 24                                                   |
| Net interest expense (income)                                         | <u>1</u>                                                           | <u>(20)</u>                              | <u>(19)</u>                                          |
| Recognized in profit or loss                                          | <u>25</u>                                                          | <u>(20)</u>                              | <u>5</u>                                             |
| Remeasurement                                                         |                                                                    |                                          |                                                      |
| Return on plan assets (excluding amounts<br>included in net interest) | -                                                                  | (2)                                      | (2)                                                  |
| Actuarial loss - changes in demographic<br>assumptions                | 34                                                                 | -                                        | 34                                                   |
| Actuarial loss - changes in financial<br>assumptions                  | 1                                                                  | -                                        | 1                                                    |
| Actuarial gain - experience adjustments                               | <u>(28)</u>                                                        | <u>-</u>                                 | <u>(28)</u>                                          |

(Continued)

|                                                                       | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability (Asset)</b> |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|------------------------------------------------------|
| Recognized in other comprehensive income                              | \$ 7                                                               | \$ (2)                                   | \$ 5                                                 |
| Contributions from the employer                                       | <u>-</u>                                                           | <u>(61)</u>                              | <u>(61)</u>                                          |
| Balance at December 31, 2014                                          | <u>\$ 56</u>                                                       | <u>\$ (1,056)</u>                        | <u>\$ (1,000)</u>                                    |
| Balance at January 1, 2015                                            | <u>\$ 56</u>                                                       | <u>\$ (1,056)</u>                        | <u>\$ (1,000)</u>                                    |
| Service cost                                                          |                                                                    |                                          |                                                      |
| Current service cost                                                  | 29                                                                 | -                                        | 29                                                   |
| Net interest expense (income)                                         | <u>1</u>                                                           | <u>(23)</u>                              | <u>(22)</u>                                          |
| Recognized in profit or loss                                          | <u>30</u>                                                          | <u>(23)</u>                              | <u>7</u>                                             |
| Remeasurement                                                         |                                                                    |                                          |                                                      |
| Return on plan assets (excluding amounts<br>included in net interest) | -                                                                  | (5)                                      | (5)                                                  |
| Actuarial loss - changes in demographic<br>assumptions                | 74                                                                 | -                                        | 74                                                   |
| Actuarial loss - changes in financial<br>assumptions                  | 1                                                                  | -                                        | 1                                                    |
| Actuarial gain - experience adjustments                               | <u>(67)</u>                                                        | <u>-</u>                                 | <u>(67)</u>                                          |
| Recognized in other comprehensive income                              | <u>8</u>                                                           | <u>(5)</u>                               | <u>3</u>                                             |
| Contributions from the employer                                       | <u>-</u>                                                           | <u>(34)</u>                              | <u>(34)</u>                                          |
| Balance at December 31, 2015                                          | <u>\$ 94</u>                                                       | <u>\$ (1,118)</u>                        | <u>\$ (1,024)</u><br>(Concluded)                     |

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

|                                     | <b>For the Year Ended December 31</b> |             |
|-------------------------------------|---------------------------------------|-------------|
|                                     | <b>2015</b>                           | <b>2014</b> |
| Operating costs                     | \$ 1                                  | \$ 1        |
| Selling and marketing expenses      | 1                                     | 1           |
| General and administrative expenses | 1                                     | 1           |
| Research and development expenses   | <u>4</u>                              | <u>2</u>    |
|                                     | <u>\$ 7</u>                           | <u>\$ 5</u> |

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

|                                     | <u>December 31</u> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2015</b>        | <b>2014</b> |
| Discount rate(s)                    | 2.00%              | 2.13%       |
| Expected rate(s) of salary increase | 3.00%              | 3.00%       |

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

|                                     | <u>December 31</u> |               |
|-------------------------------------|--------------------|---------------|
|                                     | <b>2015</b>        | <b>2014</b>   |
| Discount rate(s)                    |                    |               |
| 0.25% increase                      | <u>\$ (7)</u>      | <u>\$ (4)</u> |
| 0.25% decrease                      | <u>\$ 7</u>        | <u>\$ 4</u>   |
| Expected rate(s) of salary increase |                    |               |
| 0.25% increase                      | <u>\$ 7</u>        | <u>\$ 4</u>   |
| 0.25% decrease                      | <u>\$ (7)</u>      | <u>\$ (4)</u> |

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

|                                                          | <u>December 31</u> |              |
|----------------------------------------------------------|--------------------|--------------|
|                                                          | <b>2015</b>        | <b>2014</b>  |
| The expected contributions to the plan for the next year | <u>\$ 39</u>       | <u>\$ 55</u> |
| The average duration of the defined benefit obligation   | 32.3 years         | 30.3 years   |

## 22. EQUITY

### a. Ordinary shares

|                                                | <u>December 31</u>  |                     |
|------------------------------------------------|---------------------|---------------------|
|                                                | <b>2015</b>         | <b>2014</b>         |
| Number of authorized shares (thousand)         | <u>500,000</u>      | <u>500,000</u>      |
| Authorized shares                              | <u>\$ 5,000,000</u> | <u>\$ 5,000,000</u> |
| Number of shares issued and collected proceeds | <u>348,333</u>      | <u>348,473</u>      |
| Issued shares                                  | <u>\$ 3,483,333</u> | <u>\$ 3,484,733</u> |

The issued common stock with a par value of \$10 per share is entitled to the right to vote and receive dividends.

In their meeting on June 15, 2012, the stockholders of the Company approved a restricted stock plan for employees which were reflected in Note 26.

b. Capital surplus

A reconciliation of the carrying amount at the end of years ended 2015 and 2014, for each class of capital surplus was as follows:

|                                          | Share<br>Premium  | Treasury<br>Share<br>Transactions | Charge in<br>Capital<br>Surplus from<br>Investments in<br>Associates<br>Accounted for<br>by Using<br>Equity Method | Restricted<br>Stock Plan for<br>Employees | Total             |
|------------------------------------------|-------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------|
| Balance at January 1, 2014               | \$ 120,191        | \$ 104,984                        | \$ 2,325                                                                                                           | \$ 10,224                                 | \$ 237,724        |
| Arising from treasury share transactions | <u>4,476</u>      | <u>-</u>                          | <u>-</u>                                                                                                           | <u>(6,560)</u>                            | <u>(2,084)</u>    |
| Balance at December 31, 2014             | 124,667           | 104,984                           | 2,325                                                                                                              | 3,664                                     | 235,640           |
| Arising from treasury share transactions | <u>2,392</u>      | <u>-</u>                          | <u>-</u>                                                                                                           | <u>(2,480)</u>                            | <u>(88)</u>       |
| Balance at December 31, 2015             | <u>\$ 127,059</u> | <u>\$ 104,984</u>                 | <u>\$ 2,325</u>                                                                                                    | <u>\$ 1,184</u>                           | <u>\$ 235,552</u> |

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital which however is limited to a certain percentage of the Company's capital surplus and once a year.

The capital surplus from investments accounted for using equity method may be used to offset a deficit only.

The capital surplus from restricted stock plan for employees may not be used for any purpose.

c. Retained earnings and dividend policy

Before distributing a dividend or making any other distribution to shareholders, the Company must pay all outstanding taxes, offset deficits in prior years and set aside legal reserve equity up to 10% of its net income, and depending on its business needs or requirements, may also set aside or reverse special reserves. Based on the Company's Articles of Incorporation, the bonus to directors and profit sharing with the Company's employees should not be more than 3% and not be less than 8% of the distributable earnings, respectively, and the cash dividend should not exceed 10% of the total distribution.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 10, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to c. Employee benefits expense in Note 23.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of Company. This reserve can only be used to offset a deficit, or, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2014 and 2013 had been approved in the shareholders' meetings on June 22, 2015 and June 19, 2014, respectively. The appropriations and dividends per share were as follows:

|                 | <u>Appropriation of Earnings</u> |             | <u>Dividends Per Share (NT\$)</u> |             |
|-----------------|----------------------------------|-------------|-----------------------------------|-------------|
|                 | <u>For the Year Ended</u>        |             | <u>For the Year Ended</u>         |             |
|                 | <u>December 31</u>               |             | <u>December 31</u>                |             |
|                 | <u>2014</u>                      | <u>2013</u> | <u>2014</u>                       | <u>2013</u> |
| Legal reserve   | \$ -                             | \$ 46,526   |                                   |             |
| Special reserve | (127,501)                        | (87,774)    |                                   |             |
| Cash dividends  | -                                | 242,459     | \$ -                              | \$ 0.7      |

d. Other equity - unearned employee benefit

In the meeting of shareholders on June 15, 2012, the shareholders approved a restricted share plan for employees. Refer to Note 26 for the information on restricted shares issued.

e. Treasury shares

|                                                                 | <b>(Shares in Thousands)</b>                   |
|-----------------------------------------------------------------|------------------------------------------------|
| <b>Purpose of Treasury Stock<br/>(To Transfer to Employees)</b> | <b>Number of<br/>Shares, End of<br/>Period</b> |
| Number of shares at January 1, 2014                             | 2,626                                          |
| Increase during the year                                        | <u>6,174</u>                                   |
| Number of shares at December 31, 2014                           | <u>8,800</u>                                   |
| Number of shares at January 1, 2015                             | 8,800                                          |
| Increase during the year                                        | <u>-</u>                                       |
| Number of shares at December 31, 2015                           | <u>8,800</u>                                   |

The Company spent \$2,168 thousand and \$55,887 thousand to buy 174 thousand and 6,000 thousand shares of treasury stock in January 2014 and August to October 2014, respectively, in order to transfer to employees.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.



## 23. NET PROFIT

### a. Other gains and losses

|                                                   | <b>For the Year Ended December 31</b> |                 |
|---------------------------------------------------|---------------------------------------|-----------------|
|                                                   | <b>2015</b>                           | <b>2014</b>     |
| Gain on disposal of property, plant and equipment | \$ <u>(56)</u>                        | \$ <u>1,783</u> |

### b. Depreciation and amortization

|                                   | <b>For the Year Ended December 31</b> |                   |
|-----------------------------------|---------------------------------------|-------------------|
|                                   | <b>2015</b>                           | <b>2014</b>       |
| Depreciation                      |                                       |                   |
| Operating cost                    | \$ 1,186                              | \$ 1,163          |
| Operating expenses                | 13,287                                | 13,496            |
| Non-operating income and expenses | <u>-</u>                              | <u>288</u>        |
|                                   | <u>\$ 14,473</u>                      | <u>\$ 14,947</u>  |
| Amortization                      |                                       |                   |
| Operating cost                    | \$ 80,571                             | \$ 111,903        |
| Operating expenses                | <u>10,340</u>                         | <u>7,729</u>      |
|                                   | <u>\$ 90,911</u>                      | <u>\$ 119,632</u> |

### c. Employee benefit expenses

|                                     | <b>For the Year Ended December 31</b> |                   |
|-------------------------------------|---------------------------------------|-------------------|
|                                     | <b>2015</b>                           | <b>2014</b>       |
| Post-employment benefit (Note 21)   |                                       |                   |
| Defined contribution plans          | \$ 18,011                             | \$ 18,628         |
| Defined benefit plans               | <u>7</u>                              | <u>5</u>          |
|                                     | <u>18,018</u>                         | <u>18,633</u>     |
| Share-based payments                |                                       |                   |
| Equity-settled share-based payments | 3,168                                 | 12,426            |
| Salaries and bonus                  | 335,467                               | 382,940           |
| Labor and health insurance          | 30,417                                | 31,381            |
| Other employee benefit              | <u>13,186</u>                         | <u>14,501</u>     |
| Total employee benefit expenses     | <u>\$ 400,256</u>                     | <u>\$ 459,881</u> |
| Summary by functions                |                                       |                   |
| Operating costs                     | \$ 39,750                             | \$ 53,953         |
| Operating expenses                  | <u>360,506</u>                        | <u>405,928</u>    |
|                                     | <u>\$ 400,256</u>                     | <u>\$ 459,881</u> |

The existing Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 8% and no higher than 3%, respectively, of net income (net of the bonus and remuneration).

To be in compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation proposed in the board of directors meeting in November 2015, the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 8-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors.

However, for the year ended December 31, 2015, there was no bonus to employees and no remuneration to directors and supervisors because the amount of distributable earnings was not sufficient.

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

The Company's bonus to employees and the remuneration to directors and supervisors in the amounts of \$40,521 thousand and \$15,195 thousand, respectively, in cash for 2013 had been approved in the shareholders' meeting on June 19, 2014. Such approved amounts had no difference with the amounts recognized in the financial statements for the year ended December 31, 2013.

For the year ended December 31, 2014, there was no bonus to employees and no remuneration to directors and supervisors because the amount of distributable earnings was not sufficient.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain (loss) on foreign currency exchange

|                       | <b>For the Year Ended December 31</b> |                   |
|-----------------------|---------------------------------------|-------------------|
|                       | <b>2015</b>                           | <b>2014</b>       |
| Foreign exchange gain | \$ 50,672                             | \$ 36,083         |
| Foreign exchange loss | <u>(51,731)</u>                       | <u>(41,814)</u>   |
| Net loss              | <u>\$ (1,059)</u>                     | <u>\$ (5,731)</u> |

## 24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax income were as follows:

|                                                          | <b>For the Year Ended December 31</b> |                    |
|----------------------------------------------------------|---------------------------------------|--------------------|
|                                                          | <b>2015</b>                           | <b>2014</b>        |
| Current tax                                              |                                       |                    |
| Land value increment tax                                 | \$ -                                  | \$ 6,921           |
| Income tax on unappropriated earnings                    | <u>-</u>                              | <u>1,663</u>       |
|                                                          | <u>-</u>                              | <u>8,584</u>       |
| Deferred tax                                             |                                       |                    |
| In respect of the current year                           | <u>(24,386)</u>                       | <u>(23,573)</u>    |
| Income tax expense (income) recognized in profit or loss | <u>\$ (24,386)</u>                    | <u>\$ (14,989)</u> |

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

|                                                                      | <b>For the Year Ended December 31</b> |                    |
|----------------------------------------------------------------------|---------------------------------------|--------------------|
|                                                                      | <b>2015</b>                           | <b>2014</b>        |
| Loss before tax                                                      | \$ (237,828)                          | \$ (262,408)       |
| Income tax income calculated at the statutory rate                   | \$ (40,431)                           | \$ (44,609)        |
| Nondeductible expenses in determining taxable income                 | 159                                   | 27,117             |
| Tax-exempt income                                                    | (746)                                 | (3,075)            |
| Land value increment tax                                             | -                                     | 6,921              |
| Income tax on unappropriated earnings                                | -                                     | 1,663              |
| Unrecognized loss carryforwards and deductible temporary differences | <u>16,632</u>                         | <u>(3,006)</u>     |
| Income tax income recognized in profit or loss                       | <u>\$ (24,386)</u>                    | <u>\$ (14,989)</u> |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in the ROC.

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

b. Current tax assets and liabilities

|                         | <b>December 31</b> |                 |
|-------------------------|--------------------|-----------------|
|                         | <b>2015</b>        | <b>2014</b>     |
| Current tax assets      |                    |                 |
| Tax refund receivable   | <u>\$ 34</u>       | <u>\$ 435</u>   |
| Current tax liabilities |                    |                 |
| Income tax payable      | <u>\$ -</u>        | <u>\$ 1,062</u> |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

|                                                      | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Closing Balance</b> |
|------------------------------------------------------|----------------------------|-----------------------------------------|------------------------|
| <u>Deferred tax assets</u>                           |                            |                                         |                        |
| Temporarily difference                               |                            |                                         |                        |
| Financial assets measured at cost                    | \$ 10,432                  | \$ -                                    | \$ 10,432              |
| Deferred revenue                                     | 10,151                     | (789)                                   | 9,362                  |
| Doubtful debts                                       | 5,338                      | (12)                                    | 5,326                  |
| Provision for loss on inventory and loss on disposal | 3,906                      | 419                                     | 4,325                  |
| Unrealized advertising expense                       | 3,260                      | (510)                                   | 2,750                  |
|                                                      |                            |                                         | (Continued)            |

|                         | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Closing Balance</b> |
|-------------------------|----------------------------|-----------------------------------------|------------------------|
| Provisions for warranty | \$ 1,254                   | \$ (375)                                | \$ 879                 |
| Others                  | <u>1,894</u>               | <u>(88)</u>                             | <u>1,806</u>           |
|                         | 36,235                     | (1,355)                                 | 34,880                 |
| Tax losses              | <u>79,307</u>              | <u>17,912</u>                           | <u>97,219</u>          |
|                         | <u>\$ 115,542</u>          | <u>\$ 16,557</u>                        | <u>\$ 132,099</u>      |

Deferred tax liabilities

|                                                                        |                  |                   |                                 |
|------------------------------------------------------------------------|------------------|-------------------|---------------------------------|
| Temporarily difference                                                 |                  |                   |                                 |
| Share of the profit of associates accounted<br>for using equity method | \$ 75,447        | \$ (8,384)        | \$ 67,063                       |
| Unrealized exchange gain, net                                          | -                | 515               | 515                             |
| Others                                                                 | <u>57</u>        | <u>40</u>         | <u>97</u>                       |
|                                                                        | <u>\$ 75,504</u> | <u>\$ (7,829)</u> | <u>\$ 67,675</u><br>(Concluded) |

For the year ended December 31, 2014

|                                                         | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Closing Balance</b> |
|---------------------------------------------------------|----------------------------|-----------------------------------------|------------------------|
| <u>Deferred tax assets</u>                              |                            |                                         |                        |
| Temporarily difference                                  |                            |                                         |                        |
| Financial assets measured at cost                       | \$ 10,432                  | \$ -                                    | \$ 10,432              |
| Deferred revenue                                        | 6,873                      | 3,278                                   | 10,151                 |
| Doubtful debts                                          | 6,548                      | (1,210)                                 | 5,338                  |
| Provision for loss on inventory and loss on<br>disposal | 2,937                      | 969                                     | 3,906                  |
| Unrealized advertising expense                          | 2,304                      | 956                                     | 3,260                  |
| Provisions for warranty                                 | 7,168                      | (5,914)                                 | 1,254                  |
| Others                                                  | <u>2,952</u>               | <u>(1,058)</u>                          | <u>1,894</u>           |
|                                                         | 39,214                     | (2,979)                                 | 36,235                 |
| Tax losses                                              | <u>52,527</u>              | <u>26,780</u>                           | <u>79,307</u>          |
|                                                         | <u>\$ 91,741</u>           | <u>\$ 23,801</u>                        | <u>\$ 115,542</u>      |

Deferred tax liabilities

|                                                                        |                  |               |                  |
|------------------------------------------------------------------------|------------------|---------------|------------------|
| Temporarily difference                                                 |                  |               |                  |
| Share of the profit of associates accounted<br>for using equity method | \$ 73,409        | \$ 2,038      | \$ 75,447        |
| Unrealized exchange gain, net                                          | 1,867            | (1,867)       | -                |
| Others                                                                 | <u>-</u>         | <u>57</u>     | <u>57</u>        |
|                                                                        | <u>\$ 75,276</u> | <u>\$ 228</u> | <u>\$ 75,504</u> |

- d. Unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

|                    | <u>December 31</u> |                   |
|--------------------|--------------------|-------------------|
|                    | <u>2015</u>        | <u>2014</u>       |
| Loss carryforwards |                    |                   |
| Expire in 2019     | \$ 72,341          | \$ 83,888         |
| Expire in 2020     | 70,524             | 70,524            |
| Expire in 2024     | 40,544             | 45,521            |
| Expire in 2025     | <u>61,681</u>      | <u>-</u>          |
|                    | <u>\$ 245,090</u>  | <u>\$ 199,933</u> |

- e. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2015 comprised of:

| <b>Unused Amount</b> | <b>Expiry Year</b> |
|----------------------|--------------------|
| \$ 40,993            | 2019               |
| 39,964               | 2020               |
| 22,975               | 2024               |
| <u>34,952</u>        | 2025               |
| <u>\$ 138,884</u>    |                    |

- f. Integrated income tax

|                                                                                          | <u>December 31</u> |                  |
|------------------------------------------------------------------------------------------|--------------------|------------------|
|                                                                                          | <u>2015</u>        | <u>2014</u>      |
| Unappropriated earnings (accumulated deficits)                                           |                    |                  |
| Unappropriated earnings (accumulated deficits) generated on<br>and after January 1, 1998 | <u>\$ (69,321)</u> | <u>\$ 16,623</u> |
| Imputation credits accounts                                                              | <u>\$ 6,234</u>    | <u>\$ 2,122</u>  |

There was no distribution of earnings approved in the board of directors' meetings and shareholders' meeting because the Company had a loss for the year ended December 31, 2015 and 2014, respectively.

- g. Income tax assessment

The tax authorities have examined income tax returns of the Company through 2013.

## 25. LOSS PER SHARE

The loss and the weighted-average shares of common stock to calculate loss per share were as follows:

### Net Loss for the Period

|                                                       | <u>For the Year Ended December 31</u> |                     |
|-------------------------------------------------------|---------------------------------------|---------------------|
|                                                       | <u>2015</u>                           | <u>2014</u>         |
| Loss used in the computation of basics loss per share | <u>\$ (213,442)</u>                   | <u>\$ (247,419)</u> |

## Shares

|                                                                                   | <b>For the Year Ended December 31</b> |                |
|-----------------------------------------------------------------------------------|---------------------------------------|----------------|
|                                                                                   | <b>2015</b>                           | <b>2014</b>    |
| Weighted-average number of ordinary shares in computation of basic loss per share | <u>339,592</u>                        | <u>347,163</u> |

### 26. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED SHARES FOR EMPLOYEES

In their meeting on June 15, 2012, the stockholders of the Company approved a restricted stock plan for employees with a total amount of \$125,000 thousand, consisting of 12,500 thousand shares, and the issue price was \$6 per share. The plan was approved by the Financial Supervisory Commission and effective on June 21, 2013.

On August 9, 2013, the board of directors approved to issue restricted shares with a total amount of \$120,000 thousand, consisting of 12,000 thousand shares. The grant date and issuance date of restricted share were August 9, 2013 and September 6, 2013, respectively. The fair value was \$12 per share on grant date. The Company recognized compensation cost of \$3,168 thousand and \$12,426 thousand for the years ended December 31, 2015 and 2014, respectively. Because part of employees resigned, the Company recalled 140 thousand and 1,887 thousand shares and returned issue prices of \$1,200 thousands and \$14,766 thousand to resigned employees for the years ended December 31, 2015 and 2014, respectively.

On the third month, ninth month, eighteenth month and thirtieth month of the grant date, 30%, 30%, 20% and 20%, respectively, of the stock options shall vest, and the employees should exercise the right to apply for shares against the stock option vested in them pursuant to the stock option plan.

From the date of grant to December 31, 2015, the number of restricted shares that have met the vesting conditions was 7,034 thousand, the number of restricted shares that became ineffective due to employees' resignation was 3,894 thousand and the number of restricted shares that did not meet the vesting conditions was 1,072 thousand.

Movements in the accounts related to restricted shares for employees at December 31, 2015 and 2014 were as follows:

|                                            | <b>Ordinary<br/>Shares</b> | <b>Capital<br/>Surplus -<br/>Restricted<br/>Shares for<br/>Employees</b> | <b>Capital<br/>Surplus -<br/>Share<br/>Premium</b> | <b>Unearned<br/>Employee<br/>Benefit</b> |
|--------------------------------------------|----------------------------|--------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------|
| Balance at January 1, 2014                 | \$ 102,290                 | \$ 10,224                                                                | \$ 7,200                                           | \$ (27,459)                              |
| Recognized compensation cost               | -                          | -                                                                        | -                                                  | 12,426                                   |
| Vesting conditions met                     | -                          | (4,476)                                                                  | 4,476                                              | -                                        |
| Ineffectiveness from employees resignation | <u>(18,870)</u>            | <u>(2,084)</u>                                                           | <u>-</u>                                           | <u>10,477</u>                            |
| Balance at December 31, 2014               | <u>\$ 83,420</u>           | <u>\$ 3,664</u>                                                          | <u>\$ 11,676</u>                                   | <u>\$ (4,556)</u><br>(Continued)         |

|                                               | <b>Ordinary<br/>Shares</b> | <b>Capital<br/>Surplus -<br/>Restricted<br/>Shares for<br/>Employees</b> | <b>Capital<br/>Surplus -<br/>Share<br/>Premium</b> | <b>Unearned<br/>Employee<br/>Benefit</b> |
|-----------------------------------------------|----------------------------|--------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------|
| Balance at January 1, 2015                    | \$ 83,420                  | \$ 3,664                                                                 | \$ 11,676                                          | \$ (4,556)                               |
| Recognized compensation cost                  | -                          | -                                                                        | -                                                  | 3,168                                    |
| Vesting conditions met                        | -                          | (2,392)                                                                  | 2,392                                              | -                                        |
| Ineffectiveness from employees<br>resignation | <u>(1,400)</u>             | <u>(88)</u>                                                              | <u>-</u>                                           | <u>744</u>                               |
| Balance at December 31, 2015                  | <u>\$ 82,020</u>           | <u>\$ 1,184</u>                                                          | <u>\$ 14,068</u>                                   | <u>\$ (644)</u><br>(Concluded)           |

The restrictions on the rights of the employees who acquired restricted shares but have not met the vesting conditions are as follows:

- a. The employees should not sell, pledge, transfer, donate or in any other way to dispose of these shares.
- b. The employees holding these shares are entitled to receive cash and stock dividends.
- c. The employees holding these shares have voting right.

If an employee fails to meet the vesting conditions, the Company will recall or buy back his/her restricted shares and have them canceled.

## 27. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Company entered into the following partial cash investing activities:

|                                                            | <b>For the Year Ended December 31</b> |                 |
|------------------------------------------------------------|---------------------------------------|-----------------|
|                                                            | <b>2015</b>                           | <b>2014</b>     |
| Paid partial cash to acquire property, plant and equipment |                                       |                 |
| Acquisitions of property, plant and equipment              | \$ 843                                | \$ 5,785        |
| Net change in payables to equipment suppliers              | <u>224</u>                            | <u>(161)</u>    |
| Cash paid                                                  | <u>\$ 1,067</u>                       | <u>\$ 5,624</u> |

## 28. OPERATING LEASE ARRANGEMENTS

Operating leases relate to office and parking lot leased by the Company with lease terms of 1 year. The Company does not have a bargain purchase option to acquire the leased land and parking lot at the expiration of the lease periods.

The lease payments recognized as expenses were as follows:

|  | <b>For the Year Ended December 31</b> |                 |
|--|---------------------------------------|-----------------|
|  | <b>2015</b>                           | <b>2014</b>     |
|  | <u>\$ 2,868</u>                       | <u>\$ 5,218</u> |

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|                 | <u>December 31</u> |                 |
|-----------------|--------------------|-----------------|
|                 | <u>2015</u>        | <u>2014</u>     |
| Within one year | <u>\$ 960</u>      | <u>\$ 1,800</u> |

## 29. CAPITAL MANAGEMENT

The Company manages its capital to ensure the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, and the number of new shares issued or repurchased.

## 30. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

#### 1) Fair value of financial instruments not carried at fair value

The management believes the carrying value of the financial assets not carried at fair value is approximately equal to the fair value.

#### 2) Fair value hierarchy

##### December 31, 2015

|                                     | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
|-------------------------------------|------------------|----------------|----------------|------------------|
| Financial assets at FVTPL           |                  |                |                |                  |
| Derivative financial assets         | <u>\$ -</u>      | <u>\$ 573</u>  | <u>\$ -</u>    | <u>\$ 573</u>    |
| Available-for-sale financial assets |                  |                |                |                  |
| Securities listed in ROC            | <u>\$ 77,247</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 77,247</u> |

##### December 31, 2014

|                                     | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
|-------------------------------------|------------------|----------------|----------------|------------------|
| Financial assets at FVTPL           |                  |                |                |                  |
| Derivative financial assets         | <u>\$ -</u>      | <u>\$ 339</u>  | <u>\$ -</u>    | <u>\$ 339</u>    |
| Available-for-sale financial assets |                  |                |                |                  |
| Securities listed in ROC            | <u>\$ 83,443</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 83,443</u> |

There were no transfers between Levels 1 and 2 in the current and prior periods.



- 3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

| <u>Financial Instruments</u>                     | <u>Valuation Techniques and Inputs</u>                                                                                                                                                                                                               |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Derivatives - foreign currency forward contracts | Discounted cash flow.<br><br>Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |

- b. Categories of financial instruments

|                                              | <u>December 31</u> |             |
|----------------------------------------------|--------------------|-------------|
|                                              | <u>2015</u>        | <u>2014</u> |
| <u>Financial assets</u>                      |                    |             |
| Measured at FVTPL                            |                    |             |
| Held for trading                             | \$ 573             | \$ 339      |
| Loans and receivables (Note 1)               | 385,574            | 583,903     |
| Available-for-sale financial assets (Note 2) | 129,548            | 137,500     |
| <u>Financial liabilities</u>                 |                    |             |
| Measured at amortized cost (Note 3)          | 355,498            | 379,543     |

Note 1: The balances included cash and cash equivalents, trade receivables, other receivables, and refundable deposits which were loans and receivables carried at amortised cost.

Note 2: The balances included financial assets carried at cost which were classified as available-for-sale financial assets.

Note 3: The balances included trade payables and other payables which were financial liabilities carried at amortized cost.

- c. Financial risk management objectives

The main financial instruments of the Company include accounts receivable and accounts payables. The Company's finance department provides services to its business units, co-ordinates access to domestic and international capital markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk, and liquidity risk.

- 1) Market risk

The Company is exposed to market risks of changes in foreign currency exchange rates and interest rates.

There were no changes to the Company's exposure to market risks or the manner in which these risks are managed and measured. Sensitivity analysis is an estimate of the influence of the reasonably possible range of the interest rate and currency fluctuation in a year. Sensitivity analysis of interest rate and currency fluctuation was as follows:

a) Foreign currency risk management

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Company is mainly affected by the fluctuations of the U.S. dollars, Japanese yen, HKD and EUR.

The table below is the analysis of the sensitivity of the Company's functional currency to a 5% increase or decrease in the relevant currency rate on the balance sheet date. The 5% sensitivity rate is the currency risk factor used in the internal report to management; it is the rate that management believes represents the reasonably possible range of the currency fluctuation. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and assumed their translation at the end of the reporting period for a 5% change in foreign currency rates.

The table below shows the amount of change in income before tax when the Company's functional currency increases by 5% against the other relevant currency. When the Company's functional currency falls 5% against other relevant currency, the impact to income before tax is the negative number of the same amount.

|             | <b>U.S. Dollar</b>        |             | <b>Japan Yen</b>          |             |
|-------------|---------------------------|-------------|---------------------------|-------------|
|             | <b>For the Year Ended</b> |             | <b>For the Year Ended</b> |             |
|             | <b>December 31</b>        |             | <b>December 31</b>        |             |
|             | <b>2015</b>               | <b>2014</b> | <b>2015</b>               | <b>2014</b> |
| Gain (loss) | \$ 5,497                  | \$ 1,073    | \$ (1,575)                | \$ (769)    |

  

|             | <b>HKD</b>                |             | <b>EUR</b>                |             |
|-------------|---------------------------|-------------|---------------------------|-------------|
|             | <b>For the Year Ended</b> |             | <b>For the Year Ended</b> |             |
|             | <b>December 31</b>        |             | <b>December 31</b>        |             |
|             | <b>2015</b>               | <b>2014</b> | <b>2015</b>               | <b>2014</b> |
| Gain (loss) | \$ 9                      | \$ -        | \$ (7,562)                | \$ (8,013)  |

The above effects are mainly derived from the Company's outstanding cash in bank, receivables and payables, which were not cash flows hedged, valued in U.S. dollars, Japanese yen, HKD and EUR on balance sheet date.

b) Interest rate risk

The carrying amount of the Company's exposures to interest rates on financial assets and financial liabilities are as follows:

|                               | <u>December 31</u> |             |
|-------------------------------|--------------------|-------------|
|                               | <u>2015</u>        | <u>2014</u> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ 1,411           | \$ 96,172   |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 161,557            | 271,422     |

Sensitivity analysis

The sensitivity analyses below have been determined the exposure to interest rates risk for non-derivative instruments at the end of the reporting period. Increase or decrease of 25-basis point is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's profit for the years ended December 31, 2015 and 2014 would increase/decrease by \$404 thousand and \$679 thousand, respectively. This is mainly attributable to the Company's exposure to floating rates on demand deposits.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in the consolidated balance sheet as of the balance sheet date.

The Company evaluates the main customers' credit rating by the use of accessible financial information and transaction record with customers. The Company keeps an eye on credit exposure and customers' credit rating.

The Company's credit risk mainly focuses on the main customer. As of December 31, 2015 and 2014, the total receivables from the main customers were 71% and 73%, respectively, of total receivables.

3) Liquidity risk

The Company copes with the operation and alleviates the effect of fluctuations in cash flows by managing and maintaining sufficient cash and cash equivalents. The management monitors the usage of bank's financing limit and ensures that the terms of loan agreements are followed.

Bank loans are sources of liquidity of the Company. As of December 31, 2015 and 2014, the Company's unused bank financing limits were \$3,053,989 thousand and \$3,330,562 thousand, respectively.

The following tables, which were prepared based on the earliest repayment date and undiscounted cash flows of financial liabilities, are details about the analysis of the maturities of the non-derivative financial liabilities during the agreed repayment period.

December 31, 2015

|                                                   | <b>Weighted-<br/>average<br/>Effective<br/>Interest Rate<br/>(%)</b> | <b>Within<br/>One Month</b> | <b>1 to 3 Months</b> | <b>3 Months to<br/>1 Year</b> |
|---------------------------------------------------|----------------------------------------------------------------------|-----------------------------|----------------------|-------------------------------|
| <u>Financial liabilities -<br/>non-derivative</u> |                                                                      |                             |                      |                               |
| Non-interest bearing                              | -                                                                    | <u>\$ 38,789</u>            | <u>\$ 80,006</u>     | <u>\$ 236,703</u>             |

December 31, 2014

|                                                   | <b>Weighted-<br/>average<br/>Effective<br/>Interest Rate<br/>(%)</b> | <b>Within<br/>One Month</b> | <b>1 to 3 Months</b> | <b>3 Months to<br/>1 Year</b> |
|---------------------------------------------------|----------------------------------------------------------------------|-----------------------------|----------------------|-------------------------------|
| <u>Financial liabilities -<br/>non-derivative</u> |                                                                      |                             |                      |                               |
| Non-interest bearing                              | -                                                                    | <u>\$ 42,574</u>            | <u>\$ 52,971</u>     | <u>\$ 283,998</u>             |

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2015

|                            | <b>Less Than<br/>1 Month</b> | <b>1 to 3 Months</b> | <b>3 Months to<br/>1 Year</b> |
|----------------------------|------------------------------|----------------------|-------------------------------|
| <u>Gross settled</u>       |                              |                      |                               |
| Forward exchange contracts |                              |                      |                               |
| Inflow                     | \$ 37,096                    | \$ 87,127            | \$ 82,887                     |
| Outflow                    | <u>(36,756)</u>              | <u>(86,442)</u>      | <u>(83,130)</u>               |
|                            | <u>\$ 340</u>                | <u>\$ 685</u>        | <u>\$ (243)</u>               |

December 31, 2014

|                            | <b>Less Than<br/>1 Month</b> | <b>1 to 3 Months</b> | <b>3 Months to<br/>1 Year</b> |
|----------------------------|------------------------------|----------------------|-------------------------------|
| <u>Gross settled</u>       |                              |                      |                               |
| Forward exchange contracts |                              |                      |                               |
| Inflow                     | \$ 49,877                    | \$ 71,909            | \$ 63,743                     |
| Outflow                    | <u>(49,414)</u>              | <u>(72,324)</u>      | <u>(63,423)</u>               |
|                            | <u>\$ 463</u>                | <u>\$ (415)</u>      | <u>\$ 320</u>                 |

### 31. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, the Company had business transactions with the following related parties:

- a. The Company's related parties were as follows:

| <u>Related Party</u>                       | <u>Relationship with the Company</u>                             |
|--------------------------------------------|------------------------------------------------------------------|
| <u>Subsidiary</u>                          |                                                                  |
| Hong Yi Investment Co., Ltd. (Hong Yi)     | Subsidiary                                                       |
| Shuttle Commerce (Shenzhen) Ltd. (S.C.M.)  | Subsidiary of Gold Fountain Limited                              |
| Shuttle Computer Handels GmbH (S.C.H.)     | Subsidiary of Gold Fountain Limited                              |
| Shuttle Computer Group INC. (S.C.G.)       | Subsidiary of Gold Fountain Limited                              |
| Japan Shuttle Co., Ltd. (S.C.J.)           | Subsidiary of Gold Fountain Limited                              |
| Shuttle Computer (H.K.) Co., Ltd. (S.H.K.) | Subsidiary of Holco (BVI) Inc.                                   |
| <u>Other parties</u>                       |                                                                  |
| Ares International Corporation             | Chairman is the second degree relative of the Company's chairman |

Note: KAKI cancelled the registration and started liquidation in September 2014, but as of December 31, 2015, the liquidation has not been completed.

- b. Net sales

| <b>Related Parties Types</b> | <b><u>For the Year Ended December 31</u></b> |                   |
|------------------------------|----------------------------------------------|-------------------|
|                              | <b>2015</b>                                  | <b>2014</b>       |
| Subsidiaries                 | <u>\$ 671,458</u>                            | <u>\$ 779,414</u> |

- c. Technical service revenue

| <b>Related Parties Types</b> | <b><u>For the Year Ended December 31</u></b> |                   |
|------------------------------|----------------------------------------------|-------------------|
|                              | <b>2015</b>                                  | <b>2014</b>       |
| Subsidiaries                 | <u>\$ 223,637</u>                            | <u>\$ 302,429</u> |

The Company provided research and development skill and consultation to S.H.K. and charged fees for technical services.

- d. Purchases

| <b>Related Parties Types</b> | <b><u>For the Year Ended December 31</u></b> |                  |
|------------------------------|----------------------------------------------|------------------|
|                              | <b>2015</b>                                  | <b>2014</b>      |
| Subsidiaries                 | <u>\$ 22,622</u>                             | <u>\$ 24,768</u> |

e. Operating expenses

| <b>Related Parties Types</b> | <b>For the Year Ended December 31</b> |                 |
|------------------------------|---------------------------------------|-----------------|
|                              | <b>2015</b>                           | <b>2014</b>     |
| Subsidiaries                 | \$ 1,243                              | \$ 1,858        |
| Others                       | <u>521</u>                            | <u>275</u>      |
|                              | <u>\$ 1,764</u>                       | <u>\$ 2,133</u> |

f. Rental revenue

| <b>Related Parties Types</b> | <b>For the Year Ended December 31</b> |              |
|------------------------------|---------------------------------------|--------------|
|                              | <b>2015</b>                           | <b>2014</b>  |
| Subsidiaries                 | <u>\$ 12</u>                          | <u>\$ 12</u> |

g. Nonoperating income and gain

| <b>Related Parties Types</b> | <b>For the Year Ended December 31</b> |                 |
|------------------------------|---------------------------------------|-----------------|
|                              | <b>2015</b>                           | <b>2014</b>     |
| Subsidiaries                 | <u>\$ 5,051</u>                       | <u>\$ 2,937</u> |

h. Other losses

| <b>Related Parties Types</b> | <b>For the Year Ended December 31</b> |                 |
|------------------------------|---------------------------------------|-----------------|
|                              | <b>2015</b>                           | <b>2014</b>     |
| Others                       | <u>\$ 1,230</u>                       | <u>\$ 1,230</u> |

i. Receivables from related parties

| <b>Related Parties Types</b> | <b>December 31</b> |                   |
|------------------------------|--------------------|-------------------|
|                              | <b>2015</b>        | <b>2014</b>       |
| Subsidiaries                 | <u>\$ 188,273</u>  | <u>\$ 170,007</u> |

The outstanding trade receivables from related parties are unsecured. No expense was recognized for the years ended December 31, 2015 and 2014 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

j. Payables to related parties

| <b>Related Parties Types</b> | <b>December 31</b> |                 |
|------------------------------|--------------------|-----------------|
|                              | <b>2015</b>        | <b>2014</b>     |
| Subsidiaries                 | <u>\$ 6,804</u>    | <u>\$ 9,739</u> |

The outstanding trade payables from related parties are unsecured.

k. Property, plant and equipment disposed

The Company sold property, plant and equipment to subsidiaries and recognized deferred revenue in previous year. In 2015 and 2014, the Company recognized \$68 thousand as realized gain on disposal of the asset.

l. Guarantees

| <b>Related Parties Types</b> | <b>December 31</b>  |                     |
|------------------------------|---------------------|---------------------|
|                              | <b>2015</b>         | <b>2014</b>         |
| Subsidiaries                 | <u>\$ 3,057,224</u> | <u>\$ 3,186,773</u> |

The Company's sales prices to related parties are based on the price levels in the areas. The Company's purchases from related parties are based on cost-plus price. The payment period of the accounts payable is 120 days. The related-party transactions were conducted under normal terms.

m. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

|                         | <b>For the Year Ended December 31</b> |                  |
|-------------------------|---------------------------------------|------------------|
|                         | <b>2015</b>                           | <b>2014</b>      |
| Short-term benefit      | \$ 22,623                             | \$ 25,592        |
| Post-employment benefit | 535                                   | 733              |
| Share-based payments    | <u>393</u>                            | <u>2,136</u>     |
|                         | <u>\$ 23,551</u>                      | <u>\$ 28,461</u> |

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

**32. PLEDGED ASSETS**

The Company's assets mortgaged or pledged as collateral for bank loans and other financings were as follows:

|                                    | <b>December 31</b> |                   |
|------------------------------------|--------------------|-------------------|
|                                    | <b>2015</b>        | <b>2014</b>       |
| Property, plant and equipment, net | <u>\$ 437,112</u>  | <u>\$ 441,030</u> |

**33. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS: NONE**

**34. SUBSEQUENT EVENTS: NONE**

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

December 31, 2015

|                              | <b>Foreign<br/>Currencies</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | \$ 3,344                      | 32.825 (USD:NTD)     | \$ 109,767                 |
| JPY                          | 115,529                       | 0.2727 (JPY:NTD)     | 31,505                     |
| EUR                          | 4,227                         | 35.88 (EUR:NTD)      | 151,665                    |
| <u>Financial liabilities</u> |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | 6,693                         | 32.825 (USD:NTD)     | 219,698                    |
| EUR                          | 12                            | 35.88 (EUR:NTD)      | 431                        |
| HKD                          | 41                            | 4.235 (HKD:NTD)      | 174                        |

December 31, 2014

|                              | <b>Foreign<br/>Currencies</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | \$ 4,957                      | 31.65 (USD:NTD)      | \$ 156,889                 |
| JPY                          | 58,138                        | 0.2646 (JPY:NTD)     | 15,383                     |
| EUR                          | 4,183                         | 38.47 (EUR:NTD)      | 160,920                    |
| <u>Financial liabilities</u> |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | 5,635                         | 31.65 (USD:NTD)      | 178,348                    |
| EUR                          | 17                            | 38.47 (EUR:NTD)      | 654                        |



The significant unrealized foreign exchange gains (losses) were as follows:

| <b>For the Year Ended December 31</b> |                      |                                         |                      |                                         |
|---------------------------------------|----------------------|-----------------------------------------|----------------------|-----------------------------------------|
| <b>2015</b>                           |                      |                                         | <b>2014</b>          |                                         |
| <b>Foreign Currencies</b>             | <b>Exchange Rate</b> | <b>Net Foreign Exchange Gain (Loss)</b> | <b>Exchange Rate</b> | <b>Net Foreign Exchange Gain (Loss)</b> |
| USD                                   | 32.825 (USD:NTD)     | \$ (7)                                  | 31.65 (USD:NTD)      | \$ (1,690)                              |
| JPY                                   | 0.2727 (JPY:NTD)     | 463                                     | 0.2646 (JPY:NTD)     | (634)                                   |
| EUR                                   | 35.88 (EUR:NTD)      | 2,575                                   | 38.47 (EUR:NTD)      | 2,023                                   |
| HKD                                   | 4.235 (HKD:NTD)      | (4)                                     | 4.080 (HKD:NTD)      | (6)                                     |
| RMB                                   | 5.055 (RMB:NTD)      | -                                       | 5.172 (RMB:NTD)      | (171)                                   |
|                                       |                      | <u>\$ 3,027</u>                         |                      | <u>\$ (478)</u>                         |

### 36. SEPERATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached);
- 2) Endorsements/guarantees provided: Table 2 (attached);
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 3 (attached);
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None;
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached);
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached);
- 9) Information on investees: Table 6 (attached);
- 10) Trading in derivative instruments: Notes 7 and 30; Derivative transaction of investees over which the Company has a controlling interest.

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached);

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

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None;
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

| Seller Company | Related Party | Sales     |            | Trade Receivable |                       |
|----------------|---------------|-----------|------------|------------------|-----------------------|
|                |               | Amount    | % to Sales | Amount           | % to Trade Receivable |
| Shuttle Inc.   | S.C.M.        | \$ 16,680 | 2          | \$ 4,442         | 2                     |

- c) The amount of property transactions and the amount of the resultant gains or losses: None;
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None;
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

## SHUTTLE INC.

FINANCING PROVIDED TO OTHERS  
 FOR THE FOR THE YEAR ENDED DECEMBER 31, 2015  
 (In Thousands of New Taiwan Dollars)

| No. | Lender | Borrower | Financial Statement Account                          | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 1) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral |       | Financing Limit for Each Borrower (Note 2) | Aggregate Financing Limits (Note 3) | Note |
|-----|--------|----------|------------------------------------------------------|-----------------|--------------------------------|----------------|-------------------------|---------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--------------------------------------------|-------------------------------------|------|
|     |        |          |                                                      |                 |                                |                |                         |               |                              |                              |                                  |                               | Item       | Value |                                            |                                     |      |
| 1   | S.H.K. | S.C.C.   | Accounts receivable from related parties - financing | Y               | \$ 102,003                     | \$ 101,863     | \$ 101,863              | -             | a.                           | \$ 101,863                   | -                                | \$ -                          | -          | -     | \$ 175,846                                 | \$ 521,187                          |      |

Note 1: Nature of financing are divided into two categories as follows:

- a. Business transaction.
- b. Short-term financing.

Note 2: The Company limits the financing amount on each entity that has business transaction within the business transaction amount between the two parties in last two years.

Note 3: S.H.K. limits the financing amount within 20% of the net value of S.H.K.

## SHUTTLE INC.

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars)**

| No. | Endorsement/<br>Guarantee<br>Provider | Guaranteed Party |                                       | Limits on<br>Endorsement/<br>Guarantee Given<br>on Behalf of<br>Each Party<br>(Note 2) | Maximum<br>Amount<br>Endorsed/Guara<br>nteed During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the<br>Period | Actual<br>Borrowing<br>Amount | Amount<br>Endorsed/<br>Guaranteed by<br>Collaterals | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements | Aggregate<br>Endorsement/<br>Guarantee Limit<br>(Note 3) | Endorsement/<br>Guarantee<br>Given by<br>Parent on<br>Behalf of<br>Subsidiaries<br>(Note 4) | Endorsement/<br>Guarantee<br>Given by<br>Subsidiaries<br>on Behalf of<br>Parent<br>(Note 4) | Endorsement/<br>Guarantee<br>Given on<br>Behalf of<br>Companies in<br>Mainland<br>China<br>(Note 4) | Note |
|-----|---------------------------------------|------------------|---------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|------|
|     |                                       | Name             | Nature of<br>Relationship<br>(Note 1) |                                                                                        |                                                                   |                                                                         |                               |                                                     |                                                                                                            |                                                          |                                                                                             |                                                                                             |                                                                                                     |      |
| 0   | The Company                           | SHK              | c.                                    | \$ 3,845,703                                                                           | \$ 3,126,348                                                      | \$ 3,057,224                                                            | \$ 80,461                     | \$ -                                                | 79.50%                                                                                                     | \$ 3,845,703                                             | Y                                                                                           | -                                                                                           | -                                                                                                   |      |

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. Trading partner.
- b. Directly owns over 50% common stocks of subsidiary.
- c. The Company and subsidiary owns over 50% ownership of the investee company.
- d. A subsidiary jointly owned by the Company and the Company's directly - owned subsidiary.
- e. Guaranteed by the Company according to the construction contract.
- f. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

Note 2: The Company limits the endorsement/guarantee amount on each entity to within 20% of the net value of the Company; for 100% held foreign subsidiary the amount is limited to within 100% of the net value of the Company.

Note 3: The Company limits the endorsement/guarantee amount within 100% of the net value of the Company.

Note 4: If the endorsement/guarantee belongs to endorsement/guarantee given by parent on behalf of subsidiaries, endorsement/guarantee given by subsidiaries on behalf of parent, and endorsement/guarantee given on behalf of companies in Mainland China, fill-in "Y".

## SHUTTLE INC.

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars)

| Holding Company Name         | Marketable Securities Type and Name         | Relationship with the Company                                      | Financial Statement Account                    | December 31, 2015 |                |                             |                                          | Note                     |
|------------------------------|---------------------------------------------|--------------------------------------------------------------------|------------------------------------------------|-------------------|----------------|-----------------------------|------------------------------------------|--------------------------|
|                              |                                             |                                                                    |                                                | Shares/Units      | Carrying Value | Percentage of Ownership (%) | Market Value or Net Asset Value (Note 1) |                          |
| Shuttle Inc.                 | <u>Stock</u>                                |                                                                    |                                                |                   |                |                             |                                          |                          |
|                              | Motech Industries Inc.                      | -                                                                  | Available-for-sale financial assets - current  | 1,709,000         | \$ 77,247      | 0.35                        | \$ 77,247                                | Note 2<br>Emerging stock |
|                              | Twinmos Technologies Inc.                   | -                                                                  | Financial assets carried at cost - non-current | 805,000           | -              | 0.39                        | -                                        |                          |
|                              | Partner Tech Corp.                          | -                                                                  | Financial assets carried at cost - non-current | 1,247,215         | 7,352          | 1.66                        | 17,408                                   |                          |
|                              | Technology Partner IV Venture Capital Corp. | -                                                                  | Financial assets carried at cost - non-current | 994,882           | 9,949          | 3.24                        | 5,759                                    |                          |
| iCatch Technology, Inc.      | -                                           | Financial assets carried at cost - non-current                     | 2,500,000                                      | 35,000            | 4.54           | 29,965                      |                                          |                          |
| Hong Yi Investment Co., Ltd. | <u>Stock</u>                                |                                                                    |                                                |                   |                |                             |                                          |                          |
|                              | Ares International Corporation              | Chairman within second degree of kinship to the Company's chairman | Available-for-sale financial assets - current  | 1,214,546         | 15,728         | 2.57                        | 15,728                                   | Emerging stock<br>Note 2 |
|                              | Motech Industries Inc.                      | -                                                                  | Available-for-sale financial assets - current  | 1,503,000         | 67,936         | 0.31                        | 67,936                                   |                          |
|                              | Unimicron Technology Corp.                  | -                                                                  | Available-for-sale financial assets - current  | 20,000            | 279            | -                           | 279                                      |                          |
|                              | C Sun MFG Ltd.                              | -                                                                  | Available-for-sale financial assets - current  | 16,000            | 200            | 0.01                        | 200                                      |                          |
|                              | Partner Tech Corp.                          | -                                                                  | Financial assets carried at cost - non-current | 1,705,336         | 10,052         | 2.27                        | 23,802                                   |                          |
| GVision Co., Ltd.            | -                                           | Financial assets carried at cost - non-current                     | 365                                            | -                 | -              | -                           |                                          |                          |

Note 1: Financial assets carried at cost with no quoted market prices, their fair values are determined by the Company's proportionate share in the investee's equity. Fair values of available-for-sale investments are based on closing prices as of December 31, 2015.

Note 2: An impairment loss was recognized to the full amount of the original acquisition cost.

Note 3: Information of investees (refer to Tables 6 and 7).

**SHUTTLE INC.**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship                  | Transaction Details |              |            |                 | Abnormal Transaction |                    | Notes/Accounts Receivable (Payable) |            | Note   |
|--------------|---------------|-----------------------------------------|---------------------|--------------|------------|-----------------|----------------------|--------------------|-------------------------------------|------------|--------|
|              |               |                                         | Purchase/Sale       | Amount       | % to Total | Payment Terms   | Unit Price           | Payment Terms      | Ending Balance                      | % to Total |        |
| Shuttle Inc. | S.C.H.        | Subsidiary of Gold Fountain Limited     | Sale                | \$ (391,940) | (46)       | Within 120 days | Note 1               | Month end 120 days | \$ 74,687                           | 35         |        |
|              | S.C.G.        | Subsidiary of Gold Fountain Limited     | Sale                | (222,503)    | (26)       | Within 120 days | Note 1               | Month end 120 days | 76,823                              | 36         |        |
| S.C.S.       | S.H.K.        | Subsidiary of Holco (BVI) Inc.          | Sale                | (128,036)    | (100)      | Within 120 days | Note 1               | Month end 120 days | 28,977                              | 99         | Note 2 |
| S.C.H.       | Shuttle Inc.  | Parent company of Gold Fountain Limited | Purchase            | 391,940      | 90         | Within 120 days | Note 1               | Month end 120 days | (74,687)                            | (99)       |        |
| S.C.G.       | Shuttle Inc.  | Parent company of Gold Fountain Limited | Purchase            | 222,503      | 75         | Within 120 days | Note 1               | Month end 120 days | (76,823)                            | (94)       |        |
| S.H.K.       | S.C.S.        | Subsidiary of Gold Fountain Limited     | Purchase            | 128,036      | 22         | Within 120 days | Note 1               | Month end 120 days | (28,977)                            | (13)       | Note 2 |

Note 1: The prices were determined after taking the different market area into consideration.

Note 2: Comprising the collection and payment on behalf of others.

**SHUTTLE INC.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2015**

**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Relationship                   | Ending Balance | Turnover Rate | Overdue |              | Amount Received in Subsequent Period | Allowance for Bad Debts |
|--------------|---------------|--------------------------------|----------------|---------------|---------|--------------|--------------------------------------|-------------------------|
|              |               |                                |                |               | Amount  | Action Taken |                                      |                         |
| S.H.K.       | S.C.C.        | Subsidiary of Holco (BVI) Inc. | \$ 101,863     | -             | \$ -    | -            | \$ -                                 | \$ -                    |

Note: Account receivable from related parties reported as S.H.K. of \$101,863 thousand, had already dealt with according to the financing provided to others' method, please refer to Table 1.

## SHUTTLE INC.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 FOR THE YEAR ENDED DECEMBER 31, 2015  
 (In Thousands of New Taiwan Dollars and Foreign Currencies)

| Investor              | Investee                                       | Location                                                                | Main Businesses and Products    | Investment Amount |                   | Balance as of December 31, 2015 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note                               |
|-----------------------|------------------------------------------------|-------------------------------------------------------------------------|---------------------------------|-------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------------------------------------|
|                       |                                                |                                                                         |                                 | December 31, 2015 | December 31, 2014 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |                                    |
| Shuttle Inc.          | Holco (BVI) Inc.                               | B.V.I.                                                                  | Holding company                 | \$ 1,551,896      | \$ 1,551,896      | 5,210                           | 100                     | \$ 2,621,099   | \$ 70,951                         | \$ 70,951              | Subsidiary; Note 1                 |
|                       | Gold Fountain Limited                          | Cayman Islands                                                          | Holding company                 | 855,307           | 855,307           | 19,875,886                      | 100                     | 215,270        | (120,265)                         | (120,265)              | Subsidiary; Note 1                 |
|                       | Hong Yi Investment Co., Ltd.                   | IF., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City             | Investment                      | 160,000           | 160,000           | 16,000,000                      | 100                     | 116,175        | 3,061                             | 3,061                  | Subsidiary; Note 1                 |
| Holco (BVI) Inc.      | S.H.K.                                         | Unit 1405-1406, Dominion Centre, 43-49 Queen's Road East, Wanchai       | Selling of computer peripherals | 1,502,008         | 1,502,008         | 50,001,300                      | 100                     | 2,654,996      | 82,244                            | 82,244                 | Indirect subsidiary; Note 1        |
|                       | S.C.A.                                         | 48389 Fremont Blvd Ste 110 Fremont CA 94538-6558                        | Selling of computer peripherals | 25,737            | 25,737            | 80,000                          | 100                     | 26,950         | (326)                             | (326)                  | Indirect subsidiary; Note 1        |
|                       | Atron Mall, Inc.                               | 17068 Evergreen PL, City of Industry, CA 91745 U.S.A.                   | Holding company                 | 7,834             | 7,834             | 197,500                         | 100                     | -              | (10,931)                          | (10,931)               | Indirect subsidiary; Notes 1 and 2 |
| Gold Fountain Limited | S.C.G.                                         | 17068 Evergreen Place Industry, CA 91745 U.S.A.                         | Selling of computer peripherals | 186,662           | 186,662           | 30,000                          | 100                     | 67,639         | 1,626                             | 1,626                  | Indirect subsidiary; Note 1        |
|                       | S.C.H.                                         | Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany                       | Selling of computer peripherals | 171,495 (Note 3)  | 239,815           | -                               | 100                     | 92,648         | 7,185                             | 7,185                  | Indirect subsidiary; Note 1        |
|                       | Shuttle International Brazil Informatica Ltda. | Avenida Brigadeiro Faria Lima, 1903-CJ. 143 - Jardim Paulist Ano        | Selling of computer peripherals | -                 | 10,624            | -                               | -                       | -              | (411)                             | (411)                  | Indirect subsidiary; Notes 1 and 4 |
|                       | S.C.J.                                         | 7F, Aioisonpo Building, 2-8-11 Sumiyosi Koutou-Ku Tokyo 135-0002, Japan | Selling of computer peripherals | 34,658            | 34,658            | 2,000                           | 100                     | 13,040         | 1,117                             | 1,117                  | Indirect subsidiary; Note 1        |
| Atron Mall, Inc.      | S.C.C.                                         | Santa Clara 301 of 2806 Hue Churaba, Santiago, Chile                    | Selling of computer peripherals | 5,440             | 5,440             | -                               | 75                      | -              | (14,472)                          | (10,854)               | Indirect subsidiary; Notes 1 and 2 |

Note 1: Recognition of investment gains (losses) was based on the investee's audited financial statements.

Note 2: The accumulated book value of Atron Mall, Inc., and S.C.C. had a credit amount of \$65,348 thousand and \$65,557 thousand as of December 31, 2015, respectively, and was classified as other liabilities.

Note 3: S.C.H. reduced and returned capital EUR2,000,000 to Gold Fountain on August 2015.

Note 4: S.C.B. liquidated and returned all shares to Gold Fountain Limited on May 2015.

Note 5: The information on investment in Mainland China is set out in Table 7.



## SHUTTLE INC.

INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

| Investee Company                                | Main Businesses and Products    | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015 | Net Income (Loss) of the Investee | Ownership of Direct or Indirect Investment (%) | Investment Gain (Loss) (Note 3) | Carrying Amount as of December 31, 2015 | Accumulated Repatriation of Investment Income as of December 31, 2015 |
|-------------------------------------------------|---------------------------------|-----------------|----------------------|---------------------------------------------------------------------------------|---------------------|--------|-----------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------|---------------------------------|-----------------------------------------|-----------------------------------------------------------------------|
|                                                 |                                 |                 |                      |                                                                                 | Outward             | Inward |                                                                                   |                                   |                                                |                                 |                                         |                                                                       |
| S.C.M.                                          | Selling of computer peripherals | \$ 55,617       | (Note 1)             | \$ 55,617                                                                       | \$ -                | \$ -   | \$ 55,617                                                                         | \$ (10,719)                       | 100                                            | \$ (10,719)                     | \$ 461                                  | \$ -                                                                  |
| S.C.Q.                                          | Selling of computer peripherals | 32,010          | (Note 1)             | 32,010                                                                          | -                   | -      | 32,010                                                                            | 1,893                             | 100                                            | 1,893                           | 30,851                                  | -                                                                     |
| S.C.S.                                          | Selling of computer peripherals | 215,745         | (Note 1)             | 215,745                                                                         | -                   | -      | 215,745                                                                           | (117,359)                         | 100                                            | (117,359)                       | -<br>(Note 8)                           | -                                                                     |
| KAKI (Note 6)                                   | Selling of computer peripherals | 57,125          | (Note 1)             | 43,024                                                                          | -                   | -      | 43,024                                                                            | -                                 | 75                                             | -                               | -                                       | -                                                                     |
| Shanghai Wiwin Information Technology Co., Ltd. | Selling of computer peripherals | 24,983          | (Note 2)             | -                                                                               | -                   | -      | -                                                                                 | (2,342)                           | 30                                             | -<br>(Note 4)                   | -                                       | -                                                                     |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015 (Note 7) | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 5) |
|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| \$375,336                                                                                        | US\$16,750,000                                               | \$3,853,993 × 60% = \$2,312,396                                                            |

Note 1: Investments were through a holding company registered in a third region.

Note 2: Investments were through S.C.S.

Note 3: The investee companies were calculated on audited financial statements for the same period.

Note 4: S.C.S. recognized impairment loss on its investments in Shanghai Wiwin Information Technology Co., Ltd.

Note 5: Subject to 60% of net asset value of GUC according to the revised "Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission.

Note 6: KAKI cancelled the registration and started liquidation in September 2014, but as of December 31, 2015, the liquidation has not been completed.

Note 7: Including investment of \$7,621 thousand and \$21,319 thousand which was not returned by the liquidated company - Shuttle Computer (Shanghai) Incorporation Limited and Shuttle Technology (Shenzhen) Ltd., respectively.

Note 8: The accumulated book value of S.C.S. had a credit amount of \$27,615 thousand as of December 31, 2015 and was classified as other liabilities.